Royal Wessanen nv

Press release - Results first quarter 2010 April 29, 2010

Wessanen reports improved operating result

Q1 2010 highlights

- Revenue amounted to EUR 172.6 million, a 2.5% increase (autonomous increase of 2.9%)
- Improvement operating result (EBIT) to EUR 6.4 million, driven by higher results at ABC and Frozen Foods and by lower non-allocated costs
- Net result of EUR (4.8) million
- Net debt substantially reduced as result of sale of Tree of Life, Inc. and share issue in March
- Revenue Wessanen Europe grew slightly to EUR 125.5 million
- Strategic initiatives, such as brand harmonisation and centralised sourcing, progressing as planned
- Piet Hein Merckens started at Wessanen to become CEO as of 1 June 2010

Consolidated key figures first quarter 2010

X EUR million, unless stated otherwise	Q1 2010	Q1 2009	% change
Revenue[1]	172.6	168.5	2.5%
Autonomous revenue development[1, 2]			*2.9%*
EBITDA [1]	9.8	1.9	>100%
Operating result (EBIT)[1]	6.4	(0.9)	
EBIT margin (as a % of revenue)[1]	*3.7%*	*(0.5)%*	
Result from discontinued operations, net of income tax	(5.5)	(0.3)	
Net result, attributable to equity holders of Wessanen	(4.8)	(3.3)	
Operating cash flow [1]	(14.3)	(4.5)	
Net debt	66.2	213.8	
Earnings per share (in euro) (total Wessanen)	(0.07)	(0.05)	
Average number of outstanding shares (x 1,000 shares)	69,325	67,601	

CEO statement

Frans Koffrie, Wessanen CEO, comments: "During the first months of 2010 our markets remained difficult with low consumer confidence, fierce competition and ongoing pressure from private label. Despite all of these challenges, all segments showed revenue growth. Our operating result clearly improved, while we continue to invest in marketing and advertising. We reduced our net debt as a result of the divestment of Tree of Life, Inc. and the successful issue of new shares in March.

1 From continuing operations

2 Including adjustments for currency effects and trading days (index Q1-09: 100%)

Our priorities for 2010 - which will be a year of investments - are clear. We are strengthening the core by centralising our sourcing functions, harmonising and supporting our brands and investing in IT and process improvements. From 2011 onwards, we aim to utilise in full the healthy prospects for the organic food markets and to grow at least in line with the market.

I am very glad with the arrival of Piet Hein Merckens who will succeed me as CEO as of 1 June and who is the right person to lead the Company in achieving its ambitions to become the Organic$^+$ food champion in Europe."

Piet Hein Merckens, President Wessanen Europe and CEO Wessanen as of 1 June: "After joining on 1 April, I spent much time visiting the operations, meeting the different management teams and employees as well as some of our suppliers and customers and getting further acquainted with our brands and markets. Although we have challenges to overcome and still much work to do, I feel reassured by the quality and enthusiasm of all Wessanen employees.

Wessanen has the vision to become the Organic$^+$ champion. I fully believe in organic food, its merits, its growth prospects and its sustainable contribution. I also feel our strategy is the right one and I am very much looking forward to lead Wessanen to a promising future."

Priorities 2010

- Wessanen Europe: strengthening the core through centralised sourcing, strategic cooperation with suppliers, brand and product alignment and increased marketing and IT spending
- Frozen Foods: revitalising the Beckers brand, innovation and continued focus on production costs
- ABC: completing business process redesign, cost reductions, improving weighted distribution and product positioning, with the intention to divest in 2011
- PANOS Brands: expected to be divested during 2010

Financial summary

In the first quarter of 2010, revenue of continuing operations grew by 2.5%, including a negative currency effect of 0.4%, the net effect of a stronger British pound and a weaker US dollar. Autonomous growth amounted to 2.9%, with all segments showing growth. Wessanen Europe revenue increased autonomously 0.2%, revenue of Frozen was up 1.4% autonomously, whereas ABC reported a 27% autonomous increase in revenue.

Operating result was EUR 6.4 million, representing an operating margin of 3.7%. This is a clear improvement versus last year. All segments contributed, with a higher operating result at ABC and lower non-allocated costs contributing most to the year-on-year increase.

Net financing costs increased to EUR (4.7) million (Q1 2009: EUR (3.0) million), due to the revaluation of an interest rate swap (related to US dollar financing) of EUR (2.5) million, partly offset by lower interest expenses. The effective tax rate was 51%. The difference between the effective tax rate and the weighted average statutory tax rate is mainly caused by non-deductible expenses and non-recognition of income tax losses.

Profit from continuing operations, net of tax, amounted to EUR 0.8 million, a clear improvement compared to the loss of EUR (3.2) million last year. Result from discontinued operations, net of tax, amounted to EUR (5.5) million, which includes a non-cash net cumulative exchange loss deferred in equity of EUR (5.5) million related to the divestment of Tree of Life, Inc.

Accordingly, net result amounted to EUR (4.8) million (Q1 2009: EUR (3.3) million), as discussed above negatively impacted by the EUR (8.0) million combined impact of the revaluation of an interest rate swap and the recognition of the net cumulative exchange loss deferred in equity. Earnings per share from continuing operations were EUR 0.01 versus EUR (0.04) last year.

Operating cash flow from continuing operations (after interest and income tax paid) was EUR (14.3) million (Q1 2009: EUR (4.5) million) fully due to an increase in working capital, partly offset by a higher operating result and lower payments for income taxes and interest. In comparison with year-end 2009, inventories, trade receivables and trade payables were all up. Inventories increased mainly due to the fact that ABC built up inventory for the peak summer season.

Net debt decreased to EUR 66 million (Q4 2009: EUR 175 million) mainly due to the divestment of Tree of Life, Inc. and the share issue in March raising EUR 18 million. This was partly offset by cash outflows from operating activities. The net debt to EBITDAE ratio amounted to 2.0x as at 31 March (Q4 2009: 4.3x).

For full year 2010, we expect an effective income tax rate of 30-35%. Capital expenditures will be around the level of depreciation and amortisation of EUR 15 million. The interest rate swap related to US dollar financing was settled early in the second quarter for a cash consideration of EUR (8) million.

Highlights per segment

X EUR million, unless stated otherwise	Q1 2010	Q1 2009	% change	% autonomous growth
Wessanen Europe	125.5	124.8	0.6%	0.2%
Frozen Foods	28.7	28.3	1.4%	1.4%
ABC	18.4	15.4	20%	27%
Total revenue	172.6	168.5	2.5%	2.9%
Wessanen Europe	7.0	7.0		
Frozen Foods	0.8	0.6		
ABC	1.3	(4.2)		
Non-allocated	(2.7)	(4.3)		
Total operating result (EBIT)	6.4	(0.9)		

Wessanen Europe

X EUR million, unless stated otherwise	Q1 2010	Q1 2009	% change
Revenue	125.5	124.8	0.6%
Autonomous revenue development			*0.2%*
EBITDA	7.7	7.8	(1.6)%
Operating result (EBIT)	7.0	7.0	(1.0)%
EBIT margin (as a % of revenue)	*5.5%*	*5.6%*	
Cash flow from operating activities	1.5	2.8	

Revenue increased 0.6% to EUR 125.5 million, including a positive currency effect of 0.4% due to a strengthening of the British pound. Autonomous growth amounted to 0.2% with a price effect of 0.4% and a volume effect of (0.2)%, reflecting mixed market conditions and performance in our geographies.

Operating result was stable at EUR 7.0 million. The result last year was impacted by EUR (1.4) million from a non-recurring write-off and severance costs in Germany, while this quarter advertising and promotion expenses were increased. The results were further affected by the termination of a sole agency contract in France in the first quarter. The margins and margin mix both improved.

In France, revenue grew slightly with lower sales at health food stores and higher sales within the grocery channel. Bjorg and the ethnic activities performed particularly well.

In the Benelux, revenue was slightly below last year, owing to lower grocery sales despite Zonnatura sales being up. The health food store channel continued to perform well. Wessanen acquired Kroon, the number two perishables supplier in the HFS channel with 2009 sales of around EUR 10 million, for an undisclosed amount. Kroon also owns the franchise format 'Puur', which currently operates two stores with a third under construction. The combination strengthens our position in the HFS channel, allowing us to distribute a wider product range to our customers.

In the UK, markets remained difficult owing to low consumer confidence. Our sales in the UK were slightly down in local currency (flat in euro terms). Grocery sales were stable, whereas our sales in the health food store channel declined, although at a slower pace than the HFS market in general.

In Germany, our revenue was about stable. The decline in the HFS channel due to soft market conditions could not be fully offset by strong growth in the grocery channel.

Frozen Foods

X EUR million, unless stated otherwise	Q1 2010	Q1 2009	% change
Revenue	28.7	28.3	1.4%
Autonomous revenue development			*1.4%*
EBITDA	2.0	1.9	1.1%
Operating result (EBIT)	0.8	0.6	23.4%
EBIT margin (as a % of revenue)	*2.8%*	*2.3%*	
Cash flow from operating activities	0.4	4.4	

Revenue increased 1.4% autonomously to EUR 28.7 million with volume contributing 3.5% and price (2.1)%. Out-of-home sales were lower, more than compensated by increased Dutch retail sales and private label sales. The channel mix developed unfavourably. The operating result increased to EUR 0.8 million as a result of the volume increase and lower raw material prices despite higher advertising and promotion costs.

Brand awareness for the Beckers brand increased in the first quarter, but competition in the traditional out-of-home channel remained fierce with the frequency of visits to cafeteria remaining stable. Volumes sold to wholesalers were clearly lower as a result of bad weather and on average lower inventories held at wholesalers.

The partnership between Beckers and the Dutch Shell fuel stations has been prolonged.

The introduction of the Mammoet 'frikandel' in the Dutch out-of-home channel earlier in the year has been successful, realising over 2,000 points of sale in a short period of time.

American Beverage Corporation (ABC)

X EUR million, unless stated otherwise	Q1 2010	Q1 2009	% change
Revenue	18.4	15.4	20%
Autonomous revenue development			27%
EBITDA	2.4	(3.6)	-
Operating result (EBIT)	1.3	(4.2)	-
EBIT margin (as a % of revenue)	7.1%	(27.7)%	
Cash flow from operating activities	(1.7)	(5.3)	

Revenue was EUR 18.4 million with higher than expected sales in March. Both juice drinks and cocktail mixer sales did well. Little Hug, our juice drinks brand, introduced new products such as a 6-pack and a 'bonus' pack. Daily's, our cocktail mixer brand, grew its alcohol and non-alcohol Ready-to-Drink cocktails.

ABC continues to work on operational efficiencies resulting in lower costs. Advertising and promotional expenses were up. The operating result amounted to EUR 1.3 million versus a loss last year.

For the full year 2010, ABC expects to realise an operating result above break-even, with the fourth quarter being seasonally weakest.

Cash flow from operating activities was EUR (1.7) million including an increase in working capital due to the build-up of inventory for the peak summer season.

Non-allocated and eliminations (including corporate expenses)

X EUR million, unless stated otherwise		
EBITDA	(2.4)	(4.2)
Operating result (EBIT)	(2.7)	(4.3)

Non-allocated expenses amounted to EUR 2.7 million, lower than in the first quarter 2009 which included severance costs of EUR 2.1 million.

For 2010, we expect non-allocated costs somewhat above our previous guidance of around EUR 10 million as a result of higher expenses for the corporate transition process.

Discontinued operations

Discontinued operations include the divested business of Tree of Life, Inc. for the month of January, as well as PANOS Brands for the full quarter. Preparation for the divestment of PANOS is underway.

Important dates

29 July 2010	Publication of the second quarter results 2010
28 October 2010	Publication of the third quarter results 2010
24 February 2011	Publication of the fourth quarter results 2010

Analyst & investor conference call

A conference call for analysts and investors will be hosted by Frans Eelkman Rooda (CFO) at 12h00 CET. There will be a live audio webcast via www.wessanen.com. The presentation will be available for download there as well. Analysts and investors can call in using the following telephone numbers: from the Netherlands: +31 (0) 45 631 6901, from the United Kingdom: +44 (0) 207 153 2027

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Company profile

Royal Wessanen nv is a leading company in the European organic food market. Operating mainly in France, Benelux, the UK and Germany, we manage and develop our brands and products in the grocery and health food channels. Our vision is to become the Organic^{+} food champion in our chosen markets, providing organic food that delivers clear consumer benefits. Next to our leading position in Organic+ food businesses, we also produce and market frozen snack products in the Benelux and fruits drinks and cocktail mixers in the US.

Note on forward-looking statements

This announcement contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements within the meaning of the safe-harbour provisions of the US federal securities laws. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond Wessanen's ability to control or estimate precisely, such as future market conditions, the behaviour of other market participants and the actions of governmental regulators. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release.

Condensed consolidated income statement

In EUR millions, unless stated otherwise

	Q1 2010	Q1 2009
Continuing operations		
Revenue	**172.6**	168.5
Other income	**-**	-
Raw materials and supplies	**(107.7)**	(101.9)
Personnel expenses	**(28.2)**	(28.1)
Depreciation, amortization and impairments	**(3.4)**	(4.4)
Other operating expenses	**(26.9)**	(35.0)
Operating expenses	**(166.2)**	(169.4)
Operating result	**6.4**	(0.9)
Net financing costs	**(4.7)**	(3.0)
Share in results of associates	**-**	-
Profit/(loss) before income tax	**1.7**	(3.9)
Income tax expense	**(0.9)**	0.7
Profit/(loss) after income tax from continuing operations	**0.8**	(3.2)
Discontinued operations		
Profit/(loss) from discontinued operations, net of income tax	**(5.5)**	(0.3)
Profit/(loss) for the period	**(4.7)**	(3.5)
Attributable to:		
Total attributable from continuing operations	***0.7***	*(3.0)*
Total attributable from discontinued operations	***(5.5)***	*(0.3)*
Equity holders of Wessanen	**(4.8)**	(3.3)
Minority interests	**0.1**	(0.2)
Profit/(loss) for the period	**(4.7)**	(3.5)
Earnings per share attributable to equity holders of Wessanen (in EUR)		
Basic	**(0.07)**	(0.05)
Diluted	**(0.07)**	(0.05)
Earnings per share from continuing operations (in EUR)		
Basic	**0.01**	(0.04)
Diluted	**0.01**	(0.04)
Average number of shares (in thousands)		
Basic	**69,325**	67,601
Average USD exchange rate (Euro per USD)	**0.7326**	0.7779
Average GBP exchange rate (Euro per GBP)	**1.1351**	1.1082

Consolidated statement of comprehensive income

In EUR millions

	Q1 2010	Q1 2009
Profit/(loss) for the period	**(4.7)**	(3.5)
Other comprehensive income		
Foreign currency translation differences, net of income tax	**8.2**	14.7
Effective portion of changes in fair value of cash flow hedges, net of income tax	**0.6**	(0.7)
	8.8	14.0
Total comprehensive income for the period	**4.1**	10.5
Attributable to:		
Equity holders of Wessanen	**4.0**	10.7
Minority interests	**0.1**	(0.2)
Total comprehensive income for the period	**4.1**	10.5

Consolidated balance sheet

In EUR millions, unless stated otherwise

	March 31, 2010	December 31, 2009
Assets		
Property, plant and equipment	**91.9**	88.3
Intangible assets	**130.6**	130.4
Investments in associates	**-**	-
Other investments	**2.7**	3.2
Deferred tax assets	**5.4**	4.3
Total non-current assets	**230.6**	226.2
Inventories	**74.2**	68.9
Income tax receivables	**12.9**	11.4
Trade receivables	**84.5**	69.5
Other receivables and prepayments	**24.9**	19.8
Cash and cash equivalents	**24.4**	44.3
Assets classified as held for sale	**8.6**	197.8
Total current assets	**229.5**	411.7
Total assets	**460.1**	637.9
Equity		
Share capital	**75.2**	68.4
Share premium	**105.0**	93.9
Reserves and retained earnings	**(8.4)**	(12.4)
Total equity attributable to equityholders of Wessanen	**171.8**	149.9
Minority interests	**5.8**	5.7
Total equity	**177.6**	155.6
Liabilities		
Interest-bearing loans and borrowings	**75.0**	5.8
Employee benefits	**21.4**	21.6
Provisions	**2.7**	2.9
Deferred tax liabilities	**2.9**	2.6
Total non-current liabilities	**102.0**	32.9
Bank overdrafts	**0.2**	24.1
Interest-bearing loans and borrowings	**15.9**	205.4
Provisions	**3.4**	5.6
Income tax payables	**5.0**	2.3
Trade payables	**84.6**	78.2
Non-trade payables and accrued expenses	**69.9**	67.2
Liabilities classified as held for sale	**1.5**	66.6
Total current liabilities	**180.5**	449.4
Total equity and liabilities	**460.1**	637.9
End of period USD exchange rate (Euro per USD)	**0.7452**	0.6946
End of period GBP exchange rate (Euro per GBP)	**1.1228**	1.1203

Condensed consolidated statement of changes in equity

In EUR millions

	March 31, 2010	March 31, 2010
Balance at beginning of year as reported previously	**155.6**	371.6
Adjustments related to previous years	**-**	(14.6)
Balance at beginning of year	**155.6**	357.0
Profit/(loss) for the period	**(4.7)**	(3.5)
Other comprehensive income		
Foreign exchange translation differences, net of income tax	**8.2**	14.7
Effective portion of changes in fair value of cash flow hedges, net of income tax	**0.6**	(0.7)
Total other comprehensive income	**8.8**	14.0
Total comprehensive income for the period	**4.1**	10.5
Transactions with owners, recorded directly in equity		
Contributions by and distributions to owners		
Share capital increase	**17.9**	-
Share-based payment transactions	**-**	0.3
Change in minority	**-**	(0.5)
Total contributions by and distributions to owners	**17.9**	(0.2)
Total transactions with owners	**17.9**	(0.2)
Balance at end of period	**177.6**	367.3
Equity attributable to equity holders of Wessanen	**171.8**	360.2
Minority interests	**5.8**	7.1
Total equity at the end of the period	**177.6**	367.3

Consolidated statement of cash flow

In EUR millions, unless stated otherwise

	Q1 2010	Q1 2009
Cash flows from operating activities		
Operating result	**6.4**	(0.9)
Adjustments for:		
Depreciation, amortization and impairments	**3.4**	2.9
Other non-cash and non-operating items	**0.3**	2.9
Cash generated from operations before changes in working capital and provisions	**10.1**	4.9
Changes in working capital	**(17.7)**	(0.6)
Payment from provisions and changes in employee benefits	**(2.8)**	(0.7)
Cash generated from operations	**(10.4)**	3.6
Income tax paid	**(2.8)**	(4.7)
Interest paid	**(1.1)**	(3.4)
Operating cash flow from continuing operations	**(14.3)**	(4.5)
Operating cash flow from discontinued operations	**(22.6)**	25.5
Net cash from operating activities	**(36.9)**	21.0
Cash flows from/(used in) investing activities		
Acquisition of property, plant and equipment	**(4.0)**	(3.0)
Proceeds from sale of property, plant and equipment	**0.1**	0.1
(Investments in)/proceeds from sale of intangible assets	**(0.5)**	-
(Investments in)/proceeds from sale of investments	**0.3**	(0.2)
Acquisition of intangible assets, excluding goodwill	**-**	(0.8)
Acquisition of subsidiaries, net of cash acquired	**-**	(1.0)
Investing cash flow from continuing operations	**(4.1)**	(4.9)
Investing cash flow from discontinued operations	**130.3**	(0.3)
Net cash from/(used in) investing activities	**126.2**	(5.2)
Net cash flow before financing activities	**89.3**	15.8
Cash flows from/(used in) financing activities		
Repayments of borrowings	**(123.8)**	(1.3)
Net payments of finance lease liabilities	**(0.1)**	-
Cash receipts/(payments) derivatives	**(0.7)**	(7.0)
Share capital increase	**17.9**	-
Financing cash flow from continuing operations	**(106.7)**	(8.3)
Financing cash flow from discontinued operations	**-**	(1.9)
Net cash from/(used in) financing activities	**(106.7)**	(10.2)
Net cash flow	**(17.4)**	5.6
Cash and cash equivalents at beginning of period	**41.7**	26.0
Net cash from operating, investing and financing activities	**(17.4)**	5.6
Effect of exchange rate differences on cash and cash equivalents	**0.4**	0.4
Cash and cash equivalents related to discontinued operations at end of period	**(0.5)**	-
Cash and cash equivalents of continuing operations at end of period	**24.2**	32.0
Average USD exchange rate (Euro per USD)	**0.7326**	0.7779
Average GBP exchange rate (Euro per GBP)	**1.1351**	1.1082