Royal Wessanen nv

Nurturing the seeds of growth

Annual Report 2006

Royal Wessanen nv has a well-established reputation for supplying its markets with food products that meet the highest standards of purity and authenticity.
In 2006, we successfully pursued our corporate objectives by launching new products and services that are broadening our customer base, enable us to cross-sell into different national markets, and increase volume throughout our distribution chain.

Key business highlights

Financial performance

in EUR millions, unless stated otherwise

Royal Wessanen nv	2006	2005
Revenue	**1,590.3**	1,691.1
EBITAE	**56.8**	54.5
EBIT	**42.2**	24.9
Profit (net of income tax)	**32.0**	25.0
Earnings per share (in EUR)	**0.45**	0.35

North America Branded		
Revenue	**134.7**	134.1
EBITAE	**13.5**	12.7
EBIT	**12.2**	10.4

North America Distribution		
Revenue	**862.5**	962.8
EBITAE	**5.7**	3.8
EBIT	**(10.6)**	(18.7)

Europe Branded		
Revenue	**434.0**	437.6
EBITAE	**39.8**	41.3
EBIT	**40.5**	38.4

Europe Distribution		
Revenue	**135.5**	131.6
EBITAE	**6.6**	5.9
EBIT	**6.6**	5.3

Operational highlights

March – Bio Slym S.r.L., a high-quality soy milk producer based in the Mantova region of Italy, was acquired for EUR 3.4 million in cash.

March – Wessanen bought the remaining 29.3% of Natudis BV, a key part of the company's European Distribution business, for a consideration of EUR 9.0 million. Prior to the acquisition, Wessanen already owned 70.7% of Natudis BV.

March – Mr. Han Wagter was appointed Chief Financial Officer, succeeding Mr. Doede Vierstra. He was appointed as a member of the Executive Board by the Annual General Meeting in April 2006.

April – Mr. Richard Lane was appointed President and Chief Executive Officer of Wessanen North America, succeeding Mr. Alec Covington.

April – Mrs. Marie-Christine Lombard was appointed as a member of the Supervisory Board.

April – The Annual General Meeting approved the discontinuation of administration of share certificates. As a result, all certificates will be converted to ordinary shares.

September – Wessanen published its first annual Sustainability Report.

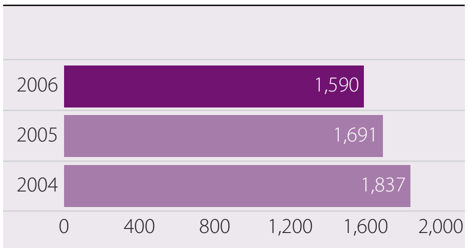
December – As part of the divestment process of Wessanen's Private Label activities, consisting of the subsidiary companies Dailycer and Delicia, Wessanen received a binding offer of EUR 104 million from One Equity Partners.

Contents

Financial highlights

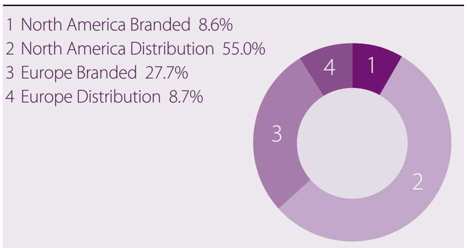
Revenue[1]

in EUR millions



Revenue[1] by business segment[2]

in %



Revenue[1]

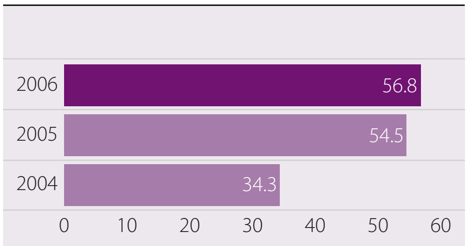
change from 2005

-6.0%

-5.0% at constant exchange rates

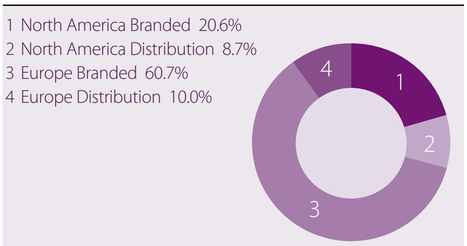
EBITAE[1]

in EUR millions



EBITAE[1] by business segment[3]

in %



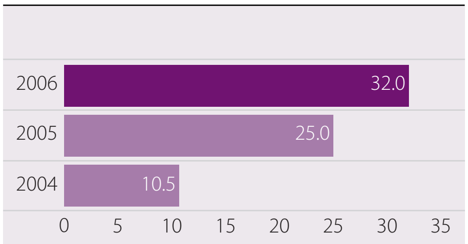
EBIT[1]

in EUR millions; 69.5% change from 2005

EUR 42.2

Profit for the period attributable to equity holders of Wessanen

in EUR millions



1 Continuing operations only
2 Excluding non-allocated revenue
3 Excluding non-allocated revenue and (corporate) expenses

Financial highlights

in EUR millions, unless stated otherwise	2006	2005
Income statement		
Revenue	**1,590.3**	1,691.1
EBITAE	**56.8**	54.5
Exceptional items (before income tax)	**(14.6)**	(29.6)
Operating profit (EBIT)	**42.2**	24.9
Profit after income tax from continuing operations	**28.2**	16.7
Profit after income tax from discontinued operations	**5.4**	9.9
Profit for the period	**33.6**	26.6
Profit for the period attributable to equity holders of Wessanen	**32.0**	25.0
Cash flow		
Net cash from operating activities	**35.3**	51.9
Net cash from investing activities	**(26.3)**	(8.0)
Net cash from financing activities	**(3.1)**	(60.4)
Balance sheet		
Total assets	**950.7**	981.4
Shareholders' equity	**469.7**	484.1
Net debt for continuing operations	**128.6**	123.0
Net debt, total Group	**130.7**	123.4
Ratios		
EBITAE as % of revenue	**3.6%**	3.2%
Operating profit (EBIT) as % of revenue	**2.7%**	1.5%
Solvency ratio (shareholders' equity divided by total assets)	**0.5**	0.5
Interest coverage ratio (EBITDAE divided by net interest)	**8.0**	12.2
Financial information per share (in EUR)		
Equity attributable to equity holders of Wessanen	**6.56**	6.84
Profit for the period attributable to equity holders of Wessanen	**0.45**	0.35
Dividend	**0.65**	0.65
Highest share price	**14.03**	14.38
Lowest share price	**9.60**	9.59
Share price at year end	**10.25**	12.81
Other key data		
Average number of shares outstanding (in thousands)	**71,217**	70,516
Number of shares outstanding at year end (in thousands)	**71,623**	70,806
Average number of employees for continuing operations (in FTE)	**5,522**	6,049
Number of employees for continuing operations at year end (in FTE)	**5,380**	5,665

Message from the President and CEO

The new Wessanen is geared for growth and well positioned to generate a sustainable stream of results that will benefit all of our stakeholders.

Dear Shareholder,
In 2006, management attention was focused primarily on pursuing product and service innovations to enable growth. In parallel, we continued to implement a range of initiatives to reduce costs, enhance service levels and improve efficiency.

We have a clear corporate objective: to be the leading transatlantic company for branded authentic Health and Premium Taste foods.

And we have a clear strategy for growth: to pursue the concept of authenticity throughout our business, and leverage our market knowledge and drive for innovations in order to grow sales in the Health and Premium Taste foods both in Europe and North America.

As we reached the end of 2006, the new Wessanen was fully formed and in three of our four business areas (North America Branded, Europe Branded and Europe Distribution) we achieved first top-line growth in the second half of this year.

We continued to strip out inefficiencies and excess costs, particularly in Tree of Life North America, helping to continue the transformation of Wessanen into a modern, dynamic and international company. This process has been strengthened significantly by the implementation of robust management systems and processes that are designed to maintain our corporate commitment to continuous improvement and business excellence.

In March, we acquired Bio Slym S.r.L., an Italian company that produces high-quality soy milk, a product which we have defined as a key future growth category. Bio Slym's acknowledged expertise in this area will help us to make greater use of soy milk in our product development efforts. We also took the opportunity to acquire the remaining 29.3% of the shares of Natudis BV.

In 2006, the central task for our European and North American Branded businesses has been to seek out new products, which we can bring rapidly to the market. And the results on both sides of the Atlantic have become encouraging.

We also have revitalized local brands, and expanded their reach into other national markets. And we are well-placed to capitalize on the growing trend among mainstream grocery consumers to look for healthy and tasty products that previously appealed primarily to the specialist health food consumer.

We continue to populate our innovation pipeline with new products that have been carefully chosen on the basis of their marketability. But building larger-scale sales volume takes time. The new products must be supported while they are finding acceptance in the trade and amongst consumers – which is why we have significantly increased our advertising and promotional spend and will continue to do so.

Innovation is also a key factor in our Distribution business, where we are constantly looking for ways to improve service levels and logistics efficiency.

For example, the introduction of the Slim4 sales forecasting and inventory management system at Tree of Life UK has improved service levels to 96%. Ultimately, the system will enable the company to reduce stock levels – and hence inventory costs – while maintaining or further improving service levels.

Slim4 is now in use at Wessanen Nederland, Tree of Life UK and Distriborg, and plans are well advanced to roll out the system in all our European operating companies. As well as achieving heightened efficiency, it will give all our companies a common working method, which in turn will contribute to continuity and consistency in stock management throughout our European operations.

Across the Atlantic, Tree of Life North America concentrated on achieving excellence, both in the conventional disciplines of buying, logistics and in-store execution, and in the application of category management through its Smart Assortment^{sm} neighborhood marketing system.

Tree of Life North America is now operating at a high level of efficiency. However, its ability to generate appropriate profit levels is being delayed by a shortfall in volumes. It is actively pursuing a number of contracts, both larger and smaller, in order to start growing. Early 2007 first successes have been achieved, so we anticipate that Tree of Life North America will gradually resume its important role as an appreciated profit center for the Group as a whole.

The publication of our first Sustainability Report in September was an important milestone for Wessanen. At a strategic level, we are guided by a commitment to authenticity in all aspects of our operations. But without transparency there can be no true authenticity – and the Sustainability Report represents a significant corporate commitment to the principle of transparency.

We are conscious that we have a responsibility to all our stakeholders, and that we have a duty to ensure that their interests are kept in balance. The Sustainability Report gives us the opportunity to demonstrate how we are performing in that respect.

I would like to take this opportunity to thank all colleagues, who work at Wessanen for their diligence and hard work this year. The success of our company depends on their ability to convert our strategy into an effective revenue-generating system, and they have shown resolve and character during our journey to achieve our longer term goals.

I would also like to thank our broader circle of stakeholders for continuing to support Wessanen. We recognize our responsibilities, and are committed to repay your trust by operating as a good corporate citizen.

By any measure, Wessanen is a stronger, fitter, leaner company than it was three years ago.

The challenges before us now are to maintain a pipeline of new products that fulfill the criteria of authenticity in Health and Premium Taste foods, and to pursue the goal of absolute excellence in distribution services. In this Annual Report, you will be able to read about how we are transforming these aspirations into reality, in both the product and distribution areas, on both sides of the Atlantic.

As we move into 2007, Wessanen is geared for growth. All our assets – people, products, services, systems, processes and facilities – are well positioned to generate a sustainable stream of results that will benefit all our stakeholders.

Ad Veenhof
President and CEO
Royal Wessanen nv

Wessanen in brief
Who we are, what we do

Royal Wessanen nv is a multinational food corporation based in the Netherlands. We earn our revenues by producing, marketing and distributing high-quality natural and specialty food products in North America and Europe.

Our mission is to be the leading transatlantic marketing and distribution company for branded authentic Health and Premium Taste foods.

Health foods

What are they
We define Health foods as those which contain pure ingredients that are cultivated in an environmentally clean and sustainable manner (organic), contain no artificial additives and have undergone little or no processing (natural), or are exclusively derived from vegetable sources (vegetarian).

Where do we sell them
Health foods are sold through specialist neighborhood stores, where our brands command trust and respect thanks to our reputation for purity and authenticity. In recent years, demand for natural healthy foods by mainstream consumers has provided us with the opportunity to grow sales of Health foods in supermarkets, general grocery stores and other food outlets.

Premium Taste foods

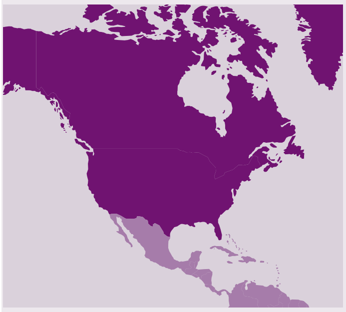
What are they
Foods in the Premium Taste category are distinguished by their special, ethnic or exotic origins, unique high-quality ingredients and gourmet taste. For Premium Taste foods, the origin is of key importance, as it is regarded as the basis for quality and authenticity.

Where do we sell them
Premium Taste brands used to be sold through specialist ethnic stores, but the growth of interest in these exciting recipes and flavors has opened new channels to market, including supermarkets, general grocery stores and other food outlets.

Wessanen in brief
Where we do it – our markets

We operate in North America and Europe, with both branded and distribution businesses on each continent.

North America



North America
Our North American operations generated 63.6% of total Group revenues[1] in 2006. The principal operating company in North America is Tree of Life, with headquarters in St. Augustine, Florida. We employ approximately 3,600 people in North America.

Branded

Our North American Branded business comprises two main subsidiaries, Liberty Richter and American Beverage Corporation. Liberty Richter manages a stable of over 30 small Premium Taste and natural food brands. American Beverage Corporation is the third largest US producer of bottled non-carbonated drinks. It has three brands: Daily's (cocktail mixes), Hugs (juices) and Twin Mountain (spring water). The customer base of both companies includes supermarket chains, mass merchandisers, independent grocers, natural/health food stores and specialty/ethnic stores.

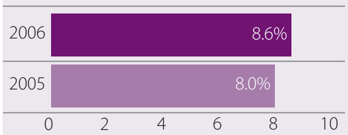
Distribution

Tree of Life North America distributes natural and Premium Taste food products throughout the US and Canada. As well as its own range of natural and health foods, it primarily distributes a large number of proprietary brands to supermarket chains, independent grocers, natural/health food stores and specialty/ethnic stores. Its nationwide network operates through three regions, with 12 distribution centers across the US. It also maintains distribution centers in Western and Eastern Canada.

Revenue
in EUR millions

134.7

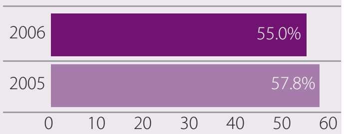
North America Branded
in % of Group revenue



Revenue
in EUR millions

862.5

North America Distribution
in % of Group revenue



Europe

Europe
Our European operation serves the markets of Belgium, the Netherlands, Luxembourg, France, Germany, the UK and Italy. It accounts for 36.4% of Wessanen's total revenues[1]. We employ approximately 1,600 people in Europe.

Branded

Our European Branded business covers the operations of Allos, Tartex/Dr. Ritter, Wessanen Nederland, Wessanen België, Distriborg, Righi, Kallo Foods and Bio Slym. These companies manufacture and/or market a wide range of Health food and Premium Taste brands, which are sold to consumers via health food stores, independent grocers, supermarkets and other food and catering outlets.

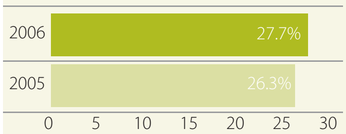
Distribution

In Europe, our distribution companies provide a route to market for our own Health and Premium Taste brands as well as other proprietary brands which need to reach either the mass market or specialist health food stores. Our distribution companies are Distriborg, Natudis and Tree of Life UK. The first two companies serve retailers in France, the Netherlands, Belgium and Luxembourg. Tree of Life UK undertakes the same role in the UK marketplace.

Revenue
in EUR millions

434.0

Europe Branded
in % of Group revenue



Revenue
in EUR millions

135.5

Europe Distribution
in % of Group revenue

[1] Continuing operations only, excluding non-allocated revenue

Wessanen in brief
Our organization

Wessanen has subsidiaries both in North America and in Europe and has a long list of own Brands and Brands in Distribution. This page gives a summarized overview of the Wessanen organization.

Royal Wessanen nv

North America Business

Subsidiaries

Tree of Life NA
American Beverage Corporation
Liberty Richter

Own brands[1]

Daily's
Hugs
Tree of Life
Sesmark
KA-ME
Soya kaas
Amore
MI-DEL

Brands in distribution[1]

Celestial
Terra Chips
Amy's
McCormick
Nestlé
Twin Lab
Organic Valley
Tom's of Maine
Reese
Nature's Way
Knorr
Kettle Chips

Europe Business

Subsidiaries

Wessanen Nederland
Wessanen België
Natudis
Kallo Foods
Tree of Life UK
Distriborg
Righi
Bio Slym
Allos
Tartex/Dr. Ritter

Own brands[1]

Zonnatura
Beckers
Bjorg
Gayelord Hauser
Kallo
Whole Earth
Bonneterre
Righi
De Rit
Molenaartje
Tartex
Merza
Dr. Ritter
Allos

Brands in distribution[1]

Avalon
Terra Chips
Maille
D&L
Krisprolls
Patak's

[1] Not limitative

Innovation at work

Transforming strategy into reality: how Wessanen is turning great ideas into products and services that generate benefits for all our stakeholders.

In Texas, Tree of Life proved conclusively that its Smart Assortment℠ marketing service can significantly improve sales revenues for its retailer customers.

Local knowledge

In the summer of 2005, Tree of Life's Southwest Region sales team identified an opportunity to utilize its Smart Assortment℠ capability to grow its business with a large retail chain in Texas.

The Smart Assortment℠ marketing service (SAMS) is a method of defining product assortments that are specifically tailored to the needs of individual retail stores. The data-driven system is based not only on the retailer's strategy and store format but also on the demographics and lifestyle characteristics of the neighborhood around the store.

Tree of Life was already selling to the retailer, but the majority of its business with the account was focused on a single category – specialty/gourmet. The Tree of Life sales team identified that there was tremendous potential for sales growth in the multi-cultural foods channel – but several smaller, regional distributors were already supplying that segment. Convinced that Tree of Life could provide greater value to the retailer by managing his multi-cultural categories, the Southwest sales team began working to win the business.

Enlisting the help of Tree of Life's Multi-Cultural Category Management group, the team began a brainstorming process to identify a single category opportunity that would clearly demonstrate the benefit of using Tree of Life to supply all the retailer's ethnic food needs. Category management singled out the large and rapidly growing Asian Indian population in Houston and Dallas as an ideal opportunity for growing the customer's business and to showcase Tree of Life's capabilities in assortment optimization.

During the assignment, the SAMS team analyzed the neighborhoods around all the retailer's stores and identified the sales potential and projected demand for the Asian Indian product segment. The Category Management team then developed optimal product assortments designed to appeal to the Asian Indian population living near each of the retailer's stores. Their recommendation was very well received by the retailer, who asked Tree of Life to implement Asian Indian assortments in each of the 84 stores currently supplied by the other distributors.

Performance of the new assortment was monitored and measured by the retailer, using his own preferred metrics: total units sold, total US dollars sold, retail margin US dollars, and retail margin percentage. All of these metrics were to play an important role in the chain's decision to transfer future business to Tree of Life.


Smart Assortment Marketing Service

It's simple.

Our Smart Assortment Marketing Service is grounded on the simple principle that food marketing is truly all about the consumer. With information derived from syndicated data services including SPINS, our own proprietary national and regional sales data, key consumer trend reports and the hands on expertise of our category management team, Tree of Life can help you create a product assortment and merchandising plan that is tailored to your unique location and customer base.

It's factual.

The Smart Assortment Marketing Service evaluates all the characteristics specific to your store and its environment.

- Your retail strategy/focus
- Store location
- Store size and format
- Neighborhood demographics
- Lifestyle influences
- Local trade area scan (competitors, schools, churches, etc.)
- Relevance of current category and product mix

It's smart.

Let the Smart Assortment Marketing Service team develop an optimal product assortment recommendation, backed by the relevant data, customized to your store and your shoppers. Put Tree of Life's Smart Assortment Marketing Service to work for you, and optimize your store's sales potential.

For more information about Tree of Life's Smart Assortment Marketing Service, please call 800-260-2124.

A review of the key performance data metrics for a period of 39 weeks after implementation demonstrated substantial improvement in both sales and profits compared to the old assortment for the same period in the previous year.

It was clear that Tree of Life's optimized assortment resulted in significant gains in all of the metrics important to the retailer's business and better met the needs of the Asian Indian consumer.

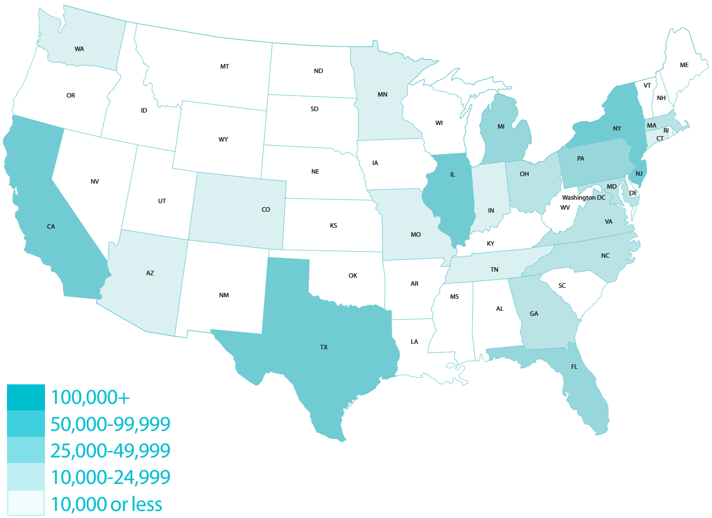
The positive results achieved for this large Texas retailer are only a single example of the value that Tree of Life's Smart Assortment℠ and category management process creates for its customers. Other Smart Assortment℠ projects already in development could potentially impact the category sales growth of thousands of other retail stores across the US.

Key performance data metrics

39 weeks after implementation

39 weeks	Tree of Life	Old supplier	Gain	Gain %
Units	65,183	52,788	12,395	23.48%
Sales USD	208,089	139,859	68,230	48.78%
MU USD	55,323	32,926	22,397	68.02%
MU %	26.59%	23.54%	3.05%	

Indian-American population 2006



Right products, right location

With the Smart Assortment℠ marketing service, we can provide retailers with product assortments that are precisely tailored to the neighborhood's demographics.

The essence of France

Bonneterre works closely with small-scale regional producers where recipes are still prepared the traditional way.

Bonneterre is a leading organic gourmet brand in France. Now, a new initiative has exported the true taste of France to the UK, Belgium, the Netherlands and Germany.

Bonneterre is one of the largest organic food brands in France. Its gourmet products are distributed through health food stores, where it is market leader with 10% share. It is a well-established brand with a strong brand heritage and a proud reputation as a specialist in French organic gastronomy.

It is, without doubt, one of Wessanen's most authentic brands, representing the embodiment of the French culinary arts. Its products are pure, genuine and closely linked to their source.

Bonneterre's products have been developed in close association with small-scale local producers whose recipes are still prepared the traditional way, thus helping to preserve the heritage and traditions of French country cooking.

Bonneterre itself has stayed close to its original purpose: finding and preparing the best organic gourmet products. Its key drivers are a passion for authentic flavors and respect for locally-sourced recipes that have been handed down from generation to generation.

These qualities, which are a perfect fit for Wessanen's authenticity strategy, made Bonneterre an ideal brand for a major development project.

The project team identified a potential Bonneterre customer group which they call 'cultural creatives'. These consumers are constantly looking for authenticity in their food. They believe that organic origin is the base for great taste. They search for inspiration and experiences in taste and cooking. They travel, eat out, and are always keen to try new styles of cuisine. For 'cultural creatives', the experience of great food becomes more important than the product itself.

But the real opportunity for Bonneterre was to explore its potential outside the French-speaking regions where its commercial appeal is already proven.

A team of European marketers was formed to introduce Bonneterre to Europe. The brand positioning and product concept were sharpened to align with European consumer insights, while focusing strongly on authenticity and the brand's French heritage.

A range of premium gourmet products, including spreads, mustards and vegetable ragouts, was selected for the project.

Based on the new brand positioning, a completely new packaging design was created for the European launch. Secondly, the flavors were brought into line with European expectations of French cuisine, while ensuring the French original recipe was maintained.

In October 2006, the new Bonneterre range, comprising 12 specialty gourmet products, was launched simultaneously in Germany, the UK, the Netherlands and Belgium. The launches were supported by carefully orchestrated in-store promotional events, aimed at building a strong Bonneterre brand image in the new markets. Personal attention in the introduction phase has been crucial: creating the French atmosphere in-store, story-telling on product and region, tasting sessions and product placement in premium displays have all played a role, as has the involvement of committed health food store staff.

Two months after introduction, the European sales target 2006 was exceeded by 40%.

Moving into Europe
The new Bonneterre range of gourmet products was launched in Germany, the UK, the Netherlands and Belgium.

The US Asian brand KA-ME has opened a new stream by leveraging its reputation for authenticity.

Brand breakout

KA-ME is firmly established as the leading brand of specialty pan Asian food products in the US consumer market, offering a broad range of sauces, crackers, seasonings and marinades.

But this wasn't enough for Liberty Richter, the Wessanen operating company which manages KA-ME. They wanted to expand the brand's horizons, leveraging its reputation for authenticity to enter new markets with new products.

The KA-ME team recognized that busy US consumers want authentic Asian flavors without long preparation times. But there were already products on the US market that combine Asian flavors and convenience. So the team set themselves the task of finding a genuinely innovative way to fulfill the perceived consumer demand.

Their solution was the KA-ME Noodle Box Meal – a complete authentic Asian noodle dish that is ready to eat in just two minutes.

The product consists of fresh-packed, not dried, noodles, so they retain their authentic flavor and shape, and a separately packaged sauce that contains fresh vegetables. The consumer simply pours the contents of both pouches back into the box (no water needed) and microwaves for two minutes.

They tested the pan Asian meal concept with consumer focus groups, and used the findings to gain a better understanding of preferred flavor profiles, brand recognition and likelihood to buy.

The product concept was further refined through a distinctive approach to packaging. The Noodle Box Meal is packaged in a microwaveable 'Chinese Take-Out' style container, with bold graphics and high-quality photography.

The Noodle Box Meal concept achieved immediate success, and the product range has since been expanded to include three rice dishes as well as six noodle dishes.

The key factors behind this success are consumer insight, innovation and authenticity. The consumer insight was the recognition that lovers of Asian food wanted convenience as well as authenticity, but only a brand with a strong heritage of providing genuine Asian ingredients could make this breakthrough.

The Noodle and Rice Box Meals have been the most successful product that the KA-ME team has ever launched. In 2006 sales grew excessively.

Perhaps more importantly, the new products have enabled Liberty Richter to grow the KA-ME brand as a whole, both by entering new markets and increasing sales in existing markets.

The Noodle Box Meal
The product range was expanded to include three rice dishes as well as six noodle dishes.

US consumers are looking for balance. They want to maintain a busy lifestyle – but without sacrificing exciting eating experiences.

Creating a stir

Daily's, makers of America's finest cocktails and mixers, are shaking up the market with new twists on classic themes – and it's paying off.

A fine art
Daily's has delivered innovation in both the ready-to-drink and non-alcoholic cocktail sectors.

Daily's Cocktails and Mixers, America's premium brand of non-alcoholic mixers and ready-to-drink cocktails, is constantly looking to achieve growth that outstrips conventional levels. In pursuit of this objective, American Beverage Corporation, the brand's owner, embarked on a dual strategy of product innovation and channel focus.

Product innovation
The brand managers developed product innovations in both the non-alcoholic and ready-to-drink segments.

The ready-to-drink line, marketed under the 'Cool. Convenient. Cocktails.' tagline, consists of two packaging formats, each targeted at meeting different consumer needs. One line, available in a 1.75-litre box, featured the popular Margarita, classic Cosmopolitan and trendy new Appletini and Mangotini flavors as well as the industry's first ready-to-drink Bloody Mary. The other line, in a 10oz 'freeze and enjoy' pouch, featured Daily's two best-selling flavors, Margarita and Strawberry Daiquiri.

Both lines were rolled out nationally, supported by promotional insertions in major women's magazines, internet advertising targeted to women, sampling in retail stores and an exciting contemporary website sweepstake.

Daily's non-alcoholic mixers, now with new premium packaging and four new flavors, showed strong growth from increased channel penetration. Two flavors, Pomegranate and Cosmopolitan, were developed to capitalize on the popular flavored martini trend sweeping America. Mango Daiquiri and Mojito reflect the influence of the Caribbean and trendy south Florida on consumers nationwide.

Channel focus
Channel focus, Daily's second major strategic initiative, began with the selection of the on-premise channel (resorts, bars and restaurants) as the focus of the brand's efforts to expand distribution and increase consumer consumption. In conjunction with a strong selling effort, the brand undertook an internal evaluation of the current product portfolio. The goal: to be the 'Best in Class'.

With the help of the industry's leading mixologists, Daily's top three flavors (Strawberry Daiquiri, Margarita and Pina Colada) were all reformulated, and new processing methods were developed. The relationships with these mixologists will be leveraged in the development and formulation of exciting new non-alcoholic flavors. In 2007, the company plans to launch a range of new flavors in the ready-to-drink segment.

To support the channel focus, Daily's hosted the first 'Mix University' summit. This innovative event brought together key on-premise customers, industry experts and distributors for seminars on how best to use cocktail mixers to fuel growth. The event also provided an opportunity to demonstrate the 'Daily's Difference', a customer growth strategy based on a premium quality philosophy combined with authentic ingredients and industry expertise. This unique industry event was very well attended and survey respondents agreed that 'Mix U', was a valuable experience.

As a result of the two-pronged strategic approach to growing the business, Daily's grew its total sales by more than 25% compared with the previous year.

The plan for 2007 is to continue to devise innovative new products that expand usage occasions and packaging formats to satisfy consumers' evolving needs for new exciting drink experiences along with a channel focus will continue to drive aggressive growth.

Daily's new Mango Daiquiri and Mojito cocktails reflect current nationwide consumer passion for Caribbean influences.

Direct deliveries

A thorough re-organization of the distribution system to health food stores in the Benelux countries has generated benefits for Wessanen, its customers and the environment.

At the beginning of 2004, Wessanen's system for supplying the health food sector in the Benelux countries was complex and unwieldy. It relied on three warehouse locations – two in Belgium and one in the Netherlands – and three separate companies: Hagor, BioService and Natudis.

Natudis, based in central Holland, was a major supplier to BioService's warehouse in Western Belgium and also to Hagor's warehouse in central Belgium. To make matters more complicated, Hagor distributed fruit, vegetables and chilled/frozen products, while BioService distributed fresh bakery products.

There was also a 90% overlap in Hagor and BioService's customer base, and a 60% overlap of stock-keeping units between the Belgian and Dutch markets.

It was clear that the system needed a radical re-organization, and a major project was launched to create a new distribution network that would not only be more efficient but would also deliver economies of scale and, importantly, better customer service standards.

After careful consideration of the options, senior management accepted the project team's recommendation for a new approach to health food sector distribution. The two-stage plan involved closing the BioService operation in Western Belgium, and transferring all warehousing activities to Natudis' high performance logistics center at Harderwijk in the Netherlands. Hagor's warehouse at Lubbeek in central Belgium would be transformed into a cross-docking platform. Daily shuttle services would run between Harderwijk and Lubbeek where goods would be trans-shipped for onward distribution to health food customers throughout Belgium and Luxembourg.

The distribution of fresh bakery products, fruit and vegetables and chilled/frozen products was stopped due to the fact that these relatively low-margin products were a highly complicating factor in the logistics. By removing them from the range and concentrating solely on ambient temperature products, a significant number of journeys could be eliminated.

In parallel with these moves, a new IT control and monitoring system was installed and transportation is now outsourced.

The process of implementing the first stage of the plan was carried out in 2004. The second stage involved outsourcing the cross-docking platform at Lubbeek and all the onward transport services associated with it. It was finally completed at the beginning of 2006, when a logistics service provider was appointed to handle distribution activities for Belgium and Luxembourg.

"The results have been very satisfactory," says Geert Reynders, Vice President Logistics, Europe. "We have been able to reduce the overall transport kilometers by about 40%, which has implications both for our cost base and for our reputation as a company keen to pursue sustainability. We have also been able to improve the efficiency of our warehousing operation, and enhance the service level to our customers by at least 4%. The efficiency and relative simplicity of the new distribution system is already paying off, and it will continue to stand us in good stead in the future."

Rationalizing the supply chain
A project to simplify the supply chain for health food stores in the Benelux resulted in lower costs and improved service levels for customers.

Improved logistics
Close control of stock levels at the warehouse maximizes efficiency with additional benefits in terms of cash flow.

Report of the Executive Board

By the end of 2005, Wessanen's restructuring of the European businesses and the North America Branded division had been completed.

During 2006, management emphasis shifted to identifying and pursuing potential for growth throughout our operations, both organically and where appropriate through acquisitions. The restructuring of the North America Distribution business was another key point of focus for Wessanen and has been completed by the end of this year.

The 'new' Wessanen is a leaner, more focused organization, benefiting from a lower cost base, advanced process and quality management systems, a portfolio of interesting brands, competitive distribution systems, and a team of experienced managers determined to find and nurture opportunities for growth.

North America
The branded business in North America achieved growth as from the second quarter of the year, driven forward by successful new product launches at Daily's, KA-ME and MI-DEL. Apart from a number of temporary setbacks, the branded business has performed well. The new product innovations have been well received by the trade and consumers alike, offering the prospect of higher sales and margins in the future.

The North America Distribution business continued to roll out its successful Smart Assortment^{sm} marketing service. It also established a menu-based pricing system for mass market customers, which will subsequently be launched in a form that is specifically tailored to the needs of the independent retail channel.

The Distribution business continued to refine the efficiency of its operations and logistics. This process concentrated on deleting SKUs related to contracts that were terminated earlier.

Following the restructuring, Tree of Life North America has become a highly efficient distributor, exercising tight control over its costs. However, due to discontinued contracts and pressure on the existing natural food store base, it has not yet reached the volume that it needs to generate solid profit. Once the volume is restored, it clearly has the potential to deliver good returns to Wessanen's bottom line.

Europe
Our Europe Branded business showed gradual steady progress in the second half of the year.

The emphasis has been firmly on developing a sustainable pipeline of new products and reinvigorating brands. For example, the Tartex brand, which specializes in natural organic foods, has been a market leader in Germany for many years. In late 2005, we launched a project to refresh the flavors in its product range and to modernize the packaging design. The goal is to broaden the brand's appeal. Simultaneously, we are launching the brand into the Benelux, French and UK markets.

A similar exercise is being undertaken to refresh the appeal of the Bonneterre and Allos brands. Beckers has recently introduced a range of adventurous and innovative premium snacks alongside its traditional range.

In the UK, Whole Earth redesigned its packaging and repositioned the brand to take advantage of strong demand from mainstream retailers for organic products. Authenticity remains at the heart of the brand but the new look is fresh, modern and accessible. The retail trade – including the powerful supermarket chains – reacted favorably to the new positioning and the brand achieved double-digit sales growth.

Tree of Life UK grew sales and enhanced its position as the leading wholesaler to the health food trade. In the second half, the appointment of a new direct sales team resulted in larger customers signing exclusive agreements for all their distribution. Tree of Life also successfully developed its portfolio of Wessanen brands, including Bonneterre and Allos. The company achieved accreditation to the ISO 14001 standard during 2006.

Bjorg, the leading brand in organic food in France, doubled its net sales growth compared to 2005. The primary driver of growth was the extension of its soy franchise to savory snacks, cooking sauce and breakfast cereals.

Zonnatura has maintained its strong position in the health sector. As consumer demand for healthy and natural products grows, innovations such as the Kikker range of healthy products for children, introduced in 2005, have shown excellent progress.

Natudis showed consistent growth again. Driven by greater activity and demand from health food stores as well as innovation in wholesale products and its own brands, Natudis extended category management and retail services to improve assortment and in-store presentation. Business processes have been further enhanced and the company is now accredited to both ISO 9001 and ISO 14001 standards. The company expects further healthy growth in 2007.

Mergers and acquisitions
As well as seeking organic growth by developing our existing brands and distribution systems, Wessanen also looks for opportunities to grow through mergers and acquisitions.

Following the successful incorporation of Italian food producer Righi into the Wessanen family in 2005, we continued to search for further possible opportunities in 2006.

In March we acquired Bio Slym, an Italian company whose core business is the production of high-quality soy milk. As part of our ongoing product strategy, we have identified soy as a key growth category. At present, Bio Slym is in the process of being integrated within the European structure.

In the spring, we also acquired 100% ownership of Natudis BV by buying the remaining 29.3% of the company's shares. Natudis is a leading supplier and distributor of branded health and natural food products in the Benelux.

Sustainability
As a company, we are committed to making our contribution to sustainable development in all of our activities. We continuously balance the interests of our stakeholders in economic, social and environmental issues to minimize our impact on the environment.

In September, we achieved an important milestone – the publication of our first Sustainability Report. To optimize transparency, the document was prepared in accordance with the 2002 Global Reporting Initiative Guidelines.

The Report (full version available at www.wessanen.com) represents a measure of our environmental, social and economic performance. Its primary purpose is to provide all our stakeholders – consumers, employees, business partners and shareholders – with a factual insight into Wessanen's sustainability efforts, and to enable comparison with other companies in our industry.

The Report is an important element in our management approach. It brings to fruition a process which started with the adoption of a Sustainability Policy as part of the Company Code, and continued with the appointment in 2005 of a Sustainability Board.

The Report covers some 40 Wessanen sites, representing 99% of our revenue. Our operations are naturally aligned with sustainability because the business is largely concerned with promoting health and well-being through the production and distribution of authentic foods. The reporting process helped to identify areas for improving our performance. Our CO_2 footprint is not in itself a major cause for concern, but we believe there is scope for reducing it further.

As it is our first Sustainability Report, it lays down a benchmark against which we – and others – can judge our progress in succeeding years. Our 2006 Sustainability Report is scheduled for publication in June 2007.

Process excellence and innovation
In 2006 we made good progress in improving process excellence within the company.

We are pleased to report that we have achieved our goal for ISO 9001 – more than 90% of our people now work in Wessanen companies that have achieved the ISO 9001 quality management standard. By January 2007, the equivalent figure for the ISO 14001 environmental management standard was 75%.

These accreditations are just milestones on the journey towards process excellence. We will continue to pursue structured process improvements and to accelerate our progress as our capabilities grow over time. We are already seeing real improvements in our customer service levels, and in the design of processes to assist our focus on innovation. There are also improvements in our working capital, especially in our European operations.

In the immediate future, we are introducing initiatives to enhance the exchange of best practices across the company and to build programs that will strengthen the status and visibility of improvement teams working in each of our operating companies.

Abolition of certification
In April, as a final step in the alignment of Wessanen's corporate governance with the Dutch Corporate Governance Code ('Tabaksblat Code'), the Annual General Meeting of Shareholders approved the proposal to grant unlimited proxy voting at all times. As a result of this decision, share certificates have been eliminated. The protective character of 'Stichting Administratiekantoor van aandelen Royal Wessanen' (better known as the Wessanen Trust) is effectively abolished and only ordinary Royal Wessanen nv shares will be traded on the Euronext stock exchange in Amsterdam. To comply with Dutch law, the Trust will remain technically active until mid 2008 and will then be dissolved.

Management appointments
Two important management appointments were made early 2006. Following the resignation of Mr. Doede Vierstra, our Chief Financial Officer, Mr. Han Wagter was appointed to succeed him. Mr. Han Wagter, a Chartered Accountant, has extensive experience as a senior executive operating in an international environment. He has served in various financial and general management positions, latterly as CFO of Kappa Packaging and DAF Trucks.

Mr. Richard Lane has been appointed as the new President and Chief Executive Officer of Wessanen North America. He succeeds Mr. Alec Covington. Mr. Lane has over 30 years' experience in the US food sales and distribution industry. He has worked for some of the leading US food companies, including PepsiCo, Frito-Lay and Ameriserve. He joins us from Supervalu, a grocery retailing and distribution organization where he was CEO of Supervalu's Eastern Region. We are confident that he can build further on the successful improvements at Tree of Life North America.

The Board would like to extend its thanks to Mr. Doede Vierstra and Mr. Alec Covington, and wishes them well in their future careers.

Report of the Executive Board

Ad Veenhof (1945)

President and Chief Executive Officer

Dutch nationality. CEO since July 2003. Prior positions include Member of the Group Management Committee of Royal Philips and CEO of Domestic Appliances and Personal Care (DAP) Product Division (1996–2003).

Han Wagter (1949)

Chief Financial Officer

Dutch nationality. Appointed CFO in April 2006. Prior positions include CFO of DAF Trucks and CFO of Kappa Packaging. Mr. Han Wagter is a Chartered Accountant.

Niels Onkenhout (1961)

Executive Board member for European activities

Dutch nationality. Board member since January 2004. Prior position was Executive VP of Philips Domestic Appliances and Personal Care (DAP) Product Division (1998–2003). Mr. Niels Onkenhout also worked in various marketing positions at Procter & Gamble (1987–1998).

Richard Lane (1947)

President and CEO North American activities

US nationality. Appointed CEO North America activities in April 2006. Prior positions include President of Supervalu's Eastern Region, leading a wholesale distribution organization Mr. Richard Lane has over 30 years' experience in food sales and distribution, including appointments with PepsiCo, Ameriserve and Frito-Lay. It will be proposed to the Annual General Meeting to be held on April 18, 2007, to appoint Mr. Richard Lane as a member of the Executive Board.

Financial achievements 2006[1]

Revenue for the year was EUR 1,590.3 million, 6% below last year (excluding foreign exchange effects of EUR 16 million negative, 5% below last year). Our European Branded and Distribution businesses and North American Branded Business were stable or achieved revenue growth, but this was more than off-set by lower revenue from our North American Distribution business.

EBITAE increased by EUR 2.3 million to EUR 56.8 million. At our European Distribution business and North American Branded and Distribution business, EBITAE as a percentage of revenue increased compared to 2005.

The branded divisions in North America and Europe report a return on sales of 10.0% and 9.2% respectively (target: 10%). With a target of 4%, the distribution operations achieved a return on sales of 4.9% in Europe, whereas North America Distribution improved from 0.4% in 2005 to 0.7% this year. North America Distribution's fourth quarter was by far the best quarter with a reported return on sales of 2.5%.

EBIT increased by EUR 17.3 million or 69.5% to EUR 42.2 million in 2006 (2005: EUR 24.9 million).

Primary working capital at the end of the year amounted to EUR 237 million – 14.9% of revenue (2005: EUR 280 million – 16.6% of revenue). A strong improvement was made in the US companies, where primary working capital declined by EUR 35 million (including a positive currency effect of EUR 18 million), mainly caused by the reduction of the stock levels of the North America Distribution division. The European companies continued to improve the primary working capital as well by EUR 8 million in 2006.

Cash generated from operations for the year increased to EUR 60 million positive (2005: EUR 33 million), mainly as a result of higher profitability and a lower net cash outflow from provisions. Net debt was EUR 129 million at year end 2006. Compared with year end 2005, net debt increased by EUR 6 million, including acquisition costs of EUR 12.4 million and a dividend payout of EUR 46 million. Currency movements on our US dollar borrowings decreased our borrowings in euros by 12 million for the year.

Exceptional items

Exceptional expenses before income tax of EUR 14.6 million in 2006 (2005: EUR 28.3 million) mainly related to restructuring initiatives in the North America Distribution division (including rationalization of SKUs ('Build on the Roots') and the Tree of Life NA organization) and were partly off-set by gains on sale of facilities and on curtailments of defined benefit plans.

The sale of facilities consists mainly of the sale of premises in the UK, the Netherlands and the US.

[1] Continuing operations only

Financial overview per segment[1]

in EUR millions, unless stated otherwise	North American business		European business			
	Branded	Distribution	Branded	Distribution	Non-allocated[2]	Total
2006						
Revenue before exceptional items	**134.7**	**862.5**	**434.0**	**135.5**	**23.6**	**1,590.3**
EBITAE	**13.5**	**5.7**	**39.8**	**6.6**	**(8.8)**	**56.8**
Exceptional items (before income tax)	**(1.3)**	**(16.3)**	**0.7**	**–**	**2.3**	**(14.6)**
ROS	**10.0%**	**0.7%**	**9.2%**	**4.9%**	**–**	**3.6%**
Average capital employed	**49.7**	**158.4**	**95.1**	**29.5**	**44.4**	**377.1**
ROI	**27.2%**	**3.6%**	**41.9%**	**22.3%**	**–**	**15.1%**
2005						
Revenue before exceptional items	134.1	962.8	437.6	131.6	25.0	1,691.1
EBITAE	12.7	3.8	41.3	5.9	(9.2)	54.5
Exceptional items (before tax)	(2.3)	(22.5)	(2.9)	(0.6)	(1.3)	(29.6)
ROS	9.5%	0.4%	9.4%	4.5%	–	3.2%
Average capital employed	49.1	176.2	86.3	28.4	29.9	369.9
ROI	25.9%	2.2%	47.9%	20.8%	–	14.7%

1 Comparatives adjusted for (dis)continued operations
2 Corporate costs and Karl Kemper Germany

Exceptional items[1] before income tax related to:

in EUR millions	
'Build on the Roots' (North America Distribution)	(10.1)
Other restructuring projects	(10.3)
Other exceptional expenses	(1.1)
Sale of facilities	4.5
Curtailment gains	2.4
Total	(14.6)

1 Continuing operations only

Earnings per share

Profit for the year attributable to equity holders of Wessanen before exceptional items is EUR 0.57 (2005: EUR 0.59). After exceptional items, the profit per share is EUR 0.45 (2005: EUR 0.35).

Subsequent events

In February 2007, Wessanen signed the agreement to sell its Private Label operations, including the activities of Dailycer and Delicia in the UK, France and the Netherlands, to the financial investor One Equity Partners for a total consideration of EUR 104 million. After amounts necessary for pension liabilities, debt, tax and costs, proceeds are estimated at approximately EUR 80 million. Completion of the transaction will be conditional upon approval by the competition authorities.

The proceeds of the divestment of the Private Label operations will partly be used for a share buy back program of EUR 50 million.

Operational targets 2007

- Achieve growth in all four business areas reaching by end of 2007 (running rate) the 5–7% target levels.
- Broaden and internationalize our brands and brand portfolio in the key product categories.
- Strengthen our distribution business via organic growth, new contracts and complementary consolidations.
- Achieve the strategic profit levels by end of 2007 (running rate) for Branded Europe and North America and Europe Distribution. Improve profitability of North America Distribution and continue working on a strategic profitability level of 3–4% with some delay.
- Further improve working capital and cash flow.

North American business

Wessanen's North American operations concentrate on branding, category management and value-added distribution services in the US and Canadian markets for natural and specialty foods. The North American group comprises two separate divisions: North America Branded, with a clear focus on marketing and branding, and North America Distribution, which focuses on excellence in the fundamentals of food distribution and category knowledge leadership.

Key figures North America business

in EUR millions, unless stated otherwise	2006	2005
Revenue	**997.2**	1,096.9
Revenue at constant exchange rates	**1,013.5**	
EBITAE	**19.2**	16.5
EBITAE margin (as a % of revenue)	**1.9%**	1.5%
Operating profit (EBIT)	**1.6**	(8.3)

Market trends remain favorable for both Health and Premium Taste foods

The North American market for health, premium taste and multicultural (ethnic) foods in all retail channels again showed significant growth in 2006. Total US retail sales of specialty food in 2005[1] were up over 15% from the previous year, and sales in 2006 continued to enjoy double-digit growth.

While the sales of specialty foods in supermarkets grew by 13.3% in 2005, sales of these categories in natural food stores grew by 33.1%, followed by sales in independent specialty food stores with growth of 29.6%. Sales in natural food stores and specialty food stores are growing more rapidly than mainstream markets because more consumers today are drawn to these alternative retailers and more of these types of outlets continue to open around the country.

Sales of natural and organic products in the US grew by 9.1% across all retail and direct-to-consumer sales channels in 2005[2]. Most of those sales came from the natural food store and supermarket channels. Interestingly, the number of 'other' retail outlets that are reporting sales of natural and organic products has grown significantly in the past two years. 'Other' retail outlets include specialty/gourmet shops, co-op retailers, personal care stores, gyms, herb shops, mall stands, etc.

Consumer sales of specifically organic food products grew by 16% in the US during 2005, representing 61% of the organic foods market and 2.5% of the overall US foods market. All signs point to continuing double-digit growth for organic product sales through the rest of the decade, with overall organic food growth projected at 10–14% per year through at least 2010.

Refinement of existing initiatives continues

During 2006, Tree of Life North America completed the 'Build on the Roots' restructuring program begun in 2004. Key activities included the consolidation of its Minneapolis distribution operations into its Milwaukee, Wisconsin facility, a further rationalization of its product assortment, and a reduction in headcount driven by continued refinements to its organizational structure focusing on centralization of its back office support functions in St. Augustine, Florida and decentralization of its sales organization throughout the US. The merchandising function was modified to combine Category Management (assortment optimization) and Vendor Management (vendor relations and pricing) into one organization. Emphasis was placed on simplifying and flattening the Tree of Life organization across all functions to eliminate cost, to facilitate communication, and to enhance execution. Implementation of standardized processes to ensure 'one way of working' was also a focal area. ISO 9001 and 14001 certifications were achieved substantiating that both quality and sustainability processes were firmly in place throughout the organization.

1 Source: National Association of the Specialty Food Trade, State of the Specialty Foods Industry 2006 Report

2 Source: The Natural Foods Merchandiser, Natural Products Market Overview June 2006

3 Source: Nutrition Business Journal, Organic Foods Report June 2006

Additionally, Tree of Life maintained its focus on executing its strategy of excellence in the basics of buying, logistics and in-store execution. Service levels for the year were 97.4% – an improvement of almost a full percentage point over 2005. Also, value-added services were provided to our retail partners through programs like the Tree of Life Smart Assortment^{sm} marketing service. This initiative, targeted at identifying and optimizing the most advantageous product assortment for our retail partners at the store shelf, drove over 6,000 category resets during 2006. The Smart Assortment^{sm} marketing service, combined with the expertise of our Category Management personnel, sets Tree of Life apart from its competition by providing excellence in product assortment knowledge that is seen as added value by our retail partners.

During the year, top line sales decreased due to discontinued supermarket customers and to continued pressure on the existing natural food store customer base. Significant emphasis was placed on selling more products to existing accounts to drive incremental top line sales and enhance bottom line profits. As a result, sales of our Top 10 customers grew by more than 5% in 2006. To facilitate growth, several key new vendors were added to the Tree of Life portfolio. These vendors benefited by leveraging Tree of Life's national warehousing, logistics and sales infrastructure to bring their products to the market. In some cases, vendors were able to eliminate their redundant delivery systems by using the Tree of Life delivery system.

New distribution to existing customers in new categories, such as stationary and refrigerated products, was also implemented. Added emphasis was placed on specific high growth categories such as Hispanic and Asian foods and new vendor relationships were established in these categories. To stimulate future sales growth, the company began actively participating in the bidding process for new supermarket business and began to investigate enhanced sales and profit opportunities through leveraging its logistics and field sales infrastructure to provide logistics services to third parties.

Authenticity and innovation drive Branded growth

The Branded business continues to pursue a strategy of focusing its resources on a key group of high-potential company-owned brands. Top line sales began to grow, beginning in the second quarter of 2006, as we cycled past the sales of sole agency brands eliminated during 2005. In fact, the high visibility brands within our portfolio, KA-ME, Daily's, Sesmark, and MI-DEL, grew by over 11% in 2006, with authenticity and innovation providing the key drivers of growth.

The Daily's brand of premium cocktails and mixers led the way with even higher growth, driven by upgraded packaging and significant product innovation. Headlining Daily's exciting new product news was an innovative line of convenient ready-to-drink cocktails, featuring popular flavors such as Margarita as well as trendy flavors such as Mangotini and Appletini. Daily's also added several hot new mixer flavors, such as Mojito and Pomegranate, that proved very popular with consumers. The KA-ME brand of Asian cuisine also experienced strong growth by meeting consumers' demand for convenience without sacrificing quality or authenticity. KA-ME's delicious new line of noodle and rice heat & serve meals use only authentic ingredients and recipes. The MI-DEL brand of natural cookies grew by offering great-tasting natural and gluten-free snacks for the whole family, including new gluten-free sandwich cookies in three delicious flavors. MI-DEL Ginger Snaps continue to be the number two selling cookie SKU in the entire natural channel.

Other highlights included growth from our Amore Italian pastes, loved by gourmet chefs everywhere, and new product introductions in the Sesmark cracker brand, such as the addition of the highly successful Three Cheese & Tomato and Black Sesame flavors. The Branded business will continue to grow in 2007 and beyond through further innovative marketing and new product development.

North America Branded

In October, Liberty Richter, our specialty foods Branded business, announced to their trading partners a new relationship with World Finer Foods designed to drive the sales and profitability of our third party client business. This partnership is effective as of January 1, 2007. World Finer Foods is a distributor-owned cooperative whose shareholders include some of the largest US specialty food distributors, including Tree of Life.

The North America Branded organization enables Wessanen to grow its branding activities in the North American market for Health and Premium Taste foods. There are two business lines in the branded division, each of which markets and sells different types of products. One unit, American Beverage Corporation, focuses on cocktail mixers and quality non-carbonated beverages such as fruit drinks and spring water. The other part of the Branded division, Liberty Richter, is focused on natural and specialty foods and confections. The combined portfolio includes popular brands such as KA-ME, Daily's, Sesmark and MI-DEL.

Strategic focus

The North American Branded division is responsible for the distribution, marketing and promotion of our Health and Premium Taste brands within both the on- and off-premise channels, including supermarkets, mass merchandisers, supernaturals, independent natural and specialty food retailers, liquor stores, bars and restaurants. The strategy is to build our brands into leadership positions through new product innovation and brand positionings that are ownable and differentiated while leveraging the proposition of authenticity and best taste experience.

North American Branded posts both EBITAE and revenue gains

EBITAE for the North American Branded division improved over the prior year. Overall improvement was a solid 6% versus prior year as both operating units, American Beverage Corporation and Liberty Richter, posted gains from key brand growth, profitable portfolio mix, and operating efficiencies. Exchange rate differences exerted negligible influence on operating profit.

Revenue of the Branded operations was also higher in 2006, the first year over year revenue growth in three years. This growth resulted mainly from the strong performance of key brands such as Daily's cocktails and KA-ME Asian cuisine, which were both driven by innovation and distribution gains. Sales for the business's key brands as a group, which also include MI-DEL cookies and Sesmark crackers, grew by over 11% for the year.

In 2007, revenue growth will come primarily from the continued growth of key brands, especially Daily's and KA-ME, which will benefit from strong new product pipelines and innovative marketing plans.

Key figures North America Branded

in EUR millions, unless stated otherwise	2006	2005
Revenue	**134.7**	134.1
Revenue at constant exchange rates	**136.9**	
EBITAE	**13.5**	12.7
EBITAE margin (as a % of revenue)	**10.0%**	9.5%
Operating profit (EBIT)	**12.2**	10.4

Key objectives 2006

- Roll out growth initiatives (e.g. develop inter-company sales initiatives and accelerate innovation for key brands).
- Increase sales of key brands: Daily's, KA-ME, Sesmark and MI-DEL.
- Reduce product costs through improved sourcing (KA-ME) and reduction of resin usage (Daily's).
- Achieve ISO certification.

Key achievements 2006

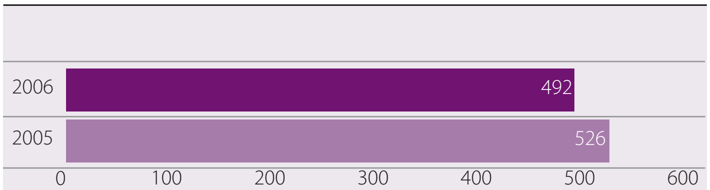
- Introduced over 20 new products across key brands, including the market's first-ever ready-to-drink Bloody Mary cocktail by Daily's and convenient pre-cooked Asian noodles by KA-ME.
- Key brands (Daily's, KA-ME, Sesmark, MI-DEL) grew 17% versus year-ago as a group.
- Shift to more authentic, Asian based sourcing for KA-ME and more efficient resin usage by American Beverage Corporation via improved bottle design.
- American Beverage Corporation and Liberty Richter achieved full ISO 9001 and 14001 certification.

Key objectives 2007

- Continue to accelerate growth of key brands by driving innovation and expanding usage occasions.
- Expand American Beverage Corporation's partnerships with on-premise national and regional accounts, especially for Daily's brand.
- Increase leverage of potential synergies between US operations and European sister companies.

Number of employees[1]

as at December 31

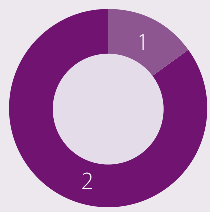


[1] Full-time equivalents

Revenue North America Branded 2006

in %

1 Health 15.2%
2 Premium Taste 84.8%



North America Distribution

Wessanen's North American Distribution division includes all warehousing and distribution activities of Tree of Life, Inc., in the US and Canada.

In the US, the company is a wholesale distributor of over 42,000 products nationally. These products are sourced from almost 2,000 domestic and international suppliers ranging from small to mid-sized niche marketing companies to nationally recognized brands such as Hain/Celestial, Nestlé, Amy's, Goya, Bigelow, Kikkoman, McCormick, Knorr and Organic Valley. In Canada, the company distributes and markets over 5,000 items from around the world. Over 70% of our TOL Canada business is driven by sole agency brand relationships, with the balance being wholesale distribution.

Strategic focus

The foundation of Tree of Life's strategy is excellence in buying, selling, distribution and for supermarkets, stocking the shelves, the fundamentals of food distribution. The service goals we have set for ourselves in all of these areas are above industry standards. However, those attributes are just the basics that a retailer should expect from its distributor. We create added value for customers by utilizing the expertise of our Category Management personnel combined with our innovative Smart Assortment^{sm} marketing service to provide optimal natural, organic, multi-cultural (ethnic), gourmet and specialty food product assortments customized to the needs of individual retail operators and locations. Our goal is to enrich the quality of our assortments and retail relationships by developing an exceptional level of product, market and consumer expertise.

EBITAE for North American Distribution shows steady growth

EBITAE for the North American Distribution division improved over the prior year. Following the turnaround in the distribution operations from negative EBITAE in 2004 to positive in 2005, 2006 EBITAE increased substantially compared to 2005.

Revenue of the distribution operations was lower in 2006, mainly as a result of discontinued supermarket customers and continued pressure on the existing natural food store customer base. Exchange rate differences exerted only limited influence on operating profit. The Distribution business's Top 10 customers continued to show strong growth in excess of 5% for the year.

In 2007, revenue growth will come primarily from strengthened vendor relationships helping to drive autonomous growth with existing customers, new business development and new revenue sources such as third party logistics services.

Key figures North America Distribution

in EUR millions, unless stated otherwise	**2006**	2005
Revenue	**862.5**	962.8
Revenue at constant exchange rates	**876.6**	
EBITAE	**5.7**	3.8
EBITAE margin (as a % of revenue)	**0.7%**	0.4%
Operating profit (EBIT)	**(10.6)**	(18.7)

Key objectives 2006

- Fully implement 'Excellence in the Basics' strategy (buying, selling, stocking, distribution).
- Establish and differentiate Tree of Life NA as 'Knowledge Leaders' through leveraging Smart Assortment^{sm}, our Category Expert Team, and by research into consumer behavior related to Health and Premium Taste segments.
- Drive growth through category development initiatives with existing customers and by new business acquisition.
- Reduce working capital by optimizing inventory productivity and increasing turns.

Key achievements 2006

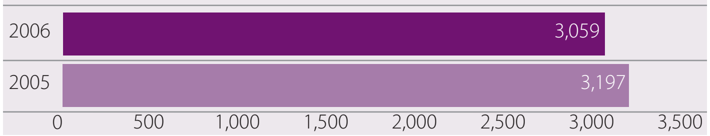
- Grew Top 10 customers sales by more than 5%.
- Enhanced sales growth through new vendor relationships.
- Achieved service level of 97.4%, up from 96.5% in 2005.
- Implemented shelf service QA audit program to ensure excellence of shelf conditions.
- Reduced operating expenses through improved logistics efficiencies.
- Finalized centralization of support service functions.
- Utilized Smart Assortment^{sm} to drive over 6,000 category resets at retail.
- Successfully launched E-commerce B2B initiatives to support both retailer and supplier relationships.
- Achieved ISO 9001 and ISO 14001 certification.
- Working capital was reduced by 21%.

Key objectives 2007

- Achieve autonomous sales growth in both supermarket and natural food store channels.
- Enhance sales growth through new business development.
- Enhance supply chain efficiencies through implementation of Supply/Consolidation Centers.
- Leverage logistics and field sales infrastructure to provide third party logistics solutions.

Number of employees[1]

as at December 31

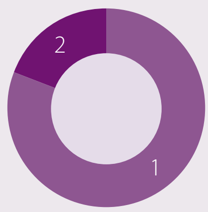


1 Full-time equivalents

Revenue North America Distribution 2006

in %

1 Supermarkets and mass markets 80.9%
2 Natural 19.1%



European business

In 2006, we completed the transition of Wessanen's European branded and distribution operations into focused, country-based organizations. This new structure is designed to support the focus on Health and Premium Taste branded food products (Europe Branded), and distribution to health food & specialty stores (Europe Distribution).

The Branded and Distribution groups are subdivided by country to ensure flexibility and efficiency when operating in their respective local markets. At the same time, alignment in product innovation and sourcing is ensured through central coordination within selected pan European categories.

Key figures European business

in EUR millions, unless stated otherwise	**2006**	2005
Revenue	**569.5**	569.2
Revenue at constant exchange rates	**569.2**	
EBITAE	**46.4**	47.2
EBITAE margin (as a % of revenue)	**8.1%**	8.3%
Operating profit (EBIT)	**47.1**	43.7

Slow first half, followed by two consecutive quarters of growth
Full year revenue for the European operations was equal to last year. This was achieved in markets that continued to grow in the organic/natural sector, while traditional frozen snacks remained under pressure.

After a slow first half that continued into an exceptionally hot July, the majority of our brands showed growth in Q3 and Q4, helped by an improved product offering, increased brand support and good operational performance in our distribution operations.

Pressure on traditional frozen snacks in the Benelux continued into 2006, leading to depressed margins and sales. This was mainly the result of overcapacity in the market, increased commoditizing of the product offering and subsequent fierce competition.

However, revenue decrease in this sector was fully off-set by the growth in our natural/organic brands and distribution operations, as demonstrated by the solid performance from brands like Zonnatura, Bjorg, Kallo, Allos, Whole Earth and Bonneterre. Our Italian brand Righi showed double-digit sales growth, an achievement that was matched by the UK branded business in the second half.

Other countries, with the exception of Wessanen Nederland, achieved single-digit growth. Newly-acquired Bio Slym, which makes soy products, is in the process of being fully integrated with the European structure.

Our European distribution operations achieved satisfactory revenue growth in competitive markets.

Most branded business companies showed increased EBITAE margins, primarily through revenue increase, improvement in product mix and tight cost control. We have been able to compensate for increased raw material prices through operational efficiencies.

The EBITAE margin of the European Distribution division improved through increased revenue and good cost control. In both divisions we are reaping the benefits of better cooperation and multi-country innovations through our European network.

The overall trend in both branded and distribution shows that the focus on a selection of key brands and a comprehensive portfolio of third party brands is a sound business approach.

The European organization
Consolidating the team-oriented organization
In the course of 2006, further changes in the management structures in Belgium, Germany, France and the Netherlands have been implemented. As a result we expect further operational improvements, a stronger product offering, enhanced marketing efforts and greater pan European cooperation in 2007, to drive our business forward.

Innovation in Europe

A joint effort for growth

Wessanen's ambition to achieve growth through innovation is driven by the development of well-differentiated new product concepts for the European market that will be marketed under Wessanen's established local brand names in different countries.

In 2005, to expedite this process, we established a European Innovation Board (EIB) and installed Category Innovation Teams. During 2006, this approach became fully operational. Dedicated Category Innovation Managers work closely with local brand and marketing managers to initiate innovations in priority categories – like cereals, fruit & vegetable drinks, fruit spreads, savory and sweet snacks. Examples include Allos' Amaranth products, new Tartex spreads, 'Cereals of the World' from several brands and the international roll-out of Bonneterre.

Another key element in this approach is to capitalize on potential synergies within the organization. During 2006 we centralized sourcing in a selected number of categories to drive synergies and improve our innovation ability through increased supplier partnerships. Examples include rice-based products and the execution of a central sourcing strategy for specialized suppliers for breakfast cereals and fruit spreads. These initiatives reduce cost and deliver the expertise essential for product innovation.

Driving innovation, improved marketing and building European brands

During 2006, the Free to Enjoy range – products aimed to provide a pleasurable food experience for people who are gluten-intolerant – was successfully launched in the UK. The fully restyled Whole Earth brand with a solid pipeline of new products led to significant new listings with UK retailers in the third and fourth quarter, fuelling significant growth.

In France, Bjorg enjoyed solid single-digit growth, mainly due to improvements on soy, rice cakes and biscuits. Premium Taste brands, mainly ethnic food, grew rapidly by 14%. In the French Health food channel, both key business units – Bonneterre and Kalistera – performed well, mainly thanks to Bonneterre and a successful partnership program with specialty health food stores.

In Belgium, our dedicated country organization became fully operational in the first quarter of 2006. The newly developed category management approach enabled us to secure a number of dedicated Zonnatura shelves in mass-market retail outlets. The Belgian out-of-home channel for frozen snacks continues to perform well, behind strong trade marketing initiatives.

In Germany, Tartex launched new pâtés and pâté crèmes in the fourth quarter, while Allos launched new bars and bakery products in the snack segment. Allos continued to strengthen its market leadership position in its key categories of honey, fruit spreads, bars, bakery and muesli.

In the Netherlands, Beckers launched authentic satay and tapas concepts and reclaimed lost ground in out-of-home catering. As yet, however, this has been insufficient to compensate for the decreased traditional frozen snack business. Biorganics has had a successful year, due to increasing consumer demand for fully organic products in mass retail. Zonnatura expanded the Kikker concept through line extensions, and European synergy projects resulted in relaunch of traditional juices and fruit spreads. Recipe improvements and large-scale sampling campaigns were successfully used to drive these initiatives forward.

Promoting ethnic flavors

'Taste the World' platform; expanding ethnic cuisine

The European 'Taste the World' platform features four top ethnic brands marketed by Wessanen in Europe. These include Blue Dragon (Japanese cuisine), Patak's (Indian cuisine), Thai Kitchen (Thai cuisine) and Merza (Mediterranean cuisine). In the Netherlands, these Premium Taste brands achieved significant expansion as a result of improved category management, distribution success as well as line extensions.

Distribution business, improving on all fronts

Continued solid performance at Natudis and Tree of Life UK

Natudis, the Benelux natural and organic food distributor, had another successful year in 2006. Implementation of the new organizational structure was completed, including the launch of a new retail services department to support specialized stores and category management. These achievements impacted positively on both the top and bottom lines. In Belgium, significant organizational redesign (including a move to new premises) and a more competitive pricing structure yielded good results.

Natudis maintained its policy of working with other suppliers to help establish professional large-scale health food stores. In the coming years, the company expects to capitalize on the continued consumer interest in organic products.

Natudis is aiming to achieve healthy sales growth through the progressive introduction of innovations, offering a complete product assortment as well as presenting new value-added services for its customers.

In the UK, Tree of Life managed to grow its sales slightly, primarily with its larger customers and enhanced their position as number one wholesaler to the health food trade. Even though investments in marketing and sales increased significantly, bottom-line improvements stemmed from better margins and control of overheads. With the major retailers increasing their focus on health foods, it is essential that Tree of Life continues to service the needs of the biggest customers in the health trade and support the attractiveness of the channel. This includes offering the most cost-effective solutions at the highest service levels. With continued investments in warehouse operations, Wessanen's own brand innovations and improvements in management processes and systems, Tree of Life is well positioned for future success.

European business

Acquisitions

In March, two strategically important acquisitions were realized. With the purchase of the remaining 29.3% of the shares of Natudis BV, Wessanen became 100% owner of this leading supplier and distributor of branded natural and health food products in the Benelux.

The Italian company Bio Slym S.r.L. was also acquired. Bio Slym focuses on the production of high-quality soy milk. As soy is one of the key growth categories in which we are active, this acquisition will help us to grow the category, enhance new product development and increase our expertise in the field of research and development.

Improving operational performance

Further progress on sales forecasting, service levels and inventory management

As in previous years, improving customer service levels whilst keeping the inventory and logistics costs under control was high on the 2006 agenda. There were three key areas of attention: the continuing roll-out of Slim4, organizational changes related to the Supply Chain strategy, and coping with the rising transportation costs.

Slim4 – our European Sales Forecast and Inventory Management system – was introduced and launched in our UK and Netherlands affiliates. The system was selected as our standard tool for managing the balance between service and inventory levels. At the end of 2006, 80% of our European organizations was either running Slim4 or in the process of implementing the system, which has been a key factor in helping us to achieve improved service levels and stock rotations. During 2007, we plan to have 100% of our operating companies on Slim4 and to develop and share standard ways of working.

With the outsourcing of the Allos Finished Goods warehousing activities and the HFS Belgium distribution activities, we have completed the organizational part of our Supply Chain strategy. During the last three years, we not only reduced the number of warehouse locations by 30% but also increased the outsourcing rate from 33% to 67%. In 2007 we will focus on major efficiency improvement and capacity expansion projects within our warehouses in the UK and France. This will enable us to support the expected business growth in a sustainable way.

As the oil price increased during 2006, we have worked hard to keep our transportation costs under control. Through the use of standard 'transportation scans' we have been able to identify potential efficiency improvements to counterbalance the increasing cost of diesel. This has enabled us to control and to develop Transport Management Tools that allow us to continuously monitor the cost development as well as the quality of our delivery services. In 2007 our main objective will be to introduce these management tools across multiple operations in Europe.

Private Label operations divestment near completion

Early in 2006 Wessanen announced its intention to divest its Private Label operations, to further focus the portfolio on branded and distribution business only. In February 2007, Wessanen signed the agreement to sell the Private Label operations to private equity investor One Equity Partners. The transaction will be closed after competition authorities' approval.

Health and Premium Taste food trends in 2006[1]

The European Health Food markets grew by approximately 7–11%. This growth is mainly fuelled by demand for fresh products and the fact that large retailers are increasing their natural/organic product offer. At the same time consumers are increasingly looking for ethnic and authentic products as evidenced by healthy growth trends in these sectors. Natural supplements and personal care products, although modest in absolute size, continue to grow through increased distribution and wider product offerings. Incidental shortages in organic product supply even have been recorded. The number of people suffering from (perceived) food intolerances is growing, leading to growth in the market for specific dietary products. Growing concern about obesity has stimulated increased consumer demand for low sugar/low fat products and other healthy alternatives. The premium taste market reported growth of approximately 5%. Price pressure continues in this segment as retailer brands gain ground.

[1] Source: Wessanen, based upon data from 2006 Organic Monitor, Reuters Business Insight, Datamonitor, Nutrition Business Journal

Europe Branded

Wessanen's European Branded group combines the operations of Distriborg France, Wessanen Nederland (formerly Beckers NL and Boas), Wessanen België (formerly Beckers Belgium and Distriborg Belgium), Kallo Foods, Tartex/Dr. Ritter & Allos, Righi and Bio Slym in six national units focused on the local Health and Premium Taste markets in France, the United Kingdom, Germany, Italy, the Netherlands and Belgium.

Strategic focus
The Branded division manages our branded business in Europe. Primary focus is marketing, distribution, promotion of our mainstream Health and Premium Taste brands via larger retailers and supermarkets. This also includes managing several third party brands on behalf of companies without a presence in certain countries. The strategy is to drive product innovations through our European network, but keep individual brands local. Where appropriate, we will export attractive product concepts to other Wessanen companies to be marketed under local brands. Finally, we will consider expanding brands from one country to another, if specific unique brand/product attributes have sufficient potential for success.

Key figures Europe Branded

in EUR millions, unless stated otherwise	2006	2005
Revenue	**434.0**	437.6
Revenue at constant exchange rates	**433.8**	
EBITAE	**39.8**	41.3
EBITAE margin (as a % of revenue)	**9.2%**	9.4%
Operating profit (EBIT)	**40.5**	38.4

Key objectives 2006
- Roll out growth initiatives through innovation, further improvement in the positioning of key brands, training our sales force and increasing the customer base.
- Reduce product costs and working capital and further increase customer service levels by improving supply chain and procurement processes.
- Improve process excellence and implement ISO certification according to 2006 plan.

Key achievements 2006
- Key brands improved their positioning and customer base, especially Zonnatura, Bjorg, Bonneterre, Allos, Kallo, Tartex and Whole Earth through increased innovation rate and marketing support. Strong improvements in listings and in-store position were achieved.
- Focused action plans led to reduction of working capital and (product) costs. At the same time, service levels improved due to improved supply chain and purchase processes.
- Process excellence further emphasized in 2006 and ISO certification was achieved in virtually all entities.
- Organizational changes were implemented in the UK, France, the Netherlands and Germany. Integration of the Germany organization was successful, the new Belgium organization is off to a strong start and the merger of Beckers and Boas organizations into Wessanen Nederland has been completed. Bio Slym is in the process of being fully integrated within the European structure.

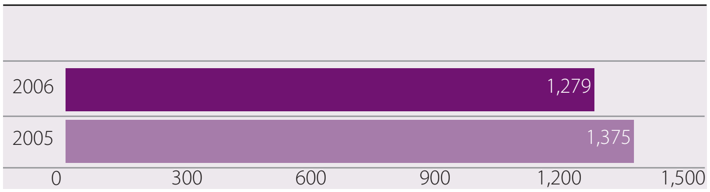
Key objectives 2007
- Accelerate growth of key brands through a combination of European and local innovations, supported by significantly increased brand support.
- Focus on excellence in execution, through category management, organizational redesign and key personnel training.
- Achieve profit improvement through better margins and cost control to reach long-term strategic levels.
- Position Wessanen in Europe as the expert in healthy, natural, organic foods and forge strong trade partnerships through this expertise.
- Complete process excellence and achieve ISO 14001 in a majority of business units.
- Achieve savings through newly established purchasing board and further drive synergies through increased alignment in product innovation, combined purchasing and strategic supplier selection.

Key Health and Premium Taste brands

Health		Premium Taste
• Bjorg	• Gaylord Hauser	• Beckers
• Whole Earth	• Kallo	• Righi
• Bonneterre	• Biorganic	• Merza
• Zonnatura	• Allos	
• Dr. Ritter	• Tartex	

Number of employees[1]

as at December 31



[1] Full-time equivalents, continuing operations only

Europe Distribution

The European Distribution organization is a dynamic, growing business that is made up of three national units. They offer value-added distribution services to health food stores in the UK (Tree of Life UK), Belgium and the Netherlands (Natudis). They also offer specialized own-brand Wessanen solutions for the health food channel. At the same time they play a key role in supporting individual retail stores to enhance the relevance of their stores at the customer base.

Strategic focus

The European Distribution division is responsible for serving the needs of local specialist health food stores. This division will continue to market and promote local brands, and also leverage these brands and labels in the independent store sectors of other European countries. Credibility for our products in this channel stems from the stores themselves, which are trusted by consumers whose purchasing decisions are mainly driven by principle.

Key figures Europe Distribution

in EUR millions, unless stated otherwise	**2006**	2005
Revenue	**135.5**	131.6
Revenue at constant exchange rates	**135.4**	
EBITAE	**6.6**	5.9
EBITAE margin (as a % of revenue)	**4.9%**	4.5%
Operating profit (EBIT)	**6.6**	5.3

Key objectives 2006

- Develop partnerships with the trade to increase consumer spending and professionalize store concepts.
- Build on successful innovations and key brands in home markets and via inter-company efforts.
- Develop category management to support category growth at store level.
- Install, fill and implement innovation funnel for dedicated specialized store brands.
- Increase efficiencies and reduce fuel usage via optimized routing and credits/returns improvements.

Key achievements 2006

- Achieved overall sales growth of 3% and improved profitability.
- Tree of Life UK achieved solid growth in second half 2006 after very difficult start in 2006, particularly through investing in a new direct sales force working closely together with customers on category management, resulting in increased sales with larger customers and gaining new customers.
- Natudis achieved turn-around in Belgian business and strengthened its market leadership position in the Netherlands.
- De Rit brand achieved strong growth in Germany through Natudis export effort.
- Introduction of several European innovations on key brands' in-home markets through strong European cooperation effort.
- Further progress in category management skills to support growth at store level.

Key objectives 2007

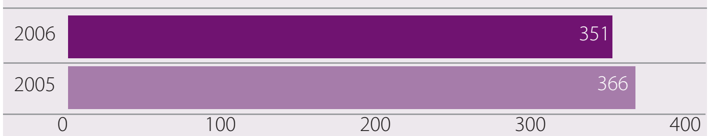
- Accelerate growth in Tree of Life UK, by getting significant volume through new customers and gaining exclusive distribution for new brands.
- Intensify cooperation with health food trade through partnerships to increase consumer spending and further professionalize store concepts.
- Achieve step-by-step profit improvement through buying synergies across Europe, supplier partnerships and a cost-conscious approach.
- Redesign Tree of Life UK warehouse to meet future sales demand and improve operational performance.
- Belgium business to continue to further improve and achieve market leadership.

Key Health food brands

• De Rit	• Tartex	• Evernat
• Molenaartje	• Bonneterre	• Dr. Ritter
• Allos		

Number of employees[1]

as at December 31

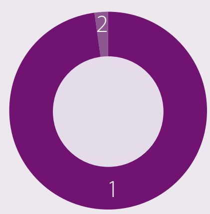


[1] Full-time equivalents

Revenue Europe Distribution 2006

in %

1 Specialized stores 99%
2 Supermarkets 1%



Europe Private Label

Wessanen's Private Label group is made up of private label manufacturers Dailycer (traditional breakfast cereals and innovative cereal specialities with high added value) and Delicia (chocolate vermicelli and flakes).

Private Label operations to be divested

At the publication of the annual figures in February 2006, Wessanen announced its intention to divest its Private Label operations. This is consistent with Wessanen's strategy to focus on branded and distribution businesses of Health and Premium Taste foods.

In February 2007, Wessanen signed the agreement to sell the Private Label operations to private equity investor One Equity Partners. The transaction will be closed after competition authorities' approval.

Financing

The financing strategy of Wessanen is aimed at securing the long-term financing of the Group, on an investment grade basis, in order to achieve our strategic targets and to reduce our financial risks by managing our currency and interest risks exposures. The improvement in earnings in 2006 enabled Wessanen to further increase its debt capacity.

Net debt of continuing operations was EUR 128.6 million at year end 2006. Compared with year end 2005, net debt increased by EUR 5.6 million, including acquisitions of subsidiaries of EUR 12.4 million and a dividend payout of EUR 46.3 million. Currency movements on our US dollar borrowings decreased our borrowings in euros by 12 million for the year.

Dividend

In addition to the positive impact on debt capacity, the improvement in earnings also enables Wessanen, besides executing its acquisition strategy, to maintain its dividend policy. Therefore, Wessanen will propose to the Annual General Meeting of Shareholders, to be held on April 18, 2007, that the dividend level should be set again at EUR 0.65 per share.

Net cash from operating activities

Cash generated from continuing operations for the year increased to EUR 60.3 million in 2006 (2005: EUR 32.7 million), mainly as a result of the improvement in profitability for the year and a lower net outflow from provisions. Operating cash flow from continuing operations decreased to EUR 30.2 million (2005: EUR 45.1 million), mainly due to income tax paid in 2006 of EUR 20.0 million (whereas in 2005 a net amount of EUR 17.5 million was received).

Net cash from investing activities

The net cash outflow from investing activities of continuing operations amounted to EUR 17.8 million (2005: EUR 10.2 million). The main cash flows relate to capital expenditures and divestments of property, plant and equipment, the acquisition of Bio Slym (EUR 3.4 million, net of cash) and the exercise of the put option to obtain the remaining shares in Natudis (EUR 9.0 million).

Solvency and funding

Solvency at the end of 2006 was 49.4% (2005: 49.3%). Equity attributable to equity holders of the parent company amounted to EUR 469.7 million. At year end 2006, our interest-bearing debt consisted mainly of USD 136 million and EUR 30.0 million floating rate borrowings under a EUR 250 million, multi-currency, three-year credit facility and capital leases.

As the existing multi-currency revolving credit facility matures in June 2007, the Group secured a committed refinancing package to replace the existing credit facility with a syndicate of banks in December 2006, which became effective as from February 9, 2007.

Financing

Currency risk

The majority of currency risks related to our operational activities are hedged through the use of foreign currency forward and/or option agreements. These risks mainly relate to the US dollar, the Canadian dollar and the UK Pound sterling. All subsidiaries conduct their transactions internally with the highly centralized Corporate Treasury department
that manages these risks on a consolidated basis. In 2006, the weakening of the US dollar had a minimal effect on the net result. The effect of variations between the US dollar and the euro in 2007 is also expected to be limited, as is the impact on Wessanen's overall results.

With regard to the balance sheet, our strategy is aimed at mitigating as much as possible the impact of the volatility of foreign currencies on our shareholders' equity. Therefore, as far as possible, subsidiaries outside the euro-zone are financed with local currency denominated loans. It is our policy not to hedge translation risks that arise from converting the balance sheets of foreign subsidiaries into euro. These differences are reflected in consolidated shareholders' equity at the end of the year. In 2006, the currency translation effect was EUR 9.2 million negative, primarily because the US dollar weakened by 9.9% against the euro compared to year end 2005.

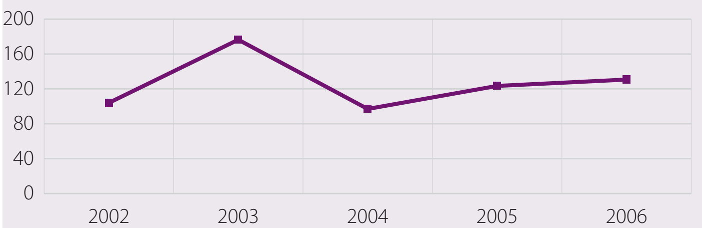
Interest rate risk

The EBITDAE interest cover ratio declined from 12.2 to 8.0.

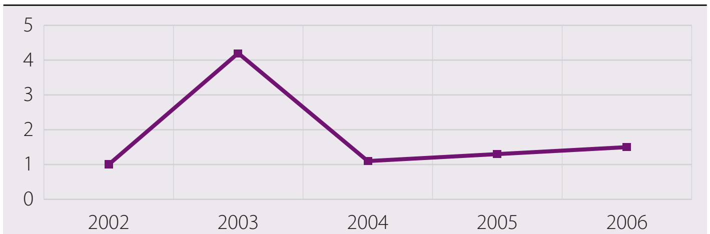
To mitigate our US dollar related interest rate risk, Wessanen decided, in July 2005, to enter into a USD 100 million ten-year Interest Rate Swap (IRS) agreement. Through this IRS, we effectively fixed the rate of borrowing of USD 100 million at a price of 4.51% for the period 2005–2015 while receiving interest for the same period at the LIBOR rate for the same notional amount. We use hedge accounting principles to account for this IRS as the derivative has been determined to be highly effective in achieving off-setting changes in fair value of the hedged item. Under this method of accounting, on December 31, 2006, we recorded a EUR 3.3 million asset (2005: EUR 2.5 million) representing gross unrealized gains on this derivative, in hedging reserve within total equity.

Net debt 2002–2006

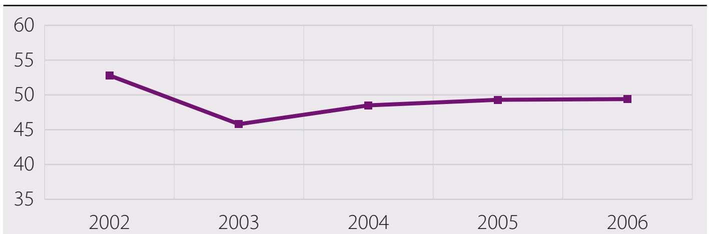
in EUR millions



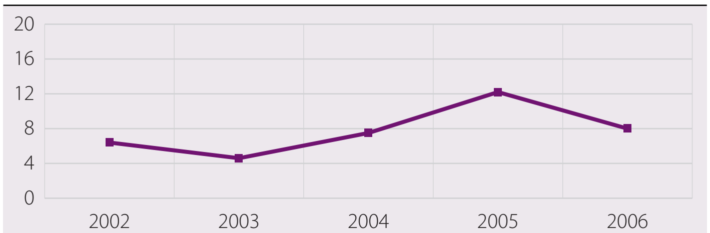
Development Net debt/EBITDAE ratio 2002–2006



Solvency ratio 2002–2006



Interest cover ratio 2002–2006



Risk Management and Internal Control

Wessanen is taking a proactive approach towards Risk Management and Internal Control.

Wessanen's management acknowledges that any business process involves an unavoidable element of risk. The Risk Management structure and system that was set up in 2003 must therefore be sufficiently effective and robust to identify access and control risks. During 2005 and 2006, the roles within the Risk Management and control structures have been expanded.

Hence, the objectives of Wessanen's Risk Management system are to create risk awareness, formalize a common Risk Management process, and realize transparency and demonstrate a structured approach to risk management across the organization. The Risk Management system is designed to enable the Executive Board of Wessanen to achieve its strategic objectives within
a managed risk profile.

Wessanen's Executive Board is responsible for setting risk management policies and strategies. Senior management and operating companies conduct a risk assessment to create action plans and execute internal control procedures. As a Committee of the Supervisory Board, the Audit Committee monitors Risk Management and control activities and provides the Supervisory Board with a clear overview of the entire risk management and internal control process. Any significant changes and improvements to the Risk Management and Internal Control system are discussed with the Audit Committee and the Supervisory Board.

Reinforcing the Risk Management process

In 2005 Wessanen implemented a Risk Management process, based on COSO /ERM[1], to enable a coordinated Risk Management approach. In the course of 2005, potential risks – whether market-based, operational, financial, strategic or compliance – were identified by risk assessments conducted by management teams of each operating company. The output of each assessment was a risk register per operating company.

During 2006, the risk registers have been updated. These now are the foundation of our management control statements.

Risk potential scoring system

The identified risks are evaluated using a scoring system which ultimately enables the Executive Board to assess the likelihood of the risk and its potential impact on EBIT in the form of a percentage and to prioritize accordingly. The Internal Audit Department examines the risk management process and reports its findings to the Executive Board. The Audit Committee has evaluated the outcome of all risk assessments.

In 2004, Wessanen introduced a procedure for the management of each operating company to sign an internal Letter of Representation (LOR) to the Executive Board, assigning responsibility for the design and execution of financial procedures and identifying financial reporting risks to the Managing Director and Financial Director of each operating company. This control procedure, amongst others, specifically addresses the responsibilities within the risk management process.

Wessanen Framework of Internal Control (FIC)

In 2005, to further improve control, Wessanen began to develop a uniform Framework of Internal Control (FIC).

As mentioned in our 2005 Annual Report, in 2006, with the approval of the Audit Committee and the Supervisory Board, Wessanen strengthened its Risk Management process and is rolling out a Wessanen-wide Framework of Internal Control.

It provides, on a Wessanen-wide basis, a clear overview of the required control activities in relation to the most important process level risks of the main business functions. The purpose of these control activities is to ensure effective and efficient operations, reliable financial reporting and compliance with laws and regulations.

The first phase in the development of this framework covered six major business processes and was accomplished by the end of 2005. In 2006, internal control systems of the individual operating companies have been tested by using a control self assessment approach for compliance with the framework controls.

Risk assessment findings confirm risk control

Our Risk Assessment findings, calculated by means of the Risk Assessment process, classified risks as operational, market, financial, strategic or compliance. See page 36 for a detailed overview.

Combining the results

With the results received from both the Risk Assessment projects and the Framework for Internal Control, management has been working to intertwine the results of both activities. The risk assessment has been a project where the operating companies identified and weighed their own risks, where the framework of internal controls set a standard for expected controls. The current phase in the projects is to align the results and set minimum standards. To facilitate for this, policies have been created and

Risk classification model

Impact classes for 2005–2008

Objectives 2005–2008	1	2	3	4	5
Impact on EBIT	**Insignificant**	**Minor**	**Medium**	**Major**	**Catastrophic**
Financial impact in EUR millions	< 0.05	0.05 – 0.25	0.25 – 1.0	1.0 – 5.0	> 5.0

Likelihood scales for 2005–2008

Objectives 2005–2008	1	2	3	4	5
Likelihood	**Extremely unlikely**	**Unlikely**	**Medium**	**Likely**	**Almost certain**
	0 – 5%	5 – 10%	10 – 25%	25 – 50%	50 – 100%

[1] COSO/ERM: The Committee of Sponsoring Organizations of the Treadway Commission/Enterprise Risk Management, the Integrated Framework

Risk Management and Internal Control

Risk Management and Internal Control is an integral part of our business management. Based on the findings of the risk assessment 2006 and the outcome of the first phase of the Framework of Internal Control, Wessanen will further improve the design of its risk management and internal control systems by using a well-aimed action plan. All internal control systems, no matter how well designed, have inherent limitations and can only provide reasonable assurance that the financial statements are free from error. At year end Wessanen believes that the financial control systems as part of the internal control systems are operating effectively in all material aspects.

approved by executive management.

Risk Management and Internal Control: 2007 and beyond

In 2007 Wessanen will continue to improve its Risk Management and Internal Control system through further educating local staff and setting minimum mandatory standards on basic controls, among other improvements. As of 2007, the Risk Management Assessments will be an integrated part of the Framework of Internal Control.

Continuously assessing risks and applicable internal controls is essential for making future management decisions. Wessanen will continuously improve and increase the focus on its Risk Management process and Internal Control framework in order to control the business and support the realization of the objectives of the company.

One of the key elements for next year is the Wessanen-wide implementation of minimum mandatory standards for the FIC and to continue improving its contents. The output of the FIC will be part of the Letter of Representation signed by the Managing Director and Financial Director of each operating company. The Internal Audit Department, responsible for the enforcement of the FIC, will support the implementation by carrying out assessments as part of its regular operating company review and facilitate the implementation of the FIC and Risk Management processes. Besides the close involvement of the Internal Audit department, the external accountant has been requested to follow-up on the results as part of their assignment.

Risk assessment table

Risk type	Major risks identified	Responses
Operational		
The risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events such as fire, floods, or other events with impact on physical assets.	Restructuring	Attract top talent for the organization through alignment of compensation systems.
	ICT	Set up a New Enterprise Resource Planning System.
Market		
The sensitivity of the business to unexpected changes in the economy, the degree of dependence on major suppliers and customers, the nature of the industry in which we operate and our own production portfolio.	Loss of key customers	Assure business processes are aligned with market needs.
	Innovation	Execution of innovation by European Innovation Board and category innovation managers within Europe and the US.
Financial		
Wessanen monitors and controls specific financial and treasury risks in the area of currency and interest rates at a central level. These risks are disclosed in detail. See paragraph on financing.	Forecasting	Assign tasks to specific employees in order to streamline the process.
	Credit memo	Centralisation of credit memo procedures in both Europe and North America.
Strategic		
Wessanen's strategic risk incorporates the risks relating to strategic decisions or activities that are not 1) in line with the companies high level goals, or 2) aligned with or supporting the companies mission/vision.	Acquisition and investment activities	Acquisitions and divestments are monitored by the Executive Board supported by Corporate Departments. Decisions are made on the basis of a set of defined financial and strategic criteria that have been agreed with the Supervisory Board.
Compliance		
Compliance risk relates to Wessanen's compliance with applicable laws and regulations.		The Corporate Governance Code stipulated that all staff should comply with applicable laws and regulations. For 2006, the Company code has been updated, elaborated upon and expanded. More specifically, an anonymous reporting hotline will be implemented, a policy for the use of electronic information and a Fraud policy have been added to the previous Company Code.

Disclaimer: No undue reliance should be placed on the risks identified in this Annual Report. The mere inclusion of these risks does not exclude the possibility of other risks materializing.

Sustainability

Wessanen is committed to making its contribution to sustainable development in all of its businesses. We continuously balance the interests of all our stakeholders in economic, social and environmental issues by utilizing the positive influence of our activities, while minimizing the burden on the environment.

On September 19, 2006 Wessanen published its first Sustainability Report, giving our stakeholders a clear and transparent view of our 2005 performance in terms of environmental, social and economic criteria.

Key objectives

Overall performance

- Publish the Sustainability Report 2006 in June 2007.
- Improve accuracy of the data: 90% real measurement, with a maximum of 10% estimation and if accomplished seek external validation.
- Develop an approach for supply chain responsibility.

Environmental performance

- Achieve ISO 9001 and 14001 certifications for 90% of Wessanen subsidiaries by January 2007.
- Reduce cooling agent consumption by 20% by the end of 2007.
- Set up Wessanen's energy plan 2012 to reduce CO_2 footprint.

Social performance

- Launch an Employee Engagement Survey.
- Reduce total lost time injury frequency and severity rate by Wessanen employees by 20% by the end of 2007.
- Raise average number of training hours to 20 hours per employee in 2007.
- Hold works council elections at local, national and European level.
- Increase application performance commitment cycle to 100% of all Wessanen employees.

Economic performance

- Enhance food safety management process.
- Strengthen the concept of authenticity.
- Speed up flow of new products through our supply pipeline.

For further information on our performance in the field of sustainability and the related objectives, we refer to our Sustainability Report, which is available at www.wessanen.com. Our Sustainability Report 2006 is expected to be published in June 2007.

Employees

The Human Resources agenda for Wessanen is driven by the need to shape our business into a high-performance organization and develop a challenging culture. As a consequence the focus remains on developing management skills, maintaining a performance-based competitive remuneration policy for senior management, management development and succession planning, and managing a worldwide performance management system.

Leadership development
Wessanen's leadership competency model defines behavior expectations for all senior managers. The model is based on our objectives and values, and translates these into the leadership behavior competencies that are required of our senior managers. These competencies also serve as the basis for selecting and developing potential candidates for senior management positions throughout the organization. Selection for positions depends as much on experience and track record as on leadership and professional competencies.

In 2006, as in 2005, our top 100 senior managers conducted an upward appraisal study to receive feedback from their direct reports on their performance on the leadership competencies. This Upward Appraisal Scheme is an annual program, resulting in individual and team improvement targets to be implemented into personal and team development objectives and Balanced Scorecard performance measurement schemes.

Management development
Our leadership position is highly dependent on the successful contributions of our people. Our annual Management Development Review is a key management process, personally led by our Executive Board members, linking individual achievement and development to short-term and long-term business challenges. The insight we gain into the strengths and weaknesses of our senior management and the organization as a whole has led to action plans aimed at securing sufficient talent to meet our future needs, and establishing succession plans up to the most senior levels in the organization. On an individual level, each senior manager has received feedback from the process and the outcome. A summary of the Management Development Review has also been discussed with the Selection, Appointment and Remuneration Committee of the Supervisory Board.

Employee development
Employee development obviously continues to be important. Besides the individual development of employees, Wessanen is increasingly devoting attention to structured programs to continue developing the leadership and professional competencies and qualifications that are important to us. In 2006 we have dedicated more time and funds to train our employees, focusing on marketing and sales, performance management and managing quality process improvements. Our target for 2007 is to spend 20 hours per employee on individual development.

Number of employees[1]

as at December 31	Europe	of which in the Netherlands	North America	Total
2006 total activities[2]	**2,562**	**696**	**3,551**	**6,113**
North America Branded	**–**	**–**	**492**	**492**
North America Distribution	**–**	**–**	**3,059**	**3,059**
Europe Branded	**1,279**	**338**	**–**	**1,279**
Europe Distribution	**351**	**176**	**–**	**351**
Europe Private Label	**733**	**128**	**–**	**733**
2005 total activities[2]	2,705	713	3,723	6,428
North America Branded	–	–	526	526
North America Distribution	–	–	3,197	3,197
Europe Branded	1,375	354	–	1,375
Europe Distribution	366	166	–	366
Europe Private Label	763	132	–	763

1 Full-time equivalents
2 Including corporate staff and Karl Kemper Germany (2006: 199; 2005: 201)

Performance management

The Wessanen Performance Commitment Cycle has been deployed to 80% of all employees, with the remainder due to participate from 2007 onwards. The Employee Performance Commitment (EPC) is an important element in achieving the goals the Executive Board has set for Wessanen, by equipping managers and employees with the tools to deliver and manage outstanding individual performance.

The EPC process is a continuous cycle which brings together the following key elements:

- Performance Objective Setting and Review.
- Competency & Functional Skills Assessment.
- Personal Development Planning.
- Overall Year End Performance Rating.

The EPC supports other key processes within Wessanen, including career planning in the Management Development Reviews (MD Reviews), the identification of high potential managers, and the determination of variable pay, such as the Wessanen Short-Term Incentive Plan (STIP) payouts. In 2006, most Wessanen employees have participated in this common way of working based on performance management.

Employee engagement

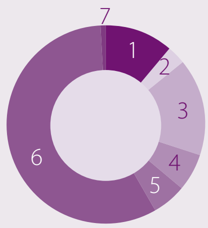
In 2006 on all locations employees were invited to participate in an employee engagement survey. The survey yielded valuable conclusions, for example about employees' perception of their work and their understanding of our strategy. The results showed a strong commitment to the tasks assigned. Also, it showed improvement areas in people management and communication. We are well aware that after the massive restructurings of the past two years, employees expect more attention to their individual ambitions and development.

All local managers were asked to present the outcome of the employee engagement survey to all employees and to set improvement objectives, specifically for their organizations. Corporate HR will assess the improvement plans and report on progress made to the Executive Board.

Employees per country

in %

1 The Netherlands 11.4%
2 Belgium 2.5%
3 France 16.2%
4 UK 6.0%
5 Germany 5.7%
6 US and Canada 58.1%
7 Italy 0.1%



Corporate Governance

Wessanen's Corporate Governance structure was further strengthened in 2006 by the decision taken at the Annual General Meeting of Shareholders to end the administration of certificates and to have the voting shares listed on the stock exchange. Although all restrictions on the transfer of certificates and the associated voting restrictions had already been lifted in 2005, direct voting power by ownership of the voting shares rather than indirectly through the Trust is generally preferred by investors. Wessanen today is fully compliant with the principles and best practices of the Dutch Corporate Governance Code.

Corporate governance structure Wessanen

The governance structure of Wessanen is in compliance with the Dutch Governance Code ('the Code'). Principles and best practice provisions are published, either internally or externally, in respect of:

- General Meeting of Shareholders.
- Supervisory Board.
- Executive Board.
- External and Internal Audit.

All relevant documentation to meet the Code and to explain Wessanen's Corporate governance structure is accessible for stakeholders and others at www.wessanen.com.

Role and responsibilities of the Executive Board

The Executive Board, with statutory responsibility for the overall conduct of the business, has three members who are appointed by the General Meeting of Shareholders for a period of four years. It will be proposed to the Annual Meeting of Shareholders, to be held on April 18, 2007, to appoint
Mr. Richard Lane, President and CEO of the North American activities, as a member of the Executive Board. After appointment by the AGM, the Executive Board will consist of four members. In the report of the Executive Board on pages 20 to 23, the Executive Board explains the company's strategy and objectives as submitted to the Supervisory Board for approval. The proper working of the internal risk management and control system is under constant review by the Executive Board. This system includes the Wessanen Company Code, a Whistleblowers' procedure and a Disclosure policy; all examples of strengthening the company's commitment to improve transparency within Wessanen.

The Wessanen Company Code includes the mission statement, core values, business principles and guidelines for conduct. Implementation of the Company Code is reinforced through a management system which ensures that new employees are trained and well informed about its principles and its role in working practices.

The Company Code gives a framework for taking business decisions:

- Provides employees with guidance on what to do in the event of code violations.
- Monitors adherence to the Company Code.
- Collects evidence that the Company Code is properly implemented and functioning correctly.

Remuneration policy

The remuneration package for members of the Executive Board is established by the Selection, Appointment and Remuneration Committee of the Supervisory Board and consists of fixed pay, with short- and long-term incentive components. The compensation packages fully comply with the requirements of the Code. The details of the remuneration are given in the notes to the annual financial statements, on page 65 and are also available at www.wessanen.com. The Executive Board seeks to avoid any conflicts of interest. In line with the Code, a personal investment policy is applicable to the company's Executive and non-Executive Directors. In 2006, all directors were fully compliant with the personal investment code.

Role and responsibilities
Supervisory Board

The Supervisory Board oversees company policy as conducted by the Executive Board and acts as its advisory body. The members of the Supervisory Board are appointed by the General Meeting of Shareholders for a term of four years. The profile and activities of the Supervisory Board and its committees are governed by a set of formal standing rules. The Supervisory Board's report of its activities during the year under review can be found on pages 42 to 43.

The Supervisory Board is structured in such a way that it includes all the expertise necessary to perform its tasks properly and to operate independently of and critically towards each other, as well as the company's management, and all other decision-making related to their responsibilities. The remuneration of its members is not linked to the company's net income.

Wessanen's Supervisory Board currently has five members. Although not required by the Code, Wessanen had already established two committees when the Supervisory Board was composed of four members. The Audit Committee and the Selection, Appointments and Remuneration Committee will therefore continue with their respective responsibilities.

Shareholders' Meeting

The Annual General Meeting of Shareholders (AGM) is held once a year. The annual results are discussed at this meeting. All other meetings with shareholders are general meetings. Shareholders are entitled to request the Executive Board or the Supervisory Board to add items to the agenda of a Shareholders' Meeting. Such requests have to meet the conditions as defined in the company's Articles of Association. Wessanen facilitates voting by proxy.

Members of the Supervisory and Executive Board are appointed by the shareholders' meeting. Amending the Articles of Association is subject to approval by the shareholders' meeting. The authority of the members of the Executive Board to issue shares or to buy back shares is subject to yearly renewal to be granted by the shareholders' meeting.

Role of the Trust

In 2005, all restrictions on the transfer of shares were lifted as required by the Code. The final step in the process was accomplished during the Annual General Meeting of Shareholders on April 20, 2006, by approving the proposal to end the certification of shares and to have the voting shares listed on the stock exchange. The process of exchanging certificates into shares was completed by mid 2006 and has resulted in the objective of direct ownership of the shares by investors. The role of the Trust has consequently lost its significance. After the legal waiting period of two years, the Trust will be dissolved in 2008.

Communications with the financial world

Wessanen attaches great value to open and transparent communication with its investors and with the financial world in general. We are in regular contact with analysts and investors (through analysts' meetings, roadshows and one-on-one discussions), as well as with the financial media, which form the main source of information for private investors. Our fair disclosure policy is designed to ensure the careful and simultaneous provision of information to all shareholders within the guidelines of the Authority Financial Markets (AFM). The Disclosure policy and further information
on upcoming events can be found at www.wessanen.com.

Utrecht, February 27, 2007

Executive Board

Ad Veenhof, President and CEO
Han Wagter, CFO
Niels Onkenhout
Richard Lane[1]

[1] It will be proposed to the Annual General Meeting, to be held on April 18, 2007, to appoint Mr. Richard Lane as a member of the Executive Board

Message from the Supervisory Board

Introduction

The Supervisory Board met six times during 2006, with the majority of members present at all meetings. Between these meetings, the Executive Board regularly informed the Supervisory Board of developments during the year. At the meeting in February, the Supervisory Board convened with the external auditor. The scheduled meetings of the Supervisory Board took place in the presence of the members of the Executive Board. By way of standard practice these combined meetings are followed by meetings of the Supervisory Board in closed session.

During the closed sessions, the Supervisory Board discussed both its own performance as a Board and the performance of its individual members as well as the relationship with the individual members of the Executive Board. When discussing its own function, the Supervisory Board concluded that its competence would be significantly enhanced by the appointment of a fifth member, preferably female, with qualifications in marketing, logistics and finance. This move, it was felt, would provide a better platform for overseeing and supporting the company. We are extremely pleased that Mrs. Marie-Christine Lombard, who showed herself to be the ideal candidate, has accepted our invitation to join our Supervisory Board.

Alongside regular topics such as strategy, corporate governance, periodical results, the financial position of the company, budgets, long-term plans and the organization, the meetings also addressed the following subjects: decertification, the dividend policy, risks and risk management, sustainability and pension plans. The Supervisory Board attaches great value to Corporate Governance and appreciates the progress that was made again in 2006. In case of any deviation from the Corporate Governance Code, a full explanation will be provided.

Shareholders' meetings

The Supervisory Board attended the Annual General Meeting of Shareholders on April 20, 2006, at which the following agenda items were discussed: the Executive Board's Report on 2005 performance, the 2005 accounts, the dividend to shareholders and the appointment of the external auditor. The shareholders approved the appointment of Mrs. Marie-Christine Lombard as new member of the Supervisory Board for a period of four years, thereby extending the Supervisory Board from four to five members.

As a member of the Executive Board and Chief Financial Officer of Royal Wessanen nv, Mr. Han Wagter was appointed by the shareholders' meeting, also for a period of four years. We wish the new appointees every success in their newly acquired positions.

Other items on the agenda at the Annual General Meeting of Shareholders included the remuneration of the Executive Board, the authorization granted to the Executive Board to issue shares and the authorization to the Executive Board to buy back shares. Within the scope of Corporate Governance, a proposal to change the Articles of Association was discussed in order to end the certifications of shares and to have voting shares listed on the stock exchange.

Last year the Annual General Meeting of Shareholders had already given its approval to the proposal to change Article 11 of the Articles of Association to put an end to the 5% restriction of the transfer of shares. At that same meeting, shareholders approved the introduction of a mandatory offer for holdings in excess of 30% in order to protect the interest of minority holders in the company. Lifting restrictions on the transfer of shares and the associated voting rights is a requirement under the Dutch Corporate Governance Code.

As a next logical step, shareholders approved the proposal to end the certification of shares. Following this decision, the procedure of exchanging certificates for voting shares was started and completed in early July. All but 2,965 of the 72,228,407 certificates were exchanged for shares. As required by law, the Trust will continue to exist until mid 2008 and will be dissolved thereafter.

Independent governance

The Supervisory Board is governed by a set of formal standing rules and a profile. Both are available at www.wessanen.com. One member of the Supervisory Board increased his holdings in the company to 20,000 from 10,000 shares during 2006. This transaction was duly reported to the Authority Financial Markets (AFM). Apart from this, members of the Supervisory Board do not own any options or shares in the company, and they shall not be granted performance shares. The remuneration is not linked in any way to the company's results. None of the members of the Supervisory Board has been employed by the company during the past five years. And none of its members supplies any form of consultancy services to the company, holds any form of so-called 'interlocking directorship', or is in the position of being a 'dominant shareholder'. No transactions with a conflict of interest occurred in 2006. All members of the Supervisory Board are in compliance with the investment policy. With these regulations in place, the company complies with the 'best practice' policy regarding the independence of the Supervisory Board.

Committees

As stated in the the Dutch Corporate Governance Code, Wessanen has an Audit Committee and a Selection, Appointments and Remuneration Committee.

Audit Committee

The Audit Committee assesses the company's financial reporting process, the internal system for managing financial risks, the audit procedures, and the processes for monitoring compliance with relevant legislation and regulations.

The Committee met four times during 2006. All meetings took place ahead of the publication of the quarterly results and were held in the presence of one or more members of the Executive Board, the external auditor and of the head of the Internal Audit Department.

After all four combined meetings, closed meetings of the Audit Committee took place, one with the external auditor and one separately with the Internal Audit Department.

Other subjects addressed at Audit Committee meetings included the annual financial statements, acquisitions and divestments, the external auditor's report, proposals for the appointment and remuneration of the external auditor, the tax position of the company, risk management, credit notes, insurance and pensions. The members of the Audit Committee in 2006 were Mr. Theo de Kool (Chairman) and Mr. Frans Koffrie. The minutes of the meetings of the Audit Committee are made available to all Supervisory Board members.

Selection, Appointments and Remuneration Committee
The members of the Selection, Appointments and Remuneration Committee in 2006 were Mr. Jo Hautvast (Chairman), Mrs. Marie-Christine Lombard and Mr. Durk Jager. For efficiency reasons, the Remuneration Committee and the Selection and Appointments Committee have been combined. In 2006, the Committee met three times and focused on assessing the performance of individual members of the Executive Board, recruiting a new member of the Supervisory Board and the Executive Board, recruitment of the new President and CEO of the North American activities, reviewing the executive remuneration, including base salary, short-term and long-term incentive plans, and leadership development programs and reviewing the pension plan. The remuneration policy for members of the Executive Board was approved by the General Meeting of Shareholders on April 20, 2006. The remuneration report for 2006 is available at www.wessanen.com. Minutes of meetings of the Selection, Appointments and Remuneration Committee are made available to all members of the Supervisory Board.

Statement
In accordance with the Articles of Association, the financial statements for 2006, which have been prepared by the Executive Board and audited by KPMG Accountants N.V., Amstelveen, the Netherlands, and the Report of the Executive Board have been submitted to us. We concur with these financial statements and the dividend proposal. We recommend that the Annual General Meeting of Shareholders approve these financial statements and that the members of the Executive Board be granted discharge from their management duties and the members of the Supervisory Board from their supervision thereof insofar as said management is reflected in the financial statements.

The Supervisory Board is very grateful to all the company's staff for the results achieved and expresses its gratitude for their great efforts and dedication during the year 2006.

Utrecht, February 27, 2007

Supervisory Board
Mr. Durk Jager, Chairman
Mr. Jo Hautvast
Mr. Frans Koffrie
Mr. Theo de Kool
Mrs. Marie-Christine Lombard

Members of the Supervisory Board
D.I. Jager (male, American nationality, 1943)
Former Chairman and CEO of Procter & Gamble and Supervisory Director of Chiquita Brands International, Inc., Koninklijke KPN N.V. and Polycom Inc.; term ending in 2009 (eligible for reappointment).

L.M. de Kool (male, Dutch nationality, 1952)
Executive Vice President and Chief Financial & Administrative Officer of Sara Lee Corporation; term ending in 2009 (eligible for reappointment).

J.G.A.J. Hautvast (male, Dutch nationality, 1938)
Former Vice President Health Council of the Netherlands, former General-Director Wageningen Centre for Food Services. Chairman Advisory Board Risk Assessment Netherlands Food Safety Authority, member of Friesland Food's International Nutrition Advisory Board; term ending in 2008 (eligible for reappointment).

F.H.J. Koffrie (male, Dutch nationality, 1952)
Chairman of the Executive Board of Buhrmann NV; appointed to the Supervisory Board in 2001; term ending in 2009 (eligible for reappointment).

M.C. Lombard (female, French nationality, 1958)
Member of the Executive Board of TNT B.V. and Group Managing Director of TNT Express; appointed to the Supervisory Board in 2006; term ending in 2010 (eligible for reappointment).

Shareholders' information

Our fair disclosure policy is designed to ensure the careful and simultaneous provision of information to all shareholders.

Listing information

The capital structure of Royal Wessanen nv consists of only one class of stocks, i.e. voting shares with a nominal value of EUR 1.00 per share which are listed on the Euronext (Amsterdam) stock exchange and are included in the AMX, Next 150 and the Next Prime indices. Certification of shares was ended in 2006 following a decision of the shareholders' meeting of April 18, 2006. All shares outstanding can be traded freely without any restriction. All shares have equal rights.

In addition to the Euronext listing, a sponsored, unlisted, American Depository Receipt (ADR) program is traded in the US. Furthermore, Wessanen share options are traded on the Euronext Amsterdam derivative exchange. In 2006, four liquidity providers have been trading in our shares on the Euronext stock market.

Key dates

February 27, 2007	Publication of the fourth quarter and annual 2006 results
April 18, 2007	Annual General Meeting of Shareholders
April 20, 2007	Ex-dividend share price determined
May 2, 2007	Dividend 2006 payable
May 9, 2007	Publication of the first quarter 2007 results
August 1, 2007	Publication of the second quarter and half-year 2007 results
October 31, 2007	Publication of the third quarter 2007 results
February 26, 2008	Publication of the fourth quarter and annual 2007 results
April 16, 2008	Annual General Meeting of Shareholders

Investor relations

During 2006, members of the Executive Board of Wessanen attended several third party conferences and, following the announcement of our earnings, organized around 200 individual or collective investor meetings in Amsterdam, London, New York, Boston, Paris, Frankfurt, Edinburgh and Copenhagen. A substantial proportion of the shares are held by foreign investors, mainly in the UK and the US. In 2007, members of the Executive Board will, again, attend various investor conferences in the Netherlands and abroad. For more information about our roadshow schedule or investor meetings, please contact our Investor Relations office or the Investor Center at www.wessanen.com.

Dividend

For 2006 the company will propose to its shareholders to pay out a dividend of EUR 0.65 per share. This is equivalent to the dividend paid over 2005.

Profit per share and the development of the share price

Profit for the period attributable to equity holders of the parent company and the proposed dividend for the year developed as follows:

Year	EBITAE	Dividend	High[1]	Low[1]	Year end
2006	0.57	0.65	14.03	9.60	10.25
2005	0.59	0.65	14.38	9.59	12.81
2004	0.48	0.58	12.49	8.80	9.45
2003	0.14	0.58	10.05	4.30	9.39
2002	0.51	0.58	10.30	6.20	6.60

[1] High and low at close price

The average volume traded over all trading days in 2006 was 409,624 (2005: 482,424).

Act on the Disclosure of Influence over Listed Companies

In accordance with the Act on the Disclosure of Influence over Listed Companies (1991) the company received a notification from Fidelity European Fund concerning a capital interest of 5.59% as of April 19, 2006.

Financial Service Act

The company is not involved in agreements in the sense of the Financial Service Act. As reflected in the remuneration report, available at www.wessanen.com, a change in control clause is applicable to one member of the Executive Board.

Prevention of misuse of inside information

Wessanen considers the prevention of misuse of insider information essential in the relationship to all stakeholders. The company has a 'Code of conduct of securities transactions' since 2002. The code is available on www.wessanen.com.

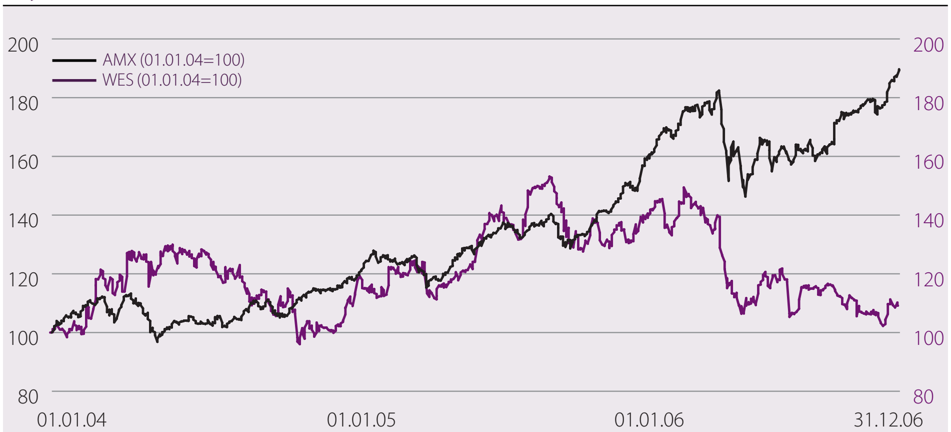
Other information

An interactive version of the Annual Report is available at www.wessanen.com.

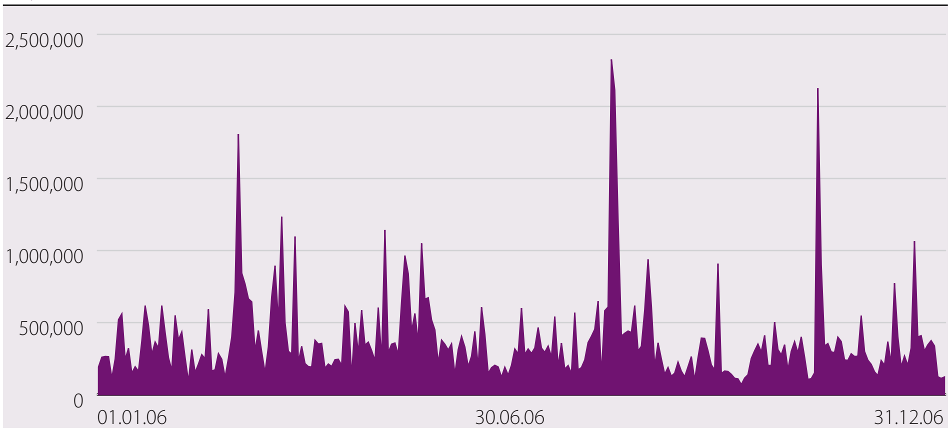
Investor Relations office

Bas Meijer, Head of Investor Relations
Phone: +31 (0)30 298 88 03
Fax: +31 (0)30 298 88 85
E-mail: investor.relations@wessanen.com

Royal Wessanen nv vs AMX 2004–2006



Royal Wessanen nv trading volume 2006



Report of the Trust 'Stichting Administratiekantoor van aandelen Koninklijke Wessanen'

To the holders of depositary receipts of ordinary shares in Royal Wessanen nv
The conditions of the Trust under which the abovementioned depositary receipts are issued by the Trust were changed by deed on July 15, 2005, before Mr. G.W.Ch. Visser, civil law notary in Amsterdam. Holders of depositary receipts may obtain copies of these conditions free of charge from the Trust or the N.V. Algemeen Nederlandsch Administratie- en Trustkantoor in Amsterdam (ANT), Herengracht 420, 1017 BZ (phone: +31 (0)20 522 25 55, fax: +31 (0)20 522 25 00, e-mail: conversie@ant-trust.nl).

In compliance with Article 15 of the Trust conditions, the undersigned hereby declares that the activities during the financial year 2006 consisted of holding in its name, acquiring and taking into administration ordinary shares in Royal Wessanen nv, each with a nominal value of EUR 1.00 and of issuing in respect thereof convertible bearer depositary receipts as well as, when necessary, reconverting depositary receipts into original shares, all with due regard to the Articles of Association of Royal Wessanen nv, and furthermore, of exercising the rights attached to the shares, including the voting rights at the Annual General Meeting of Shareholders.

As at December 31, 2006, the nominal value of the administered shares in Royal Wessanen nv for which depositary receipts were issued was EUR 2,965 constituting a decrease of EUR 72,258,173 compared with December 31, 2005. In total, 551 depositary receipts were issued and 72,258,724 were withdrawn, against which, on balance, registration took place in the shareholders' register.

The final dividend for 2005 and the interim dividend for 2006, which were declared by Royal Wessanen nv on May 4, 2006 and August 22, 2006 respectively, became payable on depositary receipts issued by the Trust on these same dates.

On April 20, 2006, just before the Annual General Meeting of Shareholders, a meeting of holders of certificates took place to discuss the intention to end the administration of certificates following the alignment of the Articles of Association and Trust Deed on July 27, 2005, which permitted full and unrestricted voting power to holders of certificates during shareholders' meetings of the company.

Therefore, the meeting of the holders of certificates served to make sure that holders of certificates prefer to hold the voting shares directly, as is currently the trend, rather than indirectly through certificates via the Trust. All present at the meeting of holders of certificates concurred with the view expressed by the Trust Chairman, Prof. mr. drs. H.P.J. Ophof, that it would be advisable to vote for decertification later in the afternoon at the shareholders' meeting of the company. That proposal was indeed accepted at the shareholders' meeting. The process of exchanging the certificates for shares was successfully completed by mid 2006. On December 31, 2006 only 2,965 certificates were not offered for exchange with shares. In accordance with Dutch law, the Trust will remain active until mid 2008
and then be dissolved.

The Trust was represented at the Annual General Meeting of Shareholders on April 20, 2006, with 80.0% of the votes cast.

The current member of the Trust has no shares or depositary receipts of shares in the company. The Trust has agreed with the company that the company will bear any reasonable costs which are incurred by the Trust. These include EUR 3,000 for consultancy services and insurance policies. The amount of remuneration paid to the Chairman of the Trust Board was EUR 5,500.

Amsterdam, February 27, 2007

Stichting Administratiekantoor van Aandelen Koninklijke Wessanen nv, Trust Board of Directors
Prof. mr. drs. H.P.J. Ophof

Declaration
The Executive Board of Royal Wessanen nv and the Board of the Stichting Administratiekantoor van Aandelen Koninklijke Wessanen hereby declare that in their joint opinion the requirements regarding the independence of the Trust members have been satisfied as set out in Annex X of the Regulations of Euronext Amsterdam N.V., Amsterdam.

Amsterdam, February 27, 2007

Executive Board of Royal Wessanen nv
Board of the Stichting Administratiekantoor van Aandelen Koninklijke Wessanen

Financial statements

Consolidated income statement

In EUR millions, unless stated otherwise	Notes	2006	2005[1]
Revenue		**1,590.3**	1,691.1
Other income	7	**6.9**	0.7
Raw materials and supplies		**(1,069.1)**	(1,135.2)
Personnel expenses	8,9	**(231.8)**	(261.8)
Depreciation, amortization and impairments		**(17.0)**	(19.2)
Other operating expenses		**(237.1)**	(250.7)
Operating expenses		**(1,555.0)**	(1,666.9)
Operating profit		**42.2**	24.9
Financial income		**2.1**	2.7
Financial expense		**(13.0)**	(9.5)
Net financing costs	10	**(10.9)**	(6.8)
Share in results of associates	16	**–**	1.4
Profit before income tax		**31.3**	19.5
Income tax expense	11	**(3.1)**	(2.8)
Profit after income tax from continuing operations		**28.2**	16.7
Profit from discontinued operations, net of income tax	12	**5.4**	9.9
Profit for the period		**33.6**	26.6
Attributable to:			
Equity holders of Wessanen		**32.0**	25.0
Minority interests		**1.6**	1.6
Profit for the period		**33.6**	26.6
Earnings per share from continuing operations (in EUR)	13		
Basic		**0.37**	0.21
Diluted		**0.37**	0.21
Earnings per share attributable to equity holders of Wessanen (in EUR)	13		
Basic		**0.45**	0.35
Diluted		**0.44**	0.35
Average number of shares outstanding (in thousands)	13		
Basic		**71,217**	70,516
Diluted		**72,416**	72,145

[1] Comparatives adjusted for (dis)continued operations

Consolidated balance sheet

In EUR millions	Notes	December 31, 2006	December 31, 2005
Assets			
Property, plant and equipment	14	**124.7**	179.3
Intangible assets	15	**152.7**	148.3
Investments in associates	16	**0.5**	0.6
Other investments	17	**3.7**	4.9
Deferred tax assets	18	**93.0**	98.8
Total non-current assets		**374.6**	431.9
Inventories	19	**189.9**	233.8
Income tax receivable		**4.3**	0.5
Trade receivables	20	**181.9**	235.0
Other receivables and prepayments	20	**35.2**	35.1
Cash and cash equivalents	21	**34.6**	27.1
Assets classified as held for sale	12	**130.2**	18.0
Total current assets		**576.1**	549.5
Total assets		**950.7**	981.4
Equity			
Share capital		**72.6**	72.6
Share premium		**99.7**	99.7
Reserves		**(7.1)**	(6.5)
Retained earnings		**304.5**	318.3
Total equity attributable to equity holders of Wessanen	22	**469.7**	484.1
Minority interests		**10.3**	8.7
Total equity		**480.0**	492.8
Liabilities			
Interest-bearing loans and borrowings	23	**137.5**	123.6
Employee benefits	24	**20.8**	33.8
Provisions	25	**3.5**	7.4
Deferred tax liabilities	18	**2.4**	4.3
Total non-current liabilities		**164.2**	169.1
Bank overdrafts	21	**22.2**	19.2
Interest-bearing loans and borrowings	23	**3.5**	7.3
Provisions	25	**9.5**	10.4
Income tax payable		**2.0**	6.7
Trade payables		**134.4**	169.9
Non-trade payables and accrued expenses	26	**70.0**	83.9
Liabilities classified as held for sale	12	**64.9**	22.1
Total current liabilities		**306.5**	319.5
Total liabilities		**470.7**	488.6
Total equity and liabilities		**950.7**	981.4

Consolidated statement of changes in equity

In EUR millions	Issued and paid-up share capital	Share premium	Reserve for own shares	Translation reserve	Hedging reserve	Other legal reserves	Retained earnings	Total equity attributable to equity holders of Wessanen	Minority interests	Total equity
2005										
Balance at beginning of year	72.6	99.7	(22.9)	(6.4)	–	–	336.0	479.0	8.9	487.9
Profit for the period	–	–	–	–	–	–	25.0	25.0	1.6	26.6
Transition to IAS 32 and 39	–	–	–	–	–	–	–	–	(3.0)	(3.0)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	2.5	–	–	2.5	–	2.5
Foreign exchange translation differences	–	–	–	14.7	–	–	–	14.7	–	14.7
Total recognized income and expense	–	–	–	14.7	2.5	–	25.0	42.2	(1.4)	40.8
Own shares acquired	–	–	(2.1)	–	–	–	–	(2.1)	–	(2.1)
Own shares sold	–	–	3.8	–	–	–	1.0	4.8	–	4.8
Share options exercised by employees	–	–	5.1	–	–	–	–	5.1	–	5.1
Share-based payments	–	–	–	–	–	–	0.8	0.8	–	0.8
Dividends to shareholders	–	–	–	–	–	–	(44.5)	(44.5)	–	(44.5)
Reclassification	–	–	–	(1.2)	–	–	–	(1.2)	1.2	–
Balance at year end	72.6	99.7	(16.1)	7.1	2.5	–	318.3	484.1	8.7	492.8
2006										
Balance at beginning of year	**72.6**	**99.7**	**(16.1)**	**7.1**	**2.5**	**–**	**318.3**	**484.1**	**8.7**	**492.8**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**32.0**	**32.0**	**1.6**	**33.6**
Effective portion of changes in fair value of cash flow hedges	**–**	**–**	**–**	**–**	**0.8**	**–**	**–**	**0.8**	**–**	**0.8**
Foreign exchange translation differences	**–**	**–**	**–**	**(9.2)**	**–**	**–**	**–**	**(9.2)**	**–**	**(9.2)**
Total recognized income and expense	**–**	**–**	**–**	**(9.2)**	**0.8**	**–**	**32.0**	**23.6**	**1.6**	**25.2**
Own shares sold	**–**	**–**	**1.4**	**–**	**–**	**–**	**0.3**	**1.7**	**–**	**1.7**
Share options exercised by employees	**–**	**–**	**5.8**	**–**	**–**	**–**	**–**	**5.8**	**–**	**5.8**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**0.8**	**0.8**	**–**	**0.8**
Dividends to shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(46.3)**	**(46.3)**	**–**	**(46.3)**
Transfer to other legal reserves	**–**	**–**	**–**	**–**	**–**	**0.6**	**(0.6)**	**–**	**–**	**–**
Balance at year end	**72.6**	**99.7**	**(8.9)**	**(2.1)**	**3.3**	**0.6**	**304.5**	**469.7**	**10.3**	**480.0**

Consolidated statement of cash flows

In EUR millions	Notes	2006	2005[1]
Cash flows from operating activities			
Operating profit		**42.2**	24.9
Adjustments for:			
Depreciation, amortization and impairments		**17.0**	19.4
Provisions created		**19.1**	24.2
Other non-cash and non-operating items		**0.7**	1.0
Gain from disposals		**(4.5)**	(0.7)
Cash generated from operations before changes in working capital and provisions		**74.5**	68.8
Changes in working capital	31	**9.0**	4.1
Changes in provisions		**(21.2)**	(37.6)
Changes in employee benefits		**(2.0)**	(2.6)
Cash generated from operations		**60.3**	32.7
Income tax received/(paid)		**(20.0)**	17.5
Interest received/(paid)		**(10.1)**	(5.1)
Operating cash flow from continuing operations		**30.2**	45.1
Operating cash flow from discontinued operations		**5.1**	6.8
Net cash from operating activities		**35.3**	51.9
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(16.0)**	(15.6)
Proceeds from sale of property, plant and equipment		**11.5**	3.8
Proceeds from sale of investments		**0.2**	4.5
Acquisition of intangible assets, excluding goodwill		**(1.1)**	(1.7)
Acquisition of subsidiaries, net of cash acquired		**(12.4)**	(7.2)
Disposal of subsidiaries, net of cash disposed of		**–**	6.0
Investing cash flow from continuing operations		**(17.8)**	(10.2)
Investing cash flow from discontinued operations		**(8.5)**	2.2
Net cash flow from investing activities		**(26.3)**	(8.0)
Cash flows from financing activities			
Proceeds from borrowings		**23.3**	3.6
Cash receipts/(payments) derivatives		**12.0**	(27.4)
Sale of own shares		**7.5**	7.8
Dividends paid		**(46.3)**	(44.5)
Financing cash flow from continuing operations		**(3.5)**	(60.5)
Financing cash flow from discontinued operations		**0.4**	0.1
Net cash from financing activities		**(3.1)**	(60.4)
Net cash flow	31	**5.9**	(16.5)

[1] Comparatives adjusted for (dis)continued operations

Notes to the consolidated financial statements

Notes to the consolidated financial statements are in EUR millions, except per share data, ratios, percentages and where otherwise indicated

1. The company and its operations

The principal activities of Royal Wessanen nv ('Wessanen' or the 'Company'), a public limited company domiciled in the Netherlands, are producing, marketing and distributing high-quality natural and specialty food products in Europe and North America. The consolidated financial statements of Royal Wessanen nv for the year ended December 31, 2006 comprise Wessanen and its subsidiaries (together referred to as the 'Group') and Wessanen's interest in associated companies. Wessanen's subsidiaries and associated companies are listed in Note 32.

2. Basis of preparation

Statement of compliance

The consolidated financial statements for the year ended December 31, 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The financial statements were signed by the Supervisory Board and the Executive Board on February 27, 2007.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following assets and liabilities that are stated at their fair value: derivative financial instruments, financial assets classified as available-for-sale and liabilities for cash-settled share-based payment arrangements. Recognized assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged. The methods used to measure fair value are disclosed in Note 3.

Functional and presentation currency

The functional currency of Wessanen is the euro. These consolidated financial statements are presented in millions of euro.

Use of estimates and judgements

The preparation of Wessanen's consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, of revenues and expenses and the disclosure of contingent assets and liabilities. Although these estimates and associated assumptions are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. Significant accounting policies

The accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements, and have been applied consistently by all Group entities.

The comparative income and cash flow statement have been represented as if (1) an operation discontinued during the current period (in 2006: the Private Label activities of Dailycer and Delicia in the UK, France and the Netherlands) had been discontinued from the start of the comparative period, and (2) an operation continued during the period from previously discontinued (in 2006: the Private Label activities of Karl Kemper Germany) had been continued from the start of the comparative period.

The cash flow from operations has been represented starting from operating result instead of net income. Comparative amounts have been adjusted, resulting in certain reclassifications between reporting lines within the cash flow from operations.

In addition, certain comparative amounts have been reclassified to conform with the current year's presentation.

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of Wessanen and all entities that are controlled by Wessanen ('subsidiaries'). Control is presumed to exist when Wessanen has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities (generally accompanying a shareholding of more than one half of the voting rights). In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates

Associates are those entities in which Wessanen has significant influence, but not control, over the financial and operating policies (generally accompanying a shareholding of between 20% and 50% of the voting rights). The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses of the associate exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that Wessanen has incurred obligations or made payments on behalf of the associate.

Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealized gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3. Significant accounting policies continued

Foreign currency

Foreign currency transactions

Transactions in foreign currencies (not being the functional currency) are translated to the functional currency using the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to euro at the exchange rates ruling at the balance sheet date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to euro at foreign exchange rates at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to euro at foreign exchange rates ruling at the dates the fair values were determined.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to euro at exchange rates at the dates of the transactions. The resulting foreign exchange differences arising on translation are recognized directly in a separate component of equity, the translation reserve.

Net investment in foreign operations

Foreign exchange differences arising from the translation of the net investment in foreign operations, and of related hedges are taken to the translation reserve. Such differences are recognized in the income statement upon disposal of the foreign operation.

The principal exchange rates against the euro used in the balance sheet and income statement are:

	Balance sheet		Income statement	
Currency per EUR	**December 31, 2006**	December 31, 2005	**2006**	2005
USD	**1.3166**	1.1863	**1.2609**	1.2406
CAD	**1.5282**	1.3799	**1.4271**	1.5050
GBP	**0.6705**	0.6872	**0.6830**	0.6848

Derivative financial instruments

Wessanen uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. These instruments are initially recognized in the balance sheet at fair value on a settlement date basis and are subsequently remeasured at their fair value. Resulting gains and losses are recognized directly in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that Wessanen would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Foreign exchange rate differences arising from derivative financial instruments used to hedge foreign exchange rate risks are recognized under financial income and expenses.

Hedging

Cash flow hedges

If a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognized liability, a firm commitment or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognized directly in equity. When the firm commitment or forecast transaction results in the recognition of an asset or liability, the cumulative gain or loss is removed from equity and included in the initial measurement of the asset or liability. Otherwise, the cumulative gain or loss is removed from equity and recognized in the income statement at the same time as the hedged transaction. The ineffective part of any gain or loss is immediately recognized in the income statement. Any gain or loss arising from changes in the time value of the derivative financial instrument is excluded from the measurement of hedge effectiveness and is recognized immediately in the income statement.

When a hedging instrument or hedge relationship is terminated but the hedged transaction still is expected to occur, the cumulative gain or loss at that point remains in equity and is recognized in the income statement in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealized gain or loss recognized in equity is recognized immediately in the income statement.

3. Significant accounting policies continued

Hedge of monetary assets and liabilities

Where a derivative financial instrument is used to economically hedge the foreign exchange exposure of a recognized monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognized in the income statement.

Hedge of net investment in foreign operation

The portion of the gain or loss on an instrument used to hedge a net investment in foreign operation that is determined to be an effective hedge is recognized directly in equity. The ineffective portion is recognized in the income statement.

Segment reporting

Wessanen has determined its reportable segments based on its internal reporting practices and on how the Company's management evaluates the performance of operations and allocates resources. Performance of the segments is evaluated against several measures, of which revenue and operating income are the most important.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and rewards that are different from those of other business segments. A geographical segment is a group of assets and operations engaged in providing products or services within a particular economic environment that are subject to risks and rewards that are different from segments operating in other economic circumstances.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Non-allocated results, assets and liabilities to segments mainly refer to corporate items and non-operating results, assets and liabilities such as financing and income tax related items.

The geographical analysis of revenue is based upon the location of the customers. The geographical analysis of operating assets and capital expenditures is based upon the location of the assets.

Inter-segment sales are executed under normal commercial terms and conditions that would be available to unrelated third parties.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of the asset and may include borrowing costs incurred during construction.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the income statement as an expense as incurred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives. Land is not depreciated. Where an item of property, plant or equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment. Depreciation methods, useful lives, as well as residual values are tested annually.

Assets not in use are recorded at the lower of their book value and recoverable amount.

The estimated useful lives of property, plant and equipment for the current and comparative period are as follows:

Buildings and offices	30 years
Machinery and equipment	10–15 years
Computers	3–5 years
Other	3–5 years

Assets not in use and assets classified as held for sale are not depreciated.

Assets held under finance lease

Leases under which Wessanen assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments are accounted for as described in the accounting policy on expenses.

Notes to the consolidated financial statements

3. Significant accounting policies continued

Government grants

Government grants received in respect of property, plant and equipment are deducted from the carrying values of the related assets. The grants are thus recognized as income over the life of the assets by way of reduced depreciation charges.

Intangible assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures.

In respect of acquisitions that have occurred since January 1, 2004, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets and liabilities and contingent liabilities at the date of acquisition. Negative goodwill arising on an acquisition is recognized directly in the income statement.

In respect of acquisitions prior to January 1, 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous Dutch GAAP. In respect of acquisitions prior to January 1, 2001, goodwill was deducted directly from equity under previous Dutch GAAP.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortized but tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technological knowledge and understanding, is recognized in the income statement as an expense when incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the assets for its intended use. Other development expenditure is recognized in the income statement as an expense when incurred.

Capitalized development expenditure is stated at cost less accumulated amortization and accumulated impairment losses.

Brands

Capitalized brands are measured at cost less accumulated amortization and impairment losses. Brands acquired in business acquisitions are initially measured at fair value.

The useful lives of brand names have been determined on the basis of certain factors such as the economic environment, the expected use of the asset and related assets or groups of assets and legal or other provisions that might limit the useful life. Based on this assessment, the useful life is determined to be indefinite, since there is no foreseeable limit to the period of time over which the brand names are expected to contribute to the cash flows of the Group. Capitalized brands with an indefinite life are not amortized.

Business acquisition fees

Business acquisition fees represent fees paid by Wessanen to its customers for the ability to sell and service customer stores. Such fees paid in accordance with signed agreements are capitalized and amortized over the life of the agreement.

Other intangible assets

Other intangible assets that are acquired by Wessanen, which have finite useful lives, are stated at cost less accumulated amortization and impairment losses.

Expenditure on internally generated goodwill and brands is recognized in the income statement as an expense as incurred.

Subsequent expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization

Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets are amortized from the date they are available for use. Residual useful life is re-assessed annually.

3. Significant accounting policies continued

Investments in associates

The results, assets and liabilities of associates are accounted for by the equity method. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses of the associate exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that Wessanen has incurred obligations or made payments on behalf of the associate.

Investments in debt and equity securities

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognized in the income statement. Held-to-maturity assets are stated at amortized cost less impairment losses. Other investments held by Wessanen are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss recognized directly in equity, except for impairment losses and, in the case of monetary items, foreign exchange rate gains and losses. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in the income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognized in the income statement.

The fair value of financial instruments classified as held-for-trading and available-for-sale is their quoted bid price at the balance sheet date. If not quoted, and another reliable fair value estimation is not available, those investments are stated at (deemed) cost.

Dividends received are recognized upon declaration.

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Inventory is valued net of vendor allowances if applicable.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Trade and other receivables

Trade and other receivables are stated at their amortized cost less impairment losses. Amortized cost is determined using the effective interest rate.

Cash and cash equivalents

Cash and cash-equivalents comprise cash and bank balances and call deposits. Cash equivalents are only recognized when control over the possibility to convert to cash is transferred to or from Wessanen.

Bank overdrafts that are repayable on demand and form an integral part of Wessanen's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Bank accounts are netted if the company has a legal enforceable right to off-set and offsetting takes place on a regular basis.

Impairment of assets

The carrying amounts of Wessanen's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the income statement.

Goodwill, brands and other intangible assets with indefinite useful lives are subject to annual impairment testing, irrespective of whether indications of impairment exist or not.

Calculation of recoverable amount

The recoverable amount of Wessanen's investments in held-to-maturity securities and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Notes to the consolidated financial statements

3. Significant accounting policies continued

Reversal of impairment

An impairment loss in respect of a held-to-maturity security or receivable carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment may no longer exist and if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups (a group of assets to be disposed of in a single transaction and liabilities directly associated with those assets) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for sale in its immediate condition. Management must be committed to the sale, which should be expected within one year from the date of classification as held for sale.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter, the assets (or disposal group) are recognized at the lower of their carrying amount and fair value less cost to sell. Assets classified as held for sale, or included within a disposal group that is classified as held for sale, are not depreciated. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are included in the income statement. Gains are not recognized in excess of any cumulative impairment loss.

A discontinued operation is a component of Wessanen's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify.

Results from operations qualifying as discontinued operations are presented separately as a single amount on the income statement. Results from operations qualifying as discontinued operations as of the balance sheet date for the latest period presented, that have previously been presented as results from continuing operations, are represented as results from discontinued operations for all periods presented.

In case conditions for classification of non-current assets and disposal groups as held for sale are no longer met, classification as held for sale ceases. Accordingly, results of operations, previously presented in discontinued operations, are reclassified and included in result from continuing operations for all periods presented. Non-current assets that ceases to be classified as held for sale are remeasured at the lower of their carrying amount before classification as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset or disposal group not been classified as held for sale, and its recoverable amount at the date of the subsequent decision to sell.

Equity

Issued and paid-up capital

Wessanen's issued capital comprises of EUR 1.00 par value common shares and is stated at nominal value.

Repurchase of shares

When shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity. Considerations received when own shares are re-issued are presented as a change in equity. Any gains arising on the re-issuance of shares are recognized in retained earnings.

Dividends

Dividends are recognized as a liability in the period in which they are declared.

Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

3. Significant accounting policies continued

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an expense in the income statement as incurred.

Defined benefit plans

Wessanen's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at balance sheet date
on high quality corporate bonds that have maturity dates approximating the terms of Wessanen's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the income statement.

Actuarial gains and losses that arise are recognized in the income statement over the expected average remaining working lives of the employees participating in the plan, to the extent that any cumulative unrecognized actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets. Otherwise, the actuarial gain or loss is not recognized.

Where the calculation results in a benefit to Wessanen, the recognized asset is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Long-term service benefits

Wessanen's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of Wessanen's obligations.

Share-based payment transactions

The stock option program allows Wessanen employees to acquire shares of Wessanen. The share rights program grants conditional rights to receive shares to eligible employees of Wessanen.

The fair value of stock options and share rights granted is recognized as an employee expense with a corresponding increase in equity for equity-settled plans. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the stock options and share rights. The fair value of the stock options and share rights granted is measured using a binomial model, taking into account the terms and conditions upon which the instruments were granted.

The amount recognized as an expense is adjusted to reflect the actual number of stock options and share rights that vest, except where forfeiture is due to share prices not achieving the threshold for vesting.

Provisions

A provision is recognized in the balance sheet if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A restructuring provision is recognized when certain criteria are met. Such criteria include the existence of a detailed formal plan that identifies at least the business or part of the business concerned, the principal location(s) affected, the approximate number of employees whose employment contracts will be terminated, the estimated costs and the timing of when the plan will be implemented. Furthermore the company must have raised a valid expectation with those affected that it will carry out the restructuring, by starting to implement that plan or announcing its main features to those affected by it. Future operating costs are not provided for.

The workers' compensations provision consists mainly of workers' compensations to employees for injuries incurred during working hours. The workers' compensation provision is recorded on a discounted basis, utilizing an actuarial method, which is based upon various assumptions that include, but are not limited to historical loss experience, projected loss development factors and actual payroll costs.

Trade and other payables

Trade and other payables are stated at amortized cost. Amortized cost is determined using the effective interest rate.

Revenue

Revenue represents the value of goods delivered to third parties, less any value-added taxes or other sales taxes. Revenue is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Customer deductions, coupons, rebates, and sales returns and discounts are recorded as reductions to sales and are included in revenue in the consolidated income statement. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue related to government grants is recognized in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that Wessanen will comply with the conditions associated with the grant. Grants that compensate Wessanen for expenses incurred are recognized in the income statement on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate Wessanen for the cost of an asset are recognized in the income statement on a systematic basis over the useful life of the asset.

3. Significant accounting policies continued

Expenses

Operating lease payments

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.

Finance lease payments

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, losses on unwinding the discount on provisions, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognized in the income statement.

Interest income is recognized in the income statement as it accrues, using the effective interest method.

The interest expense component of finance lease payments is recognized in the income statement using the effective interest rate method.

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to current tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets and liabilities are not recognized for temporary differences arising from the initial recognition of goodwill, the initial recognition of other assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets, including deferred tax assets for tax loss carry forwards, are recognized to the extent that the company has sufficient taxable temporary differences or it is probable that future taxable profits will be available against which deductible temporary differences can be utilized and deferred tax assets realized. The recoverable amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not discounted.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend is recognized.

Deferred tax assets and liabilities are offset in the balance sheet when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes are levied by the same fiscal authority.

Cash flow statement

The consolidated cash flow statement is presented using the indirect method. Cash flows in foreign currencies are translated into euro at the date of the transaction.

New standards and interpretations not yet effective

The following new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2006, and have not been applied in preparing these consolidated financial statements:

- IFRS 7 Financial Instruments: Disclosures.
- IFRS 8 Operating Segments.
- Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures.
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies.
- IFRIC 8 Scope of IFRS 2 Share-based Payment.
- IFRIC 9 Reassessment of Embedded Derivatives.
- IFRIC 10 Interim Financial Reporting and Impairment.

Wessanen will introduce the new standards, amendments to standards and interpretations on or after January 1, 2007. Adoption of these standards and interpretations is expected to have a limited impact on the consolidated financial statements of Wessanen.

Notes to the consolidated financial statements

4. Exceptional items

Exceptional items are defined as items of income and expense from ordinary activities of such size, nature or incidence, that in view of management their disclosure is relevant to explain the performance of Wessanen for the period. Exceptional items primarily bear an expense character, offset by exceptional income on primarily divestments of operations and sale of real estate.

		2006			2005		
		Total before exceptional items	**Exceptional items**	**Total**	Total before exceptional items	Exceptional items	Total
Revenue		**1,590.3**	**–**	**1,590.3**	1,691.1	–	1,691.1
Other income	A	**–**	**6.9**	**6.9**	–	0.7	0.7
Raw materials and supplies		**(1,058.6)**	**(10.5)**	**(1,069.1)**	(1,135.2)	–	(1,135.2)
Personnel expenses		**(226.0)**	**(5.8)**	**(231.8)**	(252.1)	(9.7)	(261.8)
Depreciation, amortization and impairments		**(17.0)**	**–**	**(17.0)**	(19.3)	0.1	(19.2)
Other operating expenses		**(231.9)**	**(5.2)**	**(237.1)**	(230.0)	(20.7)	(250.7)
Operating expenses	B	**(1,533.5)**	**(21.5)**	**(1,555.0)**	(1,636.6)	(30.3)	(1,666.9)
Operating profit		**56.8**	**(14.6)**	**42.2**	54.5	(29.6)	24.9
Financial income		**2.1**	**–**	**2.1**	2.7	–	2.7
Financial expense		**(13.0)**	**–**	**(13.0)**	(9.5)	–	(9.5)
Net financing costs		**(10.9)**	**–**	**(10.9)**	(6.8)	–	(6.8)
Share in results of associates		**–**	**–**	**–**	0.1	1.3	1.4
Profit before income tax		**45.9**	**(14.6)**	**31.3**	47.8	(28.3)	19.5
Income tax expense	C	**(8.3)**	**5.2**	**(3.1)**	(13.3)	10.5	(2.8)
Profit after income tax from continuing operations		**37.6**	**(9.4)**	**28.2**	34.5	(17.8)	16.7
Profit from discontinued operations, net of income tax	D	**4.5**	**0.9**	**5.4**	8.5	1.4	9.9
Profit for the period		**42.1**	**(8.5)**	**33.6**	43.0	(16.4)	26.6

Exceptional items in 2006 can be divided into four major components:

A EUR 6.9 classified as **exceptional other income**, consisting of gains on sale of property, plant and equipment and gains on curtailments of defined benefit plans.
B EUR 21.5 classified as **exceptional operating expenses**. An overview of the main items is provided below.
C EUR 5.2 **tax effect** represents the tax benefit on the exceptional items.
D EUR 0.9 classified as **exceptional profit from discontinued operations, net of income tax,** consisting of gains on sale of property, plant and equipment and gains on curtailments of defined benefit plans.

Overview of main items classified in operating expenses (component B):

	2006	2005
1. 'Build on the Roots' (2005: 'Operation Phoenix'/'Build on the Roots')	**10.1**	11.3
2. Other restructuring projects	**10.3**	11.6
3. Other exceptional expenses	**1.1**	7.4
Total exceptional operating expenses	**21.5**	30.3

Notes to the consolidated financial statements

4. Exceptional items continued

1. **'Build on the Roots'** continued in 2006 in the form of Stock-Keeping Unit ('SKU') rationalization. 'Build on the Roots' is the plan to structurally improve Tree of Life NA's performance by rationalization of the product portfolio and alignment of the cost-base with customer portfolio. This program started early 2004 and involves a rationalization of distribution facilities which included closing of facilities and consolidating divisions and operations.
   The recognized exceptional costs are mainly related to impairment of non-current assets and inventory, lease contracts that have become onerous, severance costs of personnel and extra discounts and promotional spending to sell discontinued products to customers. The program was finalized at the end of 2006.

2. **Other restructuring projects**, not being part of the Build on the Roots program, include projects at several of our operating companies. The most important of these are the following:

   - Several changes to the Tree of Life NA organization as a result of rationalizations.
   - Transfer within ABC of the juice-making operations from Nashua to the Verona facility.

   The restructuring projects were finalized in 2006.

3. **Other** exceptional expenses mainly include settlement costs related to lost businesses by Tree of Life NA in the US. Total other exceptional expenses were partially off-set by exceptional releases of provisions and accruals.

5. Segment information

The Group's continuing operations operate in four separate business segments: North America Branded, North America Distribution, Europe Branded and Europe Distribution, which is the primary format for segment reporting. The most important financial data regarding these segments are given below.

Primary segments

	Continuing operations							Discontinued operations		Total Group
	North America Branded	North America Distribution	Europe Branded	Europe Distribution	Non-allocated[1]	Eliminations	Total	Private Label	Eliminations	
2005										
Income statement information										
Revenue third parties	134.1	962.8	437.6	131.6	25.0	–	1,691.1	204.7	–	1,895.8
Inter-segment revenue	9.0	–	–	–	–	(9.0)	–	20.6	(20.6)	–
Revenue	143.1	962.8	437.6	131.6	25.0	(9.0)	1,691.1	225.3	(20.6)	1,895.8
Depreciation, amortization and impairments	1.9	8.4	7.1	1.3	0.5	–	19.2	6.5	–	25.7
Operating profit	10.4	(18.7)	38.4	5.3	(10.5)	–	24.9	15.6	–	40.5
Share in results of associates	–	–	–	–	1.4	–	1.4	–	–	1.4
Exceptional items before income taxes	(2.3)	(22.5)	(2.9)	(0.6)	–	–	(28.3)	(0.3)	–	(28.6)
Balance sheet information										
Operating assets	80.7	373.7	276.5	47.7	78.1	–	856.7	124.7	–	981.4
Investments in associates	–	0.6	–	–	–	–	0.6	–	–	0.6
Operating liabilities	15.1	94.8	137.4	16.0	166.8	–	430.1	58.5	–	488.6
Investments in PP&E and IA[2]	3.2	3.1	7.9	0.9	1.9	–	17.0	5.7	–	22.7
Other information										
Total other non-cash items	–	–	–	–	0.6	–	0.6	0.2	–	0.8
Average number of employees	539	3,541	1,401	368	200	–	6,049	889	–	6,938
2006										
Income statement information										
Revenue third parties	**134.7**	**862.5**	**434.0**	**135.5**	**23.6**	**–**	**1,590.3**	**173.0**	**–**	**1,763.3**
Inter-segment revenue	**7.8**	**–**	**–**	**–**	**–**	**(7.8)**	**–**	**14.7**	**(14.7)**	**–**
Revenue	**142.5**	**862.5**	**434.0**	**135.5**	**23.6**	**(7.8)**	**1,590.3**	**187.7**	**(14.7)**	**1,763.3**
Depreciation, amortization and impairments	**1.1**	**6.7**	**7.0**	**1.3**	**0.9**	**–**	**17.0**	**2.0**	**–**	**19.0**
Operating profit	**12.2**	**(10.6)**	**40.5**	**6.6**	**(6.5)**	**–**	**42.2**	**12.8**	**–**	**55.0**
Share in results of associates	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exceptional items before income taxes	**(1.3)**	**(16.3)**	**0.7**	**–**	**2.3**	**–**	**(14.6)**	**1.5**	**–**	**(13.1)**
Balance sheet information										
Operating assets	**79.7**	**307.3**	**266.1**	**47.9**	**117.8**	**–**	**818.8**	**131.9**	**–**	**950.7**
Investments in associates	**–**	**0.5**	**–**	**–**	**–**	**–**	**0.5**	**–**	**–**	**0.5**
Operating liabilities	**12.2**	**79.1**	**152.4**	**19.7**	**130.1**	**–**	**393.5**	**77.2**	**–**	**470.7**
Investments in PP&E and IA[2]	**3.4**	**2.2**	**8.8**	**0.6**	**2.1**	**–**	**17.1**	**9.5**	**–**	**26.6**
Other information										
Total other non-cash items	**(1.1)**	**18.9**	**(1.5)**	**(0.3)**	**(0.7)**	**–**	**15.3**	**(0.7)**	**–**	**14.6**
Average number of employees	**509**	**3,128**	**1,327**	**358**	**200**	**–**	**5,522**	**748**	**–**	**6,270**

1 Non-allocated includes Karl Kemper Germany (see Note 12) and corporate entities
2 Investments in property, plant and equipment ('PP&E') and intangible assets ('IA')

5. Segment information continued

Secondary segments

The Group's continuing operations, operate in four main geographical regions, identified on the basis of the location of the customers, which is the secondary format for segment reporting. The geographic analyses of operating assets and investments in property, plant and equipment and intangible assets are based upon the location of the asset.

	2006	2005
Revenue third parties		
The Netherlands	**137.7**	141.3
Other European countries	**455.6**	451.8
US and Canada	**996.3**	1,097.4
Other countries	**0.7**	0.6
Total continuing operations	**1,590.3**	1,691.1
Total discontinued operations	**173.0**	204.7
Total Group	**1,763.3**	1,895.8

	2006	2005
Operating assets		
The Netherlands	**135.9**	117.0
Other European countries	**296.9**	291.4
US and Canada	**386.0**	448.3
Total continuing operations	**818.8**	856.7
Total discontinued operations	**131.9**	124.7
Total Group	**950.7**	981.4

	2006	2005
Investments in property, plant and equipment and intangible assets		
The Netherlands	**4.4**	6.7
Other European countries	**7.1**	4.0
US and Canada	**5.6**	6.3
Total continuing operations	**17.1**	17.0
Total discontinued operations	**9.5**	5.7
Total Group	**26.6**	22.7

Notes to the consolidated financial statements

6. Acquisitions

In 2006, Wessanen acquired or increased its participation in the following companies to 100%:

In March 2006, Wessanen acquired Bio Slym S.r.L., based in Viadana, Italy for EUR 3.5 in cash. Bio Slym produces and distributes high-quality branded soy products. In the nine-month period ended December 31, 2006, Bio Slym contributed EUR 0.8 to the consolidated revenue and EUR (0.5) to the consolidated operating profit for the year. If the acquisition occurred on January 1, 2006, Bio Slym would have contributed EUR 1.1 to the consolidated revenue and EUR (0.6) to the consolidated operating profit for the year.

	Acquired values	Fair value adjustments	Carrying amounts
Property, plant and equipment	1.8	–	1.8
Inventories	0.2	–	0.2
Trade and other receivables	1.0	–	1.0
Cash and cash equivalents	0.1	–	0.1
Interest-bearing loans and borrowings	(1.3)	–	(1.3)
Deferred tax liabilities	(0.1)	–	(0.1)
Bank overdrafts	(0.1)	–	(0.1)
Accounts payable, income tax payable and other liabilities	(1.0)	–	(1.0)
Net identifiable assets and liabilities	**0.6**	**–**	**0.6**
Goodwill on acquisition			2.9
Cash paid			**3.5**
Cash and cash equivalents acquired			(0.1)
Net cash outflow			**3.4**

Acquisition costs of EUR 0.1 have been added to the goodwill on acquisition of EUR 2.9, totaling to EUR 3.0.

In March 2006, Wessanen increased its 70.7% participation in Natudis BV to 100%, through the exercise of the put option held by the minority shareholders, as a result of which EUR 9.0 was paid by Wessanen. The liability related to the put option was already recognized in the balance sheet as from January 1, 2005.

7. Other income

Other income, amounting to EUR 6.9 (2005: EUR 0.7), includes the net gains on the sale of property, plant and equipment (2006: EUR 4.5; 2005: EUR 0.7) and the gains on curtailment of defined benefit plans (2006: EUR 2.4; 2005: EUR –), see Note 24.

8. Personnel expenses and remuneration Executive and Supervisory Board

			2006			2005
	Total before exceptional items	**Exceptional items**	**Total**	Total before exceptional items	Exceptional items	Total
Salaries and wages	**159.0**	**4.0**	**163.0**	177.6	8.5	186.1
Social security	**42.5**	**0.6**	**43.1**	46.4	0.6	47.0
Pension expenses:						
– Defined contribution plans	**5.8**	**–**	**5.8**	5.7	0.6	6.3
– Defined benefit plans	**2.4**	**0.1**	**2.5**	3.6	–	3.6
Equity-settled share-based payment transactions	**0.4**	**0.4**	**0.8**	0.8	–	0.8
Other personnel expenses	**15.9**	**0.7**	**16.6**	18.0	–	18.0
Total personnel expenses	**226.0**	**5.8**	**231.8**	252.1	9.7	261.8

The exceptional items mainly related to payments for termination of labor contracts.

The average number of full-time employees for continuing operations in 2006 amounted to 5,522 (2005: 6,049). In the Netherlands, Wessanen employed on average 572 full-time employees (2005: 594).

8. Personnel expenses and remuneration Executive and Supervisory Board continued

Executive Board remuneration

In EUR thousands	Salary	Short-term bonuses	Post-employment benefits	Other	Total
2005					
A.H.A. Veenhof	500	–	100	33	633
N.R. Onkenhout	318	51	63	75	507
A.C. Covington[1]	484	134	3	57	678
D.G. Vierstra[2]	335	54	64	43	496
Total	1,637	239	230	208	2,314
2006					
A.H.A. Veenhof	**500**	**38**	**100**	**37**	**675**
N.R. Onkenhout	**325**	**15**	**64**	**68**	**472**
A.C. Covington[1]	**203**	**–**	**10**	**33**	**246**
D.G. Vierstra[2]	**112**	**–**	**29**	**29**	**170**
K.R. Lane[3]	**252**	**79**	**–**	**50**	**381**
H. Wagter[4]	**263**	**16**	**102**	**32**	**413**
Total	**1,655**	**148**	**305**	**249**	**2,357**

Other remuneration

The table below summarizes the income statement charges for other long-term benefits.

In EUR thousands	**2006**	2005
A.H.A. Veenhof	**94**	62
N.R. Onkenhout	**94**	79
A.C. Covington[1]	**117**	177
D.G. Vierstra[2]	**115**	53
K.R. Lane[3]	**16**	–
H. Wagter[4]	**11**	–
Total	**447**	371

1 A.C. Covington was employed till April 7, 2006
2 D.G. Vierstra was employed till April 30, 2006
3 K.R. Lane is employed as of April 18, 2006 for four years (and will be proposed to the Annual General Meeting of 18 April 2007 to be appointed as a member of the Executive Board). The target incentive of K.R. Lane has been set at 60% of annual base salary with a guaranteed entitlement of 50% of annual base salary for 2006
4 H. Wagter is employed as of April 1, 2006

Changes – Executive Board

In the Annual General Meeting of April 20, 2006, D.G. Vierstra stepped down as member of the Executive Board and H. Wagter started as CFO and member of the Executive Board. Also in 2006 A.C. Covington resigned and was succeeded by K.R. Lane as of April 18, 2006.

K.R. Lane, who started his employment with the company as CEO of Tree of Life NA in April 2006, will be proposed to the Annual General Meeting of April 18, 2007 to be appointed as a member of the Executive Board with responsibility for all North American operations.

8. Personnel expenses and remuneration Executive and Supervisory Board continued

Remuneration policy

The remuneration for the members of the Executive Board comprises of a base salary and related pension benefits and, subject to meeting performance criteria, short-term bonus and performance shares. The composition of the remuneration package is subject to annual review by the Selection, Appointment and Remuneration Committee ('SARC'), which is a committee of the Supervisory Board in close cooperation with the Chairman of the Executive Board and the Executive Vice President Human Resources. The full remuneration report and the remuneration policy 2006 are available at www.wessanen.com.

The Dutch members of the Executive Board are eligible to participate in the Wessanen Pension Plan. As of January 2007, the Wessanen Pension Plan has been changed (for all participants born after January 1, 1950) from an end pay system to an average pay system with a maximum of EUR 80,000. Above the amount of EUR 80,000 an available premium system will be applicable. The pension policy for members of the Executive Board is based on retirement at the age of 65. For members of the Executive Board with a US nationality and residing in the US, the pension provision is based on the 401-K defined contribution.

Short-term bonuses to members of the Executive Board are granted according to performance criteria which were in 2006 based on earnings before interest, taxation, amortization and exceptional items ('EBITAE'), primary working capital, annual sales growth and a personal agenda, consisting of three personal targets.

The financial targets for 2006 (EBITAE, Working Capital, Sales Growth) were not met which also impacted the pay out on the (partly) realized personal targets.

Share rights were granted in 2006 under vesting conditions based on a three-year service period and performance hurdles for the total test period of three years, as described in Note 9. Based on this plan, Wessanen granted 102,500 share rights to members of the Executive Board in 2006 of which 44,500 share rights were granted unconditionally, with a vesting period of one year: 22,000 share rights as sign-on to K.R. Lane, 12,500 share rights as sign-on to H. Wagter and 10,000 share rights to A.H.A Veenhof.

From the total share rights granted to D.G. Vierstra and A.C. Covington in total 29,500 share rights lapsed at their resignation dates.

From the total stock options granted to A.C. Covington 16,875 stock options lapsed at resignation date.

Supervisory Board remuneration

	Fixed		Other		Total	
In EUR thousands	**2006**	2005	**2006**	2005	**2006**	2005
D.I. Jager	**60**	40	**4**	3	**64**	43
J.G.A.J. Hautvast	**40**	40	**3**	3	**43**	43
F.H.J. Koffrie	**40**	40	**3**	3	**43**	43
L.M. de Kool	**50**	33	**3**	2	**53**	35
M.C. Lombard[1]	**27**	–	**2**	–	**29**	–
K.J. Storm[2]	**–**	20	**–**	1	**–**	21
J.A.N. van Dijk[3]	**–**	17	**–**	1	**–**	18
Total	**217**	190	**15**	13	**232**	203

1 Mrs. M.C. Lombard was appointed as at April 20, 2006
2 Mr. K.J. Storm left the Supervisory Board as at April 27, 2005
3 Mr. J.A.N van Dijk left the Supervisory Board as at April 27, 2005

Members of the Supervisory Board receive annual remunerations amounting to, excluding expenses, EUR 40,000 each. The Chairman of the Audit Committee receives EUR 50,000 and the Chairman of the Board EUR 60,000. The proportionate amounts are included above. One member of the Supervisory Board owns 20,000 shares in the Company. The expense allowances over 2006 were subject to withholding taxes, which the Company absorbed.

No loans, advances or related guarantees were provided to the present members of the Executive Board or the Supervisory Board.

Notes to the consolidated financial statements

9. Share-based payments

Stock option and share right plans are long-term incentives that aim to reward eligible employees for their contribution, loyalty and commitment to Wessanen. All Wessanen stock options and share rights are equity-settled share-based payments. As of 2005, the long-term incentive plan no longer comprises a stock option plan.

The fair value of services received in return for stock options and share rights granted are measured by reference to the fair value of the rights. The estimate of the fair value of the services received is measured based on a binomial lattice model. The model inputs for the valuation of the share rights granted to the members of the Executive Board and other employees in 2005 and 2006 can be specified as follows:

		Executive Board		Other employees
	2006	2005	**2006**	2005
Share price at grant date	**12.82**	10.64	**12.82**	10.64
Expected volatility	**21.1%**	26.1%	**21.1%**	28.4%
Term (in years)	**3**	3	**3**	3
Expected dividend	**0.65**	0.65	**0.65**	0.65
Risk-free interest rate	**2.5%**	2.8%	**2.5%**	2.6%
Fair value at measurement date	**3.74**	3.38	**4.14**	3.69

The expected volatility has been determined based on the historic volatility, adjusted for any expected changes to future volatility due to publicly available information.

Stock options and share rights are granted under service conditions, market conditions and non-market conditions. Only market conditions are taken into account in the fair value measurement of the stock options and share rights at grant date of the services received.

If a participant ceases to be employed by the Group for any other reason than death, disability or retirement, during the test period, all granted stock options and share rights lapse automatically unless otherwise decided by the Executive Board.

Based on the Performance Plan 2006, applicable as of May 2006, Wessanen granted share rights. Delivery of the performance shares depends on achievement of the performance hurdles.

The main conditions of the stock option and share right plans issued can be summarized as follows:

Stock option plans	Number of instruments	Vesting conditions	Contractual life
2001	645,195	Directly exercisable	5 years
2002	623,755	Three years of service	8 years
2003	970,039	Three years of service	8 years
2004	595,530	Three years of service, profitability target 2004 greater than 0%, performance rating versus peer group at second anniversary of grant	8 years

Share right plans	Number of instruments	Vesting conditions	Contractual life
2004	87,778	Three years of service and profitability target 2004 greater than 0%	3 years
2005	154,210	Three years of service, EBITAE in the year 2005 greater than EUR 50 million, Relative TSR over 2006, Relative TSR over 2007 and development of the share price over the total test period of three years has to be positive	3 years
2006	223,225	Three years of service, Relative TSR and development of the share price over the total test period of three years has to be positive	3 years

It was decided by the Supervisory Board to change the performance hurdle of the Share Rights Plan 2005 over 2007 of EBITAE related to the Distribution and Branded activities into a Relative TSR over 2007.

The TSR performance involves a comparison between the TSR of a peer group of leading multinational food companies over the same period. The peer group consists of the following companies: Nestlé, Unilever, Numico, CSM, Nutreco, Kraft, Heinz, Danone and United National Foods.

In 2006 total expenses arising from transactions accounted for as equity-settled share-based payment transactions amounted to EUR 0.8 (2005: EUR 0.8).

9. Share-based payments continued

Stock options

The movement in the number of outstanding options is as follows:

	Balance end of 2005	Granted during 2006	Exercised during 2006	Expired during 2006	Balance end of 2006	Weighted average exercise price (in EUR)	To be exercised before
Members of the Executive Board							
A.H.A. Veenhof							
2003	250,000	–	–	–	**250,000**	5.15	April 2011
2004	25,000	**3,125**	–	–	**28,125**	10.70	April 2012
N.R. Onkenhout							
2003	102,689	–	–	–	**102,689**	9.70	December 2011
2004	15,000	**1,875**	–	–	**16,875**	10.70	April 2012
Former members of the Executive Board							
A.C. Covington							
2004	125,000	–	**125,000**	–	–	9.47	–
2004	15,000	**1,875**	–	**16,875**	–	10.70	Lapsed April 2006
D.G. Vierstra							
2005, option program 2004	60,000	–	**60,000**	–	–	9.60	–
Other former members of the Executive Board							
2001	105,000	–	**105,000**	–	–	12.75	–
2002	40,000	–	–	–	**40,000**	9.25	April 2010
2003	30,000	–	**30,000**	–	–	5.20	–
Total (former) members of the Executive Board	767,689	**6,875**	**320,000**	**16,875**	**437,689**		
Other (former) employees							
2001	214,720	–	**122,375**	**92,345**	–	12.95	–
2002	129,545	–	**44,275**	**22,925**	**62,345**	9.25	April 2010
2003	356,050	–	**133,575**	**38,300**	**184,175**	6.33	December 2011
2004	312,380	**20,826**	**1,500**	**50,380**	**281,326**	10.90	November 2012
Total other (former) employees	1,012,695	**20,826**	**301,725**	**203,950**	**527,846**		
Total	1,780,384	**27,701**	**621,725**	**220,825**	**965,535**		

Notes to the consolidated financial statements

9. Share-based payments continued

Share rights

The movement in the number of outstanding share rights is as follows:

	Balance end of 2005	Granted during 2006	Delivered during 2006	Expired during 2006	Balance end of 2006	To be delivered in
Members of the Executive Board						
A.H.A. Veenhof						
2004	8,333	–	–	–	8,333	April 2007
2005	21,000	–	–	–	21,000	May 2008
2006	–	10,000	–	–	10,000	May 2007
2006	–	20,000	–	–	20,000	May 2009
H. Wagter						
2006	–	12,500	–	–	12,500	May 2007 Sign on
2006	–	11,500	–	–	11,500	May 2009
N.R. Onkenhout						
2004	5,000	–	–	–	5,000	April 2007
2005	11,500	–	–	–	11,500	May 2008
2006	–	11,500	–	–	11,500	May 2009
K.R. Lane[1]						
2006	–	22,000	–	–	22,000	May 2007 Sign on
2006	–	15,000	–	–	15,000	May 2009
Former members of the Executive Board						
A.C. Covington						
2004	25,000	–	25,000	–	0	–
2004	5,000	–	–	5,000	0	Lapsed April 2006
2005	13,000	–	–	13,000	0	Lapsed April 2006
D.G. Vierstra						
2005, share plan 2004	15,000	–	15,000	–	0	January 2008
2005	11,500	–	–	11,500	0	Lapsed April 2006
Total (former) members of the Executive Board	115,333	102,500	40,000	29,500	148,333	
Other (former) employees						
2004	25,745	60	250	5,450	20,105	2007
2005	97,210	–	625	13,970	82,615	2008
2006	–	120,725	–	2,400	118,325	2009
Total other (former) employees	122,955	120,785	875	21,820	221,045	
Total	238,288	223,285	40,875	51,320	369,378	

[1] Mr. K.R. Lane, who started his employment with the Company as CEO of Tree of Life NA in April 2006, will be proposed to the Annual General Meeting of April 18, 2007 to be appointed as a member of the Executive Board

At the end of 2006, the (former) members of the Executive Board possessed 437,689 stock options (end of 2005: 767,689) with a weighted average exercise price of EUR 7.16 (end of 2005: EUR 8.46). The members of the Supervisory Board do not possess stock options or share rights.

Notes to the consolidated financial statements

10. Net financing costs

	2006	2005
Interest income	**1.9**	2.0
Other financial income	**0.2**	0.7
Financial income	**2.1**	2.7
Interest expense	**(11.1)**	(8.1)
Other financial expense	**(1.9)**	(1.4)
Financial expense	**(13.0)**	(9.5)
Net financing costs	**(10.9)**	(6.8)

Interest income and expense mainly relate to expenses born by Wessanen's net debt position.

11. Income tax expense

The income tax expense for the year 2006 amounted to EUR 3.1 (2005: EUR 2.8) and can be specified in current and deferred tax components as follows:

	2006	2005
Current income tax expense		
Current income tax expense	**(9.7)**	(9.7)
Adjustment for prior years	**(7.5)**	(3.2)
Total current income tax expense	**(17.2)**	(12.9)
Deferred income tax expense		
Deferred tax relating to temporary differences	**(1.2)**	(0.7)
Change in income tax rate	**2.1**	(0.5)
Utilization of income tax loss	**(8.3)**	(1.4)
Benefit from previously unrecognized income tax loss	**1.0**	0.6
Reversal of write-down of deferred income tax loss	**0.8**	4.4
Over-/(under-)provided in prior years	**11.7**	8.2
Other	**8.0**	(0.5)
Total deferred income tax expense	**14.1**	10.1
Total income tax expense	**(3.1)**	(2.8)

In 2006, 'adjustment for prior years (current income tax expense)' and 'other (deferred income tax expense)' both mainly relate to the outcome of a tax audit in the US.

Effective income tax rate

The Group's operating activities are subject to income taxes in various countries with statutory income tax rates between 25% and 41%. The following table reconciles the domestic income tax rate as a percentage of profit before income tax with the effective income tax rate as shown in the consolidated income statement.

Reconciliation of effective income tax rate	**2006**		2005	
	EUR	**%**	EUR	%
Profit before income tax	**31.3**		19.5	
Income tax using the domestic income tax rate	**(9.3)**	**(30)**	(5.7)	(29)
Effect of income tax rates in foreign jurisdictions	**0.3**	**1**	0.8	4
Change in income tax rate	**2.1**	**7**	(0.5)	(3)
Recognition of unrecognized income tax losses	**1.0**	**3**	0.6	3
Reversal of write-down of deferred income tax loss	**0.8**	**3**	4.4	23
Unrecognized income tax losses for the year	**(0.9)**	**(3)**	(5.3)	(27)
Non-deductible expenses and tax exempt income	**0.3**	**1**	0.4	2
Income tax incentives	**3.8**	**12**	(0.6)	(3)
Over-/(under-)provided in prior years	**11.7**	**37**	8.2	42
Other	**(12.9)**	**(41)**	(5.1)	(26)
Income tax expense in income statement	**(3.1)**	**(10)**	(2.8)	(14)

Income tax expense 'other' in 2006 mainly includes an income tax charge of EUR 12.4 related to the taxable result on an internal transfer of a subsidiary.

Notes to the consolidated financial statements

12. Discontinued operations and non-current assets held for sale

During 2006 and 2005 the following balances of assets and liabilities classified as held for sale, because the carrying amount of these assets and liabilities were expected to be recovered through a sales transaction rather than through continuing use:

	2006	2005
Non-current assets held for sale	**0.8**	4.5
Assets related to discontinued operations	**129.4**	13.5
Total assets classified as held for sale	**130.2**	18.0

Non-current liabilities related to assets held for sale	**–**	–
Liabilities related to discontinued operations	**64.9**	22.1
Total liabilities classified as held for sale	**64.9**	22.1

Discontinued operations

In February 2006, Wessanen decided to divest its Private Label activities of Dailycer and Delicia in the UK, France and the Netherlands to focus on brands and distribution services. Accordingly, the results of the Private Label activities for the year 2006, including comparatives, are presented separately as profit from discontinued operations. In December 2006, a binding offer was received in respect of the divestment of the Private Label activities. Completion of the transaction will be conditional upon approval by the competition authorities.

By the end of the third quarter of 2005, the Executive Board decided to sell the German Beckers out-of-home (OOH) business respectively Karl Kemper Germany business. However, despite the fact that the sale of the operations seemed probable at that date, the Executive Board decided in the fourth quarter of 2006 to continue the operations with a new management team, which should be able to create more value in the near future, than currently can be realized (2005: revenue EUR 25.0; operating loss EUR (1.5)). Accordingly, Karl Kemper Germany has been reconsolidated (into 'non-allocated' as non-core business).

The following table presents the profit from discontinued operations (Private Label activities):

Condensed income statement	**2006**	2005
Revenue third parties	**173.0**	204.7
Inter- segment revenue	**14.7**	20.6
Revenue	**187.7**	225.3
Other income	**1.4**	5.9
Raw materials and supplies	**(103.4)**	(126.0)
Personnel expenses	**(34.2)**	(37.3)
Depreciation, amortization and impairments	**(2.0)**	(7.7)
Other operating expenses	**(36.7)**	(44.6)
Operating expenses	**(176.3)**	(215.6)
Operating profit	**12.8**	15.6
Financial income	**0.3**	0.1
Financial expense	**(2.5)**	(2.5)
Net financing costs	**(2.2)**	(2.4)
Profit before income tax	**10.6**	13.2
Income tax expense	**(5.2)**	(3.3)
Profit from discontinued operations, net of income tax	**5.4**	9.9

The carrying amounts of the major classes of assets and liabilities classified as held for sale that relate to discontinued operations (Private Label activities) are as follows:

Condensed balance sheet	**2006**	2005
Non-current assets	**72.3**	6.5
Current assets	**57.1**	7.0
Assets related to discontinued operations	**129.4**	13.5

Non-current liabilities	**17.5**	–
Current liabilities	**47.4**	22.1
Liabilities related to discontinued operations	**64.9**	22.1
Shareholders equity and intercompany balances	**64.5**	(8.6)

Notes to the consolidated financial statements

12. Discontinued operations and non-current assets held for sale continued

The following table presents the condensed statement of cash flows from discontinued operations (Private Label activities):

Condensed statement of cash flows	2006	2005
Net cash from operating activities	5.1	6.8
Net cash from investing activities	(8.5)	2.2
Net cash from financing activities	0.4	0.1
Net cash flow	(3.0)	9.1
Cash and cash equivalents at beginning of period	4.5	0.2
Change in intercompany accounts	(0.5)	(4.7)
Net cash from discontinued operations	(3.0)	9.1
Effect of exchange rate fluctuations on cash held	–	(0.1)
Cash and cash equivalents at end of period	1.0	4.5

Non-current assets held for sale

Non-current assets held for sale in the amount of EUR 0.8 (2005: EUR 4.5) include the properties in Essen (Belgium). The properties in Zoetermeer (the Netherlands), Lubbeek (Belgium) and Godalming (UK) were sold during 2006.

13. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders by the weighted average number of outstanding shares, which can be specified as follows:

Profit attributable to equity holders of parent	2006	2005
Profit after taxes from continuing operations	26.6	15.1
Profit from discontinued operations, net of income tax	5.4	9.9
Profit for the period	32.0	25.0

Number of ordinary shares (in thousands)	2006	2005
Issued ordinary shares	72,589	72,589
Own shares, held by the Company	(966)	(1,783)
Number of ordinary shares at year end	71,623	70,806
Weighted average number of shares	71,217	70,516

Earnings per share from continuing operations	0.37	0.21
Earnings per share from discontinued operations	0.08	0.14
Total earnings per share	0.45	0.35

13. Earnings per share continued

Diluted earnings per share

In the calculation of diluted earnings per share, the applicable profit and the weighted average number of outstanding shares are adjusted for the effect of the potential exercised employee stock options and share rights delivered.

Weighted average number of ordinary shares (diluted) (in thousands)	2006	2005
Weighted average number of ordinary shares	**71,217**	70,516
Effect of stock options	**966**	1,461
Effect of share rights	**246**	168
Weighted average number of ordinary shares (diluted)	**72,429**	72,145

Diluted earnings per share from continuing operations	**0.37**	0.21
Diluted earnings per share from discontinued operations	**0.07**	0.14
Total diluted earnings per share	**0.44**	0.35

14. Property, plant and equipment

	Land and buildings	Machinery and equipment	Other	Under construction and pre-payments	Total
2005					
Carrying value at beginning of year	78.2	65.9	40.5	2.9	187.5
Effect of movements in foreign exchange	3.5	3.7	2.2	–	9.4
Capital expenditure	1.8	8.6	2.7	7.4	20.5
Acquisitions through business combinations	–	1.6	0.3	–	1.9
Completed construction	7.1	12.2	(15.4)	(3.9)	–
Disposal	(6.2)	(2.7)	(1.3)	–	(10.2)
Transfer to held for sale	(5.5)	(1.6)	(0.6)	–	(7.7)
Depreciation	(4.9)	(13.0)	(4.2)	–	(22.1)
Carrying value at year end	74.0	74.7	24.2	6.4	179.3
Accumulated depreciation and impairment losses	46.3	90.9	33.2	–	170.4
Cost at year end	120.3	165.6	57.4	6.4	349.7
2006					
Carrying value at beginning of year	**74.0**	**74.7**	**24.2**	**6.4**	**179.3**
Effect of movements in foreign exchange	**(2.1)**	**(3.0)**	**(0.5)**	**(0.3)**	**(5.9)**
Capital expenditure	**2.0**	**3.9**	**2.5**	**7.6**	**16.0**
Acquisitions through business combinations	**–**	**1.8**	**–**	**–**	**1.8**
Completed construction	**–**	**4.7**	**2.0**	**(6.7)**	**–**
Disposal	**(2.7)**	**(0.6)**	**(0.1)**	**–**	**(3.4)**
Transfer to held for sale	**(12.7)**	**(21.0)**	**(12.7)**	**(1.4)**	**(47.8)**
Depreciation	**(3.1)**	**(7.1)**	**(5.1)**	**–**	**(15.3)**
Carrying value at year end	**55.4**	**53.4**	**10.3**	**5.6**	**124.7**
Accumulated depreciation and impairment losses	**40.3**	**95.3**	**32.3**	**–**	**167.9**
Cost at year end	**95.7**	**148.7**	**42.6**	**5.6**	**292.6**

Finance leases

The carrying value of land and buildings includes an amount of EUR – (2005: EUR 4.2) in respect of assets held under finance leases. In addition, the carrying value of machinery and equipment includes an amount of EUR 6.5 (2005: EUR 9.2) in respect of assets held under finance leases. Wessanen does not have legal title of these assets.

Security

Except for the leased assets, no other restrictions on title exist and no property, plant and equipment is pledged as security for liabilities.

15. Intangible assets

	Goodwill	Brands	Business acquisitions	Software	Development expenses	Total
2005					–	
Carrying value at beginning of year	113.5	18.9	2.5	2.5	–	137.4
Effect of movements in foreign exchange	2.5	0.1	(0.2)	(0.1)	–	2.3
Transition to IAS 32 and 39	5.7	–	–	–	–	5.7
Capital expenditure	–	–	1.4	0.8	–	2.2
Acquisitions through business combinations	4.5	2.2	–	–	–	6.7
Transfer to held for sale	(2.8)	–	–	–	–	(2.8)
Amortization	–	–	(1.9)	(1.3)	–	(3.2)
Carrying value at year end	123.4	21.2	1.8	1.9	–	148.3
Accumulated amortization and impairment losses	26.3	–	19.8	7.1	–	53.2
Cost at year end	149.7	21.2	21.6	9.0	–	201.5
2006						
Carrying value at beginning of year	**123.4**	**21.2**	**1.8**	**1.9**	**–**	**148.3**
Effect of movements in foreign exchange	**–**	**(0.2)**	**(0.1)**	**(0.1)**	**–**	**(0.4)**
Capital expenditure	**–**	**–**	**0.1**	**0.4**	**0.6**	**1.1**
Acquisitions through business combinations	**3.0**	**–**	**–**	**–**	**–**	**3.0**
Disposal	**–**	**–**	**(0.2)**	**–**	**–**	**(0.2)**
Transfer to held for sale	**2.8**	**–**	**(0.1)**	**(0.1)**	**–**	**2.6**
Amortization	**–**	**–**	**(0.7)**	**(1.0)**	**–**	**(1.7)**
Carrying value at year end	**129.2**	**21.0**	**0.8**	**1.1**	**0.6**	**152.7**
Accumulated amortization and impairment losses	**26.3**	**–**	**19.8**	**7.6**	**–**	**53.7**
Cost at year end	**155.5**	**21.0**	**20.6**	**8.7**	**0.6**	**206.4**

Impairment testing for cash-generating units containing goodwill and brands

Goodwill and brands with an indefinite life are tested for impairment annually, or more frequently if there are indications that a particular cash-generating unit might be impaired.

The following segments have significant carrying values of goodwill and brands:

	December 31, 2006			December 31, 2005		
	Goodwill	**Brands**	**Total**	Goodwill	Brands	Total
North America Distribution	**7.1**	**2.6**	**9.7**	7.9	2.8	10.7
Europe Branded	**92.4**	**18.4**	**110.8**	85.8	18.4	104.2
Europe Distribution	**29.7**	**–**	**29.7**	29.7	–	29.7
Carrying value at year end	**129.2**	**21.0**	**150.2**	123.4	21.2	144.6

The recoverable amount for all cash-generating units is based on value-in-use calculations. The calculations use cash flow projections based on forecasted cash flows. The key assumptions on which management have based its determination of the cash flows are the strategic plans as presented in 2006 and a stable growth rate per type of business after year five. A specific Weighted Average Cost of Capital ('WACC') has been used for our North American, UK and other European businesses respectively in discounting the projected cash flows. The pre-tax WACC reflects the current market assessments of the time value of money and the specific risks of the cash-generating unit.

Security

No restrictions on title exist and no intangible assets are pledged as security for liabilities.

Notes to the consolidated financial statements

16. Investments in associates

The breakdown of the investments in associates is as follows:

	December 31, 2006		December 31, 2005	
	Ownership	**Amount**	Ownership	Amount
World Finer Foods	**45.2%**	**0.3**	45.2%	0.4
Fifty-Fifty	**22.6%**	**0.2**	22.6%	0.2
Carrying value at year end		**0.5**		0.6

Summary of most recent financial information of investments in associates:

2006	Assets	Liabilities	Equity	Revenues	Profit/loss
World Finer Foods	**24.0**	**23.4**	**0.6**	**108.2**	**–**
Fifty-Fifty	**1.5**	**0.4**	**1.1**	**5.0**	**0.3**

17. Other investments

Other investments relate to other equity investments of EUR 1.9 (2005: EUR 2.6), mainly Mautner Markhnof, and debt securities of EUR 1.8 (2005: EUR 2.3).

18. Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

The significant components of deferred tax assets and liabilities can be specified as follows:

Deferred tax assets	**December 31, 2006**	December 31, 2005
Intangible assets	**21.2**	27.0
Financial assets	**0.1**	–
Inventories	**2.2**	–
Trade and other receivables	**0.9**	1.8
Interest-bearing loans and borrowings	**4.7**	20.8
Provisions	**8.1**	4.6
Tax of loss carry-forward	**67.8**	79.7
Total deferred tax assets	**105.0**	133.9

Deferred tax liabilities	**2006**	2005
Property, plant and equipment	**(7.5)**	(12.6)
Other items	**(6.9)**	(26.8)
Total deferred tax liabilities	**(14.4)**	(39.4)
Net deferred tax assets/(liabilities)	**90.6**	94.5

Net deferred tax assets/(liabilities) are presented as follows:		
Deferred tax assets presented under non-current assets	**93.0**	98.8
Deferred tax liabilities presented under non-current liabilities	**(2.4)**	(4.3)
Net deferred tax assets/(liabilities)	**90.6**	94.5

18. Deferred tax assets and liabilities continued

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	2006	2005
Tax value of loss carry-forward not recognized	**10.0**	18.3

The main portion of loss carry-forwards not recognized refers to state tax in the US. Deferred tax assets have not been recognized in respect of these items, because it is not probable that future taxable profit will be available against which Wessanen can utilize the benefits therefrom.

Movements in net deferred tax assets/(liabilities)

	2006	2005
Balance at beginning of year	**94.5**	74.8
Translation adjustments	**(8.6)**	10.7
Recognized in income	**14.1**	10.7
Transfer to held for sale	**(9.9)**	–
Other	**0.5**	(1.7)
Balance at year end	**90.6**	94.5

Other includes acquisitions through business combinations, disposals and other reclassifications.

Deferred tax assets in respect of US federal and state taxes, amounting to EUR 75.3 (2005: EUR 79.2), include EUR 50.4 (2005: EUR 50.7) tax loss carry-forward and EUR 19.8 (2005: EUR 23.5) tax deductible goodwill. The tax loss carry-forward mainly refers to federal taxes, which losses expire after a period of 20 years.

The deferred tax asset on loss carry-forward arose since 2004 due to the fact that cumulative tax losses in the US exceeded the amounts available for carry-back to prior years. Utilization of these deferred tax assets is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. Based on a projection of estimated US taxable income and available tax planning opportunities, management believes it is probable that sufficient future taxable profits will be available to allow full recovery of these deferred tax assets.

19. Inventories

	December 31, 2006	December 31, 2005
Finished products	**176.8**	211.1
Semi-finished products	**1.6**	2.3
Raw materials and supplies	**10.7**	18.9
Prepayments on inventories	**0.8**	1.5
Total inventories	**189.9**	233.8

20. Trade and other receivables and prepayments

Trade receivables are shown net of impairment losses amounting to EUR 5.9 (2005: EUR 8.1) arising from identified doubtful receivables from customers. Other receivables and prepayments include interest rate swaps in the amount of EUR 3.3 (2005: EUR 2.5).

Notes to the consolidated financial statements

21. Cash and cash equivalents

	December 31, 2006	December 31, 2005
Cash	**0.6**	0.1
Bank balances	**34.0**	24.0
Call deposits	**–**	3.0
Cash and cash equivalents	**34.6**	27.1
Bank overdrafts	**(22.2)**	(19.2)
Cash and cash equivalents in the statement of cash flows	**12.4**	7.9

Cash and cash equivalents are at Wessanen's free disposal, except for a restricted cash amount of EUR 3.2 as at December 31, 2006 (2005: EUR –).

22. Equity attributable to equity holders of Wessanen

Issued and paid-up share capital

The authorized share capital of the Company as at December 31, 2006 amounted to EUR 72.6 (2005: EUR 72.6) and consists of 300 million ordinary shares (2005: 300 million) with a nominal value of EUR 1.00.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at the shareholders' meetings of Wessanen. The Company's shares that are held by Wessanen are entitled to dividend.

Reserve for own shares

The reserve for the Company's own shares comprises the cost of the Company's shares, held by Wessanen. As at December 31, 2006 Wessanen held 965,935 shares (2005: 1,782,535).

The movements in the reserve for own shares can be summarized as follows:

	2006		2005	
	Number of shares	**Amount**	Number of shares	Amount
Balance at beginning of the year	**1,783**	**(16.1)**	2,534	(22.9)
Own shares acquired	**–**	**–**	190	(2.1)
Own shares sold	**(154)**	**1.4**	(418)	3.8
Share options exercised/shares delivered	**(663)**	**5.8**	(523)	5.1
Balance at year end	**966**	**(8.9)**	1,783	(16.1)

During 2006, 154,000 shares were sold at an average price per share of EUR 10.84 for a total amount of EUR 1.7 (2005: 417,750 shares at an average price of EUR 11.53 per share for a total amount of EUR 4.8), resulting in an addition to retained earnings of EUR 0.3 (2005: EUR 1.0).

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of intercompany loans with a permanent nature and liabilities that hedge Wessanen's net investment in foreign subsidiaries.

Hedging reserve

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

Other legal reserves

In accordance with the Netherlands Civil Code, a legal reserve has been established in 2006 of EUR 0.6 (2005: EUR –) related to the capitalization of development expenses.

Dividends

The proposed dividend per ordinary share amounts to EUR 0.65 over 2006 (2005: EUR 0.65).

	2006	2005
Dividends declared and paid in the year	**46,307**	44,463

23. Interest-bearing loans and borrowings

Interest-bearing loans and borrowings can be specified as follows:

	December 31, 2006			December 31, 2005		
	Current portion	**Non-current portion**	**Total**	Current portion	Non-current portion	Total
Syndicated loans	**–**	**133.3**	**133.3**	0.3	114.3	114.6
Finance leases	**3.4**	**4.2**	**7.6**	7.0	9.0	16.0
Other long-term loans	**0.1**	**–**	**0.1**	–	0.3	0.3
Total	**3.5**	**137.5**	**141.0**	7.3	123.6	130.9

The current portion of the interest-bearing loans and borrowings, due to be paid in 2007, is included in current liabilities.

Syndicated loans

Syndicated loans consists mainly of USD 136 and EUR 30 floating rate borrowings under a EUR 250, multi-currency credit facility (2006: respectively 5.7% and 3.9%; 2005: respectively 4.5% and 2.7%). The average interest rate for 2006 is 5.4% (2005: 4.2%). As the existing multi-currency revolving credit facility matures in June 2007, the Group secured a committed refinancing package to replace the existing revolving credit facility with a syndicate of banks in December 2006.

The terms and conditions of the new facility are basically the same as those of the existing facility. The new multi-currency revolving credit facility of EUR 250 has a tenor of five years and matures in February 2012. However, the Group has two options to extend the tenor of one year each and the option to increase the facility up to EUR 400. The interest is based on the relevant floating rate plus a margin. The financial covenant for the new credit facility is customary for its type, amount and tenor. The new credit facility is unsecured and has no restrictions for use.

Finance leases

Non-cancelable finance leases are payable as follows:

	2006			2005		
	Total lease payments	**Interest**	**Carrying value**	Total lease payments	Interest	Carrying value
Less than 1 year	**3.9**	**0.5**	**3.4**	7.8	0.8	7.0
Between 1 and 5 years	**3.0**	**0.7**	**2.3**	7.8	1.1	6.7
More than 5 years	**2.0**	**0.1**	**1.9**	2.4	0.1	2.3
Total	**8.9**	**1.3**	**7.6**	18.0	2.0	16.0

24. Employee benefits

Defined benefit plans

Royal Wessanen nv and its subsidiaries make contributions to defined benefit plans in the Netherlands, UK, Germany, Italy and France, that provide pension benefits for employees upon retirement. These are final-pay and average-pay plans, based on the employees' years of service and compensation near retirement. The schemes are administered by industry pension funds, life insurance companies and independent company pension funds.

The net obligation for defined benefit plans is calculated separately for each plan by calculating the present value of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan asset is deducted. The discount rate used is the yield on high-quality corporate bonds of a currency and maturity consistent with the currency and maturity of the post-employment defined benefit obligations. The calculations are performed by qualified actuaries using the projected unit credit method.

As of January 2007, the Wessanen Pension Plan has been changed (for all participants born after January 1, 1950) from an end pay system to an average pay system resulting in a curtailment gain of EUR 2.4 in 2006. Other smaller plan amendments added up to a gain on curtailments and settlements of EUR 1.2 in 2006 (2005: EUR 0.2).

Multi-employer plans

The Dutch companies are engaged in multi-employer plans with 'Stichting bedrijfspensioenfonds voor de Groothandel in Levensmiddelen', 'Stichting Bedrijfspensioenfonds voor de vlees-, vleeswaren- en de gemaksvoedingindustrie' and 'Stichting Bedrijfspensioenfonds voor de Suikerwerk en Chocoladeverwerkende Industrie'. These multi-employer plans are defined benefit plans, though accounted for as if they were defined contribution plans because it is not possible to identify the companies' shares of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes. This is due to the fact that the plans expose the participating entities to actuarial risks associated with the current and former employees of other entities.

Surpluses or deficits for the mentioned plans are determined on the basis of 'Actuariële principes pensioenfondsen' and 'Richtlijnen van De Nederlandse Bank 30 september 2002'. The 'Stichting Bedrijfspensioenfonds voor de Groothandel in Levensmiddelen' and the 'Stichting Bedrijfspensioenfonds voor de vlees-, vleeswaren- en de gemaksvoedingindustrie' both show a deficit for which recovery plans have been made comprising of adjustments in contributions and restriction of indexations.

24. Employee benefits continued

Defined contribution plans

In the North American companies the pension arrangements consist of defined contribution plans (401-K).

The components of the employee benefits for the years ending December 31, 2006 and 2005 respectively are shown in the following tables:

Defined benefit plans	**2006**	2005
Present value of unfunded obligations	**3.0**	2.4
Present value of funded obligations	**77.3**	121.9
Total present value of obligations	**80.3**	124.3
Fair value of plan assets	**(63.8)**	(88.7)
(Surplus)/Deficit	**16.5**	35.6
Unrecognized actuarial gains and losses	**5.6**	(1.6)
Unrecognized past service costs	**(1.4)**	(0.2)
Net liability for defined benefit obligations	**20.7**	33.8
Other employee benefits	**0.1**	–
Total employee benefits	**20.8**	33.8

Movement in the liability for defined benefit obligations	**2006**	2005
Liability for defined benefit obligation at beginning of year	**124.3**	119.6
Effect of movements in foreign exchange	**1.0**	0.9
Benefits paid	**(2.9)**	(2.8)
Employee contribution	**0.3**	0.3
Current service costs	**3.4**	3.7
Interest costs	**5.4**	5.6
Losses/(gains) on curtailments and settlements	**(2.7)**	(0.7)
Actuarial losses/(gains)	**(4.2)**	(2.6)
Transfer to held for sale	**(44.3)**	0.3
Liability for defined benefit obligation at year end	**80.3**	124.3

Movement in plan assets	**2006**	2005
Fair value of plan assets at beginning of year	**88.7**	79.5
Effect of movements in foreign exchange	**0.7**	0.6
Employer contributions	**3.0**	2.4
Employee contributions	**0.3**	0.3
Benefits paid	**(2.9)**	(2.8)
Expected return on plan assets	**4.3**	4.1
Actuarial losses/(gains)	**1.0**	4.6
Losses/(gains) on curtailments and settlements	**(0.6)**	–
Transfer to held for sale	**(30.7)**	–
Fair value of plan assets at year end	**63.8**	88.7

24. Employee benefits continued

Expense recognized in the income statement

	2006	2005
Current service costs	**3.4**	3.7
Interest costs	**5.4**	5.6
Expected return on plan assets	**(4.3)**	(4.1)
Amortization unrecognized net (gain)/loss	**–**	0.1
Amortization unrecognized past service costs	**0.1**	–
Gains on curtailments and settlements	**(3.6)**	(0.2)
Total expense	**1.0**	5.1

The expense is recognized in the following line items in the income statement:

	2006	2005
Personnel expenses	**2.5**	3.6
Other income	**(2.4)**	–
Net financing costs	**1.0**	1.5
Profit of discontinued operations	**(0.1)**	–
Total expense	**1.0**	5.1
Actual return on plan assets	**5.3**	8.7

The expected contributions for defined benefit plans in 2007 amount to EUR 1.6.

Actuarial assumptions

Principal actuarial assumptions at the balance sheet date:

	2006		2005	
	Euro-zone	**UK**	Euro-zone	UK
Discount rate at year end	**4.50%**	**5.00%**	4.25%	4.75%
Expected return on plan assets at year end	**4.9–5.0%**	**6.8%**	4.3–5.0%	6.6%
Future general salary increases	**2.0–3.0%**	**4.0%**	3.0%	3.8%
Price inflation	**2.0%**	**3.0%**	2.0%	2.8%
Future pension increases	**2.0%**	**3.0%**	0–1.5%	2.8%

Assumptions regarding future mortality are based on published statistics and mortality tables.

Present value of the defined benefit obligation, fair value of plan assets and deficit

	2006	2005	2004
Defined benefit obligation	**80.3**	124.3	119.6
Fair value of plan assets	**(63.8)**	(88.7)	(79.5)
Deficit	**16.5**	35.6	40.1

Experience adjustments arising on plan liabilities and plan assets

	2006	2005
Plan liabilities	**6.2**	6.4
Plan assets	**1.0**	4.7

Experience adjustments are defined as all gains/losses due to changes other than changes in the discount rate.

25. Provisions

Movements in provisions can be specified as follows:

	Restructuring	Workers' compensation	Contract risks	Other provisions	Total
Balance at beginning of year	3.1	9.1	1.2	4.4	**17.8**
Effects of movements in foreign exchange	–	(0.9)	–	–	**(0.9)**
Additions charged against result	1.7	18.0	–	1.5	**21.2**
Used during the year	(0.9)	(18.7)	(0.2)	(2.7)	**(22.5)**
Released to result	(0.1)	–	(1.0)	(0.4)	**(1.5)**
Unwind discount	–	0.5	–	–	**0.5**
Reclassifications	(0.1)	(0.1)	–	0.2	**–**
Transfer to/from held for sale	(1.2)	–	–	(0.4)	**(1.6)**
Balance at year end	2.5	7.9	–	2.6	**13.0**

Non-current	0.3	2.8	–	0.4	**3.5**
Current	2.2	5.1	–	2.2	**9.5**
Balance at year end	2.5	7.9	–	2.6	**13.0**

Restructuring

The provision for restructuring mainly relates to the closure of a warehouse of Tree of Life NA in Minneapolis (US).

Workers' compensation

Wessanen is self-insured for potential losses related to workers' compensation that may arise at its subsidiaries in the US.

Other

Other provisions mainly relate to customer incentives and litigation.

Releases of prior year provisions are accounted for in operating profit. If related additions in earlier years had been classified as exceptional expenses, the releases are also classified as exceptional.

26. Non-trade payables and accrued expenses

	December 31, 2006	December 31, 2005
Social security	**3.5**	7.1
Pensions	**0.4**	0.5
Holiday and vacation pay	**4.2**	5.3
Customer incentives	**27.1**	31.9
Payroll accruals	**6.6**	9.1
Other liabilities	**28.2**	30.0
Total non-trade payables and accrued expenses	**70.0**	83.9

Other liabilities include derivatives amounting to EUR 0.7 (2005: EUR 1.0) and interest payable related to the interest rate swaps.

Notes to the consolidated financial statements

27. Financial instruments and risk management

Exposure to foreign exchange, interest rate, credit and commodity risks arises in the normal course of Wessanen's business. Summarized below is information about the primary financial instruments and derivatives that are used to manage foreign currency, interest rate, credit and commodity risks.

Foreign currency risk

Transaction exposure

Wessanen is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the euro. The currencies giving rise to this risk are primarily US dollar (USD), British Pound (GBP), Canadian Dollar (CAD) and Swiss Franc (CHF).

Forward exchange contracts are used to reduce currency exposure. Apart from covering existing foreign exchange positions, foreign currency exchange instruments are also used to hedge future positions that are likely to materialize, e.g. the purchase of raw materials and the sale of products in export markets. These foreign exchange exposures are covered through currency options and forward contracts.

As at December 31, 2006, the outstanding amounts on foreign currency purchase and sell contracts related to operational activities were EUR 1.7 (2005: EUR 9.9) and EUR 14.4 (2005: EUR 28.0), respectively. The purchase and sell contracts mainly relate to USD 1.1 (2005: USD 12.4), GBP 12.9 (2005: GBP 15.7), CAD 2.0 (2005: CAD 8.0) and CHF – (2005: CHF 1.4). At the end of 2006, the fair value of the forward contracts represented amounted to EUR (0.1) (2005: EUR –).

As at December 31, 2006, there are no currency options purchase and sell contracts outstanding (2005: EUR 5.0 respectively EUR 4.3). At the end of 2005 the fair value of the option contracts amounted to EUR –.

Translation exposure

The translation exposure relating to the net investment in foreign Group companies and the related long-term inter-company financing are not hedged and are taken into the translation reserve.

It is Group policy to hedge all short-term inter-company loans. At the end of 2006 Wessanen has primarily sold USD 109.5 and GBP 7.0 (2005: 143.1 respectively 11.7) on a forward basis relating to hedge inter-company loans. At the end of 2006 the fair value of these contracts amounts to EUR (0.6) (2005: (1.0)).

Interest rate risk

The Group policy is to finance the non-current assets and a part of the current assets with equity and long-term fixed rate debt. The remainder of current assets would be financed by short-term floating rate debt. In order to manage the interest rate risk, Wessanen has the possibility to enter into Interest Rate Swap contracts (IRS) and Forward Rate Agreements (FRAs).

Wessanen entered into a USD 100 ten-year IRS. Through this IRS Wessanen effectively fixes the rate of borrowing of USD 100 at a price of 4.5% for the period 2005–2015, while receiving interest for the same period at the LIBOR rate for the same notional amount.

Wessanen classifies the IRS as cash flow hedge and states it at fair value, using hedge accounting treatment. The fair value of this swap amounts as at December 31, 2006 to EUR 3.3 positive (2005: EUR 2.5), which is accounted for directly in equity against the hedging reserve at that date.

At the end of 2006, there are no outstanding receivables related to USD FRAs (2005: EUR –).

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

Floating interest bearing

	Notes	Effective interest rate	Total	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
2005								
Amounts owned to credit institutions	23	4.1%	(114.3)	(114.3)	–	–	–	–
Effect of Interest Rate Swap[1]		(1.0)%	–	84.3	–	–	–	(84.3)
Net amounts owed to credit institutions		3.1%	(114.3)	(30.0)	–	–	–	(84.3)
Cash and cash equivalents	21	2.1%	27.1	27.1	–	–	–	–
Finance lease liabilities	23	6.0%	(1.1)	(1.1)	–	–	–	–
Bank overdrafts	21	3.3%	(19.2)	(19.2)	–	–	–	–
Total			(107.5)	(23.2)	–	–	–	(84.3)

1 Wessanen has entered into an IRS that effectively turns EUR 84.3 of the amounts owed to credit institutions from floating rate to fixed rate at 4.51%

27. Financial instruments and risk management continued
Effective interest rates and repricing analysis continued
Floating interest bearing continued

	Notes	Effective interest rate	Total	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
2006								
Amounts owed to credit institutions	23	**5.3%**	**(133.3)**	**(133.3)**	**–**	**–**	**–**	**–**
Effect of Interest Rate Swap[1]		**(0.2)%**	**–**	**76.0**	**–**	**–**	**–**	**(76.0)**
Net amounts owed to credit institutions		**5.1%**	**(133.3)**	**(57.3)**	**–**	**–**	**–**	**(76.0)**
Cash and cash equivalents	21	**2.7%**	**34.6**	**34.6**	**–**	**–**	**–**	**–**
Finance lease liabilities	23	**4.1%**	**(0.6)**	**(0.2)**	**(0.2)**	**(0.2)**	**–**	**–**
Bank overdrafts	21	**4.7%**	**(22.2)**	**(22.2)**	**–**	**–**	**–**	**–**
Total			**(121.5)**	**(45.1)**	**(0.2)**	**(0.2)**	**–**	**(76.0)**

Fixed interest bearing

	Notes	Effective interest rate	Total	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
2005								
Amounts owed to credit institutions	23	4.5%	–	(84.3)	–	–	–	84.3
Finance leases liabilities	23	6.2%	(14.8)	(2.5)	(3.4)	(3.9)	(2.7)	(2.3)
Total			(14.8)	(86.8)	(3.4)	(3.9)	(2.7)	82.0
2006								
Amounts owed to credit institutions	23	**4.5%**	**–**	**(76.0)**	**–**	**–**	**–**	**76.0**
Finance leases liabilities	23	**6.6%**	**(7.0)**	**(1.5)**	**(1.5)**	**(1.0)**	**(1.1)**	**(1.9)**
Total			**(7.0)**	**(77.5)**	**(1.5)**	**(1.0)**	**(1.1)**	**74.1**

1 Wessanen has entered into an IRS that effectively turns EUR 76.0 (2005: 84.3) of the amounts owed to credit institutions from floating rate to fixed rate at 4.51%

Credit risk
The credit risk related to operational activities consists of the loss that would occur if counterparties do not honor their contractual obligations. Wessanen's activities involve the distribution, marketing and production of food products primarily in partnership with retail customers. As a consequence, a concentration of credit risk exists from major parties in the supermarket channel.

With regard to financial transactions, it is the Group's policy to trade only with reliable and solid financial institutions, which reduces the risk of counterparties being unable to meet their contractual obligations. The maximum credit risk, as at December 31, 2006, for on-balance sheet instruments is equal to the carrying value.

Commodity risk
Wessanen uses forward contracts to hedge price risk related to the purchasing of certain raw materials, such as cocoa and resin. As at December 31, 2006, several forward contracts were outstanding relating to expected purchasing of raw materials in 2007.

Fair value of financial assets and liabilities
The carrying amounts of cash and cash equivalents, receivables, accounts payable and bank overdrafts approximate their fair values because of the short-term nature of these instruments.

The fair value of lease liabilities is estimated as a present value of future cash flows, discounted at market interest rates for homogeneous lease agreements.

The carrying amounts of the amounts owed to credit institutions approximate their fair values, as the amounts are floating interest bearing.

The fair value of financial instruments, including interest rate swaps, has been determined by Wessanen using available market information and appropriate valuation methods.

28. Commitments and contingencies

Operating lease commitments

Non-cancelable operating leases are payable as follows:

	2006	2005
Less than 1 year	**17.2**	20.0
Between 1 and 5 years	**37.2**	44.1
More than 5 years	**4.3**	8.0
Total non-cancelable operating lease commitments	**58.7**	72.1

Wessanen leases a number of warehouse and factory facilities, cars and computer hardware under operating leases. The leases typically run between 3 and 15 years, with an option to renew after that date. Lease payments are increased annually to reflect market rentals. None of the leases include contingent rentals. Wessanen does, in principle, not act as a lessor.

During the year ended December 31, 2006, EUR 22.6 was recognized as an expense in the income statement in respect of operating leases (2005: EUR 21.1).

Capital commitments

Commitments to purchase property, plant and equipment as at December 31, 2006 amounted to EUR 3.9 (2005: EUR1.7). As at 31 December, 2006 there are no commitments to acquire intangible assets (2005: EUR –).

Purchase commitments

Wessanen has purchase commitments with vendors in the ordinary course of business at market-related terms.

Guarantees

Wessanen has outstanding letters of credits to third parties amounting to EUR 20.3 (2005: EUR 22.5). Bank guarantees have been issued for a maximum of EUR 0.5 (2005: EUR 0.8).

Contingencies

Wessanen is subject to certain other loss contingencies arising from claims by various parties. While it is not feasible to predict the outcome of such claims and possible litigation, management believes that any reasonable possible loss related to such matters, in excess of the provisions made, would have no material adverse effect on the financial statements as at December 31, 2006.

29. Related parties

Wessanen has a related party relationship with its subsidiaries and its associates (see Note 32) and key management of the entities. Furthermore, the Company pension fund and other pension funds in the Netherlands and the UK are related parties.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

During the year ended December 31, 2006, Wessanen purchased goods from associates in the amount of EUR 13.1 (2005: EUR 20.8) and had a receivable balance of EUR 0.5 as at December 31, 2006 from associates (2005: EUR 0.4). Wessanen received dividends from associates for the amount of EUR 26 thousand in 2006 (2005: EUR 40 thousand). Transactions with key management are described in Note 8 and 9.

30. Accounting estimates and judgements

The preparation of Wessanen's consolidated financial statements requires management to make a number of estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported revenues and expenses during the period. Although these estimates and associated assumptions are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates and assumptions.

The estimates and assumptions that management considers most critical and that have a significant inherent risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed hereinafter.

Impairment of non-current assets

Determining whether non-current assets are impaired requires an estimation of the recoverable amount of the asset (or cash-generating unit), which is the higher of fair value less costs to sell and value in use. The value in use calculation requires management to estimate the future cash flows expected to arise from the asset (or cash-generating unit) and an appropriate discount rate, in order to calculate the present value of the expected future economic benefits of an asset (or cash-generating unit). See Note 15 for specific information on the carrying amounts of goodwill and brands, the cash-generating units affected and the estimates and assumptions applied.

Notes to the consolidated financial statements

30. Accounting estimates and judgements continued

Pensions

The calculation of the defined benefit obligations and, in relation to that, the net periodic benefit costs for the periods presented, requires management to estimate, amongst others, future benefit levels and appropriate discount rates. Due to the long-term nature of these plans such estimates are subject to considerable uncertainties and may require adjustments in future periods, impacting future liabilities and expenses. See Note 24 for specific information on the estimates and assumptions applied in respect of the calculation of the defined benefit obligations.

Income taxes

Wessanen is subject to income taxes in several jurisdictions. The Group has material tax loss carry-forward positions, mainly in the US, whereby the realization of deferred tax assets will be largely dependent upon the availability of future taxable income, as estimated from time to time by management and the availability of tax strategies. Significant judgement is required in determining the consolidated provision for income taxes and the recoverable amounts of deferred tax assets related to tax loss carry forward positions.

Provisions

Wessanen recognized restructuring, workers' compensation and other provisions in the financial statements, of which the amount of each is based on specific estimates and assumptions.

31. Cash flow

The following table presents a specification of changes in working capital:

	2006	2005
Inventories	**15.7**	1.4
Trade receivables	**14.1**	27.1
Trade payables	**(5.0)**	(11.0)
Changes in primary working capital	**24.8**	17.5
Other receivables	**(13.2)**	(8.0)
Non-trade payables and accrued expenses	**(2.6)**	(5.4)
Changes in secondary working capital	**(15.8)**	(13.4)
Total changes in working capital	**9.0**	4.1

The following table presents a reconciliation between the cash flow statements and the cash and cash equivalents balances presented in the balance sheets:

	2006	2005
Cash and cash equivalents of continuing operations at beginning of year	**7.9**	24.6
Cash and cash equivalents related to discontinued operations at the beginning of year	**(0.4)**	–
Cash and cash equivalents at beginning of the year, including discontinued operations	**7.5**	24.6
Net cash from operating, investing and financing activities	**5.9**	(16.5)
Effect of exchange rate differences on cash and cash equivalents	**–**	(0.6)
Cash and cash equivalent related to discontinued operations at end of year	**(1.0)**	0.4
Cash and cash of continuing operations equivalents at the end of year	**12.4**	7.9

32. List of subsidiaries and associates

The following are Wessanen's significant subsidiaries and associates as at December 31, 2006:

	Country of incorporation	**Ownership interest (%) 2006**	Ownership interest (%) 2005
Subsidiaries			
Tree of Life Inc.	US	**100.0**	100.0
American Beverage Corporation	US	**100.0**	100.0
Liberty Richter Ltd.	US	**100.0**	100.0
Boas BV	the Netherlands	**100.0**	100.0
Beckers BV	the Netherlands	**100.0**	100.0
Delicia BV[1]	the Netherlands	**100.0**	100.0
Natudis BV	the Netherlands	**100.0**	70.7
Dailycer the Netherlands BV[1]	the Netherlands	**100.0**	100.0
Allos Walter Lang GmbH	Germany	**100.0**	100.0
Tartex + Dr. Ritter GmbH	Germany	**100.0**	100.0
Karl Kemper GmbH	Germany	**100.0**	100.0
Distriborg Groupe SA	France	**89.0**	89.0
Dailycer S.A.S.[1]	France	**100.0**	100.0
Kallo Foods Ltd.	UK	**100.0**	100.0
Tree of Life UK Ltd.	UK	**100.0**	100.0
Dailycer UK Ltd.[1]	UK	**100.0**	100.0
Righi S.r.L.	Italy	**100.0**	100.0
Bio Slym S.r.L.	Italy	**100.0**	–
Associates			
World Finer Foods	US	**45.2**	45.2
Fifty-Fifty	US	**22.6**	22.6

[1] Discontinued operations

Income statement of the Company

In EUR millions	2006	2005
Income from subsidiaries and associates, net of income tax	**36.2**	27.9
Other income and expenses, net of income tax	**(4.2)**	(2.9)
Profit for the period	**32.0**	25.0

Balance sheet of the Company

In EUR millions	Notes	December 31, 2006	December 31, 2005
Assets			
Financial assets	2	**583.3**	555.5
Current assets	3	**1.0**	1.2
Total assets		**584.3**	556.7
Shareholders' equity			
Share capital		**72.6**	72.6
Share premium		**99.7**	99.7
Reserves		**(7.1)**	(6.5)
Retained earnings		**272.5**	293.3
Profit for the period		**32.0**	25.0
Total shareholders' equity	4	**469.7**	484.1
Current liabilities	5	**114.6**	72.6
Total shareholders' equity and liabilities		**584.3**	556.7

Notes to the financial statements of the Company

1. Principles of valuation and income determination

1.1 General

The Company financial statements are part of the 2006 financial statements of Wessanen.

With reference to the Company income statement of Wessanen, use has been made of the exemption pursuant to section 402, Title 9, Book 2 of the Netherlands Civil Code.

In accordance with Section 379 and 414, Title 9, Book 2 of the Netherlands Civil Code, a list of consolidated group companies and non-consolidated associates will be deposited at the Trade Register of the Amsterdam Chamber of Commerce, together with the financial statements.

1.2 Principles for the measurement of assets and liabilities and the determination of the result

For establishing the principles for the recognition and measurement of assets and liabilities and determination of the result for its Company financial statements, Wessanen makes use of the option provided in section 362, Title 9, Book 2 of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the Company financial statements of Wessanen are the same as those applied for the consolidated financial statements (see Note 3 of the consolidated financial statements). Participating interests (subsidiaries and associates), over which significant influence is exercised, are stated on the basis of the equity method. The share in the result of participating interests consists of the share of the Group in the result of these participating interests. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Results on transactions, where the transfer of assets and liabilities between the Group and its participating interests and mutually between participating interests themselves, are not incorporated insofar as they can be deemed to be unrealized.

2. Financial assets

	2006	2005
Balance at beginning of year	**555.5**	566.8
Effect of movements in foreign exchange	**(9.2)**	2.1
Cash flow hedges	**0.8**	2.5
Income from subsidiaries and associates, net of income tax	**36.2**	27.9
Dividends paid	**–**	(45.0)
Other	**–**	1.2
Balance at year end	**583.3**	555.5

Financial assets include investments in subsidiaries. The investments in subsidiaries are stated at net equity value, which is determined on the basis of the Company's accounting principles as described in Note 3 of the consolidated financial statements.

3. Current assets

	December 31, 2006	December 31, 2005
Receivables from subsidiaries and associates	**–**	0.6
Income tax receivable	**0.6**	0.5
Other receivables	**0.4**	0.1
Total current assets	**1.0**	1.2

4. Shareholders' equity

For a specification of Shareholders' equity, see the consolidated statement of changes in equity (page 50) and Note 22 to the consolidated financial statements. Legal reserves (translation reserve, hedging reserve and other legal reserves) are not available for distribution to the Company's shareholders. If the translation reserve or hedging reserve has a negative balance, distribution to the Company's shareholders is restricted to the extent of the negative balance.

Notes to the financial statements of the Company

5. Current liabilities

	December 31, 2006	December 31, 2005
Payables to subsidiaries	**114.2**	72.3
Trade and other payables	**0.4**	0.3
Total current liabilities	**114.6**	72.6

The current liabilities are liabilities that mature within one year.

6. Commitments and contingencies

The Company has assumed liability for debts of participating interests, up to a total of EUR 174.0 (2005: EUR 150.6). The related guaranteed debts are included in the consolidated balance sheet for an amount of EUR 174.0 (2005: EUR 150.6).

The Company is part of the fiscal unity of Wessanen. Based on this, the Company is liable for the tax liability of the fiscal unity in the Netherlands as a whole.

The Company has also assumed liability for the Dutch Group companies of which the financial statements have been included in the consolidated financial statements, as provided for in Section 403, sub 1, Title 9, Book 2 of the Netherlands Civil Code. This implies that these Group companies are not required to prepare their financial statements in every respect in accordance with Title 9 of Book 2 or to publish these.

7. Employees

The Company did not employ any person in 2006.

Utrecht, February 27, 2007

Supervisory Board
D.I. Jager, Chairman
J.G.A.J. Hautvast
F.H.J. Koffrie
L.M. de Kool
M.C. Lombard

Executive Board
A.H.A. Veenhof, President and CEO
H. Wagter, CFO
N.R. Onkenhout
K.R. Lane[1]

[1] It will be proposed to the Annual General Meeting, to be held on April 18, 2007, to appoint K.P. Lane as a member of the Executive Board

Other information

Appropriation of dividend 2006
The profit for the year 2006 attributable to the equity holders of Wessanen amounted to EUR 32.0 million against EUR 25.0 million in 2005.

The Articles of Association allow for the payment of a dividend charged to the distributable part of the shareholders' equity. Article 31, Clause 3, reads as follows:

'If losses are sustained in any year, no dividend shall be paid for that year. Similarly, no dividend shall be paid in subsequent years until the loss has been defrayed out of the income (sub 5). The General Meeting of Shareholders, however, resolves on a motion of the Executive Board which has received the approval of the Supervisory Board to defray such loss out of the distributable part of the shareholders' equity or also to distribute a dividend charged to the distributable part of the shareholders' equity.'

On the basis of this article, it will be proposed to the General Meeting of Shareholders, to be held on April 18, 2007, to pay out an amount of EUR 0.65 per share (2005: EUR 0.65 per share) from the distributable parts of the shareholders' equity to holders of shares. Taking into account the interim dividend of EUR 0.20 per share paid out on August 22, 2006, the total distribution to be paid out on May 4, 2007, amounts to EUR 0.45 per share. This completes the pay-out to shareholders over 2006. Based upon the total number of shares outstanding, this would amount to EUR 32.2 million.

Subsequent events
In February 2007, Wessanen signed the agreement to sell its Private Label operations, including the activities of Dailycer and Delicia in the UK, France and the Netherlands, to the private equity investor One Equity Partners for a total consideration of EUR 104 million. After amounts necessary for pension liabilities, debt, tax and costs proceeds are estimated at approximately EUR 80 million. Completion of the transaction will be conditional upon approval by the competition authorities.

The proceeds of the divestment of the Private Label operations will partly be used for a share buy back program of EUR 50 million.

Auditors' report

To: Annual General Meeting of Shareholders of Royal Wessanen nv

Report on the financial statements

We have audited the financial statements for the year 2006 of Royal Wessanen nv ("the Company"), Utrecht as set out on pages 47 to 89. The financial statements consist of the consolidated financial statements and the Company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2006, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes. The Company financial statements comprise the Company balance sheet as at 31 December 2006, the Company profit and loss account for the year ended and the notes.

Management's responsibility

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the Executive Board in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion 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 Royal Wessanen nv as at 31 December 2006, and of its result and its cash flow 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 Netherlands 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 Royal Wessanen nv as at 31 December 2006 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the report of the Executive Board as set out on pages 20 to 41 is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, February 27, 2007

KPMG ACCOUNTANTS N.V.

F.A.C.M. van Kasteren RA

Additional information

Financial summary 1997–2006
Condensed consolidated income statement

In millions euro, unless stated otherwise (adjusted for comparison purposes)

	2006[1]	2005[1]	2004[1]	2003	2002	2001	2000	1999	1998	1997
Revenue	**1,590.3**	1,691.1	1,837.0	2,431.8	2,829.6	3,967.9	3,933.8	3,016.0	2,620.1	2,534.7
EBITAE	**56.8**	54.5	34.3	9.9	62.2	124.6	153.8	120.5	96.1	141.3
Amortization of goodwill	**–**	–		(11.3)	(9.2)	(4.3)	–	–	–	–
Operating profit before exceptional items	**56.8**	54.5	34.3	(1.4)	53.0	120.3	153.8	120.5	96.1	141.3
Exceptional items	**(14.6)**	(29.6)	(32.7)	(68.9)	72.0	191.6	–	–	57.9	–
Operating profit	**42.2**	24.9	1.6	(70.3)	125.0	311.9	153.8	120.5	154.0	141.3
Financial income and expenses, net	**(10.9)**	(6.8)	0.4	(4.7)	(16.0)	(32.5)	(38.5)	(20.1)	(24.5)	(22.2)
Share of profit associates	**–**	1.4	2.5	1.2	1.5	12.9	24.4	20.5	21.2	16.9
Profit before taxes	**31.3**	19.5	4.5	(73.8)	110.5	292.3	139.7	120.9	150.7	136.0
Taxes	**(3.1)**	(2.8)	4.9	41.8	(8.0)	(52.5)	(40.2)	(39.0)	(17.4)	(43.9)
Profit from discontinued operations, net of income tax	**5.4**	9.9	2.4	–	–	–	–	–	–	–
Minority interests	**1.6**	1.6	1.3	1.2	1.1	0.8	1.3	0.3	(6.0)	–
Profit for the period – attributable to holders of parent	**32.0**	25.0	10.5	(33.2)	101.4	239.0	98.2	81.6	139.3	92.1
Profit for the period before amortization of goodwill and before exceptional items	***40.5***	*41.4*	*33.2*	*9.7*	*35.8*	*78.5*	*98.2*	*81.6*	*70.2*	*92.1*
Profit for the period attributable to equity holders of parent as a percentage of average equity attributable to equity holders of parent	**8.6%**	8.6%	6.9%	1.7%	6.7%	11.2%	16.2%	11.9%	10.9%	15.6%

[1] The figures of 2004, 2005 and 2006 are based on IFRS (adjusted for (dis)continued operations), the years before are based on Dutch GAAP. In the years before 2002 the change in accounting principles with respect to credit on sales is not included.

Financial summary 1997–2006
Condensed consolidated balance sheet

In millions euro, unless stated otherwise (adjusted for comparison purposes)

	2006[1]	2005[1]	2004[1]	2003	2002	2001	2000	1999	1998	1997
Current assets	**576.1**	549.5	561.1	653.2	675.7	821.7	1,007.7	813.0	548.8	739.2
Current liabilities[2]	**271.3**	282.6	278.5	303.5	338.6	417.9	614.6	396.9	262.7	339.9
Non-current assets	**374.6**	431.9	425.2	434.6	462.3	523.8	734.0	661.2	535.9	537.6
Capital employed	**679.4**	698.8	707.8	784.3	799.4	927.6	1,127.1	1,077.3	822.0	936.9
Financed by:										
Total equity	**480.0**	492.8	487.9	502.3	634.4	620.6	514.2	600.1	621.0	569.2
Provisions	**13.0**	17.8	34.9	67.5	61.0	55.2	37.8	39.3	52.5	55.6
Employee benefits[3]	**20.8**	33.8	30.9							
Deferred tax liabilities[3]	**2.4**	4.3	16.0							
Non-current interest-bearing loans and borrowings	**137.5**	123.6	115.1	26.0	155.7	180.7	192.0	253.9	145.9	115.8
Current interest-bearing loans and borrowings[4]	**25.7**	26.5	23.0	188.5	(51.7)	71.1	383.1	184.0	2.6	196.3
Total	**679.4**	698.8	707.8	784.3	799.4	927.6	1,127.1	1,077.3	822.0	936.9
Total equity attributable to equity holders of parent as a percentage of total assets	**49.4%**	49.3%	48.6%	45.5%	52.8%	44.5%	29.2%	40.2%	57.5%	43.7%
Profit for the period – attributable to equity holders of parent per share (in EUR)	**0.57**	0.59	0.48	0.14	0.51	0.94	1.16	0.95	0.82	1.08

1 The figures of 2004, 2005 and 2006 are based on IFRS, the years before are based on Dutch GAAP. In the years before 2002 the change in accounting principles with respect to credit on sales is not included.
2 Excluding short-term finance
3 Until 2003 included in provisions
4 2003 including private placement of EUR 108.1

Lexicon

Corporate

Audit Committee Committee of the Supervisory Board that assesses the financial reporting, the internal control system for financial risks, the auditing process and the corporate processes for monitoring adherence to the law and regulations.

Authenticity Product authenticity refers to the purity and genuineness of a product's origins, its ingredients and the methods used in growing and manufacturing these ingredients.

Balanced Scorecard This is a method for corporate performance measurement. Key performance indicators (KPIs) are presented and split into four perspectives:

- Organization (development and vitality of the company).
- Internal processes (efficiency and innovation).
- Customers (progress and development of sales and customer relations).
- Financial (the results of the processes).

Corporate Governance Corporate Governance is the system by which business corporations are directed and controlled. This system is based on the principles and best practices that have been laid down in the Dutch Corporate Governance Code of the Tabaksblat Committee and the subsequent report of the Frijns Monitoring Committee.

Cross-selling Selling of successful product concepts in a new market.

Cross-sourcing Buying of similar products from one supplier in multiple countries.

ERP system Enterprise Resource Planning. Software which supports the business by processing the information regarding supply chain and financials.

Health food Umbrella term for authentic natural, organic or nutritionally enhanced food products.

Premium Taste food Umbrella term for superior quality specialty, gourmet and ethnic food products.

SKU Stock-keeping unit; a number associated with a particular product, often represented by a barcode, used to track inventory.

Supernaturals National chains in the US consisting of large professional stores specializing in natural and organic food.

Supply chain The full cycle followed by a product from the base (raw material) to the consumer.

Synergies Partnerships between the various Wessanen companies that create added value for the organization.

TOL NA Tree of Life North America, Wessanen's largest group, which focuses on the markets for Health and Premium Taste products sold through supermarkets and independent retail stores.

Value Based Management A system which offers Wessanen's management three strategic instruments so that they can respond swiftly to technological and social change, namely:

- A detailed system for strategic planning, which supports the formulation of concrete action-driven plans.
- A program that guarantees that capital is allocated to projects that deliver value for the shareholders.
- The Balanced Scorecard, which maintains the right balance between short-term and long-term goals.

Financial

Average Capital Employed The annual average sum of:

- Property, plant and equipment.
- Inventories.
- Accounts payable/receivable.
- Income tax payable/receivable.
- Inter-company payable/receivable.
- Other payables/receivables.

Currency option A contract under which the buyer acquires the right to buy or sell the foreign currency at a fixed price before a specified date.

EBIT Earnings before interest and tax.

EBITAE Earnings before interest, tax, amortization of goodwill and exceptional items.

EBITDAE EBITAE before depreciation of fixed assets.

EBITDAE-interest ratio EBITDAE divided by interest paid.

Exceptional items Items of income and expense within profit and loss from ordinary activities of such size, nature or incidence, that in the view of the management, their disclosure is relevant to explain the performance of the company for the period. Exceptional items primarily bear an expense character, offset by exceptional income on primarily divestments of operations and sale of real estate.

Forward currency contract Purchase or sale of foreign currency at an exchange rate established now but with payment and delivery (settlement) at a specified future date.

Forward interest rate contract Borrowing or lending of a deposit at a predetermined rate and for a predetermined period, established now, but with payment and settlement at a specified future date.

Goodwill Goodwill is the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Hedging A strategy to off-set financial risks to secure future financial risks.

Interest rate option A contract under which the buyer acquires the right to buy or sell the underlying bond or deposit at a fixed price before a specified date.

Net debt Net debt is the net balance of available cash and all third party interest-bearing debt.

Non-allocated includes the operations of Karl Kemper Germany and corporate entities.

ROI Return on Investment (before exceptional items). A measure of a corporation's profitability, equal to the annual income divided by common stock and preferred stock equity plus long-term debt.

ROIC Return on Invested Capital (before exceptional items). The return on the total capital employed, including all goodwill payments in the past.

ROS Return on Sales. EBITAE divided by net revenue.

Run-rate Rate of savings recalculated at a total annual base.

Solvency ratio Equity attributable to equity holders of parent divided by total assets.

Swap A swap is an exchange of one security for another to change the maturities of a bond portfolio. Interest rate swaps are used to reduce risk by synthetically matching the duration of assets and liabilities.

Treasury stock Shares in the company's portfolio that are used for stock option purposes.

WACC Weighted Average Cost of Capital. The cost of debt and equity which indicates the minimum return that must be realized by all our operations.

Addresses

The Netherlands

Corporate head office
Royal Wessanen nv
Beneluxlaan 9
3527 HS Utrecht
P.O. Box 2635
3500 GP Utrecht
Phone: +31 (0)30 2988888
Fax: +31 (0)30 2988801
E-mail: corporate.communications@wessanen.com
Internet: www.wessanen.com

Wessanen Nederland bv
Beneluxlaan 9
3527 HS Utrecht
P.O. Box 2554
3500 GN Utrecht
Phone: +31 (0)30 2988600
Fax: +31 (0)30 2988703
E-mail: cs.wessanen.nl@wessanen.com
Internet: www.wessanen.nl

Natudis BV
Daltonstraat 38
3846 BX Harderwijk
Phone: +31 (0)341 464211
Fax: +31 (0)341 425704
E-mail: info@natudis.nl
Internet: www.natudis.nl

Delicia BV[1]
Zevenheuvelenweg 53-55
5048 AN Tilburg
Phone: +31 (0)13 4625525
Fax: +31 (0)13 4630805
E-mail: info@delicia-nl.com
Internet: www.delicia.nl

Belgium

Wessanen Belgium nv
Remylaan 4c – 2nd floor
3018 Wijgmaal
Phone: +32 (0)16 499500
Fax: +32 (0)16 499501
Internet: www.wessanen.be

Germany

Allos Walter Lang GmbH
Zum Streek 5
49457 Mariendrebber
Phone: +49 (0)5445-9899-0
Fax: +49 (0)5445-9899-114
Internet: www.allos.de

Karl Kemper GmbH
Siemensstrasse 11-13
46325 Borken
Phone: +49 (0)2861-947-0
Fax: +49 (0)2861-947-222
E-mail: info@karlkemper.de
Internet: www.beckers-gmbh.de

Tartex + Dr. Ritter GmbH
Hans-Bunte-Strasse 8a
79108 Freiburg
Phone: +49 (0)761-5157-0
Fax: +49 (0)761-5157-157
E-mail: info@tartex.de
Internet: www.tartex.de

Italy

Righi S.r.L.
Via Monti Urali, 32
Reggio Emilia
Phone: +39 (0)522 552616
Fax: +39 (0)522 558707
E-mail: info@righi-srl.it
Internet: www.righisrl.com

Bio Slym S.r.L.
Via Dei Tigli, localita' Fenilrosso
46019 Viadana
Phone: +39 (0)375 782256
Fax: +39 (0)375 821276
E-mail: info@bioslym.com
Internet: www.bioslym.com

France

Dailycer S.A.S.[1]
Le Technoparc
34, Rue C.E. Jeanneret
78306 Poissy Cedex
Phone: +33 (0)1 39 118181
Fax: +33 (0)1 39 118180
E-mail: info@dailycer-fr.com
Internet: www.dailycer.com

Distriborg Groupe SA
217, Chemin du Grand Revoyet
69561 Saint Genis Laval Cedex
Phone: +33 (0)4 72 67 10 20
Fax: +33 (0)4 72 67 10 57
E-mail: info@distriborg.com
Internet: www.distriborg.com

United Kingdom

Kallo Foods Ltd.
Coopers Place
Combe Lane, Wormley
Godalming, Surrey GU8 5SZ
Phone: +44 (0)1428 685100
Fax: +44 (0)1428 685800
E-mail: marketing@kallofoods.com
Internet: www.kallofoods.com

Tree of Life UK Ltd.
Coaldale Road
Lymedale Business Park
Newcastle under Lyme
Staffordshire, ST5 9QH
Phone: +44 (0)1782 567100
Fax: +44 (0)1782 567199
E-mail: health@tol-europe.com
Internet: www.treeoflifeuk.com

United States

American Beverage Corporation
1 Daily Way
Verona, PA 15147
Phone: +1 412 828 9020
Fax: +1 412 828 8876
E-mail: info@ambev.com
Internet: www.ambev.com

Liberty Richter
400 Lyster Avenue
Saddle Brook, NJ 07663
Phone: +1 201 843 8900
Fax: +1 201 368 3575
E-mail: infolr@libertyrichter.com
Internet: www.libertyrichter.com

Tree of Life, Inc.
405 Golfway West Drive
St. Augustine, FL 32095
Phone: +1 904 940 2100
Fax: +1 904 940 2553
E-mail: mailbox@treeoflife.com
Internet: www.treeoflife.com

[1] Discontinued operations

Colophon
Royal Wessanen nv
Beneluxlaan 9
P.O. Box 2635
3500 GP Utrecht
Phone: +31 (0)30 298 8888
Fax: +31 (0)30 298 8801
E-mail: corporatecommunications@wessanen.com
Internet: www.wessanen.com

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