Passion for organic products

wessanen

Annual Report
2016

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2016: taking the next step in our trans-formation

A food revolution is underway and we are playing a leading role in it. Our mission of providing healthier food for healthier people and a healthier planet has never been more relevant than it is today as a growing number of consumers around Europe are trying to find better and more sustainable ways to eat and drink. We see this reflected in a continued strong growth in the market for organic and sustainable food.

Christophe Barnouin
CEO

Welcome

Letter from the CEO

All of us at Wessanen are driven to help consumers make the right choices through the products we develop and offer on our brands. I am thankful for all the passion and dedication that our people put into what we do - without it, we would not be able to achieve the results we have seen again this year.

In 2016, we have taken the next step in the transformation of our business. The focus on our core brands and core categories has further increased. Our operations are becoming more effective and efficient and we are manufacturing a larger part of our business inhouse. We have established ourselves as a credible player in the sustainable food market in Europe and have successfully acquired four businesses.

Sustainable, profitable growth

We have a simple and focused strategy that we are executing every day. Our first priority is to grow our core brands in core categories and we continued to make good progress in 2016. Many of our core brands have recorded double-digit growth and overall autonomous growth for own brands was 8.5%. In total, our business has grown by 9.0% (with 6.0% representing our autonomous growth).

Despite investing more in our brands in order to further strengthen their position in a dynamic marketplace, our Operating result before exceptional Items ('EBITE') has increased by 19% to €41.2 million.

Our second strategic focus is on upgrading our operations. This has contributed to good customer service levels, improved inventory management and reduced waste. We have also kicked off a number of key projects to further improve our supply chain and production at our own production facilities.

Our third priority is to become a green, attractive and efficient company. 97% of the electricity we have consumed in 2016 was from renewable sources, 74% of our revenue is organic and 96% vegetarian. We are putting increasing focus on making our processes even more efficient and supporting them with the right tools.

Last but not least, our strategy is to make selective acquisitions and we have been particularly successful in this respect in the past year. In Q1, we took over Piramide organic tea in the Netherlands, in Q2 we acquired Destination organic tea and coffee in France, in Q3 we added Mrs Crimble's gluten-free sweet in-betweens in the UK to our product portfolio, and in Q4 we brought Biogran, the Spanish leader in organic food, into the Wessanen family. Our focus is on making sure all these great businesses find a new, successful home at Wessanen, similar to previous acquisitions such as Clipper, Alter Eco and Abafoods.

While we have seen some very strong performance across brands and countries, the success of our activities in Germany was not satisfactory this year. Corrective action plans are in place that we are confident will deliver in 2017.

All in all, we view 2016 as another good year in executing our strategy and continuing the transformation of Wessanen.

Looking ahead

Despite the growth in our markets and our business, organic food still accounts for only 4-5% of total Food in Europe. Further extending the share of organic products will be key in driving many of our sustainability priorities and our business overall. We believe that organic food is the most holistic scheme to drive positive change for people and planet.

Engaging more and more consumers every day, providing them with the right choices and making their switch to better, more sustainable and organic products easier is a powerful motivation for all of us at Wessanen. We trust that this Annual Report will provide insight into how we do it across different parts of our growing family of companies and brands.

Christophe Barnouin
CEO

Main Performance Dashboard

Revenue (in € millions)

2016 570.0

2015 523.0

+9.0%

EBITE* (in € millions)

2016 41.2

2015 34.7

+18.7%

* Operating result before exceptional items

People employed (FTE on average)

2016 993

2015 904

+9.8%

Organic products (in % of revenue)

Bio

2016 74%

2015 72%

+2%pts

Net Debt/(Cash) (in € millions)

2016 83.5

2015 (17.5)

ROCE*

2016 15.7%

2015 19.7%

* Return On Average Capital Employed

Vegetarian products

2016 96%

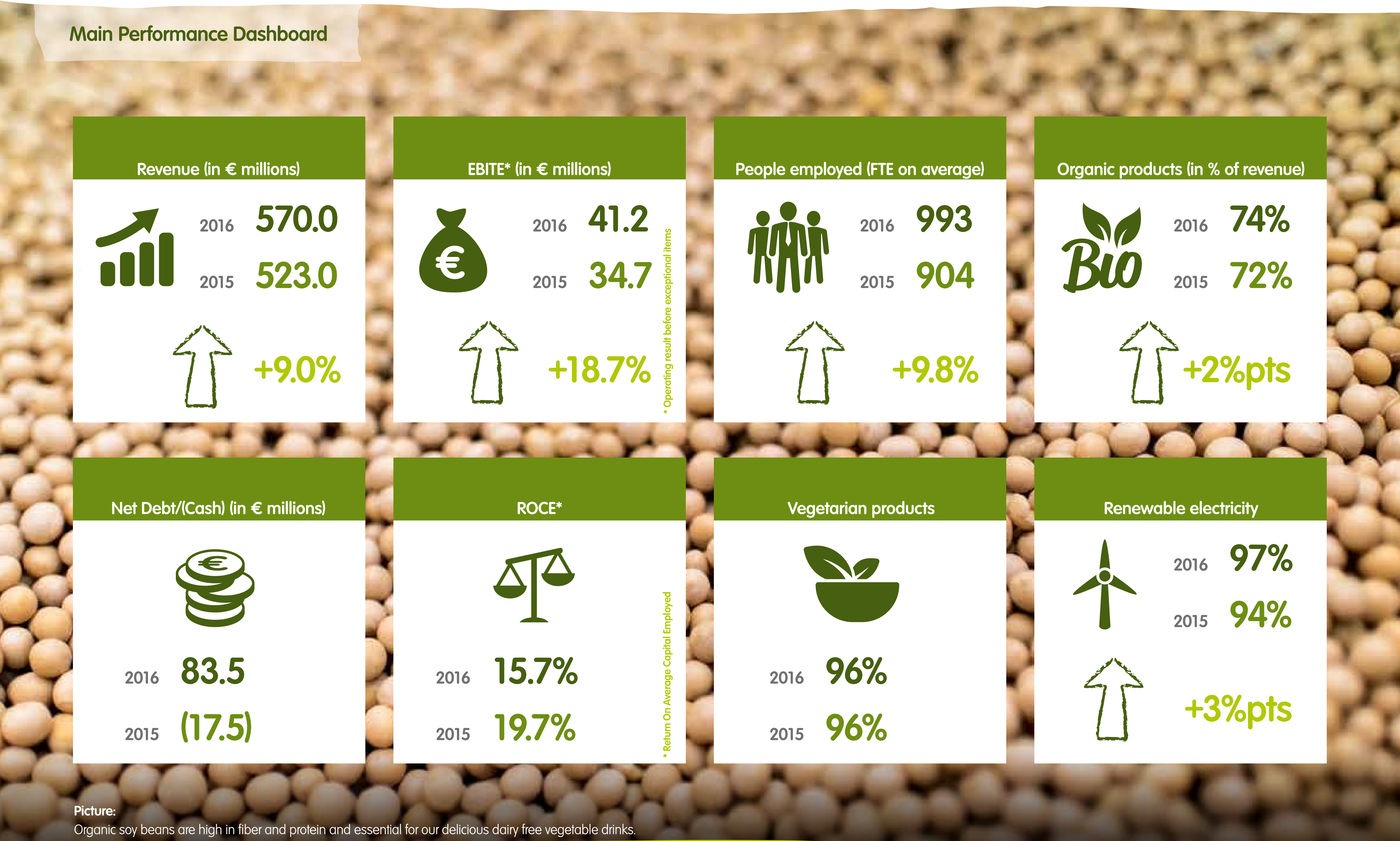
2015 96%

Renewable electricity

2016 97%

2015 94%

+3%pts



Picture:
Organic soy beans are high in fiber and protein and essential for our delicious dairy free vegetable drinks.

Global food issues

Making healthier food choices becomes more urgent for people and planet everyday

As part of our mission and vision, Wessanen aims to make a substantial contribution to helping people improve their diet on a daily basis. Beyond driving our own business this also includes improving awareness of the issues among employees, consumers, customers and other stakeholders through talks, presentations and scientific articles in various media. We need a food revolution and we want to play a leading role in driving it.

1.9 billion people are overweight

Of these, 600 million people are obese and at significant risk of developing diet-related illnesses such as Type 2 diabetes and cardiovascular diseases. We encourage an overall healthier, organic and vegetarian diet and offer products to support it.

Too many chemicals in food

Organic agriculture does not allow the use of synthetic fertilisers or pesticides; instead it uses Integrated Pest Management (based on the use of natural predators).

More food allergies

The number of people with food allergies and intolerances is growing. While specific reasons for it are not clear, we believe it's related to the processed food full of chemicals that has become way too common.

Nine billion people by 2050

By 2050, there will be an estimated nine billion people to feed, compared to seven billion today. We believe that this will only be possible if we adopt a healthier, more sustainable diet focused on organic and vegetarian food.

The rainforest is disappearing

We only source sustainable palm oil or, if relevant, replace it altogether. We aim to source as many raw materials from Europe as possible.

Overconsumption of meat

Overconsumption of meat is a major contributor to global climate change, can cause cancer in humans (as confirmed by the WHO) and has various side effects, such as increasing resistance to antibiotics in humans. 96% of our revenue is vegetarian as we offer people healthier alternatives to meat.

Soil degradation

Soil is the natural resource that ultimately sustains all life on land. Organic farming methods such as crop rotation, intercropping and the use of symbiotic associations are vital to maintaining and improving soil quality.

GMO in our food

Genetically modified (GM) plants endanger the environment since they can cross-contaminate other plants and transfer their new genes, resulting in possible disruption of ecosystems. We do not use GMO ingredients in any of our foods.

Picture:
Natural brown rice has not undergone any refining or industrial process. It is an organic and raw rice with strong and authentic taste.

Who we are

Vision and mission

Vision

Our vision is to become a European Champion in healthy and sustainable food. Europe is our home and the European market for healthy and sustainable food is the biggest in the world, along with the United States. We believe we have ample opportunity to grow and add value while staying focused on our geography.

Mission

Healthier Food

We focus on food that is healthier for people – organic, vegetarian and natural. We work hard to improve the nutritional balance of our products and will not sell products that are not healthy in some respect. By offering people healthy alternatives, we challenge our consumers and processed-food manufacturers alike to choose better.

Healthier People

We want to help our consumers, employees and other stakeholders to live healthier lives by choosing the right food. This includes education and information.
Apart from food we also care about the working and living conditions of people in general. That's one of the reasons we work with labels such as Fair Trade.

Healthier Planet

We want to protect our living planet for current and future generations by promoting good food. At the same time we want to conduct our business in a sustainable way.

Who we are

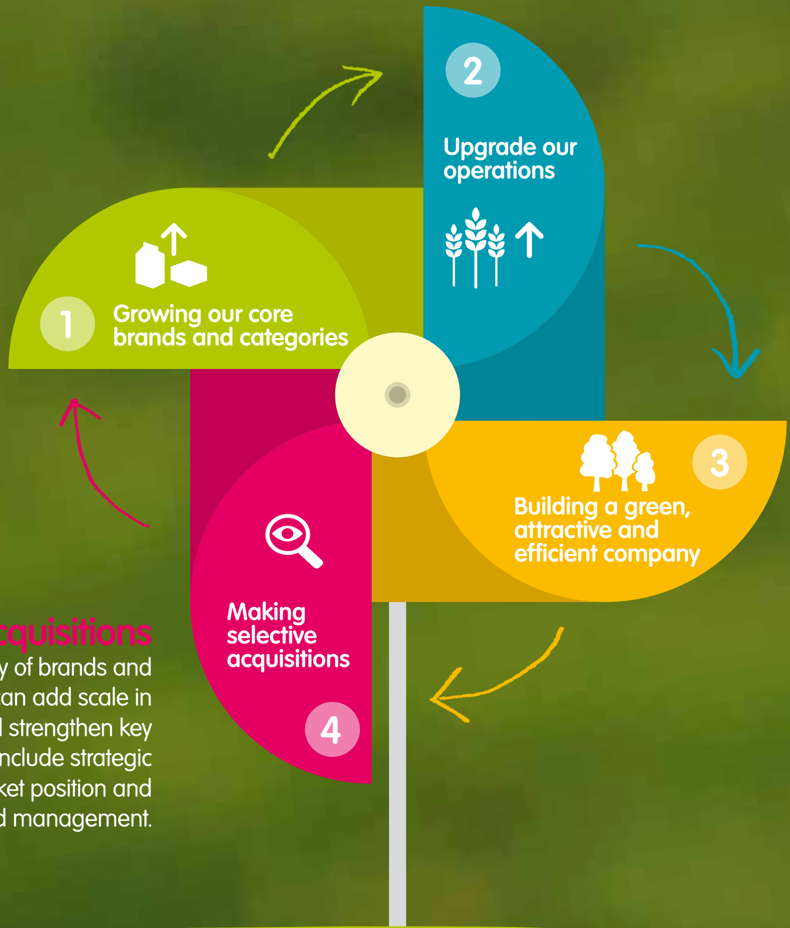
Our strategy

Strategy

Our strategy has four pillars which are fundamental to our success. For all four pillars, clear targets are in place for every financial year as well as for a three-year period, and these have been cascaded to the whole organisation.
All employees across all roles and geographies have personal targets which are aligned with these strategic priorities.

Growing our core brands and categories

Brands are our key assets and we are building the leading sustainable food brands in Europe. Investing in the growth of our brands and in building stronger equity with our consumers is our first priority. The quality of our products is of the utmost importance to their success. We aim for the number one or two position in any market in which we operate. We manage our brands in terms of factors such as growth, marketing spending, distribution level, market share and rate of innovation.



Upgrade our operations

Efficiently and effectively managing our entire value chain is a key driver of value. We are integrating manufacturing, supply chain and central sourcing to become more productive. We work on standardising planning processes and efficient sales and operational planning (S&OP) across Europe. We are increasing the efficiency of warehousing and transport and are improving productivity through projects and insourcing. Further, we aim to minimise waste and create transparency in our supply chain. We manage our performance based on customer service levels, forecast accuracy, waste, cost of obsoletes and the number of consumer complaints, among other factors.

Building a green, attractive and efficient company

It all starts with our people, who are the driving force behind our business and ambassadors for the world of food we believe in. Being a green business is key to our performance but also to attracting the right talent, as our people want to make a difference in the world. Our sustainability strategy is the responsibility of the Executive Board, while our Organic Expertise Center (OEC) is in charge of its implementation. The Supervisory Board's Nutrition, Food Safety and Sustainability Committee supports and advises the Executive Board to ensure its nutritional policies are relevant and scientifically supported and to ensure we operate in a sustainable way. Our focus is on being an efficient company as we are aligning core processes and supporting them with the right tools.

Making selective acquisitions

We are looking to expand our family of brands and companies through acquisitions. This can add scale in core categories and markets and strengthen key capabilities. The attributes we look for include strategic fit, a well-differentiated branded market position and experienced management.

Who we are

Our focus

At Wessanen, we focus on food that is good for people and for the planet. In most cases, food which benefits our own health is also better for the planet, and vice versa. We have therefore defined our mission as 'Healthier Food, Healthier People, Healthier Planet'.

Vegetarian products – accounting for 96% of our revenue – have the advantage of being, by nature, more sustainable than animal products, which are resource-intensive. This is particularly true for the production of meat.

There is a consensus that consumption of animal products has a highly negative impact on the environment and that meat-heavy Western diets are a major challenge for food sustainability around the world.

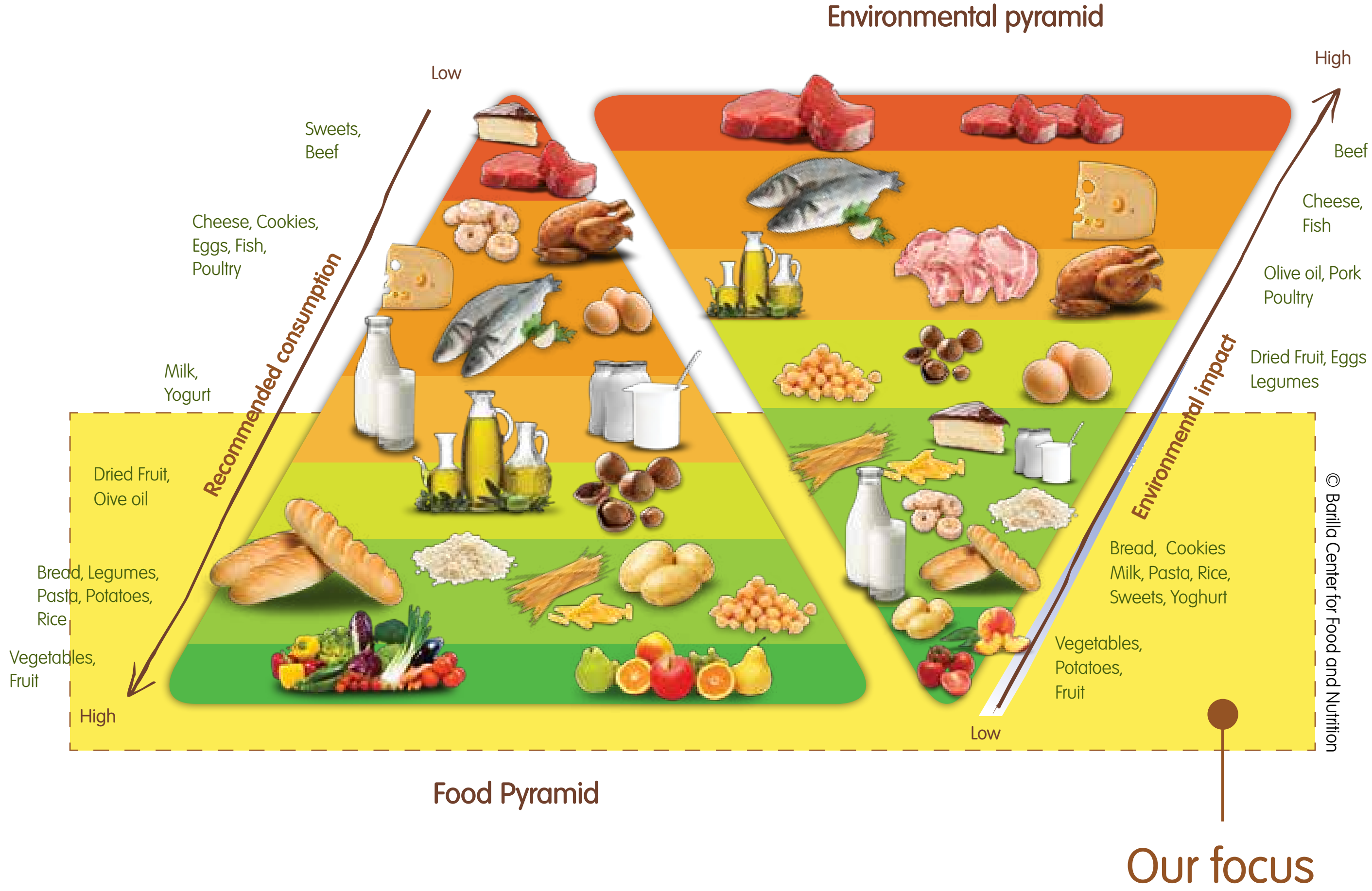
Vegetarian products tend to be healthier, as shown by many epidemiological studies: vegetarian diets are associated with lower risk of cardiovascular disease, Type 2 diabetes and glut disease.

Most of our brands are at the forefront of driving vegetarian nutrition through the products they offer. The small amount of animal based products we sell is entirely organic.

There is a growing body of evidence that vegetarian diets positively contribute to human health and environmental sustainability.

In 2015, the International Agency for Research on Cancer (IARC), the cancer research agency of the WHO, has evaluated the carcinogenicity of the consumption of red meat and processed meat. A Working Group of 22 experts from 10 countries convened by IARC classified the consumption of red meat as probably carcinogenic to humans and processed meat as carcinogenic to humans.

This confirms once more that eating less meat is key to make people and planet healthier. That's why we are passionate about it and campaign for it as part of and beyond our immediate business.



Who we are

How we create value

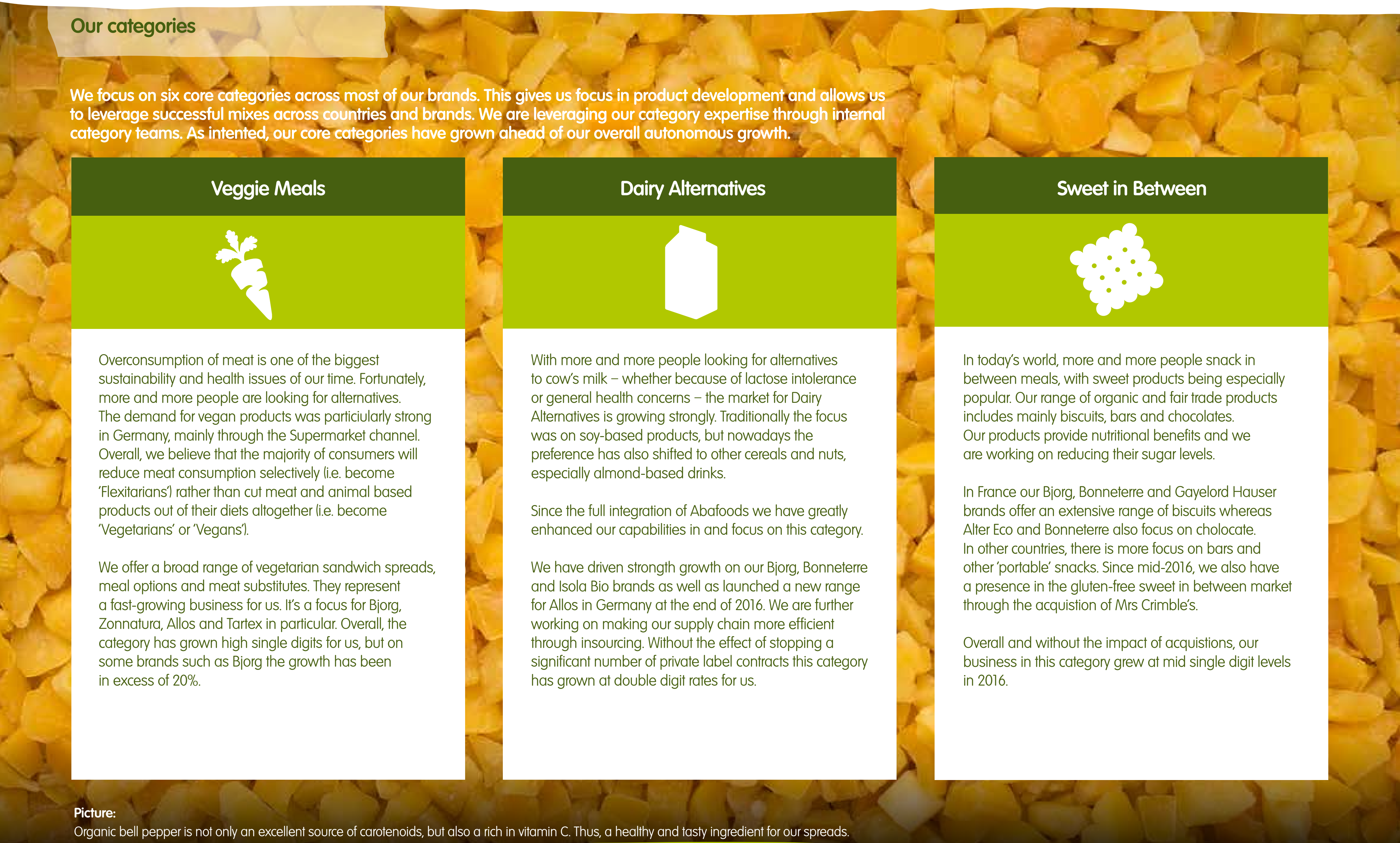
In-line with our mission Healthier Food, Healthier People, Healthier Planet we are leveraging our inputs in order to create a positive outcome for our business and stakeholders, people's health and the sustainability of our planet.

We do this by focusing on the production of organic, vegetarian, fair trade and nutritionally positive food that we market on our brands with an intention to become the number one or two player in key markets and categories where we are active. We want to increase people's awareness of healthy and sustainable food, help them change habits and strengthen their relationship with our brands.

We have a clear strategy and a transparent governance structure and perform systematic assessments of our risks and opportunities.

Who we are

Our categories



We focus on six core categories across most of our brands. This gives us focus in product development and allows us to leverage successful mixes across countries and brands. We are leveraging our category expertise through internal category teams. As intented, our core categories have grown ahead of our overall autonomous growth.

Veggie Meals

Overconsumption of meat is one of the biggest sustainability and health issues of our time. Fortunately, more and more people are looking for alternatives. The demand for vegan products was particiularly strong in Germany, mainly through the Supermarket channel. Overall, we believe that the majority of consumers will reduce meat consumption selectively (i.e. become 'Flexitarians') rather than cut meat and animal based products out of their diets altogether (i.e. become 'Vegetarians' or 'Vegans').

We offer a broad range of vegetarian sandwich spreads, meal options and meat substitutes. They represent a fast-growing business for us. It's a focus for Bjorg, Zonnatura, Allos and Tartex in particular. Overall, the category has grown high single digits for us, but on some brands such as Bjorg the growth has been in excess of 20%.

Dairy Alternatives

With more and more people looking for alternatives to cow's milk – whether because of lactose intolerance or general health concerns – the market for Dairy Alternatives is growing strongly. Traditionally the focus was on soy-based products, but nowadays the preference has also shifted to other cereals and nuts, especially almond-based drinks.

Since the full integration of Abafoods we have greatly enhanced our capabilities in and focus on this category.

We have driven strength growth on our Bjorg, Bonneterre and Isola Bio brands as well as launched a new range for Allos in Germany at the end of 2016. We are further working on making our supply chain more efficient through insourcing. Without the effect of stopping a significant number of private label contracts this category has grown at double digit rates for us.

Sweet in Between

In today's world, more and more people snack in between meals, with sweet products being especially popular. Our range of organic and fair trade products includes mainly biscuits, bars and chocolates. Our products provide nutritional benefits and we are working on reducing their sugar levels.

In France our Bjorg, Bonneterre and Gayelord Hauser brands offer an extensive range of biscuits whereas Alter Eco and Bonneterre also focus on cholocate. In other countries, there is more focus on bars and other 'portable' snacks. Since mid-2016, we also have a presence in the gluten-free sweet in between market through the acquistion of Mrs Crimble's.

Overall and without the impact of acquistions, our business in this category grew at mid single digit levels in 2016.

Picture:
Organic bell pepper is not only an excellent source of carotenoids, but also a rich in vitamin C. Thus, a healthy and tasty ingredient for our spreads.

Who we are

Our categories

Breakfast Cereals

A healthy start to the day is very important to our conscious consumers and cereals can play a key role.

We see that there is a trend away from bread for breakfast and cereal eaters tend to more and more avoid 'boxed extruded cereals'.

Our business is entirely focused on the healthier options such as mueslis, porridge and crunchies.

Breakfast Cereals are a key part of the assortment for Bjorg, Allos, Zonnatura and also our new brands, El Granero and Ecocesta.

Growth in the category was at double digit levels in 2016, at the highest level of all our core categories.

Bread and Biscuit Alternatives

Bread and other wheat-based products have developed a somewhat negative image, and not just among people struggling with gluten intolerance (coeliac disease). Many of our mostly rice- and corn-based products are used as bread substitutes. Our chocolate-coated cereal cakes are a favourite to replace biscuits and other sweet snacks.

There is a trend towards more value added grains such as buckwheat, amaranth and quinoa which we are seeking to exploit with our brands.

Kallø, Bjorg, Zonnatura and our new Spanish brands El Granero and Ecocesta offer an extensive range of cereal cakes.

Performance varied between countries in 2016 due to different levels of success with innovation resulting in an overall moderate growth level for the category.

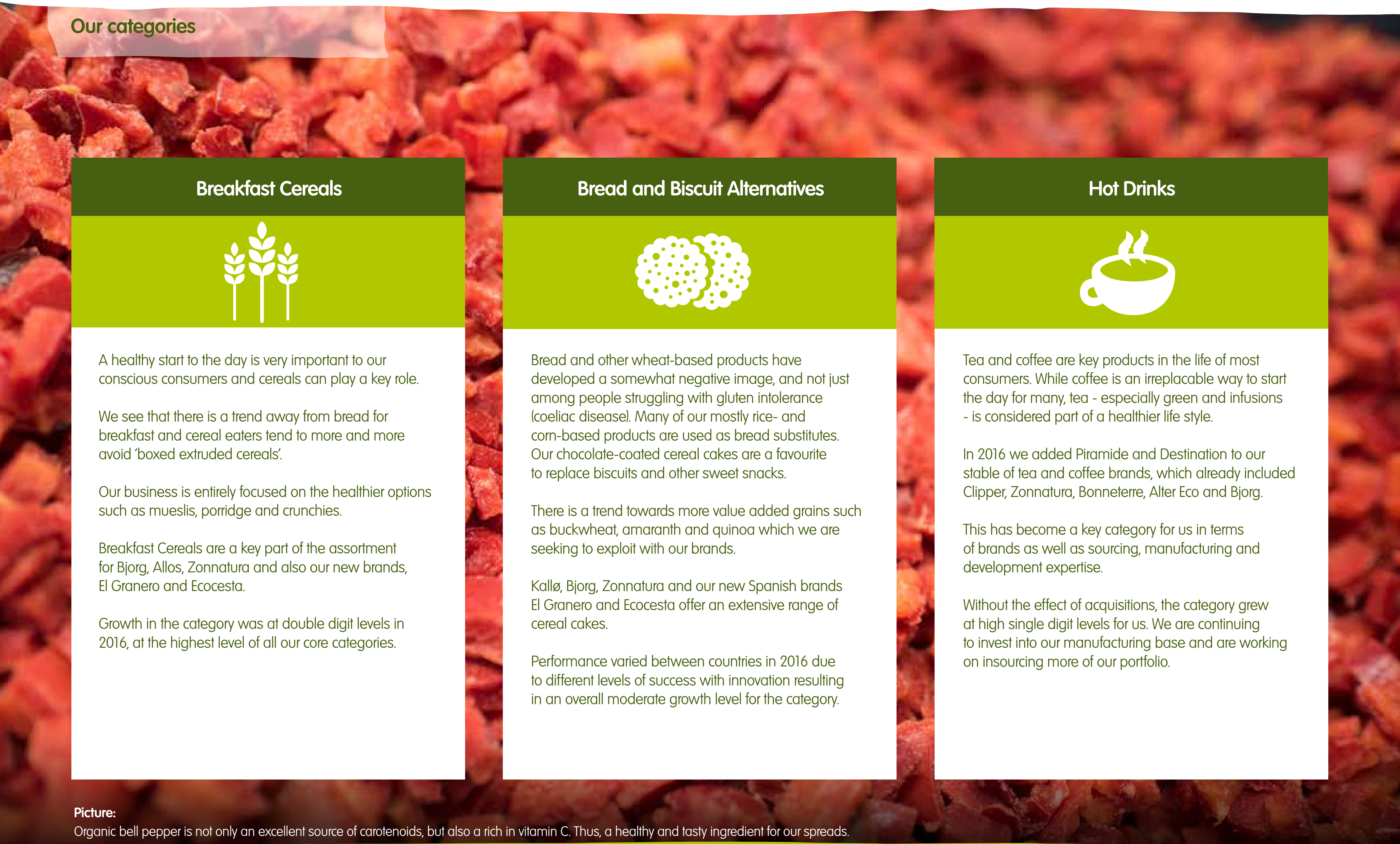
Hot Drinks

Tea and coffee are key products in the life of most consumers. While coffee is an irreplacable way to start the day for many, tea - especially green and infusions - is considered part of a healthier life style.

In 2016 we added Piramide and Destination to our stable of tea and coffee brands, which already included Clipper, Zonnatura, Bonneterre, Alter Eco and Bjorg.

This has become a key category for us in terms of brands as well as sourcing, manufacturing and development expertise.

Without the effect of acquisitions, the category grew at high single digit levels for us. We are continuing to invest into our manufacturing base and are working on insourcing more of our portfolio.



Picture:
Organic bell pepper is not only an excellent source of carotenoids, but also a rich in vitamin C. Thus, a healthy and tasty ingredient for our spreads.

Who we are

Our brands

Our brands are our most valuable assets and many of them are successful leaders in their respective markets. They all have strong local roots and are pioneers in their country's organic market.

We focus on growing our brands, especially our core brands. We differentiate between core and tactical brands based on size and strategic focus. This allocation of brands is reviewed regularly.

In 2016, our own brands overall grew by 8.5% autonomously while many of them performed at double digit levels. Core brands recorded 9.5% autonomous growth overall. We are focusing on building the No. 1 or 2 market position in core countries and categories where we are present.

Our other brands

Given our focus on core brands, our smaller, tactical and other brands were flat in comparison to 2015. Here we cover brands such as De Rit, Evernat and Dr. Ritter.

Third-party brands

In some countries, we manage a limited number of third-party brands. Overall, this business reported mid single-digit growth in 2016.

Private label

As we focus our manufacturing, especially in Dairy Alternatives, on supporting our own business our private label business declined at double digit rates in 2016.

While our brands are mostly local, our aim is to leverage innovation, product expertise and marketing capabilities in our core categories across countries. In order to facilitate this we have Category Brand Teams (CBTs) in place which are cross-functional and multi-country teams managing the category agenda across Europe. Their aim is to define the strategic roadmap for the category, share and roll out successes, contribute to complexity reduction and implement best practice across brands and countries.

Bjorg is the market leader in the French organic market. It has a broad portfolio of products and is focused on the Grocery Channel. Bjorg follows a set of strict nutritional guidelines which make it a lot more than just organic. Key categories include Dairy Alternatives, Sweet in Between, Bread and Biscuit Alternatives, Breakfast Cereals and, more recently, Veggie Meals.

Bjorg's promise to the consumer is 'Health through superior, organic nutrition'.

In the fast-growing French organic market, Bjorg has managed to stay ahead of competition and achieved high double-digit growth in 2016. Highest growth was recorded in Breakfast Cereals, Veggie Meals and Dairy Alternatives and was driven by innovation, communication and a strong presence at point of sale.

Clipper is a different kind of tea. Founded by Mike Brehme in 1984, we are the UK's No. 1 fair trade and organic tea brand and are now available in many countries. All ingredients are ethically sourced and naturally produced and there isn't an artificial ingredient in any of our products. We are in no doubt that our teas are the best-tasting in the market.

Clipper is always Natural, Fair and Delicious.

Clipper showed double-digit growth, driven largely by the success of the brand outside the UK. The roll-out to the Netherlands, France and Germany is continuing to produce excellent results and the same is true for many export countries. In the UK results were more mixed, given the overall decline of the tea market in the country and the increased price competition in green tea. Still, the brand was one of the best-performing tea brands in this market.

Who we are

Our brands

Kallø believes that eating sensibly doesn't have to mean saying no to the things you love. Life is all about what you can, not what you can't have – and eating the right way is about loving food and maintaining a nutritious, balanced diet.

That's why Kallø has reinvented the rice cake and created a range of delightful 'foodie' items that are made using the finest natural ingredients and embrace our food philosophy. Kallø has a focus on the Grocery Channel in the UK.

Kallø has continued to grow at a healthy pace and achieved mid single-digit growth levels.

One of France's first-ever organic food brands, Bonneterre was founded by Robert Bonneterre 53 years ago. Today our employees manage a range of about 500 products, covering all food categories.

Despite the many changes Bonneterre has undergone over the years, the company has remained true to the original philosophy of Robert Bonneterre: to offer the best of our Earth.

Bonneterre did very well overall in the fast-growing HFS channel in France, growing by double-digit figures. The strategy to focus on a core product range and on extending its presence in HFS chains is continuing to produce good results. Bonneterre continued to invest in TV advertising in 2016.

For over thirteen years, Isola Bio has specialised in the production of organic vegetable drinks extracted from the most precious cereals and legumes. We use an exclusive and patented method that preserves all the flavour and nutritional value of the raw materials. We even go as far as growing some of our raw materials ourselves at our La Goccia farm in Italy to ensure the highest quality.

Isola Bio is a leading organic Dairy Alternative brand in Italy and across Europe.

In 2016, Isola Bio has grown at high single-digit levels. Since being a member of the Wessanen family, the brand has gained more traction in some markets and continued to develop positively in its domestic, Italian market.

Gayelord Hauser is the only brand which offers a complete range of products perfectly adapted to women's nutritional requirements. Every product contains at least one of the five essential nutrients for women (iron, calcium, magnesium, vitamins A & E and folic acid).

Gayelord Hauser offers a comprehensive programme to help women be happy with their body, their mind and their life.

In 2016, the brand was stable in comparison with 2015 in a challenging Dietetic market in France.

Who we are

Our brands

Created in France in 1998, Alter Eco has always been a pioneer in sustainable development. The entire product range is fair trade and includes delicious options like chocolates, juices and coffees.

The brand wants to connect the producers in the country of origin with the consumers in the first world to create a sense of 'shared happiness'. Enjoying delicious, authentic products and supporting the ones that made them through paying a fair price.

Impacted by signifcant restructuring of our coffee range, the brand didn't manage to achieve growth in comparison to 2015.

Responsible and good food? Leave that to Mother Nature! And to Zonnatura.

Our founder, Willem Smits, started selling products way back in 1954 using only natural ingredients. His conviction was that it's better for people and allows them to experience the unique flavours of nature.

It's been our mantra ever since and has made Zonnatura the leading organic brand in the Netherlands.

Zonnatura delivered only modest growth in 2016 as a result of less impactful innovation and some limited loss of distribution.

Our brand Tartex was launched in Germany in 1946 as the pioneer of the vegetarian sandwich spread market. Today, as the market for vegetarian products has grown strongly, Tartex offers a wide range of vegetarian and extremely tasty spreads.

Despite the re-launch of the entire range, the new mix was not able to stop the decline of yeast-based spreads in the HFS channel.

As a result the brand declined at double digit rates in 2016.

As vegetarian products are gaining far more traction in Grocery chains in Germany, we have focused on achieving listings outside of HFS in the very important drugstore channel. This gives us confidence that 2017 will be a better year for the brand.

For more than 40 years now since its creation in 1974, Allos has been producing organic foods for people who want to enjoy sustainable products that they know are good for them.

At the same time, Allos builds fair, long-term partnerships with farmers and other parties, and is committed to preserving biodiversity and protecting nature. Allos is sold at health food stores.

After a strong year in 2015, Allos had a difficult year in 2016 and suffered a double digit decline. Some of our innovations and marketing mixes did not work in the market as planned, and overall growth of the channel was well behind expectations.

Corrective action plans in core segments as well as new launches such as Dairy Alternatives will bring the brand back to growth in 2017.

Who we are

Our brands

Back in 1967, brothers Craig and Gregory Sams started Whole Earth.

Today, we still love making the kind of food you love. The kind with nothing but nature added. After all, why tinker with something so perfect?

We call it down to earth goodness!

Following the relaunch in 2015, the brand had an exceptional year of strong double-digit growth in 2016. We managed to achieve clear market leadership in Peanut Butter in the UK and reframed the product as 'power fuel for athletes'.

Newly aquired

The Mrs Crimble's brand, launched in 1979 and part of Wessanen since July 2016, specialises in gluten-free sweet in-between products.

Our mission is to make delicious gluten free products that taste every bit as good, if not better, than the best mainstream alternatives that are made with gluten.

In the UK and beyond, Mrs Crimble's is famous for its macaroons which allow people to enjoy a delicious-tasting product while following a gluten-free diet.

The integration into our UK portfolio is progressing with speed and the brand is holding its position in the market place.

Newly aquired

Destination, created in 1999, joined Wessanen in June 2016.

Our focus is the production of premium organic and fair trade coffee and tea and we are located in the French wine capital of Bordeaux.

Destination is a leader in its segment in the French organic store channel and enjoyed double-digit growth in 2016 without slow down since becoming part of our family.

It is a great addition to our stable of organic tea and coffee brands.

Newly aquired

El Granero has been part of the Wessanen family since December 2016.

It is a pioneer and leader in the Spanish organic market and was founded in 1982.

El Granero offers a wide range of products with a focus on grains, seeds, pulses and cereal cakes. The brand is focused on the channel of health food stores and grew strongly in 2016.

It is the brand with the strongest awareness in the Spanish organic market.

Who we are

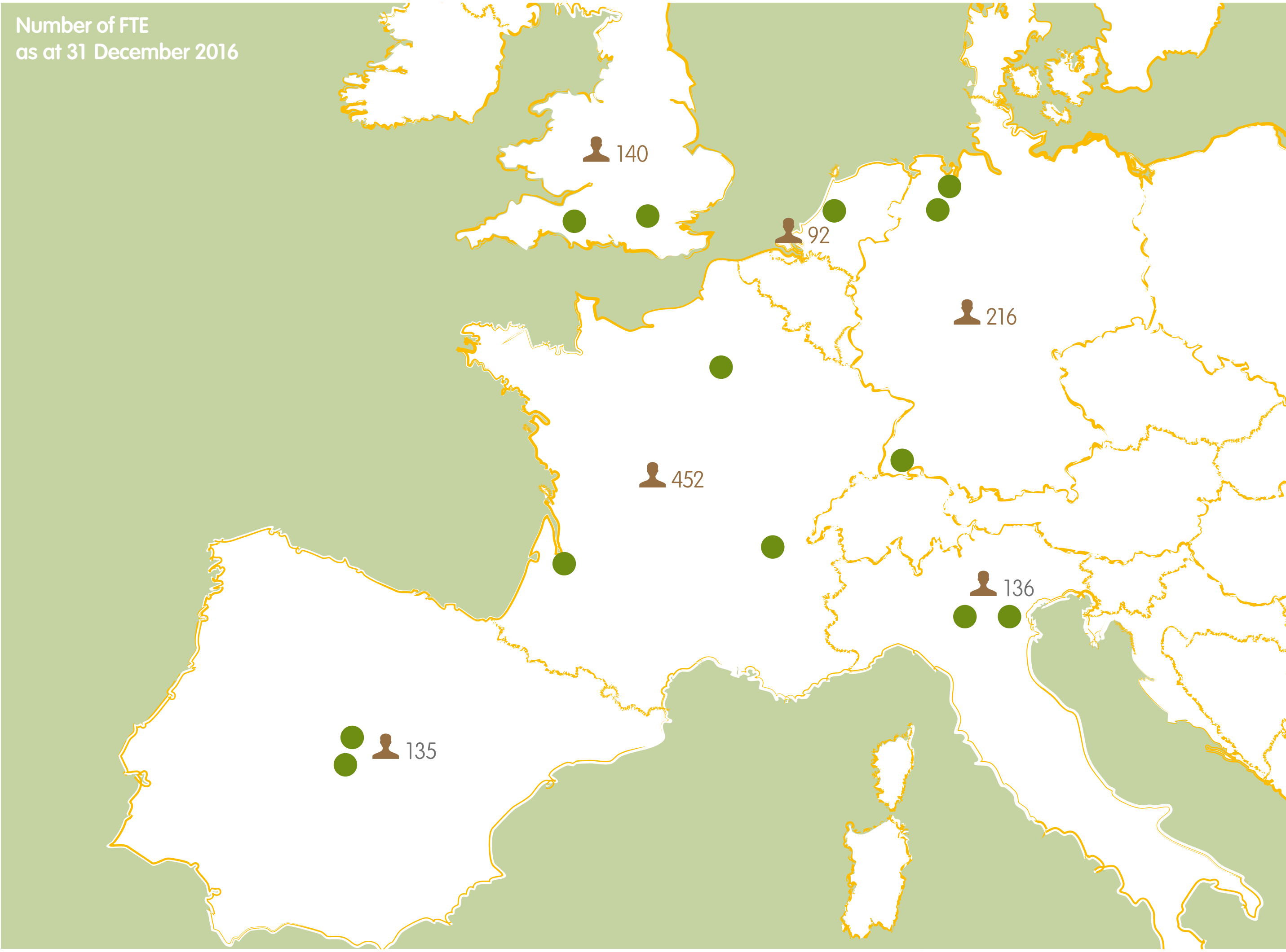
Where our products are made

We operate eight production facilities in five countries, where we produce especially Tea, Dairy Alternatives, Breakfast Cereals, Sweet in Between products, Vegetarians Spreads, Coffee and Cereal Cakes.

Our production facilities are certified organic and manufacture their products in accordance with IFS and BRC standards. In line with the requirement of organic for 'careful processing', our production is often somewhat smaller-scale and more 'personal' than at traditional food production facilities.

Following acquisitions in 2015 and 2016, the share of products that we manufacture ourselves has increased steadily. We are actively working on bringing volumes into our factories in order to further leverage our expertise and asset base.

While acquiring factories is not an objective in itself, covering a larger part of the value chain can increase our control and margin potential and is especially relevant in our six core categories.



Spain
Office: Madrid
Production: Madrid and Seseña: (Cereals, Rice cakes)
Core Brands: El Granero

France
Offices: Lyon, Paris, Bordeaux
Production: Bordeaux (Coffee)
Core Brands: Bjorg, Bonneterre, Alter Eco, Gayelord Hauser, Destination

UK
Office: Camberley
Production: Beaminster (Tea)
Core Brands: Clipper, Kallø, Whole Earth, Mrs Crimble's

Netherlands
Office: Amsterdam (Head Office and Wessanen Benelux)
Core Brands: Zonnatura

Germany
Office: Bremen
Production: Drebber (Cereals, Sweet in Between), Freiburg (Veggie Meals)
Core Brands: Allos, Tartex

Italy
Offices: Badia Polesine and Viadana
Production: Badia Polesine and Viadana (both Dairy Alternatives)
Core Brands: Isola Bio

Who we are

People matter

It all starts with our people – they are the ones who make us who we are and represent the best ambassadors of our business. While we work across a number of countries and sites, we all share the same belief: to make the world of food a little healthier and more sustainable every day.

We aim to be a good employer to our employees. We invest in their training and education and in making them more engaged in and knowledgeable about healthy and sustainable food.

Our head office and the Wessanen Benelux team are located in Amsterdam, the Netherlands. Our other country offices are based in Lyon, Bordeaux and Paris in France, Camberley in the UK, Bremen, Germany, Badia Polesine and Viadana, Italy, and Madrid, Spain. We currently also operate eight production facilities in five countries.

We consider ourselves a family of companies. We have a joint strategy and a set of key values and beliefs and we share the same objectives. Having said that, we want to make sure that our local businesses can retain their individual character and that the world of Wessanen is as colourful and diverse as the world around us.

We run our business through a mix of local and central decision-making. In order to manage our local businesses efficiently and be close to their consumers and customers, we keep part of the decision-making in the hands of our country General Managers and management teams. Where we can drive efficiencies and consistency, we have centralised functions and operate on a European scale.

The Executive Board, country General Managers and Functional Heads (Marketing and Operations) together form the Executive Leadership Team (ELT). The ELT drives the agenda of the business with a focus on topics of cross-country, shared relevance, providing a platform for information sharing, alignment and decisions on

Testing taste

In the development of our products a broad range of people from different functions gets involved, for example through in-house testing panels that assess existing and new products regularly.

Who we are

People matter

key strategic initiatives and programmes. The ELT meets monthly to discuss and align the strategy for the business, decide on resource allocation, discuss operating activities and financial results and prepare budgets and forecasts.

Responsible employer

Our people care passionately about healthy and sustainable food, and this is also what draws so many prospective employees to our company. We encourage our people to promote awareness of a healthy and sustainable diet within the organisation and beyond. Our Organic Day and Veggie Thursday are just two of the events we organise in this regard, along with a number of community-related activities we undertake at all our sites on an ongoing basis.

Our management development policy offers our employees scope for personal development. Retaining experienced and talented staff is a priority and we strive to hold on to our best people and keep overall staff turnover levels low.

Equal opportunities

It is a given that we provide equal opportunities for current and future employees, regardless of race, ethnicity, gender, sexual orientation, socio-economic status, age, physical disabilities and religion.

The Executive Board, supported by the Supervisory Board, values the importance of a diversified workforce.

Our remuneration

We maintain a uniform, competitive and performance-based remuneration policy for the management of all operating companies and head offices. Bonus systems for senior executives are set by the head office and are based on financial targets for the operating company, the segment, Wessanen's overall results and individual performance.

The operating companies have their own compensation and benefit structures, which comply with local requirements and customs. In many cases, these schemes exceed the legal requirements and include elements such as pension plans, company cars, parental leave and child care benefits.

Employee development

We use a goal- and target- setting model and Employee Performance Commitment (EPC) targets.
Our competency model defines behavioural expectations for all employees and translates our goals and values into conduct conventions and skill sets. These serve as the basis for selecting and developing candidates for promotion, while also taking into account their experience and track record.

Our Management Development Review provides us with valuable insight into our senior management and talent pool. This helps us to ensure that we have sufficient talent to meet our future needs as well as to establish succession plans.

We have a variety of training initiatives in place to support the development of our staff, including enhancing employee engagement and development, functional leadership and new hire orientation training.

Employee engagement

We run regular employee surveys, which determine the level of engagement and commitment of our employees and the underlying factors. This allows us to identify opportunities for improving our organisation, culture and people management.

As a responsible employer, we are constantly striving to ensure that any workplace is a safe, healthy and pleasant environment.

Whistleblower policy

Our policy aims to support compliance with applicable laws, integrity in financial management, a healthier and safer work environment and effective corporate governance. It ensures that any employee can make a report without the risk of retaliation and that any information they provide is treated confidentially and is promptly investigated.

For information about our whistleblower policy, please go to: www.wessanen.com/en/corporate-governance/policies-procedures/confidential.

Health@work programme

Our mission of Healthier Food, Healthier People and Healthier Planet also serves to promote the health of our employees. We aim to provide them with an environmentally friendly and healthy work environment.

We encourage them to engage in physical exercise, either on-site, by partially refunding their gym membership, or by organising team activities (such as running events).

We also provide organic drinks and/or food at several of our sites; when we organise company breakfasts, lunches or dinners we focus on organic, healthier and typically vegetarian options.

No compromise on Non GMO

Wessanen has a strict non GMO policy and all raw materials and finished products are routinely checked for conformity.

Who we are

Our products

We are in the business of making high-quality products. We produce an increasing number of them in our own production facilities using state-of-the-art technology and complying with common accreditations such as IFS and BRC. We also apply the relevant ISO standards. Some of our products are manufactured for us by selected third parties, and we always make sure potential suppliers are subjected to a careful auditing process.

When we develop products, we always aim to offer the best possible taste, texture and nutritional profile to our markets and we conduct extensive internal and external tasting and testing sessions. We monitor the performance of our new products in the market to check whether they meet the consumer's expectations.

We have had a Product Quality Charter in place for our brands since 2013, containing policies and guidelines for food safety, nutrition and sustainability. This charter reflects the importance of nutrition and sustainability as building blocks for our brands. It includes policies for palm oil, allergens and non-genetically modified organisms (GMO), which apply to all our brands. For our organic brands, we also have specific policies in place related to pesticides, lecithin and non-GMO packaging.

For our nutritional brands we have additional policies in place on whole cereals, salt, sugar and superior quality claims. 2016, we have updated our policy on sugar in particular. These policies will ecome mandatory and apply to all products included in the range.

In addition, guidelines are optional and apply wherever possible to any products within the range. These are reviewed annually to determine if they should become policies. Currently, a guideline is available for the nutritional profile.

Nutritional brands

The policies and guidelines for salt, sugar, whole cereals and superior quality claims are applied primarily to innovations. Progress is monitored annually.

Our sugar policy aims to increase nutritional density by limiting 'empty calories' in our products. We prefer natural sugar, low refined and raw sugar (honey, agave syrup and concentrated fruit juices), and we tolerate organic sugar not fully refined. Our policy forbids fully refined sugars.

Our salt policy aims to offer our consumers responsible products. In 2016, we have strengthened the policy and reduced the maximum levels of salt/sodium per product category and apply these to all innovations and renovations. We also use unrefined salt whenever possible.

Our whole cereals policy defines a minimum ratio for unrefined cereals in cereal-based products. This makes it possible to keep the intrinsic goodness from the cereal, especially fibres and minerals.

We have also defined a policy for sugar quantity that we are now deploying across our portfolio. The aim is that our nutritional brands products have sugar content below the market average. We have identified 60 recipes to renovate and have defined a renovation plan until 2020.

Quality Management

We continually and rigorously manage the quality of our products via a risk-based monitoring system. Legal and regulatory compliance, food safety, our own quality standards and nutritional policies are key aspects we check and manage. We are in touch with consumers via our consumer care centres and investigate any issues that are brought to our attention. Extra attention is given to fraud prevention, again based on screening the risk associated with certain sourcing countries, types of commodities or supplier track record.

The mission of our Quality team is to be a proactive, effective and passionate partner from farm to fork. Our vision is to 'Delight and never disappoint our consumers'.

At home away from home

Some of our raw materials (for example tea) only grow in faraway regions. We maintain close relationships with our suppliers and visit them regularly.

Who we are

Operations

We are managing operations on the full value chain, i.e. from raw materials to our final customer. This includes managing centrally our suppliers, our eight factories and our warehousing and transportation network.

In order to drive the 2nd pillar of our overall strategy (see page 8 Upgrade our operations) we have articulated 3 main objectives that also directly support the 1st (grow core brands and categories) and 3rd (become a green business) strategic pillar.

1. Support to Growth:
Our first focus is to continue to improve customer service through the development and professionalisation of our sales and operational planning (S&OP) in order to orchestrate effectively our activities and growth. We have an objective to continuously improve maturity and effectiveness of our teams and supporting tools.

2. Protect margin:
We are developing and implementing a productivity agenda based on operational excellence and focusing on a category approach. Our main actions involve:
- productivity improvement in our factories
- define make-or-buy on our core categories involving in and outsourcing decisions
- define suppliers
- understand and manage our raw material and commodity supplies.

3. Develop sustainable operations:
Our aim is to make sure our operations are sustainable:
- for our planet:
  - reducing our environmental footprint
  - reducing waste throughout the chain
- for our people:
  - develop our teams' expertise
  - implement continuous improvement and involvement from our teams
- for our business:
  - secure raw material and commodity supply
  - develop partnership with our key suppliers with a long term view.

Key achievements in 2016 were an improved S&OP process, stable input cost and the preparation of major insourcing projects in our Hot Drinks and Dairy Alternative categories.

Our sourcing

We operate a practice of sustainable sourcing right through our supply chain. A seamless, well-controlled supply chain is needed to safeguard the quality of the ingredients, processes and products.

We use mostly organic raw materials, whose production maintains and improves the biodiversity of soil and water, reduces the carbon footprint, improves animal welfare and lowers the risk of antibiotic-resistant organisms.

We also choose fair trade materials for most of our tea, coffee and chocolate as this allows farmers who produce these to live decently.

Our central sourcing team concentrates on managing the costs of goods sold and creating strategic partnerships with numerous suppliers. We have a single, centralised way of working.
We are increasing our expertise regarding raw materials, bundling purchasing volumes and reducing complexity within the supply chain. This will help us to prioritise the development and execution of a sourcing strategy for each category and drive alignment between marketing, quality and supply chain across functional teams.

We are continually working on reducing complexity in terms of number of SKUs and suppliers.

To be allowed to label our products as organic, we are required to have a fully certified supply chain. All parts are checked on a regular basis, both planned and unannounced.

Our supply chain is a possible area of vulnerability in terms of sustainability, including soil, air and water emissions, quality standards, safe working conditions, fair wages and possible disruptions.

To deal with these potential risks we have created a framework of standards that brings our supply chain into alignment with our overall business principles. The objective is to ensure that our suppliers comply with these common criteria and with our commitment to transparency and sustainability.

Origin of materials

The majority of our ingredients come from Europe although we also source ingredients such as tea, agave and amaranth globally. Furthermore, sourcing from Western Europe is not always possible due to availability issues as the European organic market is growing faster than organic agricultural production.

We source part of our raw materials ourselves, part is sourced and processed by our third-party producers, based on our recipes and specifications.

None of our ingredients represented more than 5% of our raw material sourcing. Our largest raw materials (in value) are almonds, chocolate, coffee, rice, peanuts and tea.

100% of soy used at our Dairy Alternatives factories is organic and comes from Italy. The same is true for other key ingredients such as rice, hazelnuts, almonds, oat. Abafoods also owns an organic farm plus co-manages some with a combined total area of around 700 hectares (La Goccia). Part of our raw materials is grown here.

We are conscious that full transparency on the origin of raw materials is an expectation from our consumers. Our consumer care executives always provide the information on country of origin upon request and are transparent regarding the origin of our raw materials.

Who we are

Operations

Our suppliers
To guarantee and explain the sustainable origin of our products, we continuously improve our supply chain requirements.
We use a Supplier Quality Booklet, which details our expectations from suppliers, such as ensuring that each supplier who produces food for us has a Quality Management System in place and requires proof of compliance to the agreed specifications.

We will progressively and formally assess each supplier, via a Supplier Quality Declaration (SQD), to understand their capability to meet our requirements and we will evaluate these proportionally, based on the level of business and food safety risks. By end of 2016 suppliers representing 85% of our purchase turnover have been covered.

In case of minor or major shortcomings, we will discuss improvement plans with suppliers, whilst those not able or willing to meet our expectations may be delisted. We expect our suppliers to work in a transparent manner, thereby refraining from fraud, corruption and bribery. We also expect our suppliers to maintain the same standards for their suppliers.

Additionally, there is support for our partners in the supply chain, ensuring that extra care is taken to deliver key ingredients of the highest quality.

Some of the benefits include good employment conditions, sustainable pricing (which allows farmers to improve quality and takes into account social and ecological principles), education and development, and a preference for plant-based products as an alternative to those of animal origin.

Our manufacturing
We have a number of factories in core categories located in different countries. We aim to leverage these for the benefit of our entire business and have put them under the leadership of our European Operations Director. Whether we produce a product internally or have it made to our specification by a third party follows a number of commercial, operational and strategic criteria.

Human rights in the supply chain
It is important to ensure that we have a responsible supply chain management in place.

The highest risks are for raw materials sourced from southern countries such as hot drinks and chocolates. This is why we are striving for growing the fair trade part of this category. In addition to Fair Trade certifications, Alter Eco and Clipper both regularly visit producers of our raw materials.

For the rest of the portfolio, we ask our suppliers to commit to our suppliers code which follows ILO based principles.

For our Suppliers Code of Conduct: www.wessanen.com

To date, suppliers representing 85% of our PTO have accepted our code. We are still in the process of consulting suppliers. So far one supplier refused to sign and we are currently working on alternatives to delist this supplier.

Product Quality management
We rigorously monitor the quality of our products in the market place through ongoing contact with our consumers and customers and regular product testing. Overall, we have had 23,116 consumers contacting our consumer care centers. 8,830 of these contacts were classified as consumer complaints. Number of complaints decreased versus 2015, mostly due to specific issues with distribution brands.

Regulatory compliance
We pay much attention to guarantee the regulatory compliance of our products. This is a key requirement for our suppliers, specified in our Supplier Quality Booklet and in specifications. Our pesticides and GMO policies go beyond organic regulation requirements. For example, we have a non-GMO packaging policy in place.

We monitor closely the change of regulation, conduct risk assessment on products and carry out monitoring plans to manage risks.

When I return to the plantations after one year, our local partners have built health centres, set up sanitation and water projects, and created other essential amenities and facilities.'

James Ikin

Interview

'It's whats on the inside that counts'

James Ikin (37) is one of the world's most experienced tea purchasing managers when it comes to organic and fair trade tea. He was one of the first employees at Clipper, the British tea company founded in 1984 and based in Beaminster in Dorset. Clipper Tea was started by husband and wife team Lorraine and Mike Brehme, who were master tasters. The company was the first in the UK to bear the fair trade mark. James Ikin had joined the company shortly after, and as a 'rookie' in the business world he learned a lot from his former boss, who helped write global standards of fair trade tea production.

'Our relations with our sustainable partners in South India go back more than two decades. And nowadays I still make two big trade trips each year. I want to know who is producing our tea, how our suppliers run their company, and taste every day. This makes it possible to learn and develop a more or less unique memory of tea tasting and tea quality.'

Total control is paramount

'All our tea is produced at origin and then shipped to Beaminster. There are no other processes in between. We blend the teas in our specialised facilities before packing them for our consumers. Total control is paramount. We offer one hundred percent transparency, right back to our suppliers. Tea is a natural product; we offer full taste quality and product consistency with only one aim: a superb tasting experience. It's whats on the inside that counts. This is also the feedback we get when we benchmark our teas and in tasting sessions with consumers. This makes me feel very proud!'

Helping local communities

'We are a sustainable company. It is in our roots. We demand top quality while offering a fair price at the same time. We develop unique partnerships and create win-win situations. This really helps local communities in improving their living standards and welfare. When I return to the plantations after one year, our local partners have built health centres, set up sanitation and water projects, and created other essential amenities and facilities. These are all exciting projects to be part of. This year we started a partnership with a tea plantation in Rwanda which has converted to organic production standards. They produce great tea and we were the first European visitors – true pioneers.'

Working on synergies

'Clipper was purchased by Wessanen in 2012. This acquisition has been a real boon to our company. Wessanen is investing heavily in our premises and processes, bringing our quality to an even higher level. With extra marketing and sales efforts out of Europe we now sell our products in over 50 countries. Right now we are also working on production synergies within the company. For instance, in Beaminster we are making Alter Eco tea, blends for Zonnatura, and prepare insourcing for Piramide. We produce over 1 billion tea bags. I believe in this company and its suppliers!'

James Ikin

Purchasing Manager Clipper Tea
Clipper Tea, Beaminster, UK

Clipper Teas launched their very first Fairtrade tea in 1994 and are still the UK's No 1 Fairtrade Tea Company. At Clipper we only work with producers who are striving to improve standards of welfare for workers and their families. Through Fairtrade we support tea producers and surrounding communities, by paying a fair price for their tea, as well as a Fairtrade premium which can be invested back into the business or community.

Our market place

A food revolution is underway

More and more people are starting to wake up to the fact that what they eat and drink every day is important for their own health and well-being and that of their families. Many people are also starting to realise the impact the modern, Western diet has on the sustainability of the planet, animal welfare and living conditions of people in other parts of the world. We believe this will be a long-term trend for the years to come, as the fundamental drivers are not likely to change.

The European market for sustainable food such as organic, vegetarian and fair trade has been growing significantly for many years. The organic market has doubled since 2006 and the expectation is that it will double yet again in the coming 10 years.

Health reasons, an increasing number of food scandals, climate and environmental issues and more consideration for sustainable production methods motivate people to change their diet on a permanent basis.

Healthy and sustainable food accounts for 6–7% of the European food market if we define it as food covered by a certificate such as those related to animal welfare, organic, fair trade, the environment and conservation and/or fish farming and wild catch. Although this is still a small percentage of the total food market it is growing fast.

At Wessanen, we contribute to the growth of the market for healthy and sustainable food by only manufacturing food products that are vegetarian, organic, fair trade and offer health benefits.

Vegetarians, Vegans and Flexitarians

In 2016 we witnessed a strongly growing number of people interested in cutting back or giving up consumption of meat. The trend was visible everywhere in Europe but most pronounced in Germany. There, the number of Vegetarians and Vegans is believed to have reached 7.8m and 1m respectively.

While the number of committed Vegetarians or Vegans will likely remain limited, an increasing number of people considers themselves 'Flexitarians', avoiding meat three or more days a week. The increasing awareness of the negative impact of meat consumption for people's health and the sustainability of the planet will further fuel this trend in our view.

Why we believe in organic

Organic food is grown with the utmost regard for the environment, animal welfare, food safety and quality. The organic growing process also enhances biodiversity, contributes to soil fertility, reduces the carbon footprint and helps to lower the risk of antibiotic-resistant organisms.

To carry the label 'organic', a product must contain at least 95% organic ingredients.

Organic food is controlled by a unique certification system that ensures it meets strict requirements. Since 2012, all organic food produced in the European Union must bear the EU organic logo. The methods used to farm, grow and process organic ingredients and products must adhere to stringent criteria. These include no use of GMO ingredients or growth hormones and a restriction on the use of antibiotics, fertilisers, herbicides and pesticides. Only a few additives, processing aids and food colourings are allowed and there are strict rules concerning the welfare of animals.

Dr Tom Macmillan of the Soil Association (UK) recently perfectly summarised our belief: 'Organic farming restores soil fertility, tackles climate change, improves public health, prioritises animal welfare, and reverses the decline in nature and wildlife.'

Bio

30 billion
Estimated size of European organic market in 2016

6–7 %
Healthy & sustainable food in Europe*

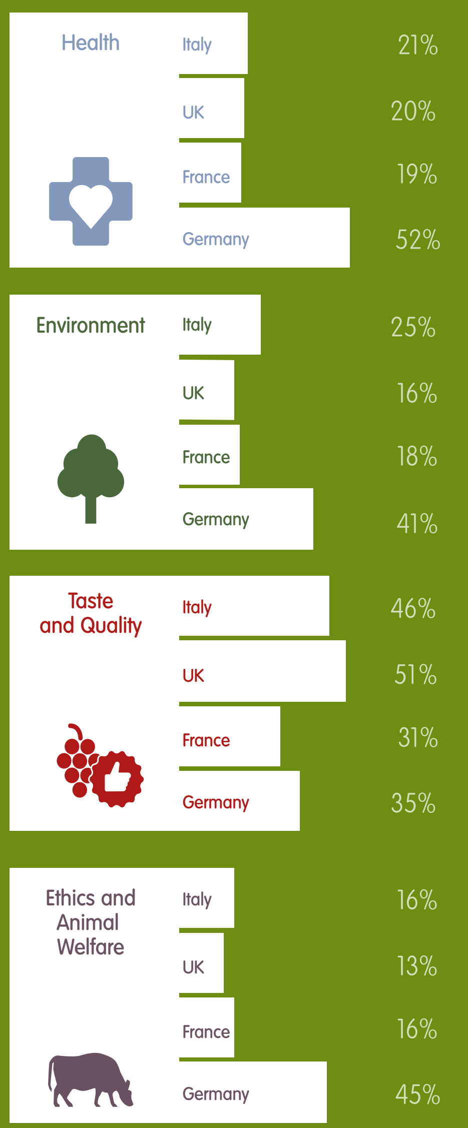
1 billion
Number of vegetarians worldwide

* Estimated share that Healthy & Sustainable food has of total Food sales in Europe.

Our market place

Reasons for buying organic food

Top reasons for buying organic food



Source: PwC, Statista.de, Agence Bio, Sana, Shoppers who claim to actively buy organic food.

The real price of organic

Organic food is more expensive than conventional food because it requires more man-hours and can lead to lower yields. However, we can consider that the price of organic food is a real price, as organic generates less external costs for society.

For consumers, the higher price is one of the key reasons for why they might not buy (more) organic products. Making organic products significantly cheaper will be difficult but we believe that society and authorities will over time have to realise that conventional food is too cheap as many of its external cost are not covered by its price, such as for example:

- water treatment to control contamination by nitrates and pesticides
- subsidies paid to farmers to maintain their competitiveness in the market
- healthcare expenses related to farmers' diseases caused by the use of pesticides, as recognised by the French Institute of Health and Medical Research (INSERM)

Reasons for buying organic food

Across all countries, consumer play back 4 main reasons for why they choose organic products. They believe it is healthier than conventional products, it is better for the environment, it provides better welfare for farm animals and the products are of higher quality and taste better.

Trust in organic food

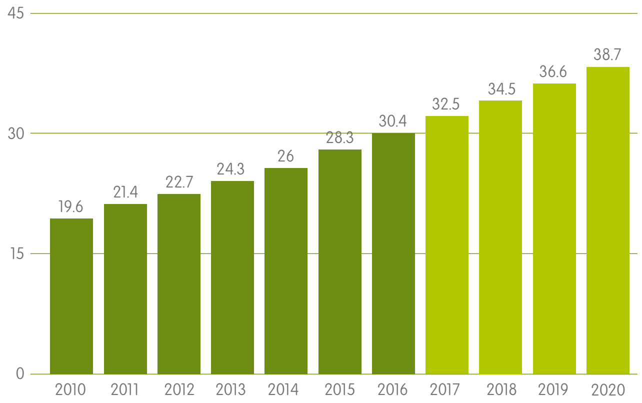
In a recent study of PwC in Germany (January 2017) , 44% of consumers said that they had high trust in certified organic products. Only 14%, however, bought more organic than conventional products. The main barrier was confirmed to e price, especially in categories where the premium exceeds 40-60% in comparison to the conventional alternative.

Organic Market development

The Organic market has seen steady growth of 5-7% p.a. over the past 20 years and we believe this will continue to be the case in future years. Overall, the share that Organic has of total food is still not higher than 4-5% in Europe, the highest being Denmark and Switzerland with more than 7% and on the low side Spain with only 1% of total Food.

European Organic Market 2010-2020

Revenues (€ billion)



Organic Monitor 2016

Our market place

Why fair trade is fair

Why fair trade is fair
Fair trade aims to help producers in developing countries to improve their living conditions and promote sustainability. It advocates the payment of a higher price to farmers as well as higher social and environmental standards.

There are several recognised fair trade certifiers, including Max Havelaar and Fair Trade International. These are umbrella organisations whose mission is to set the fair trade standards and to support, inspect and certify disadvantaged producers and harmonise the fair trade message.

The real price of fair trade
Fair trade corresponds to the real price to producers as it also includes a premium, used by the cooperative for projects to develop the community. Premium allocation, decided by the farmers, goes to community projects.

Fair trade markets
There are 1,240 fair trade producer organisations in 74 countries providing work to more than 1.6m people. Around 80% of producer organisations worldwide are smallholders.

In 2015, the estimated fair trade premium exceeds €138 million, of which 26% was spent on education. In Europe, the global fair trade market has grown to more than €7.3 billion in retail value. Fair trade is especially relevant in our coffee, tea and chocolate business.

Our competitive landscape overall
We are one of a handful of dedicated players with a strong European presence and we compete with a range of very different companies in our markets.

Most organic producers are small to medium-sized, family-owned, and operate in just one country. Often, they cover several product categories.

Fair trade, in contrast, has been embraced by many producers. This is almost becoming a requirement in several product categories, such as coffee.

The larger European grocery chains, including the hard discounters, offer their own range of private-label organic products, as do larger health food store chains.

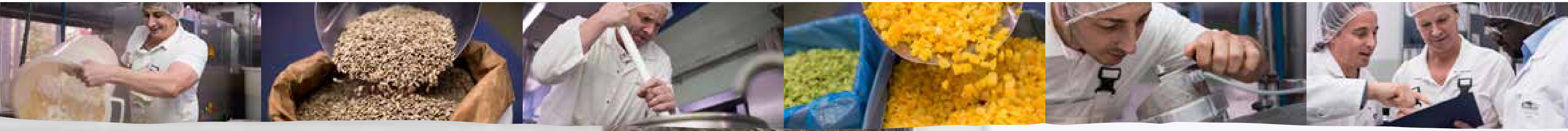
Premium brands and private labels have a symbiotic relationship in our view as they jointly help to drive the growth of the organic market versus that of conventional food products.

1.6 million
Fair trade farmers globally

7.3 billion
Size of global Fair trade market

1,240
Fair trade producers globally

Interview



'As a quality team and with full support of our Board we only want the very best products.'

Roland Koch

Interview

Quality spider in the Wessanen web

Roland Koch (55) is Quality Assurance Manager for all Allos production sites in Drebber, Freiburg and the German Marketing and Sales Organisation (Allos Hof-Manufaktur Bremen). He and his team of quality assurance specialists are responsible for the quality of more than 500 organic products in the Dairy Alternatives, Sweet in Betweens, Bread & Biscuit Alternatives, Breakfast Cereals and Veggie Meals categories. His team identifies all potential risks in an overall risk-based analysis plan.

'This risk-based analysis plan is organised across several axes. The first axis is the input axis, which is based on a raw materials plan. All raw materials are tested for taste and structure, as well as for GMO, salmonella, contamination, etc. The second axis is the 'in-between' axis. The set-up depends on the product and product range and involves a combination of tests for consistency, smoothness, pH value, dry matter, and so on. The third axis is known as the 'output test', a test of the stability depending on the kind of product. Sterilised and pasteurised end products are placed in a 30-degree incubation room for one week. After the final tests are made, products can then be released and launched into the retail channel.'

Born food engineer

Ronald Koch is a food engineer with passion and drive. He studied Food Technology at the prestigious University of Munich, where also the best brewery engineers are trained. But instead of starting his career at one of the big South German breweries, he decided to join Nestlé as an R&D specialist and product developer for baby food. In 1995 he switched over to Tartex – Allos, which was bought by Wessanen in 2001. 'I think Wessanen's unique, sustainable focus on healthy food is refreshing. In recent years we have developed a tremendous number of new categories and products. Our playing field is enormous!'

Only the very best

'As a quality assurance team and with full support of our Board we only want the very best products. Superb quality with a great natural flavour is what we offer. Our products contain no artificial ingredients and we make sure the quality is consistently high. Since we only use natural ingredients, this is quite a challenge. But even with a portfolio of over 500 products we succeed every day, supported by heavy investments in research facilities.'

Vegetarian product development

'As a German I really like meat, but at home now we regularly eat vegetarian meals or taste new products we have developed. My daughter Barbara, who is 25, has become a real fan of vegetarian meals. My family has, in fact, been serving as a focus group for our product development. We develop dozens of new products each year, based on quality tests and risk assessments. We conduct hazard analyses, determine critical control points (CCPs), and establish critical limits and monitoring procedures, all the way up to verification and documentation procedures.'

Legal requirements

'Another part of my job is to make sure we comply with all regulations, both from the EU and the IFS Food Standard, a Global Food Safety Initiative and recognised standard for auditing food manufacturers. The focus is on food safety and the quality of processes and products. And as an organic manufacturer we must act at the highest level of organic certification checked by special organic certifiers. In fact, I have the most interesting job at Wessanen, and I'm looking forward to our future, with leaner production methods and even higher quality standards for more and more natural products!'

Roland Koch

Quality Manager Allos
Allos Schwarzwald/Hof-Manufaktur GmbH

Next to organic, vegetarian and vegan products are a key development focus in our German business as their market is seeing the strongest trend towards meat alternatives and non animal based products of all European markets.

Sustainability Report

Stakeholder dialogue

Wessanen publishes its impacts and performances based on an internationally recognised standard, the GRI (Global Reporting Index). This report covers information required by GRI v4 (core approach). The correspondence table is available on our website, in the section titled 'What we care for/Data performance'. The Executive Vice President of Marketing, who is also a member of the Executive Leadership Team, is responsible for sustainability within the company. The Organic Expertise Centre (OEC) reports to him and centrally coordinates the Corporate Social Responsibility (CSR) and quality topics, resulting in a more integrated European approach and an exchange of best practices on the quality of our ingredients, products and processes. The OEC furthermore focuses on engaging our own people in our battles for organic and vegetarian food.

The centre is also the driving force behind our sustainability strategy, the materiality assessment and in defining all relevant KPIs. While we have no dedicated sustainability resources in place, roughly 5 FTEs are allocated to this key part of our strategy. The Organic Expertise Centre (OrganicExpertiseCentre@wessanen.com) can be contacted for any questions about our approach to sustainability.

Stakeholder dialogue

In a highly interactive society, it is increasingly important to liaise regularly with our stakeholders and engage with them in key areas. We made a point of maintaining regular contact with our stakeholders in the past year. We joined the International Federation of Organic Agriculture Movements (IFOAM) and its sister organisation IFOAM EU, and have been engaged both at the European and country levels in discussions on the organic regulation project. We also conducted interviews with our key stakeholders and contacts to analyse our strengths and weaknesses in relation to CSR topics.

The Executive Board is actively engaged in the stakeholder dialogue. They regularly discuss key aspects of our strategy and targets, for example as part of road shows and meetings with investors, shareholders and banks.

Level	Stakeholder	How we engage our stakeholders	Expectations of our stakeholders	Topics discussed/outcomes
LEVEL 1	Employees	– Day-to-day contacts – Annual Employee Engagement Survey – Quarterly CEO meeting to share business results – Regular town hall meetings with Executive Leadership Team	– Fair and principled employer – Safe workplace – Development opportunities – Sound working conditions and fair wage package – A company aligned with its values	– Investing time and money in community-related activities
LEVEL 1	Consumers	– Product labelling – Information on website, flyers, etc. – Advertising and promotions – Consumer care – Social media (Facebook, Twitter, etc.)	– Organic, healthy, sustainable, fair trade and tasty food – Clear sound product information (e.g. labelling) – Transparency	– Further improving nutritional policies (e.g. salt, sugar)
LEVEL 1	Customers	– Day-to-day contacts – Annual reviews – Advertising and promotions – Participation in trade shows (e.g. Biofach, Biobeurs)	– Fair price – Quality and flexibility – Appealing brands – Commitment to developing the organic market	– Avoiding waste/obsolete products – Transport efficiencies
LEVEL 1	Suppliers	– Day-to-day contacts – Technical visits and meetings – Specifications	– Long-term relationship (partnership) – Fair price – Support organic business	– Avoiding waste/obsolete products
LEVEL 1	Shareholders	– Annual shareholder meeting – Annual report, website – Quarterly road shows	– Return on investment – Dividend – Long-term well being of the Company – Timely, fair disclosure – Transparency	– Further increasing transparency of information – Direct access to Executive Board on key issues
LEVEL 2	NGOs	– Meetings, conferences – Membership in organisations	– Promote organic, fair trade, healthy and sustainable food – Transparency – Sustainable practices	– Participation in IFOAM EU conference
LEVEL 2	Governments	– Periodic meetings, disclosures – Certification audits	– Compliance with regulation and standards	– Resolution of specific product issues
LEVEL 2	Society	– Annual report – Various communication channels	– Act like a sustainable company – Giving back to the community	– Community-related activities
LEVEL 2	Experts	– Consultation – Conferences	– Policies based on science	– Input into vision/mission
LEVEL 2	Media	– Interviews	– Transparency	– Company profile and strategy
LEVEL 2	Investors and banks	– Annual report website – Quarterly road show – Investor conferences	– Transparent reporting – Good corporate governance – Financial prudency	– Further increasing transparency of information – Direct access to Executive Board on key issues

Sustainability Report

Materiality matrix

The GRI (Global Reporting Index) enhances the importance to communicate on topics which are relevant to and reflect the societal and environmental impacts of the organisation. In 2014 we made our first materiality matrix, but after two years we felt the need to solidify it and applied a new methodology:

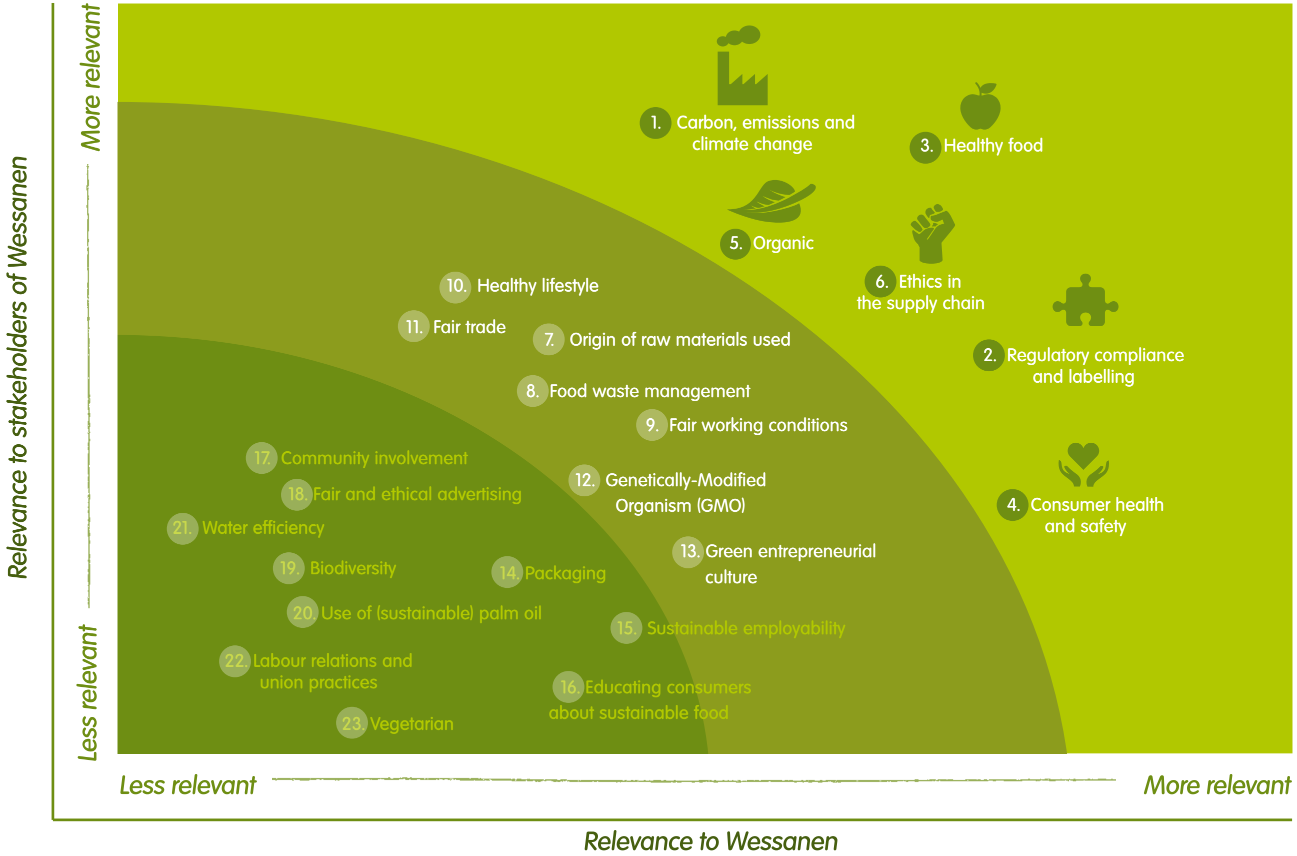
— An analysis of the documentation available to assign importance to subjects from the viewpoint of external stakeholders by using existing sources within and outside the organisation.
— An external consultation to complement the information from step 1. We used a targeted survey for stakeholder groups where required. 313 stakeholders have completed the online survey, including 296 employees and 17 suppliers.
— The translation of the outcomes of the previous steps into a materiality matrix which aligns with the requirements of the GRI G4-guidelines.

The materiality matrix is designed with a set of internal priorities (based on the leadership team answers to the survey) and external priorities (based on the results for the five groups (Employees, Consumers, Supply Chain (customers and suppliers) , Investors (shareholders, Investors and banks), General Public (NGOs, governments, experts, media, society), with each group accounting for 20%.

Our updated materiality matrix can be seen on the right side of this page.

Base on these results, we selected the first six topics as the most material to our internal and external stakeholders. These topics will be prioritised. We will define an action plan and relevant KPIs.

As some topics are interdependent, we will still continue to address some which have been ranked as less material themselves but are connected to a material one. For example vegetarian (ranking 23) is at the heart of our strategy and is clearly related to the topic of carbon emissions, which is the most material one.



Material topics

1. Carbon, emissions and climate change
2. Regulatory compliance and labelling
3. Healthy food
4. Consumer health and safety
5. Organic
6. Ethics in the supply chain

Non-material topics

7. Origin of raw materials used
8. Food waste management
9. Fair working conditions
10. Healthy lifestyle
11. Fair trade
12. Genetically-Modified Organism (GMO)
13. Green entrepreneurial culture
14. Packaging
15. Sustainable employability
16. Educating consumers about sustainable food
17. Community involvement
18. Fair and ethical advertising
19. Biodiversity
20. Use of (sustainable) palm oil
21. Water efficiency
22. Labour relations and union practices
23. Vegetarian

Sustainability Report

UN Global Goals

United Nation (UN) Sustainable Development goals

Governments, businesses and civil society together with the United Nations have started to mobilize efforts to achieve the Sustainable Development Agenda by 2030. Together they defined 17 goals essential to transform our world.

Our material topics are closely linked to some of these global goals:

- Carbon emissions and climate change is obviously connected to Goal 13 'Climate action'
- Healthy food and consumer health & safety are addressing the goal 3 'Good health and well being'
- Organic food is in our view highly connected to goal 12 'Responsible consumption and production' and 15 'life on land', because organic agriculture protects biodiversity through its practices
- Ethics in supply chain can help to achieve goal 10 'Reduce inequalities'

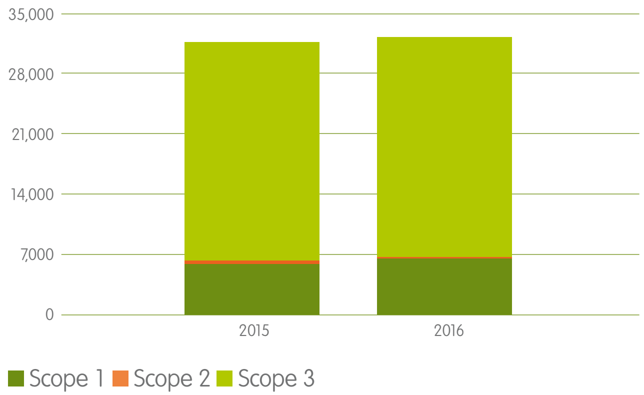
We want to support the global transition for healthier people and a healthier planet.

Material topics

1) Carbon, emissions and climate change

Carbon emissions and climate change have been highlighted as the most material topics, especially for our stakeholders. The battle against climate change must be addressed by the whole supply chain, but it is technically difficult to measure carbon emissions on each product, given our broad portfolio. However, we are making progress on tracking our emissions of scope 3 in particular regarding transport. We are now reporting separately scope 1, scope 2 and a part of scope 3 (transport of goods and travels). We have not yet set reduction targets but we are controlling the evolution. Our scope 3 emissions are by far the most important (see graph below), which confirm that our biggest impact on climate change is not in our direct scope of control, and so that we must address it with our stakeholders.

CO_2 emissions (tonnes CO_2)



The total CO_2 emissions are quite stable in absolute value, however they decrease as a ratio versus sales. The ratio (emissions/sales) was 63 in 2015 and 57 in 2016. CO_2 emissions are calculated by using conversion figures of International Energy Agency (2011) and DEFRA 2014.

Sustainability Report

Material topics

Scope 1: Direct emissions from energy in operations and lease cars

Scope 1 is not the most important but is significant. It is splitted in roughly 80% of natural gas for our operations and 20% for diesel for our company cars. According to the GHG, we should not include diesel from lease cars in scope 1, as our contracts are operational lease contracts. However we consider that, as lease cars are driven by our employees, the emissions are under our control and should be reported in scope 1. This is a common practice applied by many companies. Regarding Operations, we only include natural gas as other sources such as fuel, propane, refrigerants, are quite low and so not material.

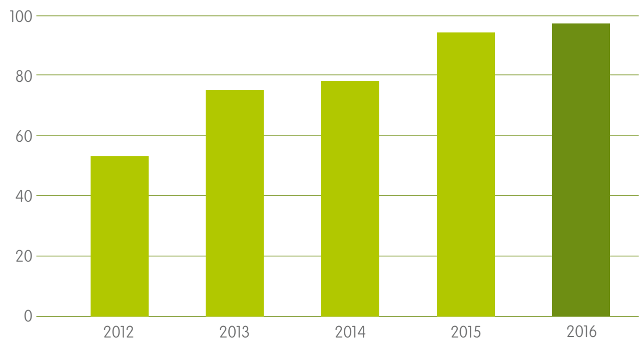
The natural gas is used for our production activities requiring steam (Abafoods, Bio Slym and Allos Schwarzwald). The consumption has slightly increased in 2016 due to the increase of volumes produced especially in our Dairy Alternatives factories.

However it is worthwhile to mention that the Abafoods factory has built an optimised energy system. The gas turbines produce the electricity and the heat for hot water, steam and facilities heating.

Scope 2: Emissions from electricity

Our electricity is mainly sourced from renewable sources and is therefore very low in carbon emissions. We have consistently moved towards 100% renewable electricity since 2012 and are very proud to have almost achieved it. Renewable electricity currently accounts for 97% of our electricity. It is composed of green purchased electricity and electricity produced from our solar panels (Clipper, Abafoods and Allos Schwarzwald factories).

% Renewable electricity



Scope 3: Emissions from agriculture

It is essential to remind the public that agriculture is a large producer of carbon emissions. On a global scale, agriculture, deforestation and other land usage account for roughly 25% of these emissions.

The largest source of GHG emissions in the agricultural industry is enteric fermentation — when methane is produced by livestock during digestion and released via belches — this accounted for 39 percent of the sector's total GHG outputs in 2011.

Emissions generated during the application of synthetic fertilisers accounted for 13 percent of agricultural emissions (725 Mt CO_2 eq.) in 2011, and are the fastest-growing emissions source in agriculture, having increased some 37 percent since 2001.

Source: http://www.fao.org/news/story/en/item/216137/icode/

We are conscious that the largest part of our emissions is actually caused by the agricultural production. Although we are unable to measure them accurately in our supply chain, we believe that our activity, focused on vegetarian and organic products, makes our emissions from agriculture quite low compared to the average food market.

Scope 3: Emissions from goods transportation and business travels

We report our emissions for transportation of goods from the factories to warehouse and from warehouse to customers. Unfortunately, this measure is still slightly incomplete as it does not cover data from Abafoods, but all the other sites are covered.

We combine the emissions from goods transportation with business travels. Business travels only represent 2% of the total.

This year we have increased our activity without increasing the scope 3 emissions, thanks to a more efficient transportation (larger orders and truck filling).

We have reduced the emissions from business travels by 40% in 2016 versus 2015. This is the result of a very convenient and efficient system of conference calls. All office staff are equipped with the system and can take part in virtual meetings, which has really helped the efficient cooperation between countries.

2) Regulatory compliance and labelling

Ensuring regulatory compliance of our products is a prime focus. This includes providing clear, transparent and responsible information on our product labelling and is the responsibility of our Marketing and R&D teams. It is also a key requirement for our suppliers, specified in our Supplier Quality Booklet (SQB) and in our raw material and packaging specifications.

We monitor closely the change of regulation, conduct risk assessment on products and implement monitoring plans to manage risks. In 2016, we did not pay any fines for regulatory non-compliance.

Sustainability Report

Material topics

3) Healthy food

Our definition of Healthy food is food with fewer additives, improved nutritional balance (less sugar, less salt) and less refined to keep the intrinsic goodness of the plant.

We have adopted for many years nutritional policies for our own nutritional brands (Bjorg, Zonnatura, Kallø, Allos, Tartex, Evernat, and Isola Bio). They address thresholds for salt content on our core categories, and foster less refined sugar and cereals. Our policies are fully accessible on our website, to be found in the section titled 'Who we are/Nutritional brands'. We continue to pursue efforts to improve the compliance of our portfolio. In 2016, 86% of net sales on nutritional brands complies with our nutritional policies.

However, as mentioned in our dilemmas last year, even unrefined sugar is not healthy when consumed in excess. Some of our products, especially Sweets in Between, contribute to the sugar intake. So addressing sugar quantity is essential in order to be consistent with our mission.

In 2016, we benchmarked our sweet products of nutritional brands with the market average and identified some issues (products sweeter than the market average). We decided to modify all these products to bring our nutritional brands products below the market average for sugar. By 2020 all our products will be compliant with this new policy. Due to technical issues it was not possible to include this criterion (sugar content) in our Nutritional Policies KPI but we are working on including it from the 2017 report.

We have also agreed that our innovations for non-nutritional brands (like Bonneterre or De Rit) must be under control for the sugar level, so we will make sure the level of sugar is below the third quartile, meaning not part of the 25% sweetest products in the relevant market category.

4) Consumer health and safety

This applies to efforts made to comply with food safety and quality standards, and to reduce any risk in food safety, including emerging risks (e.g. Bisphenol A in packaging).

Food safety is our priority, as it is a prerequisite for Healthier Food. It is covered in our policies (Wessanen Product Quality Charter) and the Supplier Quality Booklet. It is based on risks and monitored via suppliers' selection and evaluation.

- Our factories are certified according to GFSI standard.
- 82% of our purchase turnover ('PTO') is covered by third-party suppliers certified according to GFSI standard. Suppliers which are not certified according to GFSI are subjected to an onsite evaluation by the Quality Assurance department before being selected.

Mineral Oil Hydrocarbons

A key concern for us is the possible contamination of our food with a group of chemicals referred to as mineral oil hydrocarbons (MOHs), which consists of two groups, MOSH and MOAH (mineral oil aromatic hydrocarbons). The latter is suspected to be endocrine disruptive or even carcinogenic. MOHs are amongst others found in packaging material made out of recycled paper fibres, where the substances originate from printing inks used for newspapers and such and which are not entirely washed out in the paper recycling process. Subsequently, they can still be present in corrugated or card-board packaging material, from where they could migrate into foodproducts.

A complicating factor is that there are quite a few other potential sources of MOH contamination, including mineral oil based glues, hotmelts & lubricants used in production, but also pollution of the ingredients on the field before or during harvesting, whilst handling/storing/transportation, and so forth. Also, it has to be said that, currently, there is no specific migration limit for MOSH or MOAH defined under EU regulation. Wessanen, however, strives for an absolute minimum, and aims to abide by the limits as proposed by Germany, which is a maximum of 2 mg MOSH per kg of food and nihil for MOAH (i.e. below detection limit).

13) Green Entrepreneurial culture and 10) Healthy lifestyle

Despite these topics appeared as moderately material, we believe that the involvement of our employees in community-related activities is a great force and that encouraging physical activity is essential.
We encouraged our people to become involved in different events throughout the year:

- We Connect: 70 people worked on building a habitat for ees and other animals in a deprived area of Copenhagen.
- 'Clean the Mountain': in order to celebrate the change of name, Bjorg Bonneterre et Compagnie has engaged all the employees in a 'clean the mountain' operation in the Alps. A total of 370 people collected 304 kilograms of waste.
- Amsterdam triathlon: the full Wessanen Benelux team competed in a triathlon in teams and raised €2000 for the food bank.

Community involvement

We have also donated the equivalent of 500 k€ of products to foodbanks in 2016.

Sustainability Report

Material topics

Having set up a MOH workgroup within our company, a monitoring plan was established: first in France and currently rolling out across all of Wessanen. We actively work on finding solutions to tackle the migration issue: both internally in collaboration with our packaging suppliers and externally through active membership of a food industry taskforce on MOH. Amongst others we are investigating and testing the implementation of a barrier layer around our food products, as well as the application of MOH absorber materials.

5) Organic

Organic is part of our DNA. With 74% of our product portfolio currently certified as organic and our engagement in working alongside organic organisations, we are a strong and committed player in the organic market.
Organic is fully coherent with the cornerstones of our mission:
- Healthier food: because organic practices avoid the use of chemicals in agricultural production and in transformation;
- Healthier people: because farmers producing organic food are not exposed to chemical pesticides, which have been demonstrated to increase the risk of cancers in farmers' populations;
- Healthier planet: because organic agriculture enhances practices which favour biodiversity and soil fertility and reduce pollution.

In 2016, we strengthened our partnering with organic players by becoming members of IFOAM and IFOAM EU, and being for the 5th year one of the main sponsors of IFOAM EU. We participated in the fourth annual Organic Processing Conference, held in Seville, Spain, in November and dedicated to organic food processing innovation and developments. Laurence Beck, OEC Director, participated in the opening roundtable on Enhancing environmental performance and highlighted the way we are addressing CSR topics in our operations.

6) Ethics in the supply chain

So far, we address it principally by sourcing a significant part (56%) of our hot drinks (tea, coffee) and cocoa for chocolate via fair trade certified chains. We must continue to increase this ratio, as third-party certification is objective and transparent.

For the remainder of the portfolio, we ask our suppliers to commit to our Suppliers Code, which follows ILO-based principles. Our code is available on our website. To date, suppliers representing 85% of our PTO have accepted our code. If suppliers refuse to sign, we start a process of replacing this supplier.

In parallel, we must work more specifically on all ethical related issues in our raw materials chains.

In the UK, the Modern Slavery Act was enacted in 2016. Our UK operating company has implemented a dedicated policy. Modern slavery encompasses slavery, servitude, human trafficking and forced labour. Wessanen has a zero-tolerance approach to any form of modern slavery. We are committed to acting ethically and with integrity and transparency in all our business dealings and to putting effective systems and controls in place to safeguard against any form of modern slavery taking place within the business or our supply chain.

We are aware that slavery can occur in any part of the business, including our operations or our third-party distribution network. However, we believe our highest risk areas are in our raw material supply chains due to their origin and geographical location. Further work is required in this area, and as a consequence we have taken several steps already and are in the process of developing further our solid plan to mitigate slavery.

We operate a number of internal policies to ensure that we are conducting business in an ethical and transparent manner. These can be found on our corporate website and include our Supplier Code of Conduct, Recruitment Policy, Whistleblowing Policy & Wessanen Business Code of Conduct policy.

Other topics

Food Waste

We track our physical waste as a ratio of total volumes sold. By physical waste, we mean all products which are not consumed as a food product, and end up in methanisation, feed or landfill. In 2016 our indicator for physical waste was very high, as we wasted 771 tonnes of products, versus 442 tonnes in 2015, so an increase of 81%. The performance on waste was degraded mainly in Germany and in France. Benelux and UK decreased their level of waste. The ratio of waste on sold goods raised from 0.41% in 2015 to 0.48% in 2016. We aim at reducing this ratio by 30% between 2016 and 2020.

We are implementing the sales and operational planning (S&OP) which aims at better planning our orders and we strongly believe that this robust process will be a key enabler of our ambition to significantly reduce our waste and especially our physical waste over the next 3 years.

Packaging

Packaging and its impact on the planet

We often consider packaging as waste. This is mainly because it is often the only directly visible negative aspect of our food supply chain: we see the empty packaging when we discard it or when it has ended up in our landscape and waterways. What most of us don't realise, is that packaging in fact has a crucial function, because without it we would not be able to handle and transport our food and store it for a longer time. It protects the contents from damage and spoilage, thus preventing losses along the supply chain and reducing food waste. Looking at it this way, packaging actually only represents a rather small part of the carbon or energy footprint of our food.

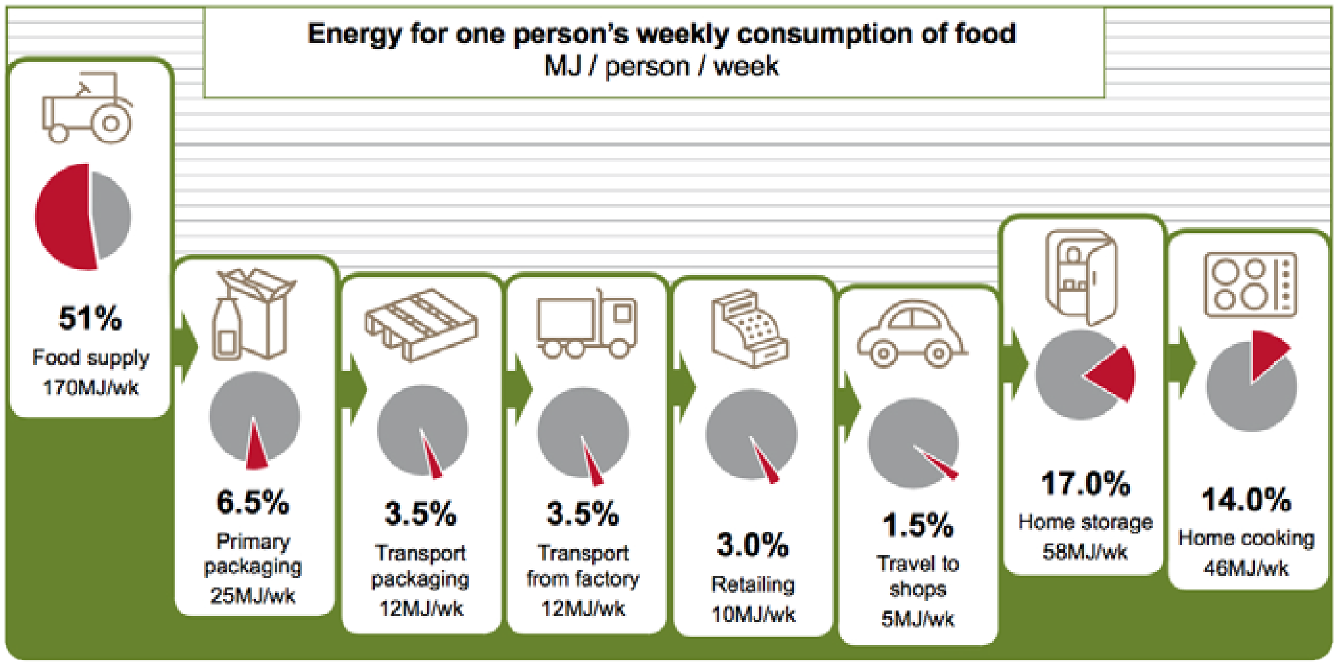
Sustainability Report

Other topics

Nonetheless, we should try to use packaging (materials) with minimal impact, for example by using recycled and/or recyclable materials, by using materials that do not rely on fossil fuels and are renewable (and responsibly sourced) and of course by using the least necessary amount of material. Wessanen works on all of these aspects and more, contributing to a healthier planet.

In order to track our performance, we are measuring the amount of packaging material we put onto the market, expressing it as the ratio versus packed product. This ratio dropped from 0.17 in 2014 to 0.12 in 2015 thanks to the acquisition of Abafoods. The Dairy Alternatives activity has a low ratio packaging/product. This ratio was stable in 2016.

Our goal is to further reduce this ratio by actively analysing and optimising our different packaging formats.



Source: INCPEN, Table for one. 2009, The Industry Council for Packaging and the Environment: Reading.

Sustainability Report

KPIs 2014 – 2016

KPIs – Healthier Food

Indicator	2016	2015	2014
Organic products [1, 9] % net sales	74%	72%	69%
Products respecting nutritional policies [1, 9] (% net sales of nutritional brands (Allos, Bjorg, Evernat, Isola Bio, Kallø, Tartex, Zonnatural))	86%	87%	86%
Suppliers certified GFSI % PTO	82%	63%	55%
Number of fines for non regulatory compliance	–	–	–

Healthier Food
Healthier People
Healthier Planet

KPIs – Healthier People

Indicator	2016	2015	2014
Fair trade products [1] % net sales of hot drinks and chocolate	56%	60%	57%
Employee training hours Hours per FTE	19.9	25.0	11.4
% of women in management positions	54.3%	55.2%	49.2%
% of women	53.5%	52.4%	54.2%
Lost time injury Injury per 100 FTEs	2.6	3.1	2.5
Suppliers having signed CoC % PTO	85%	81%	47%

1 KPIs on products are expressed as % of net sales. In previous years they were expressed as % of gross sales. Data for previous years have been corrected in this report.

2 Lease cars not covered

3 Abafoods data not available

4 Direct emissions from operations include our natural gas consumption, as well as the consumption of leased cars. All other possible Scope 1 sources as included in the GHG protocol are excluded because they are not relevant for us or non-material accounting for <0.5% of total scope 1 and 2 emissions.

5 The 2015 diesel and petrol consumption for the German sites (Bremen, Drebber and Freiburg) have been adjusted during the data review in 2016.

6 Flights have been adjusted. Last year intercontinetal flights were reported which were in fact continental flights

7 Based on new insights the outsourced diesel consumption (customer to warehouse) was adjusted for 2015

8 The 2015 figures of weight of packaging and product weight are adjusted for Bio Slym.

9 Bioslym net sales data (total, organic, vegetarian, products in nutrional brands) are adjusted for 2015. Now only 3rd party sales are included.

KPIs – Healthier Planet

Indicator	2016	2015	2014
Vegetarian products [1,9] % net sales	96%	96%	96%
Renewable electricity consumption	96.6%	93.8%	77.7%
Scope 1 emissions: own operations and lease cars [4] tonnes CO_2	6,649	5,888 [5, 10]	1,835 [2]
Scope 2 emissions tonnes CO_2	229	380	419
Emissions from goods transport & (part scope 3) tonnes CO_2	24,516 [3]	25,322 [6, 7]	-
Total emissions tonnes CO_2	31,394	31,590	-
Total emissions ratio tonnes CO_2/net sales € millons	57	63	-
Physical waste [11] % sold volume	0.48%	0.41%	
Packaging ratio	0.12	0.12 [8]	0.17

10 Bioslym 2015 figure of gasonline/petrol was adjusted to diesel

11 Waste data do not cover Abafoods and Bioslym

Sustainability Report

External benchmarks

External benchmarks and ratings

Global Reporting Initiative (GRI)

Wessanen reports according to the Global Reporting Initiative guidelines (GRI-G4), in accordance with the core application level. More information is available at www.wessanen.com/en/what-we-care-for/data-performance

Carbon Disclosure Project (CDP)

We annually participate in the Carbon Disclosure Project (www.cdproject.net), which is intended to inform investors, legislators and other stakeholders on global carbon emissions and climate change.

For the year 2015 we were ranked at level C (awareness). The CDP recommended us to have our emissions data externally verified and to define reduction targets.

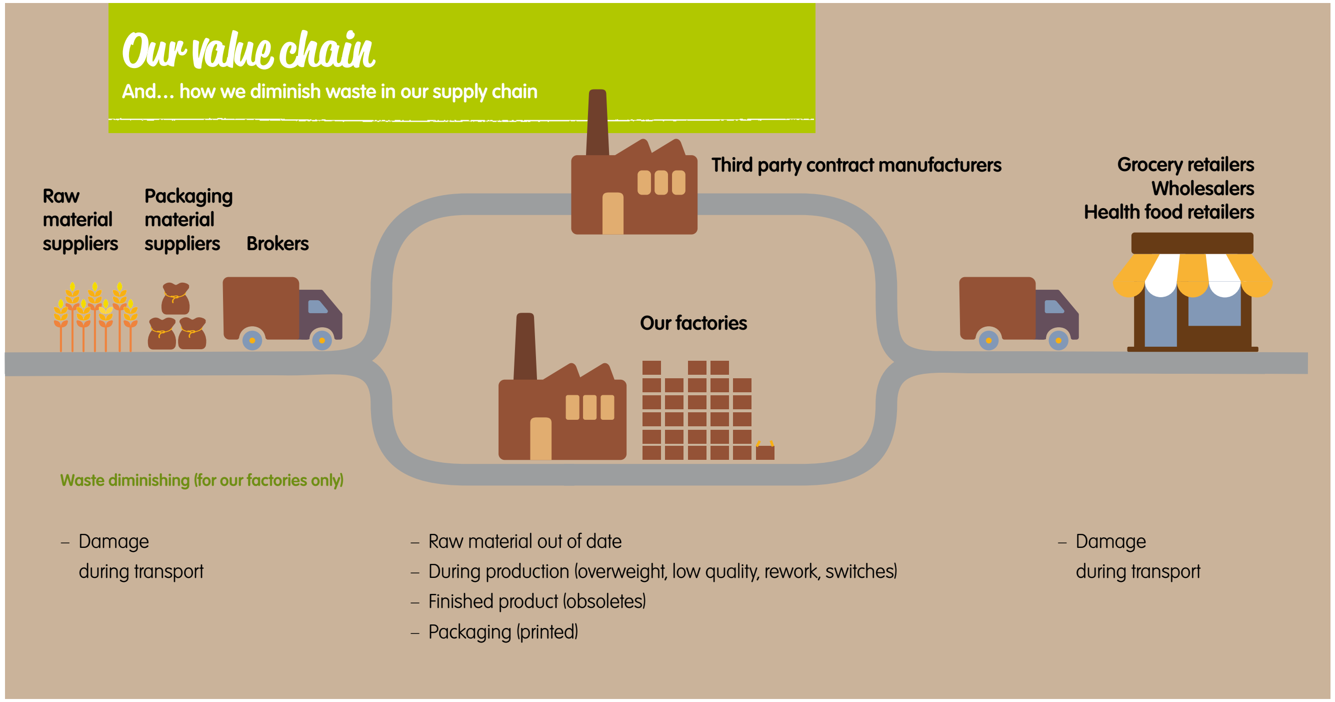
Dutch Transparency Benchmark

The Transparency Benchmark of the Dutch Ministry of Economic Affairs, Agriculture and Innovation (EL&I) provides details on how over 400 of the largest Dutch companies report on their CSR activities. It charts transparency in sustainability reporting and also measures trends in the quality and quantity of CSR reporting.

Every year the Netherlands Ministry of Economic Affairs scores all listed companies based on the transparency of their communications and the content of their annual report.

In 2015, we were ranked 48 out of 461 companies, with a total of 161 of 200 possible points.

In 2016 we moved up to rank 31 out of 484 companies, with a total of 180 of 200 possible points.



Stakeholder interviews

What makes Wessanen a sustainable business?
Wessanen has a portfolio of strong organic brands coupled with great brand management and clear distribution channels. The company has developed solid partnerships over the years with organic retailers in various markets. They make a point of communicating their company values to partners and customers, so we know exactly what they represent.

What will be our main challenges in the upcoming year?
Since brands such as Allos will only remain viable in the long term through sales at specialist retail outlets, the specialist retail network needs to be improved. Genuine product innovations and innovative marketing concepts will become more important in establishing our brands in the future.

In what areas do you think we need to improve?
The growing need for a reliable raw material supply should not detract from the focus on quality. Customers' demand for regionality, also in terms of manufacturing, requires an authentic approach. Two other key factors are transparency and customisation.

Michael Radau
Managing Director, SuperBioMarkt AG

What makes Wessanen a sustainable business?
We have been working with Wessanen for several years. During that time, we have come to know Wessanen as a company with a great vision and a clear strategy. Professional staff, consistent actions, credibility, a long-term partnership and an open-minded culture – that is what Wessanen represents to us.

What will be our main challenges in the upcoming year?
We believe it is important for Wessanen to continue on the path of sustainability consistently, to maintain its quality levels and to not compromise on quality in dealing with the competition. In tough economic times it might be challenging to remain true to your vision, but it's really worth it in the long run.

In what areas do you think we need to improve?
It's not for us to say in what specific ways Wessanen should improve, but we have found that in order to achieve business excellence you need to establish a system of continuous improvements along all the value chain. Taking small steps forward, day-by-day, celebrating and communicating success – those are the drivers for improving business excellence. In that sense, Wessanen is definitely on the right track.

Andreas Hasler
Head of Marketing and Sales, Chocolats Halba

Picture:
Natural brown rice has not undergone any refining or industrial process. It is an organic and raw rice with strong and authentic taste.

Stakeholder interviews

What makes Wessanen a sustainable business?

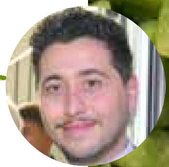
Wessanen's sustainability strategy shows clearly the strong commitment of the company in helping to improve people's diets and the way food is produced. 'Healthier food, Healthier people, Healthier planet' perfectly embodies the mission of the European Organic Movements to increase the amount of European agricultural land used for organic farming and to provide high-quality organic food to every home, workplace and institution.

What will be our main challenges in the upcoming year?

One of the big challenges for both Wessanen and the organic movements is to go beyond a one-dimensional understanding of sustainability. Focusing on sustainable production methods, ingredients, products or processes is only part of sustainability.
We should strive to have an impact on multiple fronts, targeting the connections between all actors in the value chain, in our communities and in our environment.

In what areas do you think we need to improve?

In order to be a trustworthy company, Wessanen needs to continue working on improving the integrity and fairness of its supply chain. I would also like to see Wessanen become more engaged in sharing its philosophy, strategy and its concrete actions with other organic companies and among the organic movements.



Eduardo Cuoco
Director IFOAM EU

What makes Wessanen a sustainable business?

The promotion and growth of organic products is proof of long-term, sustainable action and therefore a meaningful contribution to nature and society. Wessanen's corporate policy of long-term strategies and sustainable action clearly distinguishes Wessanen from other businesses in the market. We are inspired by the clear strategic positioning and the dramatic change the company has undergone over the past decade. We believe the selection of high-quality brands and the clear mission statement 'Healthier Food, Healthier People, Healthier Planet' can really make a strong impact on European consumers.
Sustainable economic activity also includes the creation of meaningful and responsible partnerships. Only then can we ensure the effective specialisation of our partners. We aim to achieve the highest quality levels and a reasonable value-for-money proposition, because we know that this will satisfy our current customers and allows for continuous customer maintenance and growth in the future.

What will be our main challenges in the upcoming year?

In our eyes, raw material sourcing will be one of the biggest challenges within the next few years. Together, we will need to secure high-quality raw materials in the growing organic food market. Long-term partnerships and sustainable sourcing strategies are the only means available to counteract market trends. Another challenge we see is the harmonisation of regional and international. This means we will need to communicate the benefits of an internationally operating business to consumers. We should be prepared for customers demanding a more sophisticated range of products to satisfy their needs in the future. Finally, and most importantly, our visions are brought to life by the people working with us. To find people with the right set of values and the ideal combination of philosophy and economic thinking will pose a particular challenge to our businesses.

In what areas do you think we need to improve?

Achieving a leading position in the organic food market requires us to share expertise. Therefore, a mutual and regular exchange of knowhow and best practices is of great importance. Not only with regard to our products, but also market trends and developments, raw material sourcing, and product-centred factors like packaging. Close communication along the entire value chain, especially with regard to capacity planning, is the foundation of a good, long-term and sustainable partnership.

Andreas Hubmann
Minderleinsmühle GmbH

Picture:
Organic bell pepper is not only an excellent source of carotenoids, but also a rich in vitamin C. Thus, a healthy and tasty ingredient for our spreads.

Sustainability Report

Connectivity matrix

At Wessanen, Sustainability is not an extra aspect of our business, it is right at the core of what we do. That's why we believe in integrated thinking, planning and execution. In the following table we aim to give insight into the way our Sustainability KPIs connect to our mission, strategy and risk management approach. We are working on further defining and detailing these connections.

Mission	KPI	Target	Result 2016	Material topic	Related risks	Strategic pillar
Healthier food	**Organic products**	80% by 2020	74%	Organic (5)	Food safety risks	1, 3
	Products respecting nutritional policies (Allos, Bjorg, Evernat, Isola bio, Kallø, Tartex, Zonnatura)	95% by 2020	86%	Healthy food (3)	Food safety risks & food scandals Government – laws and regulations	1
	Suppliers certified GFSI	85% by 2017	82%	Consumer health & safety (4)	Interruption in our supply chain Strategic position of suppliers	2
	Number of fines for regulatory non- compliance	0	0	Regulatory compliance and labelling (2)	Food safety risks and food scandals	1, 2
Healthier people	**Fair trade products**	60% by 2020	56%	Ethics in the supply chain (6) Fair trade (11)	Food safety risks and food scandals	1, 3
	Employee training hours (Hours/FTE)	›15	19.9	Fair working conditions (9) Sustainable employability (15)	People and talent management	3
	% women in management positions	›50%	54.3%	Fair working conditions (9)		3
	% women	›50%	53.5%	Fair working conditions (9)		3
	Lost time injury	No targets	2.6	N/A		2, 3
	Suppliers having signed CoC	100% by 2020	85%	Ethics in the supply chain (9)	Interruption in our supply chain Strategic position of suppliers	2, 3

Sustainability Report

Connectivity matrix

Mission	KPI	Target	Result 2016	Material topic	Related risks	Strategic pillar
Healthier planet	**Vegetarian products**	Maintain a high % of vegetarian sales. Target ›95%	96%	Carbon emissions and climate change food (1) Vegetarian (23)	Sustainability of our strategy Food scandals	1, 3
	Renewable electricity	100% by 2017	96.6%	Carbon emissions and climate change food (1)	Sustainability of our strategy	2, 3
	Scope 1 emissions (tonnes CO_2)	No targets	6,649	Carbon emissions and climate change food (1)	Sustainability of our strategy	2, 3
	Scope 2 emissions (tonnes CO_2)	No targets	229	Carbon emissions and climate change food (1)	Sustainability of our strategy	2, 3
	Emissions from transport & (part scope 3)	No targets	24,516	Carbon emissions and climate change food (1)	Sustainability of our strategy	2, 3
	Total emissions (tonnes CO_2)	No targets	31,394	Carbon emissions and climate change food (1)	Sustainability of our strategy	2, 3
	Total emissions ratio (NR)	No targets	57	Carbon emissions and climate change food (1)	Sustainability of our strategy	2, 3
	Waste (% volume sold)	0.34% by 2020	0.48%	Food waste management (8)	Sustainability of our strategy	2, 3
	Packaging ratio	Further reduce the ratio	0.12	Carbon emissions and climate change (1) Packaging (14)	Sustainability of our strategy	2, 3

Sustainability Report

Dilemmas

Using bio-based plastics for our packaging

We believe that packaging is crucial to make food accessible in a safe & sustainable manner. However, despite this helping to reduce the environmental impact that the food system has on our planet, packaging also creates challenges of its own. For example, because it - all too often - ends up in nature; but also because it is made using non-renewable resources. A possible way to reduce the dependency on these, is to try and switch from so-called petro-based plastics to bio-based alternatives. The 'building blocks' to make bio-plastics are then not derived from fossil fuels, but from renewable biomass sources, such as vegetable fats and oils, corn starch, cane sugar, etc. Besides being renewable, an additional advantage is that, generally, the production of bio-plastic generates less greenhouse gas.

However, all this does not necessarily mean that the material is friendlier for the environment overall. Bio-plastics often cannot match the performance of traditional plastics in terms of mechanical & barrier properties (which causes a risk of unwanted food waste) and also the process of obtaining the biomass and reworking it into bio-based polymers, could require more energy than the highly efficient processes in place for fossil-fuel plastic manufacturing. In order to properly compare overall environmental impact of both types of plastic, one really needs to compare them by performing a full LCA (Life Cycle Assessment).

On top of that, other areas of discussion regarding the use of bio-plastics are the fact that certain bio-mass stocks are obtained from GM crops (PLA plastic from corn, for example), which is not acceptable for us. There's the distinct possibility that using bio-mass for plastics competes with the food supply of humans or animals. And thirdly, identifying and using new sources for making plastic brings new risks with it, in terms of food contact and migration of potentially harmful substances, for example.

In conclusion we can say that whilst Wessanen is seriously exploring ways of reducing the environmental impact of the packaging it uses, we do want to choose wisely and make sure we are using materials that do not cause problems elsewhere and that are safe for our consumers.

Being responsible about Climate change

We are conscious that climate change is an issue which cannot be ignored by any business. The agreement of COP21 in Paris was an essential step to bring all actors face to their responsibilities and to take their part in the battle.

We at Wessanen try to address it partly through our portfolio, which is mainly vegetarian and organic. Vegetarian diets have lower CO_2 emissions than animal based ones and organic agriculture is proven to better trap carbon into the soil than conventional, thanks to a very good soil management.

We have also moved our electricity consumption to a renewable source. Some companies in the Wessanen family are also compensating for their emissions (Wessanen UK, Alter Eco, Abafoods). We are now measuring closely our scope 1 and 2 emissions and get them externally verified. This is how we address the CO_2 impact and climate change issue.

However, given the urgency of the issue, we must do more and address emissions through the whole chain. As our product portfolio is very complex, it is almost impossible to measure our full scope 3 impact and take accurate science based targets. However, we can address it through other ways: continously reduce our environmental impact by optimising goods transportation, reduce waste in the food chain and compensate for our impacts.

Sustainability Report

About this report

We report additional financial and non-financial information according to the GRI guidelines version 4, option core.

The aim is to inform our stakeholders about our financial and non-financial developments, covering the calendar year 2016. In this report we present our progress on the material topics. The material topics, boundaries and scope were determined in conjunction with our stakeholders. The process for defining the material topics and report content, as well as the list of material topics, is described in the materiality determination.

Reporting process for sustainability information

Sustainability data is collected in January of each year. Some data has been collected in each location, others have been collected centrally. Once collected, the data was consolidated and submitted to trend analyses. Where necessary, data was verified with the relevant data provider. The data for this report was quantified. Where no data was available, it was estimated. No uncertainties or inherent limitations to the data were identified as a result of the measurement, estimation or calculation of data.

Our sustainability KPIs are presented in a table (page 37). Significant changes in definitions and measurement methods versus previous reporting periods are explained at the bottom of this table. In order to bring the reporting of product KPIs in line with our financial analysis and reporting, we have changed the calculation of KPIs from gross sales to net sales. In 2016 no changes regarding our sustainability policy and objectives were made, but the material topics have changed. We have adapted the external verification to cover the most material topic. We have mandated a third party to provide limited assurance on five KPIs, namely: organic, vegetarian, nutritional, fair trade and carbon emissions scope 1 and 2. We aim to provide our stakeholders with reliable data. As part of this process, our goal is to expand the external audit on our report in the coming years.

Reporting scope

The scope of our CSR performance includes all entities for which Wessanen holds management responsibility. Unless stated otherwise, the scope of our sustainability data encompasses all the Wessanen activities. This also means that subcontractors are not included, unless stated otherwise. Our sustainability reporting includes new acquisitions as of the first full year of ownership. Divestments that occurred during the reporting year are excluded for the full year. This means we have incorporated Piramide but not Destination, Mrs Crimble's or Biogran.

SGS

ASSURANCE STATEMENT

SGS NEDERLAND BV'S ASSURANCE OPINION ON SELECTED SUSTAINABILITY KPIs IN THE WESSANEN ANNUAL REPORT FOR 2016

NATURE AND SCOPE OF THE ASSURANCE

SGS Nederland BV was commissioned by Wessanen to conduct an independent assurance of selected sustainability KPI data in their 2016 Annual Report. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the 2016 data in for the following KPIs, contained in the table on page 37 of this report:

Organic products: % of net sales volume
Vegetarian products: % net sales volume
Products respecting nutritional policies: % of branded segment, by net sales volume
Fair trade products: % of net sales of hot drinks & chocolate
Renewable electricity consumption: % of total consumption
CO_2 emissions from own operations: tonnes CO_2 emissions from Scope 1 and 2

The information in the 2016 Wessanen Annual Report and its presentation are the responsibility of the directors and the management of Wessanen. SGS Nederland BV has not been involved in the preparation of any of the material included in the 2016 Wessanen Annual Report. Our responsibility is to express an opinion on the data within the scope of verification with the intention to inform Wessanen's stakeholders.

This report has been assured at a limited level of assurance using SGS protocols for evaluation of content veracity which are based upon internationally recognized guidance, including the Global Reporting Initiative principles of accuracy and reliability (GRI, 2013) and the guidance on assurance process and levels of assurance contained within the ISAE3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information. The CO_2 emissions from own operations were assessed according to standard ISO14064-3:2006, combined with the requirements from the WRI/WBSCD GHG protocol and Wessanen's own methodology as given in Wessanen's Sustainability CO2 emissions Procedure (version 1.1).

The assurance comprised a combination of pre-assurance research, interviews with relevant employees and consultants at Wessanen Head Office in the Netherlands, documentation and record review. Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, nothing has come to our attention that causes us to believe that the KPI data within the scope of our verification as reported by Wessanen in the 2016 Annual Report is not, in all material respects, fairly stated. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting.

Signed:
For and on behalf of SGS Nederland BV

Rebecca Bowens	**Henk Jan Olthuis**
Lead Auditor	**CCP Manager, Environmental Services**
SGS United Kingdom Ltd	**SGS Nederland BV**

STATEMENT OF INDEPENDENCE AND COMPETENCE

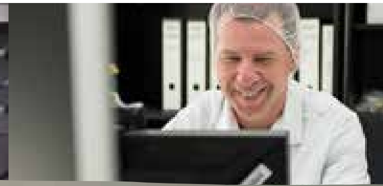
The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS Nederland BV affirm our independence from Wessanen, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders and confirm that our services are subject to independent 3rd party certification to ISO9001:2008. The assurance team was assembled based on their knowledge, experience and qualifications for this assignment and conducted the assurance in accordance with the SGS Code of Integrity.

GP5024 Issue 4

Interview

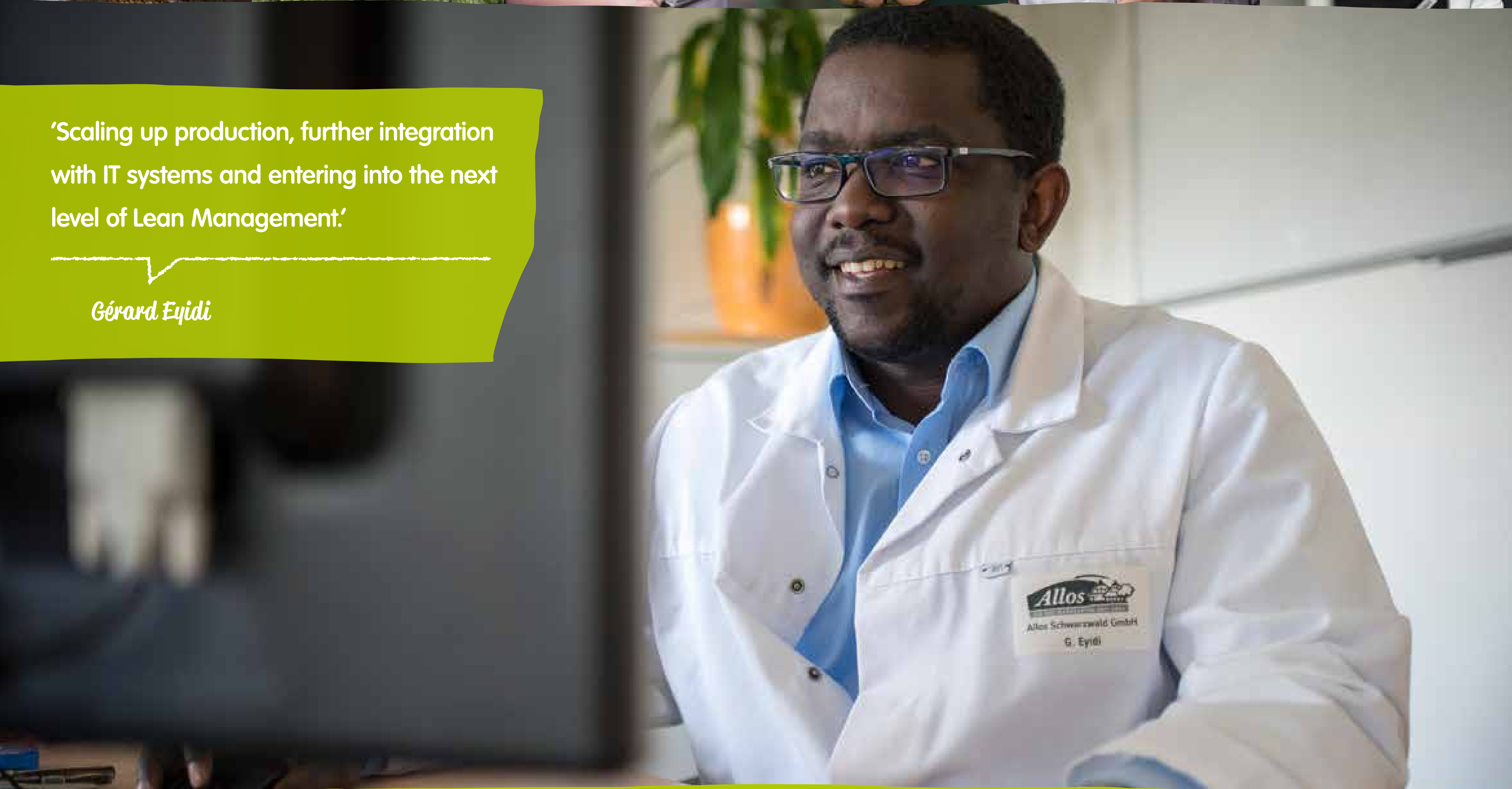




‘Scaling up production, further integration with IT systems and entering into the next level of Lean Management.’

Gérard Eyidi



Interview

How to manage planning of more than 300 products?

Gérard Eyidi (37) is a highly experienced production planner, who has worked in planning all his life. Inspired by complex planning challenges, he aims to serve customers and deliver the right products with the highest quality, on time and at the right place. At the same time he has the passion to produce more than 300 products in his planning portfolio in the most efficient way. 'It's the best of both worlds', he says.

He began his studies in Cameroon and then moved to Germany, where he received his Bachelor and Master degree in Transport and Logistics at the University of Applied Sciences in Heilbronn. During his studies, he did several internships in the food industry: 1) at Nestle in Cameroon, 2) at Friesland Food in Heilbronn in Germany, where he wrote his bachelor thesis on the topic: Forecast models in the food Industries.

He started his career at Bosch Rexroth (Bosch Group) in Nuremberg in the Logistics Department (Procurement and Production Planner) and at Keysight Technologies (former Business Unit of Hewlett Packard) in Stuttgart in the Order Fulfilment department (also as Procurement and production Planner).

After acquiring extensive experience in planning and logistics in these companies, he was able to fulfil his ambition of becoming an expert in food planning and was recruited by Allos in April 2015.

Heart of the production process

'In planning and logistics, dealing with natural foods and raw materials is in a different league altogether. I'm at the heart of the production process. Our Sales department provides me with forecasts and a demand planning schedule based on customer orders. We then translate this into an overall production plan: a kind of master plan for over 300 products with different tastes and packaging needs for thousands of customers all over the world. Of course there are conflicts sometimes, but we always manage to solve these. Not only to meet our customers' requirements, but also with the aim of producing as cost-efficient as possible and with as little waste as possible. This is quite a challenge.'

Flexibility through Lean Management approach

'On top of this we need to be flexible. Not only do we have last-minute deliveries, but we also need to bring in newly developed products. And if you know that we develop dozens of new products every year, you can imagine that we need to be 100 percent in control. We also manufacture some products for our sister company Bonneterre in France and Zonnatura in The Netherlands. These products are also integrated into our production planning process. The only way to solve all these challenges is by adopting a Lean Management approach and a minute-to-minute bird's eye view of processes that interact with each other in our plant.'

Team effort

'We can only succeed by working together as a team and communicating clearly. I work with our Senior Supply Chain Planner, Customer Services departments and Product Development on the order forecasts, including new products which need extra quality time. Also, there is a direct line to Bonneterre in France for the flexible products forecasts we need to add to the planning. At the plant I work closely with the production supervisors, floor management and the purchasing department to prevent shortages of raw materials and packing materials. I am very much part of the action!'

Dreaming of tomorrow

'I like the fact that I've been given more responsibility at Allos over the years I have worked here. I see many future opportunities by scaling up production, further integration with IT systems and entering into the next level of Lean Management. I couldn't be happier in my job!'

Gérard Eyidi

Production Planning Allos
Allos Schwarzwald GmbH – Freiburg, Germany

Tartex has been championing vegetarian eating for more than 70 years. Our production site in Freiburg is focussed on the production of various type of vegetarian bread spreads in glas, plastic and tube packaging.

Biographies

C.P.J. (Christophe) Barnouin

1968 French nationality

Executive Board member and CEO

Current term of appointment

2016–2020; first appointed in 2014.

Experience

Joined Wessanen in April 2006. Became CEO on 25 January 2014.

Former positions include managing director of Wessanen's French and Italian operations, marketing director at Mars and marketing and sales positions at Reckitt Benckiser and Orangina.

Ownership of Wessanen shares 137,089

R.J.J.B. (Ronald) Merckx

1967 Dutch nationality

Executive Board member and CFO

Current term of appointment

2015–2019; first appointed in 2011.

Experience

Joined Wessanen in June 2011 as CFO.

Former positions include CFO Europe for Britax Childcare International and financial positions in internal audit, controlling, investor relations and financial management at Unilever in the Netherlands, the UK and Germany.

Ownership of Wessanen shares 100,647

Total Performance Dashboard[1]

74%

% of revenue from organic certified products

In € millions, unless stated otherwise	2016	2015	% change
Income statement			
Revenue	570.0	523.0	9.0%
Operating result before exceptional items (EBITE)	41.2	34.7	18.7%
Operating result (EBIT)	34.3	34.6	(0.9)%
Profit for the period[2]	22.8	37.3	(38.9)%
Cash flow			
Generated from operations	51.2	39.2	30.6%
From operating activities	38.0	26.3	44.5%
From investing activities	(121.0)	(51.5)	
From financing activities[2]	60.7	(18.3)	
Net cash flow[2]	(22.3)	(4.7)	
Statement of financial position			
Average capital employed	218.4	175.8	24.2%
Shareholders' equity[2]	191.2	183.4	4.3%
Net debt/(cash)[2]	83.5	(17.5)	
Ratios			
EBITE as a % of revenue	7.2%	6.6%	
EBIT as a % of revenue	6.0%	6.6%	
Return on average capital employed (ROCE)[3]	15.7%	19.7%	
Return on shareholders' equity[2, 4]	17.9%	18.9%	
Leverage ratio (net debt/EBITDAIE)[2]	1.5	(0.4)	
Debt to equity[2]	43.7%	(9.5)%	
Capital expenditure to revenue	1.3%	1.5%	

	2016	2015	2014
Employees (in FTE)			
Average number	993	904	822
Number at year end	1,171	937	824

	2016	2015	2014
Sustainability			
Healthier Food			
Organic products	74%	72%	68%
Vegetarian products	96%	96%	96%
Products respecting nutritional policies	86%	84%	83%
Healthier People			
Fair trade (hot drinks & chocolate)	56%	60%	48%
Healthier Planet			
Scope 1 emissions (tonnes CO_2)[5]	6,649	5,888	1,835
Renewable energy	97%	94%	78%
Share price (in €)			
Highest share price	13.37	10.21	5.54
Lowest share price	6.97	5.04	2.84
At year end	13.31	9.35	5.25
Market capitalisation (in € millions, at year end)			
Market capitalisation[2]	1,005	706	399
Enterprise value[2]	1,089	688	372
Per share (in €)			
Profit for the period[2]	0.30	0.49	0.60
Dividend[2]	0.12	0.11	0.10
Equity at year end[2]	2.53	2.43	2.03
Shares in issue (basic) (in thousands)			
Average number	75,594	75,582	75,901
Number at year end	75,532	75,468	75,973

96%

% of revenue from vegetarian products

1 Continuing operations, unless stated otherwise.
2 Total Wessanen.
3 EBIT as % of average capital employed.
4 EBIT as % of shareholders' equity.
5 2014 excluding lease cars.

Financial review, Risk & Governance

Financial review

In 2016, continuing operations have realised revenue of €570.0 million and an operating result of €34.3 million. Net profit amounted to €22.8 million, resulting in earnings per share of €0.30. A dividend of €0.12 per share will be proposed to the AGM.

All figures in the financial review relate to continuing operations, unless stated otherwise.

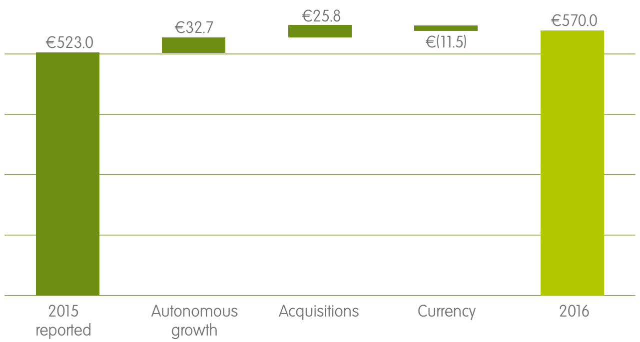
Revenue

In 2016, revenue amounted to €570.0 million, an increase of 9.0% compared to last year's revenue of €523.0 million. Autonomous growth was €32.7 million, or 6.0%. The acquisitions of the Piramide tea business in the Netherlands, Ineobio in France, Mrs Crimble's in the UK and Biogran in Spain in 2016 added €25.8 million, or 4.9%. A weakening of the British pound exchange rate impacted revenue negatively with €(11.5) million or (2.2)%.

Financial overview per segment

In € millions	Branded	Non-allocated	Continuing operations	Discontinued operations	Total
2016					
Revenue	570.0	–	570.0	–	570.0
Operating result before exceptional items (EBITE)	44.8	(3.6)	41.2	–	41.2
EBITE margin as a % of revenue	7.9%	–	7.2%	–	7.2%
Operating result (EBIT)	37.9	(3.6)	34.3	–	34.3
Average capital employed	204.1	14.3	218.4		
Return on average capital employed (ROCE)	18.6%	–	15.7%		
2015					
Revenue	523.0	–	523.0	21.7	544.7
Operating result before exceptional items (EBITE)	38.3	(3.6)	34.7	1.0	35.7
EBITE margin as a % of revenue	7.4%	–	6.6%	4.6%	6.6%
Operating result (EBIT)	38.5	(3.9)	34.6	(1.5)	33.1
Average capital employed	163.9	11.9	175.8		
Return on average capital employed (ROCE)	23.5%	–	19.7%		

Revenue development in € millions



Operating costs

Gross contribution margin increased only slightly from 41.0% to 41.1% in 2016.

Personnel expenses increased by €10.2 million to €91.7 million (2015: €81.5 million). Excluding Piramide, Ineobio, Mrs Crimble's and Biogran, personnel expenses increased by 7.4% or €6.0 million; this increase is mainly the result of higher severance payments and termination benefits of €4.4 million and an increase of share-based payment expenses of €0.6 million. The severance payments and termination benefits in 2016 mainly relate to restructuring plans at our German manufacturing plants Allos and Allos Schwarzwald in order to drive sustainable profit improvement.

Other operating expenses, excluding Piramide, Ineobio, Mrs Crimble's and Biogran, were up 6.8% to €97.6 million partly due to increased advertising and promotion expenses and advisory fees (including acquisition costs).

Operating result and EBITE

Wessanen's operating result from continuing operations decreased to €34.3 million (2015: €34.6 million). Excluding non-recurring items, EBITE increased 19% to €41.2 million from €34.7 million last year, representing a 7.2% margin (2015: 6.6%).

Financial review, Risk & Governance

Financial review

EBITE development in € millions

Operating result Branded

The operating result of Branded decreased to €37.9 million (2015: €38.5 million). Excluding non-recurring items, EBITE amounted to €44.8 million versus €38.3 million last year. Non-recurring items totalled €(6.9) million, mainly including (1) restructuring costs of €(6.6) million relating to Germany, to streamline the German operations and to downsize the Allos plant, and (2) integration costs of €(0.3) million in respect of Mrs Crimble's in the UK (2015: €0.2 million, mainly including a release from the Alter Eco restructuring provision, partly offset by provisions for severance payments).

Non-allocated costs

All corporate costs other than shareholder and stewardship costs are charged to the operating segments.

In 2016, these non-allocated costs amounted to €(3.6) million, compared to €(3.9) million in 2015. Excluding non-recurring items, non-allocated costs amounted to €(3.6) million compared to €(3.6) million last year.

Non-recurring items in 2015 of €(0.3) million mainly consist of (a) severance payments and termination benefits of €(1.2) million, (b) contract termination expenses of €(0.5) million related to Mr Merckens (former CEO of Wessanen), partly offset by (c) a settlement gain of €1.4 million as a pension plan for former employees of one of the Dutch companies, divested in 2014, was amended in 2015. After this amendment the pension plan no longer qualified as a defined benefit scheme.

Net financing costs

Net financing costs were €(1.8) million (2015: €(2.3) million). Interest expenses amounted to €(0.4) million (2015: €(0.4) million). Other financial income and expenses decreased to €(1.4) million (2015: €(1.9) million), mainly as a result of a lower net foreign exchange loss of €(0.7) million (2015: €(1.0) million).

Income tax expenses and paid

Income tax expense increased to €(9.7) million (2015: €(4.5) million), mainly as a result of (1) a decrease in the total amount of (previously unrecognised) income tax losses recognised in the Netherlands, Italy and France of €(4.3) million, (2) unrecognised income tax losses in 2016 of €(2.4) million related to the restructuring programs in Germany, partly offset by (3) the reversal of the write down of a deferred tax asset related to tax carry forward losses in 2015.

The effective tax rate of 30% (2015: 14%) deviates from the weighted average statutory income tax rate of 32%, mainly as a result of the aforementioned reasons.

Income tax paid in 2016 amounted to €(12.4) million (2015: €(12.0) million).

Corporate tax policy

At Wessanen, we believe that paying taxes is ordinary behaviour and part of our corporate social responsibility. Our corporate tax policy is in essence reflected by the following proclamations:

— Tax is not limited to corporate income tax but also entails VAT, wage withholding tax, social securities, stamp duties, packaging tax, dividend withholding tax, sales and use tax, (exceptional) solidarity surcharges, real estate tax, excise duties and any other taxes that Wessanen pays annually in multiple jurisdictions;
— Wessanen is tax compliant and pays the tax that is due and owed;
— Tax should be aligned with our commercial business and we therefore do not establish artificial tax driven structures that are not in line with (the spirit of) any tax regulations. This means that we do not maintain or implement aggressive tax planning structures or have entities located in tax haven jurisdictions solely for tax optimisation purposes;
— Wessanen has a limited tax risk appetite. With the strategic focus to build the most desired brands in healthy and sustainable food, Wessanen is aware of its brand and corporate reputational importance. Wessanen also believes that a high tax risk appetite may jeopardise this objective;
— Periodical meetings are scheduled by the tax department (joined by the CFO) with local management to discuss tax developments, our tax policy and any local uncertain tax positions in detail;
— Wessanen has a procedure in place that requires either the consultation or approval from Wessanen's Vice President Tax on certain material transactions or business restructurings in any of our jurisdictions to, amongst others, ascertain compliance with our tax policy and strategy;
— Wessanen's tax policy is subject to discussion with our stakeholders, including investors, NGO's and local tax authorities. Currently, the latter stakeholder dialogue further strengthens Wessanen in enhancing our low risk appetite tax policy;
— The effective tax rate of Wessanen or any of its affiliated companies is not a KPI of the tax department. Our tax department is measured against compliance targets and adherence to local tax regulations, such as compliance to local transfer pricing documentation requirements and establishing a legal framework in line with commercial business operations;
— Wessanen is transparent towards tax authorities and participates in a cooperative compliance program (horizontal monitoring ruling with the Dutch tax authorities);
— Wessanen has identified key tax controls that are part of the Company's Internal Control Framework ('ICF'). The effectiveness

of the tax controls are also subject to review by our Internal Audit department;
- Annually, our tax advisors issue a 'tax letter' to our auditors and tax department in which the main fiscal position of said jurisdiction is summarised, providing additional independent tax assurance;
- Wessanen monitors and tests its tax control framework on a regular basis. Errors detected will be corrected within the fiscal year;
- Tax systems are often complex and the application of tax law to the facts of a particular case may be unclear. For material transactions, independent external tax advice is generally sought and, if appropriate, approval from tax authorities can be obtained in relation to the application of specific tax legislation;
- A tax exposure report is presented to the Audit Committee at least twice a year;
- Wessanen is not impacted by current fiscal legislation to file tax on a country by country basis to local tax authorities in any of our jurisdictions in which we are active (due to the size of our operations);
- The legal entities of our continuing operations are solely domiciled in EU countries, which at the fiscal year end 2016 are: France, Germany, Italy, the Netherlands, Spain and the UK.

Our entities are subject to the following (effective) corporate income tax rates for 2016: the Netherlands 25%, France 34%, Germany 31%, Italy 31%, Spain 25% and the UK 20%.

Discontinued operations

The result from discontinued operations, net of income tax of €9.5 million in 2015 includes:
- The operating result of ABC for the three-month period ending 31 March 2015 of €(1.5) million;
- An after tax gain recognised on the divestment of ABC and Bio-Distrifrais-Chantenat of €11.0 million.

Net profit

Net profit amounts to €22.8 million (2015: €37.3 million). The decrease in net profit compared to 2015 of €14.5 million is mainly the result of the fact that in 2015 a net income from discontinued operations (net of income tax) was realised of €9.5 million and an increase of the income tax expense of €5.2 million.

Earnings per share

Earnings per share decreased from €0.49 in 2015 to €0.30 in 2016. This decrease is mainly caused by the decrease in net income from discontinued operations and the higher Income tax expense. The average number of shares outstanding amounted to 75.6 million (2015: 75.6 million).

Dividend policy and 2016 dividend proposal

The Executive Board decided on a new dividend policy. The previous dividend policy aimed at paying out a dividend of between 35-45% of the consolidated net result, excluding major non-recurring effects.

The new dividend policy of the Company aims at creating value in the long term. The objective of the dividend policy is to maintain a healthy financial structure and to retain sufficient earnings in order to execute Wessanen's four pillar strategy. Wessanen aims at paying out a dividend that is stable or growing over time. Before deciding to pay out dividend, Wessanen will assess whether more value could be created by (i) investing profit in the execution of Wessanen's strategy (such as investments in R&D, capital expenditures or acquisitions), (ii) improving Wessanen's financial position (debt repayment), or (iii) improving the position of its shareholders (share repurchasing). Accordingly, it may be decided not to pay dividend or to pay a lower dividend in any year in the future. No interim dividends will be paid.

In line with the new dividend policy, it is proposed to the Annual General Meeting of Shareholders to pay a dividend of 12 eurocent per share. The dividend will be paid wholly in cash.

Capex and depreciation/amortisation

The acquisition of property, plant and equipment amounted to €5.2 million (2015: €6.5 million), which represents 0.9% of revenue (2015: 1.2%) and 91% of depreciation (2015: 116%). The acquisition of intangible assets amounted to €2.1 million (2015: €1.6 million).

Depreciation was €(5.7) million (2015: €(5.6) million) and amortisation was €(1.9) million (2015: €(2.4) million). Impairments were recognised in the amount of €(0.2) million in 2016, mainly including an impairment loss recognised of €(0.5) million related to machinery and equipment at Allos following the restructuring, and a partial reversal of an impairment loss recognised in 2015 of €0.3 million relating to capitalised costs for a building construction project in France which project was revitalised in December 2016, after being put on hold in 2015 (2015: €(0.5) million).

Working capital

At year-end 2016, working capital increased to €47 million, being 8.2% of revenue (2015: €43 million, representing 8.2% of revenue). The cash inflow following changes in working capital amounted to €3.5 million in 2016 (2015: outflow of €6.2 million). Cash inflows from lower other receivables and prepayments and higher trade payables, were only partly offset by increased inventories.

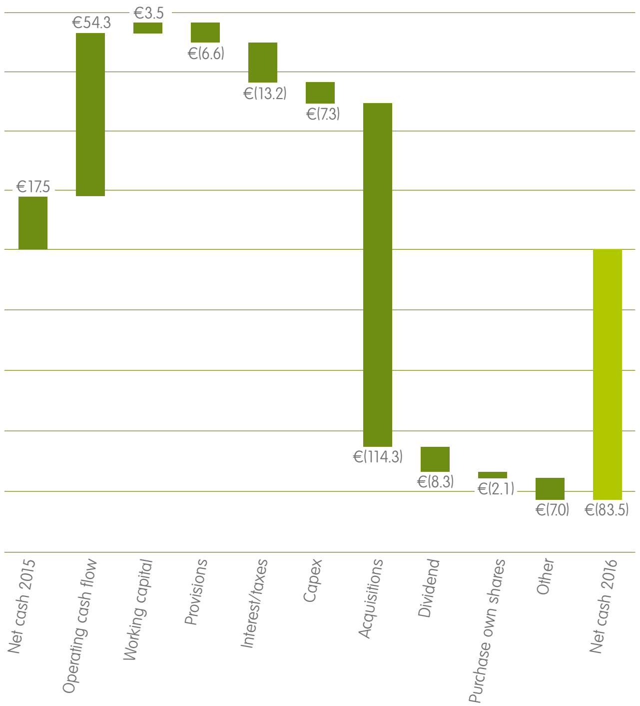
Cash flow from operating activities

Cash generated from operations increased to €51.2 million (2015: €39.2 million), mainly as a result of higher cash generated from operations before changes in working capital and provisions (€5.4 million) and working capital improvements (€9.7 million), partly offset by higher payments from provisions (€(3.2) million). Interest paid amounted to €(0.8) million (2015: €(0.9) million), while income tax paid increased to €(12.4) million (2015: €(12.0) million). Operating cash flow from continuing operations therefore amounted to €38.0 million (2015: €26.3 million). The operating cash flow from discontinued operations amounted to €(3.4) million in 2015.

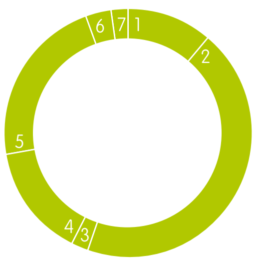
Financial review, Risk & Governance

Financial review

Net (debt)/cash development in € millions

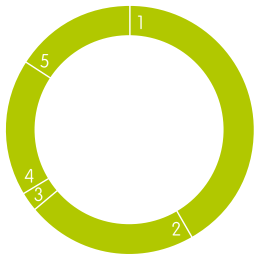


Balance sheet
Total assets at year end 2016 in € millions



1 Property, plant and equipment	€51.2
2 Intangible assets	€203.3
3 Other non-current assets	€9.4
4 Inventories	€68.5
5 Trade receivables	€101.0
6 Other current assets	€15.9
7 Cash and cash equivalents	€9.4

Total equity and liabilities at year end 2016 in € millions



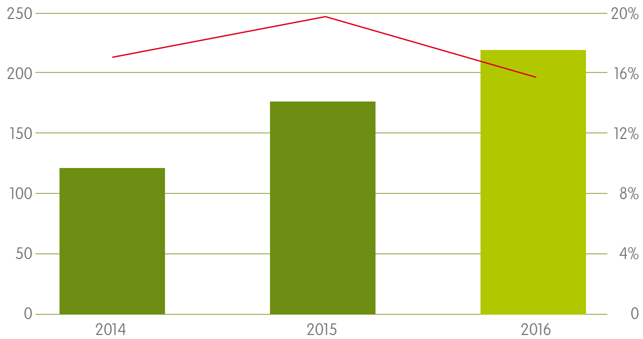
1 Total equity	€191.2
2 Non-current liabilities	€102.8
3 Bank overdrafts, interest-bearing loans and borrowings	€11.7
4 Trade payables	€80.5
5 Other current liabilities	€72.5

Total equity increased by €7.8 million to €191.2 million as at 31 December 2016, mainly due to the net profit of €22.8 million realised, dividends paid (€8.3 million), foreign currency translation loss (€5.2 million) and own shares repurchased (€2.1 million).

Average capital employed

To create economic value, we aim to achieve a return (= Operating result) on average capital employed (= Return on Capital Employed ('ROCE')) in excess of our pre-tax weighted average cost of capital over the medium term. Average capital employed increased by €42 million, from €176 million last year to €218 million,. Average capital employed yielded a 16% return (2015: 20%).

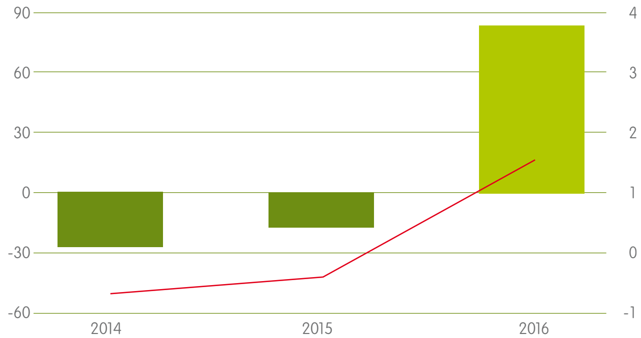
Average capital employed in € millions and ROCE in %



Net debt, debt funding and liquidity
Net debt development

The surplus of cash at year end 2015 of €17.5 million changed into a net debt position of €83.5 million at year end 2016, mainly due to the acquisition of the Piramide tea business, Ineobio, Mrs Crimble's and Biogran, income tax paid, dividend pay-out and repurchase of own shares, partly offset by cash generated from operations.

Net debt/(cash) in € millions and leverage ratio



Revolving credit facility

The Group has a committed €100 million revolving credit facility in place. The last refinancing was done in June 2015 whereby the existing facility was refinanced with ABN AMRO and ING. The credit facility is unsecured and the maturity is 2020 plus two extension options of both one year. The pricing grid over the relevant floating rate (EURIBOR or LIBOR) is based on the leverage ratio (Net debt to EBITDAIE of total Wessanen). The maximum aggregate amount which can be drawn under the 'accordion facility' (optional increase of the credit facility) is €50 million. Following the acquisition of Biogran in December 2016, the Company exercised the option to increase the credit facility by €25 million effectively as from 2 January 2017.

Financial review, Risk & Governance

Financial review

Under its financial covenants, Wessanen has to ensure that total net debt does not exceed 3.0 times consolidated EBITDAIE. A spike up to 3.5 times consolidated EBITDAIE is allowed under specific conditions for a maximum duration of two (consecutive) quarters.

At 31 December 2016 our net debt of €83.5 million amounted to 1.5 times consolidated EBITDAIE (2015: (0.4) times consolidated EBITDAIE as we had a cash surplus of €17.5 million). The facility has various other general and financial covenants that are customary for its type, amount and tenor. For example, Wessanen is not permitted to declare or pay a dividend exceeding 45% of its net results, excluding any non-recurring items, and there are certain restrictions in place in case of acquisitions. A violation of any of these covenants constitutes an event of default under our credit facility, which would, unless waived by our lenders, provide our lenders with the right to request for immediate repayment of the outstanding loan without the requirement of notice or any other formality. The Group has the ability to draw loans from the syndicated credit facility with maturities ranging between 1 week and 9 months. When a loan expires, this is, ceteris paribus, refinanced with a new loan drawn from the facility. The average interest rate on drawings for 2016 was 0.7% (2015: 0.9%).

Other loans and facilities

Other loans and liabilities as per year end 2016 mainly consist of loan financing, finance lease liabilities and reverse factoring at Abafoods.

Liquidity management

Wessanen manages its liquidity by monitoring and forecasting cash flow of its operating companies, debt servicing requirements, dividends to shareholders and other obligations. This approach ensures that, as far as possible, the Group will always have sufficient liquidity to meet its financial obligations when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Financing strategy

Our financing strategy is centred on securing long term financing in order to support autonomous growth and acquisitions.

The Company's capital structure balances the following objectives in order to meet its strategic and operational needs:
- Ongoing access to debt and equity markets;
- Sufficient flexibility to fund add-on acquisitions;
- Optimal weighted average cost of capital;
- Mitigating financial risks.

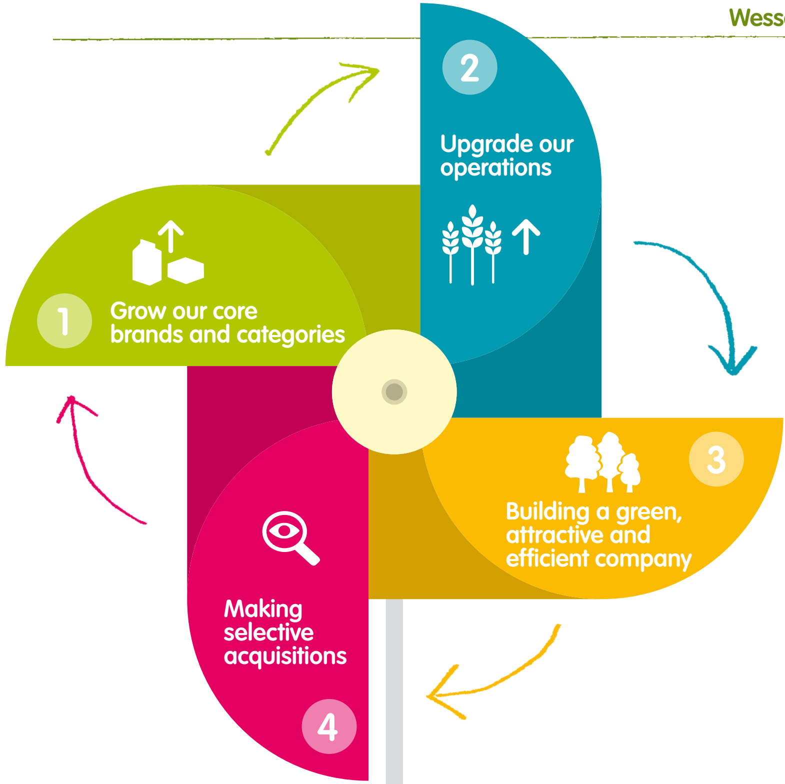
Our targeted net debt level is below 2.5 times consolidated EBITDAIE, but our actual net debt levels can be higher or lower depending on acquisitions and divestments, access to capital markets and the timing of cash flows.

Coffee? Yes please!

Organic and fair trade coffee has become an increasingly important product category for us since the integration of Alter Eco in 2014 and Destination in 2016.

Financial review, Risk & Governance

Principal risks and opportunities



The Executive Board is responsible for setting risk management policies and strategies. Wessanen's Risk Management and Internal Control Framework are integral parts of our business model and are designed to identify and manage risks as we pursue our overall corporate objectives.

Doing business and risk management

In our business process framework we have defined how we manage our business from setting our high level vision, mission and strategy, down to day-to-day operations. The related processes we have implemented help us understanding, managing, monitoring and improving our activities. As part of this framework we have identified controls in the Internal Control Framework (ICF) which is designed to actively mitigate various risks at all levels and in all areas of our organisation. As such risk management is not seen as a separate element of doing business; it's an integral part of our business model. Moreover, the way we deal with it is considered to be a key driver to the long-term success of Wessanen.

Based on Wessanen's vision and mission, the Executive Board determines the strategy of the Company and aligns it with, among others the Supervisory Board and the Executive Leadership Team (ELT). Annual plans and budgets including KPIs are set for all operating companies. Consequently, Quarterly and Monthly Business Reviews (QBRs and MBRs) between the Executive Board and the management teams of our operating companies are held. In these meetings, both the financial and non-financial performance is discussed and where necessary improvement plans are agreed upon and progress is actively monitored. As an integral part of QBRs, forecasts and related risks and opportunities of these plans are specifically addressed.

Additionally, our policies and procedures including controls should ensure that on a daily basis our key processes, such as purchasing, sales and financial reporting operate as intended. Process owners and control testers of these processes assess

Financial review, Risk & Governance

Principal risks and opportunities

actively the effectiveness of our internal controls by performing ongoing reviews which are recorded and documented in a designated tool. This assessment includes entity-wide controls. Any improvement points are to be addressed by an action plan. Both the assessments and the potential action plans for identified issues are reviewed by Internal Audit. Internal Audit reports to the Executive Board and Audit Committee about the progress of the tests, the outcome and the action plans on a quarterly basis.

The quality departments within Wessanen address food related risks throughout the entire supply chain. The team reports any issues to the Organic Expertise Centre to ensure issues are analysed and proper actions are taken to resolve the issues and prevent them from happening again.

At least annually the Executive Board assesses risks and opportunities based on input from senior management. These risks relate to strategy, operations, finance, and compliance, and includes a review of fraud risk too. Identified risks are periodically assessed on vulnerability and potential impact and where deemed necessary action plans are defined and follow-up is monitored.

Risk response and appetite

Our response to the risks identified are categorised along four types: Terminate, Treat, Transfer and Tolerate. They also reflect the risk appetite. i.e. the willingness to take risks.

The lowest risk appetite results in a response to Terminate the risk. However, when doing business we take risks but take them carefully, in other words we mitigate or reduce risks (Treat). Sometimes we choose to Transfer risks partly to other parties. For instance, the financial risks related to a fire in our factory are insured. Finally, there is an option to accept risks (Tolerate) as we deem the risk and impact low or we cannot influence a certain risk.

Below we show our risk appetite per category.

Category	Generic risk response and appetite	
Strategy – longer term objectives As part of our multi-year strategy, we are developing new and growing existing products, and we are extending our customer-base, channels and markets in line with our strategic objectives.	Treat	We take risks when doing business but we take them carefully, our planning and control processes and procedures support our decisions. They should also give us the right information on the Key Performance Indicators (KPIs) set, to take timely action in case the outcome of our decision is not in line with our plans. As one of our strategic pillars specifically focuses on building a green, attractive and efficient company we ensure that our activities are aligned with our sustainability goals.
Operational activities – shorter term objectives Improving and maintaining operations effectively and efficiently is an ongoing activity. By making it one of our strategic pillars, we are highlighting its importance for the long-term success of our organisation.	Treat	We take risks when doing business but we take them carefully, our planning and control processes and procedures support our decisions.
Financial position This category relates to risks and uncertainties with respect to our financial position (e.g. foreign exchange risk, currency risk, interest rate risk and uncertainties in acquiring financing).	Treat / Terminate	In order to be able to achieve our goals we take decisions that may affect our financial position. However, we have strict policies and procedures including KPIs, part of which are also formally determined by the covenants agreed with the banks.
Financial reporting This category relates to accurate and transparent reporting, complying with IFRS, as well as following internal policies and procedures to ensure consistent and accurate reporting in order to support decision making processes and to create the right level of transparency to our stakeholders.	Terminate	We do not allow issues here, we simply want to and have to comply with the rules. Hence, our risk appetite is nil.
Rules and regulations This category relates to complying with (inter)national laws and regulations, both general and business specific rules, such as those related to food quality and safety. It is the basis of good governance, but it also has a high strategic relevance.	Terminate	We do not allow issues here, we simply want to and have to comply with the rules. Hence, our risk appetite is nil.

Financial review, Risk & Governance

Principal risks and opportunities

Top risks

As a result of the risk management sessions and ongoing assessments of our risks (ICF testing and QBRs) we have identified the following top risks. It means that these risks score relatively higher on vulnerability and potential impact than other risks identified. Although these risks may have a negative connotation, adequately dealing with them could enable us in reaching our strategic objectives. Hence, they can be seen as opportunities as well.

1. **Food safety and food quality.** Controlling risks related to food safety and quality are of utmost importance to our Company. Customers and consumers need to fully trust the quality and safety of our products. This relates not just to the safety of our consumers but also to fraud for example with ingredients. Although we can control our own risks, we may be affected by issues that occur outside of our control. This could have a positive effect on our organisation in case our operations remain flawless and consumers see us as a good and trustworthy alternative. If issues or scandals happen within the arena we operate in (organic products) it could also damage our reputation. We have strict policies and procedures ensuring we prevent issues from happening, and detect risks as quickly as possible. Due to the ever increasing importance of this theme, we are reviewing the organisational structure of the quality departments, in order to see whether we can further improve our processes.

2. **Innovation to create revenue growth.** In the competitive market Wessanen is in, innovation is a key driver for long term success. Conventional food companies, new entrants as well as private label may enter the attractive (niche) markets. Innovations which we are able to bring to the market successfully should secure or even improve the good position of our brands. With our Innovation Boards we coordinate and evaluate the innovation projects.

3. **Effective and efficient supply chain.**
   - Our key suppliers have a strategic position: they co-operate with us in innovating products and they should deliver goods without any issues. As a consequence, we ensure there is an intense relationship with them and monitor the quality of their services continuously. It goes without saying that we have clear contractual agreements with the suppliers and tender where deemed necessary. In order to avoid being too dependent on these suppliers we increase the make versus buy ratio. By doing so, we can improve our innovation capacity too.
   - Internally we continuously run projects to improve the supply chain processes in order to make them more efficient and effective. Smooth and lean supply chain helps us serving our customers in the best way possible. This year we have worked hard on improvement projects in Germany, Italy and France specifically.

A more comprehensive list of key risks and opportunities has been included on pages 58-61.

Wessanen's risk profile and main developments in 2016

This year we have been able to acquire various new businesses, fully in line with our strategy. Piramide, Ineobio, Mrs Crimble's and Biogran were added to the family. These acquisitions differ a lot in complexity. One business can be integrated quite easily into an existing one, whereas the other requires a longer integration process. For each acquisition we ensure there is an approach to integrate with the correct speed and depth, although the same policies and procedures will apply to all new businesses.

Another project that has had an important impact on our risk profile was the successful SAP Go-Live at Abafoods in Italy. Having all our businesses on the same ERP platform creates consistency and reduces complexity.

Our new financial consolidation tool (Tagetik) went live in January 2016. This tool has improved our reporting process a lot, in terms of reducing complexity and manual intervention needed. Hence, this has further improved our control environment. We have also been benefiting from our intern control tool SAP GRC, which was implemented in 2015 and partly in 2016. We are now able to test the effectiveness of our internal controls more efficiently throughout the entire year and more effectively manage segregation of duty risks in our systems. We have identified additional improvement steps to get more information from the system with less effort, by using automated control monitoring. Finally, we have made progress in rolling out the master data work flow (Winshuttle), which ensures improved quality of our master data.

Financial review, Risk & Governance

Principal risks and opportunities

Management Letter: main conclusions and status

As part of their financial statement audit, our External Auditor shared their observations and recommendation on Wessanen's systems of internal control. More specifically, their test procedures focused on relevant controls that address the significant risks of any material error or omission in Wessanen's financial reporting in the following business processes and control areas:

Components of Internal Control (COSO based)	— Control Environment — Wessanen's Risk Assessment Process — The information system relevant to financial reporting and communication — Control activities — Monitoring of controls
Process Controls at component level and corporate functions	— Transactional and monitoring controls within: Sales, Purchasing and Financial reporting — Corporate functions (financial accounting and control and tax) — Controls over significant transactions (acquisitions of Piramide tea, Ineobio, Mrs Crimble's and Biogran)
IT Control Environment	— IT General Controls — Application Controls — SAP GRC / Monitoring of segregation of duty risks

The following observations are the main management letter issues reported by our External Auditor in 2016. These items were also identified in the Wessanen control self-assessments.

The auditor concluded that:
— Wessanen's system of internal control has strengthened in 2016 provided, amongst others, by investments in tooling and automated solutions (e.g. SAP GRC, Winshuttle and Tagetik). SAP GRC functionalities for example create further visibility over the effectiveness of the implemented control frameworks at each operating unit;
— Abafoods is now connected to Wessanen's SAP platform with the go-live on 4 July 2016 and we report progress in the implementation of the ICF, which brings further enhancement to Abafoods' control environment;
— Regarding business controls we see some common findings related to sales master data controls (e.g. pricing, commercial terms). These risks are mostly mitigated as a result of detective controls and the introduction of Winshuttle should further improve the process;
— Progress is made in controls over IT systems and infrastructure by following up on previously reported findings. The implementation of master data management tool 'Winshuttle' support changes in materials master data. Some residual risks related to consistent monitoring of high-privilege user activity requires further remediation;
— The tool SAP GRC resulted in less Segregation of Duty ('SoD') conflicts being reported. Further mapping of such conflicts to compensating controls or remedial actions is required to trace the follow up of these existing internal control gaps.

Improvement plans for 2017

Next to resolving (audit) issues reported in 2016, we have defined the following initiatives that should further improve Wessanen's control environment:
— Resolving the user rights issue in SAP ('SoD' conflicts);
— Kick-off of a project which entails standardising our processes where possible, in order to create more effective and efficient operations;
— Integration of Biogran, Mrs Crimble's and Ineobio;
— Completion of the project to improve master data management by means of a work flow system (Winshuttle);
— Implementing more automated controls and continuous control monitoring of our controls via SAP GRC.

Financial review, Risk & Governance

Principal risks and opportunities

The following key risks and opportunities have been identified. This list does not contain all the risks and opportunities we face, but they are considered to be the most relevant ones. The list is based on an assessment by the Executive Board. All risks have been reviewed for potential impact, what action we take to mitigate the risk or seize the opportunity. Additionally, we indicate to what strategic pillar it is related, what our risk appetite/response is and where there may be fraud risks. Finally, we explain what key developments there have been in 2016. See Note 25 to the consolidated financial statements for financial risks: liquidity risk, currency risk, interest rate risk, commodity risk and credit risk.

Risks & opportunities and potential impact	Actions	Strategic objective	Risk appetite	Key developments 2016
Strategic and market risks & opportunities				
Sustainability of our strategy This risk is quite generically applicable to all commercial businesses and although we are operating in interesting niche markets, there is a risk that we may not be able to execute our strategic agenda as planned. **Potential impact:** Missing or responding too late to changes in consumer preferences or changes in the competitive landscape could lead to loss of revenue and profitability of the Company in the long term.	— There are periodic assessments of the long term strategy by the Executive Board, as well as ongoing reviews of the progress of the strategic plans with the business leaders of our Company. — Market research and investigating market developments in order to identify opportunities for (new) brands, categories and/or products.	1 2 3 4	Treat	— We still see strong growth in the key areas we operate in, which we see as evidence that we are on the right track. — Additionally, we have stepped into new businesses, such as gluten free (Mrs Crimble's) and new markets (Spain - Biogran) for which we see strong growth potential and they are in line with our strategy.
Increased competition from new entrants and private label Operating in interesting markets may attract new entrants to the market, such as conventional food companies or private label. **Potential impact:** On one hand this means more attention for the area we work in, on the other hand it could result in increased pressure on our market share, and potentially affect our revenue and sales margins.	— Being in a branded business, we focus on our own core brands by creating products that our consumers believe in and love. — Increased marketing spend on our core brands, categories and products. Product innovation, renovation and activation to keep and grow our unique position in the market.	1 3	Treat and Tolerate	— We invested more in marketing to build our core brands and strengthen their positions in our markets. — We perform external scans to identify latest developments which are also input to innovations. — We have increased R&D power within our Company as a result of a higher make versus buy ratio.

Financial review, Risk & Governance

Principal risks and opportunities

Risks & opportunities and potential impact	Actions	Strategic objective / risk development	Risk appetite/ response	Key developments 2016
Innovation to create revenue growth The ability to realise long-term growth through innovation power to a large extent depends on our internal competencies and capacity and to an extent also on our key suppliers and our position with them. **Potential impact:** Not being able to introduce successful innovations could lead to a soften revenue growth or decline.	— Well planned product innovation, renovation and activation in core brands and categories to keep and to grow our unique position in the market. — Building strong relationships with our key suppliers in order to jointly come to new innovations. — Increasing make versus buy ratio to increase R&D power. — Successful products are introduced under key brands in other countries and where necessary adjusted to local preferences. — The success of innovations and product improvement projects are evaluated through our Innovation Boards.	1	Treat	— We have done key innovations for our brands such as Bjorg and Zonnatura and in core categories (e.g. Veggie meals and Dairy Alternatives). Some innovations have not been as successful as planned (Allos and Tartex). We analyse the root causes of those in the Innovation Boards to learn for future innovations.
Growth and value creation through acquisitions Besides autonomous growth, we aim to expand and strengthen our position through acquisitions. There is a risk that completed acquisitions will fail to match expectations. **Potential impact:** poor integration into Wessanen may lead to not achieving the objectives set at the time of buying the business.	— The acquisition agenda is aligned with our strategy. For both the acquisition and the subsequent integration process we form project teams with internal experts and where necessary external support. This should result in proper due diligence and in the end a successful integration into Wessanen.	4	Treat	— With the acquisition of Piramide, Ineobio, Mrs Crimble's and Biogran, we have taken important steps to accomplish our strategic agenda. The approach to the integration into Wessanen depends, to an extent, on the actual acquisition. Although we work from a standard integration work programme, every acquisition requires a tailor-made approach with the correct intensity. Integration of companies can be a complex exercise but we have not had any big issues in the current projects.
Key customers / distributors Too much dependency on key markets, products, segments and customers could make our business vulnerable. In this respect our negotiation power towards key customers remains relevant for our profitability. **Potential impact:** like in any commercial business, contracting or losing large customers could have a material impact on our revenue and profitability.	— Creating and maintaining a large customer base. — Establishing customer intimacy, understanding the needs of our customers and markets. — Monitoring and managing customer service levels through KPIs. — Motivated and competent sales force that functions well within our commercial and procedural boundaries. — Expanding our family of brands and companies as and when the right opportunity presents itself.	1 2 4	Treat	— In key markets we managed to realise strong organic growth. We saw challenges in our German business for which we have started concrete action plans to improve revenues and reduce inefficiencies within the supply chain.

Financial review, Risk & Governance

Principal risks and opportunities

Risks & opportunities and potential impact	Actions	Strategic objective / risk development	Risk appetite/ response	Key developments 2016
Operational risks & opportunities				
Strategic position of suppliers Wessanen has outsourced many of its activities related to production and logistics. We do this when we believe these suppliers can do it better and cheaper than us. Subsequently, we can focus on what we are good at. **Potential impact:** With too much dependency we may not be able to switch to another party if needed. This could negatively affect our position and reputation with our customers and consumers and have a material adverse effect on our financial position.	— Close relationship with our suppliers / service providers who are subject to quality audits. Specific controls have been implemented to detect (operational and fraud) risks. — Quality managers in all operating companies perform inspections on products and processes. — Balancing concentration for scale economies and overdependence on a limited number of suppliers or service providers. — Selectively increase our make versus buy ratio.	2 4	Treat and Transfer	— Risk and opportunity analyses of our key suppliers, including agreed upon improvement plans. — With some of the acquisitions we have become less dependent on suppliers.
Food safety issues in our business Operating in the food industry implies running (fraud) risks related to production failure, product quality issues and product recalls. It is of utmost importance to maintain a flawless reputation by having effective preventive controls and excellent and rapid reaction in case of issues. **Potential impact:** next to potential health issues for our consumers, food safety problems could harm the reputation of our brands and Company with our consumers and customers and eventually have a material impact on our financial position.	— Following strict food and product safety procedures. — Business continuity procedures to act in case of emergency. This includes effective and swift communication plans (e.g. via social media and other channels) to inform our stakeholders and protect our reputation and brands. — NFSC reviewing food safety systems. — Insurance contracts to manage potential financial consequences.	2 3	Terminate, Treat and Transfer	— There has been one product recall. This did not lead to safety risks for our consumers though. — Due to the ever increasing importance of this risk theme, we are reviewing the organisational structure of the quality departments, in order to see whether we can further improve our processes.
People and talent management Without our people there is no business. Highly motivated and competent staff make the difference. **Potential impact:** not having people with the right skills and competence in our organisation could adversely affect our ability to execute our strategy. In addition, a poor working environment could result in difficulties in attracting and retaining qualified staff.	— Leading by example. Living our values and principles. — Frequent performance and appraisal processes, including execution of personal development plans. — Providing equal opportunities: decisions on recruitment, employment, promotion and termination are based on objective and non-discriminatory criteria.	3	Treat	— Our performance and reward management system is in place and functions as intended. — Staff wide and local initiatives to establish the company-wide 'Building a green, attractive and efficient company'. — We have hired a new HR Director at corporate level to focus on performance and development of our staff. — Refer also to paragraph People matter.

Financial review, Risk & Governance

Principal risks and opportunities

Risks & opportunities and potential impact	Actions	Strategic objective / risk development	Risk appetite/ response	Key developments 2016
Leverage of operations We manage our operations on the full value chain i.e. from raw materials to our final customer. This includes managing centrally our suppliers, our factories and our warehousing and transportation network. Our factories should create interesting economies of scale. **Potential impact:** having excessive fixed costs if factory production is not competitive and similar products are sourced in the market, may lead to underutilisation.	— Strong supply chain teams in our factories and with our third party suppliers focusing our efficiency of our logistical processes, while not compromising any quality standards. — We manage our performance amongst others on customer service levels, forecast accuracy, scrapping costs and the number of consumer complaints.	2	Treat	— We work on standardising planning processes and efficient sales and operational planning across Europe; while we are increasing the efficiency of warehousing and transportation, improving factory productivity through projects and insourcing that is fully aligned with central sourcing. — We are further aiming at minimising waste and creating transparency in our supply chain.
Business interruptions - IT continuity management / cyber security Major disruptions to our ICT systems may have a serious impact on both primary and supporting business processes. **Potential impact:** Our service levels with our customers may be at risk, potentially leading to penalties and eventually risk of losing customers.	— We operate one Wessanen-wide ERP system (SAP) together with an integrated ICT Infrastructure, both of which we are continuously improving in order to enhance the stability and security. — Follow and test the effectiveness of security policies and Business Continuity Planning for the ICT infrastructure.	2	Terminate, Treat and Transfer	— Next to ongoing improvement initiatives we have rolled out SAP at Abafoods. — IT audits showed that we made progress in our IT control environment. We also executed audits on cyber security risks. Although we did find some points of improvement there were no significant issues in terms of continuity risk. As cyber risks evolve quickly we continue monitoring this area intensively.
Legal and compliance risks & opportunities				
Government – laws and regulations New government measures or other regulations could affect our business and financial position, and can be a threat to activities within a relatively short time frame. However, it could also create opportunities. For instance, we could benefit from regulations related to food quality and healthier products. **Potential impact:** New government measures could have a major impact (both negative and positive) on our business and financial position.	— Monitoring European and local governmental developments in laws and regulations by our specialists on e.g. food quality and packaging, financial reporting and tax. — The terms of our credit facility excludes the impact of any potential future changes in accounting principles (e.g. IFRS 16: Leases) on the ratios defined under the financial covenants.	2 3	Terminate, Treat and Transfer	— There have been no major changes in laws or regulations affecting our business.

Financial review, Risk & Governance

Corporate Governance Report

Compliance with Dutch Corporate Governance Code

The Dutch Corporate Governance Code (the 'Code') forms the basis for Wessanen's governance structure. Koninklijke Wessanen N.V. ('Wessanen' or the 'Company') complies with the Code by either applying its principles and best practice provisions or by explaining why it deviates from the Code. The Code's principles and best practice provisions are fully applied, with currently the following two exceptions:

- In deviation of best practice provision II.2.5, which provides that shares granted without financial consideration must be retained for at least five years or until at least the end of the employment. If this period is shorter, members of the Executive Board may sell shares to pay wage withholding taxes in connection with the delivery of shares related to such grant of shares. In view of the parallel requirement to build up and hold on to a significant portfolio of Wessanen shares under Wessanen's amended remuneration policy, which was approved at Wessanen's Annual General Shareholders Meeting in April 2015, members of the Executive Board may, in deviation of best practice provision II.2.5, at all times sell shares provided that the share ownership guidelines are met.
- In deviation of best practice II.2.5, further to which shares which are granted without financial consideration shall be dependent on the achievement of challenging targets specified beforehand, on 14 April 2016 Mr Barnouin was granted 42,917 performance shares which will vest on 1 April 2020 provided that Mr Barnouin (i) is still CEO of Wessanen on 1 April 2020 and (ii) has not given notice to terminate the relationship with Wessanen on or before 1 April 2020. The 'ultimate remedy' and clawback that is part of the remuneration policy applies to the Share Grant.
- Best practice provision II.2.8, which provides that the maximum remuneration in case of dismissal of a member of the Executive Board shall not exceed one year's salary, is not applied by Wessanen. In cases where the dismissal is a result of a change of control over Wessanen, the severance pay consists of one year's salary plus pay-out of the short-term cash incentive 'at target', plus the cash equivalent of the exercise value of all outstanding performance shares.

Substantial changes in the corporate governance structure will be submitted to the General Meeting of Shareholders for consideration.

Corporate Governance statement

In accordance with the Decree of 23 December 2004 regarding the implementation of further accounting standards for the content of annual reports ('*Besluit van 23 December 2004 tot vaststelling van nadere voorschriften omtrent de inhoud van de jaarrekening*'), as amended on 10 December 2009, Wessanen annually publishes a statement relating to corporate governance. As permitted under the regulations, Wessanen has opted to publish its corporate governance statement by posting it on its website, www.wessanen.com, in the Corporate Governance section.

This corporate governance statement, which describes Wessanen's corporate governance structure in detail, is incorporated by reference in Wessanen's 2016 Annual Report and Financial Statements and as such cannot be amended.

Information required pursuant to article 10 of the Takeover Directive Decree

Capital structure (article 1, paragraph 1a)
As of 31 December 2016, Wessanen's authorised share capital amounted to €300 million divided into 300,000,000 shares, with a nominal value of €1.00 per share each. Each share entitles the holder to cast one vote and to dividend payments. All shares are registered shares and can be included in the deposit system of the Act on deposit securities transactions ('*Wet giraal effectenverkeer*'.) As of 31 December 2016, the issued share capital was divided into 75,992,275 shares all of which have been fully paid up.

Restrictions on transfer of shares or depository receipts (article 1, paragraph 1b)
The Company does not impose under contract or in its Articles of Association any limitation on the transfer of shares or their depositary receipts issued with the cooperation of the Company.

Substantial participating interests (article 1, paragraph 1c)
Pursuant to Section 5.3 of the Financial Markets Supervision Act ('Wet op het Financieel Toezicht') shareholders having (potential) ownership of and (potential) voting rights on the issued capital in excess of 3% are required to disclose their interest to the Authority Financial Markets (AFM). As per 31 December 2016 the following entities had reported a direct or indirect substantial holding of shares in the issued capital of Wessanen:

Share ownership	Holding
Delta Partners, LLC	15-20%
Mr. Ch. Jobson	5-10%
Invesco Limited	3-5%

No special controlling rights (article 1, paragraph 1d)
There are no special controlling rights attached to the shares into which the Company capital is divided.

No share schemes (article 1, paragraph 1e)
The Company does not have any employee participation plan or employee share option plan and hence no mechanism for monitoring such scheme.

Financial review, Risk & Governance

Corporate Governance Report

No limitations on voting rights (article 1, paragraph 1f)
There are no limitations on the exercising of the voting rights attached to ordinary shares or the depositary receipts for ordinary shares.

No agreements limiting transfer of shares or depository receipts (article 1, paragraph 1g)
The Company is not aware of any agreements with shareholders which might give rise to a limitation on the transfer of ordinary shares or depositary receipts for ordinary shares issued with the cooperation of the Company, or in a limitation on voting rights.

Appointment and removal of members of Executive Board and Supervisory Board. Amendment of Articles of Association (article 1, paragraph 1h)
The members of the Executive Board are appointed and removed by the General Meeting of Shareholders. The full procedure of appointment and removal of members of the Executive Board is set out in articles 15 and 16 of Wessanen's Articles of Association. The members of the Supervisory Board are appointed by the General Meeting of Shareholders. The full procedure of appointment and dismissal of members of the Supervisory Board is set out in article 23 and 24 of Wessanen's Articles of Association. A resolution to amend the Articles of Association can only be adopted by the General Meeting of Shareholders on a motion of the Executive Board acting with the approval of the Supervisory Board. The full procedure of the amendment of the Articles of Association is set out in article 43 of Wessanen's Articles of Association.

Issue of shares and repurchase of shares (article 1, paragraph 1i)
Shares are issued pursuant to a resolution of the Executive Board, subject to the prior approval of the Supervisory Board. The authority vested in the Executive Board relates to all unissued shares in the authorised capital. The duration of this authority is determined by a resolution of the General Meeting of Shareholders and shall amount to a maximum of five years. If no authorisation is given, the issue of shares requires a resolution of the General Meeting of Shareholders. Such resolution may only be taken upon a proposal by the Executive Board that has been approved by the Supervisory Board. Currently, the Executive Board is authorised to resolve the issuance of shares for the purpose of employee, senior management and Executive Board long term stock option and share Incentive plans, with a maximum of 1% of the issued share capital per annum as per 14 April 2016. The General Meeting of Shareholders granted this authorisation until 17 October 2017 by resolution dated 14 April 2016.

Unless Dutch law prescribes otherwise, Wessanen shareholders have pro rata pre-emptive rights to subscribe for new issuances of shares. These pre-emptive rights may, subject to the prior approval of the Supervisory Board, be restricted or excluded by the corporate body that is authorised to issue shares. Wessanen may repurchase its own shares, subject to certain provisions of Dutch law and the Articles of Association.

Wessanen may not repurchase its own shares if (i) the payment required to make the repurchase would reduce shareholders' equity to an amount less than the sum of paid-in and called portions of the share capital and any reserves required by law or our Articles of Association or (ii) Wessanen and its subsidiaries would thereafter hold shares with an aggregate nominal value equal to more than 10% of the issued share capital. Shares owned by Wessanen may not be voted. Any repurchase of shares that are not fully paid-up is null and void.

A repurchase of shares may be effected by the Executive Board if the Executive Board has been so authorised by the General Meeting of Shareholders, which authorisation may not be granted for a period of more than 18 months. Most recently, the General Meeting of Shareholders granted this authorisation until 17 October 2017 by resolution dated 14 April 2016.

Change of control (article 1, paragraph 1k and 1j)
In the event of a change of control Wessanen's Revolving credit facility becomes immediately due and payable. Also, in the event of a change of control the members of the Executive Board and a small group of senior executives are entitled to a severance payment in case their employment agreement would end following such change of control, their annual short-term incentive will be paid out on the fixed assumption of at least an 'at target' performance and outstanding long-term incentive rights will vest. There are no other agreements that come into existence or may be amended or terminated in the case of a change of control and whose effect could reasonably be expected to have a material adverse effect on Wessanen's business, operations, property and condition (financial or otherwise).

Financial review, Risk & Governance

Statements of the Executive Board

Statement of Internal Control

Koninklijke Wessanen N.V. supports the Dutch Corporate Governance Code and makes the following declaration in accordance with best practice provision II.1.5:

The Executive Board is responsible for achieving the Company's strategy, objectives, goals and results as well as for establishing and maintaining adequate internal risk management and control systems consistent with our business. With respect to financial reporting, we have assessed whether the risk management and control systems provide reasonable assurance that the 2016 financial statements do not contain any material misstatements. We believe this report provides sufficient insights into any failings in the effectiveness of our internal risk management.

Our assessment included the review of the Company's principal risks and opportunities (as outlined on pages 58-61), evaluation of the design and effectiveness of entity-level controls and detailed assessments of key controls at process level in our operating companies. Any control weaknesses not fully remediated at year-end were evaluated. Based on this assessment, the Executive Board determined that the Company's financial reporting and risk management systems are adequately designed and operated effectively in 2016 and that there are no indications that these systems will not continue to perform adequately in 2017.

Compliance statement

In accordance with Section 5:25c, paragraph 2 of the Dutch Act on Financial Supervision, the members of the Executive Board confirm that to the best of their knowledge:

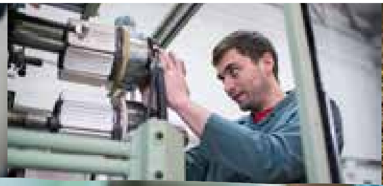
- The 2016 financial statements included in this Annual Report give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The report of the Executive Board included in this Annual Report gives a true and fair view of the position of the Company and the undertakings included in the consolidation taken as a whole as of 31 December 2016 and of the development and performance of the business for the financial year then ended; and
- The report of the Executive Board includes a description of the principal risks and uncertainties that the Company faces.

Amsterdam, 14 February 2017

Executive Board

Christophe Barnouin (CEO)
Ronald Merckx (CFO)







'Although my lines produce 350 tea packages per minute, quality is our trademark.'

Krystian Dubas

Interview

Well-oiled quality machine

Krystian Dubas (33) is relatively new at Clipper Tea in Beaminster, having joined the company five months ago. He lives in the town of Beaminster, only a fifteen-minute walk from his work. 'Rachael Goodfellow, my partner, and our one-year-old son Wilson really like it over here. Working close to home with a young family makes it easy to balance my professional and personal life.'

Krystian was originally unsure of what to do for employment and eventually trained as an electrician and worked in this field prior to joining the company. 'Of course I was aware of the Clipper Tea factory. Beaminster is a relatively small town, and all residents are familiar with the production facility. Clipper is a major employer in the area. I saw an ad in a local newspaper and was interested, and after several rounds of inspiring interviews I was offered the job.
The induction programme was well organised, and I also completed an intense six-week training course. During this period I learned quite a few things about Clipper Tea and was fully trained as a General Operator.'

Checking and checking

'We have eight packing lines and I operate two of them. We work with a small team: one operator and one packer, with dedicated support from an engineer when we need technical assistance. Although my lines produce 350 tea packages per minute, quality is our trademark. We perform quality checks for the tea bags, packaging and envelopes every 20 minutes. Our Quality Control Technician conducts a general quality check at a maximum of every two hours. By checking codes and numbers, we make sure we have the right blends and packs. We also use radio communications for additional checks and for any questions that might arise. All this makes us a well-oiled quality machine. We also manage our waste to an absolute minimum.'

Our professional opinions matter

'We have a target of 83% for operations. Of course we have downtimes sometimes and have to change to different blends and packaging envelopes. This means we have to think on our feet sometimes. We have two important opportunities for feedback: a daily meeting with our supervisor, Quality Control and our lead engineer, and a weekly meeting with the Health & Safety and Quality departments to discuss complaints, quality learnings and quality reports. This feedback helps us a great deal in making further quality improvements. What is also important is that we have our own ideas about improving production processes, health and safety, and quality.
Our professional opinions matter, making this a real team effort.'

Opportunities

'The company takes good care of us; we are one big family. Last year we were awarded the title of "Best Beverage Manufacturer of the Year". This, of course, is great and reflects our quality efforts. We offer our customers great-tasting products based on an environmentally sound and organic approach. This makes us different. I strongly believe in Clipper Tea. We are growing, and new investments are scheduled. This creates opportunities for all of us. As for my personal goals, I am hoping to become an engineer, because the requirements for this job suit my background and electrical engineering education.

Krystian Dubas

General Operator Line 10 Clipper Tea
Clipper Tea, Beaminster, UK

Since joining the Wessanen family in 2012 Clipper has flourished. The brand has been rolled out into many countries with great success, our production in Beaminster has been extended strongly and has become our centre of expertise for all tea brands. It seems that nobody can resist Clippers success formula – Natural, Fair, Delicious!

Report of the Supervisory Board

From left to right:
Frank van Oers, Ivonne Rietjens, Rudy Kluiber, Patrick Mispolet

Report of the Supervisory Board

Biographies

F. (Frank) van Oers
1959 Dutch nationality

Supervisory Board Chairman
Member of the Audit Committee;
Member of the SARC

Current term of appointment
2013–2017; first appointed in 2009.

Ownership of Wessanen shares
None.

Experience
Managing Partner Vorwerk & Co. KG.
Former CEO of Sara Lee International Beverage & Bakery Division.
Former Executive Vice-President of Sara Lee Corporation.

I.M.C.M. (Ivonne) Rietjens
1958 Dutch nationality

Supervisory Board member
Chairman of the NFSC

Current term of appointment
2016–2019; first appointment in 2012.

Ownership of Wessanen shares
None.

Experience
Full professor of Toxicology at the Agrotechnology & Food Sciences Department at Wageningen University. Member of the Dutch Royal Academy of Sciences (KNAW). Amongst others member of the Expert Panel of the Flavor and Extract Manufacturers Association (FEMA) (USA), the European Scientific Committee on Occupational Limit Values (SCOEL), the Dutch Health Council, the Scientific Advisory Board of the National Institute of Public Health & Hygiene (RIVM), and the Board of Trustees of the ILSI (International Life Sciences Institute). She is also a former member of the European Food Safety Authority and the German Senate Commission on Food Safety (DFG).

R.K. (Rudy) Kluiber
1959 American nationality

Supervisory Board member
Chairman of the Audit Committee
Chairman of the SARC

Current term of appointment
2016–2018; first appointment in 2012.

Ownership of Wessanen shares
None.

Experience
Co-founder and managing director of GRT Capital Partners LLC.
Former Senior Vice-President and portfolio manager at State Street Research & Management Company.

P.E.M. (Patrick) Mispolet
1959 French nationality

Supervisory Board member
Member of the NFSC

Current term of appointment
2016–2020; first appointment in 2016.

Ownership of Wessanen shares
None.

Experience
Private investor in consumer focused businesses. Former CEO of Orangina Schweppes for France and Belgium.

Report of the Supervisory Board

To the Shareholders

Meetings and activities of the Supervisory Board

During 2016, the Supervisory Board held six regular meetings and seven conference calls to discuss specific projects with the Executive Board. Besides these meetings and calls, the Chairman of the Supervisory Board also had regular contact with the CEO, and the Chairman of the Audit Committee had quarterly update calls with the CFO. As in previous years, representatives of the Supervisory Board met with the Central Works Council.

The Supervisory Board discussed subjects such as Wessanen's financial and operational results, Wessanen's strategic plan, Wessanen's 2017 budget, acquisitions, efficiency projects, large investment proposals, sustainability, food safety and nutritional policies, and local management changes.

The Supervisory Board paid specific attention to:

- acquisition projects. Acquiring selectively is part of Wessanen's growth strategy and one of Wessanen's four strategic pillars. The Supervisory Board was therefore happy to approve the following acquisitions in 2016:
  - the acquisition of the Piramide tea brand, which strengthens Wessanen's leadership in organic tea in the Benelux market and Wessanen's overall leadership in the Dutch HFS channel;
  - the acquisition of Ineobio International in France, an expert in organic coffee, tea and herbal infusions and the owner of Destination, the leading brand in coffee and tea in the French HFS channel;
  - the acquisition of Mrs Crimble's, the leading brand in the UK gluten-free market;
  - the acquisition of Biogran in Spain, which owns the leading organic brand in the Spanish HFS channel, el Granero, and which successfully extended into the Spanish Grocery Trade with the brand Ecocesta;
- Wessanen's rolling three-year strategic plan and Wessanen's 2017 budget plan, which were reviewed and challenged by the Supervisory Board;
- projects for the improvement of Wessanen's operations, one of Wessanen's four strategic pillars, and large investment proposals related thereto;
- the German restructuring plans to drive sustainable performance improvement;
- the execution of the integration of acquisitions;
- Wessanen's key initiatives regarding sustainability and nutritional policies;
- Wessanen's new dividend policy, which aims at creating value in the long term.

Composition of committees

Member

Member and chairman

	Audit Committee	SARC	NFSC	Supervisory Board	Audit Committee	SARC	NFSC
F. van Oers	Member	Member	–	13/13	4/4	5/5	
R.K. Kluiber	Member and chairman	Member and chairman	–	13/13	4/4	5/5	
I.M.C.M. Rietjens	–	–	Member and chairman	13/13			4/4
M.M. van Zuijlen[1]	–	–	Member				
P.E.M. Mispolet[2]	–	–	Member	8/8			3/3

1 Until 14 April 2016.

2 As of 14 April 2016.

The Supervisory Board visited the local management team of Kallø, based in the United Kingdom. Local management explained market trends and its plans for 2017.

Audit Committee

The Audit Committee convened four times in 2016. Messrs Barnouin and Merckx, the VP Corporate Accounting & Control, the Head of Internal Audit and the External Auditor attended all meetings. The Audit Committee spoke with the External Auditor in the absence of Messrs Barnouin and Merckx and the corporate staff after each of these meetings.

Recurring items on the Audit Committee's agenda were the 2016 financial statements, the semi-annual and quarterly results, the External Auditor's findings (including the management letter), internal controls, litigation, tax positions, and whistleblower reports.

Specific attention was paid to:

- the effectiveness and outcome of Wessanen's Internal Control Framework ('ICF'). In 2016 the ICF became more effective compared to previous years, by further investments in tooling and automated solutions. The implementation of the SAP module GRC resulted in less Segregation of Duty conflicts;
- updates on reports under Wessanen's whistleblower policy;
- the valuation of assets and annual impairment testing;
- the audit plan of the external auditor and the internal audit plan;
- the integration of acquisitions.

The Audit Committee evaluated the performance of Wessanen's External Auditor Deloitte. It concluded that Deloitte is sufficiently independent and objective and displays a critical and challenging attitude in respect of key audit matters. In view of Deloitte's continued satisfactory performance the Supervisory Board will propose to appoint Deloitte as Wessanen's External Auditor for 2018.

Report of the Supervisory Board

To the Shareholders

Selection, Appointment and Remuneration Committee (SARC)

The Selection, Appointment and Remuneration Committee held four meetings in 2016. Mr Barnouin attended all meetings and the HR Director attended three meetings.

The SARC verified the 2015 remuneration of the Executive Board. For the Short-Term Incentive Plan, it verified the achievement of the 2015 targets and set the personal and financial targets for 2016. The SARC reviewed the items included in the operating result which for the purpose of determining the 2016 incentive pay-out were proposed by the Executive Board to be treated as exceptional items.

With regard to the 2016 Long-Term Incentive Plan, the SARC set the ROIC performance hurdle and approved the grant of long-term incentive rights to Mr Barnouin and Mr Merckx. The SARC furthermore set the performance conditions for the 2016 Share-Matching Plan. With regard to the 2013 Long-Term Incentive Plan, it established that the TSR-performance hurdle was achieved (TSR-ranking: 1st). Accordingly, the performance shares granted under this plan vested at 150%.

In order to incentivise and retain Mr Barnouin, the SARC proposed to the AGM to grant Mr Barnouin a conditional one-off share award of 42,917 shares (which equals the annual base salary to which Mr Barnouin was entitled in April 2016 divided by the closing price of such shares on 1 April 2016); the 'Share Grant'. The Share Grant will vest on 1 April 2020 if Mr Barnouin (i) is still CEO of Wessanen on 1 April 2020 and (ii) has not given notice to terminate the relationship with Wessanen on or before 1 April 2020. The 'ultimate remedy' and clawback that is part of the remuneration policy applies to the Share Grant. The Share Grant was adopted by the AGM on 14 April 2016.

Nutrition, Food Safety and Sustainability Committee (NFSC)

The Nutrition, Food Safety and Sustainability Committee supports and advises the Executive Board in matters related to nutrition, food safety and sustainability. The NFSC held four meetings in 2016.

Topics discussed by the NFSC included Wessanen's packaging policy, Wessanen's nutritional policies, waste reduction, and the auditing of Wessanen's sustainability KPIs. The NFSC gave its view on Wessanen's research and development plan for healthier food and advised on the development of a strategic plan on product quality.

Remuneration report

The Remuneration report can be found on pages 72-74.

Board evaluation

The Supervisory Board assessed its performance and that of its members, the Audit Committee, SARC and NFSC. The assessment was conducted with the support of an outside assessor, who separately interviewed the Supervisory Board members, the Executive Board members and the Company Secretary. The results of the interviews were discussed with the Chairman of the SARC and then discussed in a plenary meeting of the Supervisory Board. The evaluation of the Chairman of the Supervisory Board was discussed without the Chairman being present. The evaluation mainly focussed on the composition of the Supervisory Board's performance and working methods, its composition and its collaboration with the Executive Board.

Composition of the Supervisory Board

In 2017, the second term of Mr Van Oers will expire after which he will have served eight years. Mr Van Oers is available for reappointment, also taking into account the limitations of positions prescribed by Section 2:142a of the Dutch Civil Code, best practice provision III.3.5 of the 2008 Dutch Corporate Governance Code and the transitional provisions of the 2016 Dutch Corporate Governance Code. After careful consideration and taking into account the Supervisory Board profile and composition, the Supervisory Board resolved to nominate Mr Van Oers for reappointment for a third four-year term by the Annual General Meeting of Shareholders which will be held on 12 April 2017. Upon reappointment by the AGM, Mr Van Oers will continue to serve as chairman of the Supervisory Board.

With regard to diversity in its composition, the Supervisory Board aims for a balance in experience, nationality, gender, age, active and retired. On experience, the competence matrix sets out the competences which are relevant to Wessanen and how these are represented in the Supervisory Board. The Supervisory Board members have Dutch, French and American nationality. One of the Supervisory Board members is female. With regard to gender balance, Wessanen will continue to maintain an active and open attitude with regard to selecting female candidates for future appointments.

Report of the Supervisory Board

To the Shareholders

Competence matrix

	Van Oers	Kluiber	Rietjens	Mispolet
International management experience	●			●
Finance, accountancy, risk management	●	●		
Food industry	●		●	●
Marketing, sales	●			●
Social and employment matters		●		
Nutrition, food safety			●	●
Corporate Social Responsibility			●	
Corporate governance	●	●		●
Active management	●		●	
Disclosure, communication, investor relations	●	●		●

M.M. Van Zuijlen (1967, Dutch Nationality), member of the Supervisory Board, member/chairman of the SARC and member of the NFSC from 2012 until the AGM of April 2016 had experience in marketing/sales, social and employment matters, corporate social responsibility, corporate governance and disclosure communication and investor relations.

Independence

All Supervisory Board members qualify as independent (as defined in the Dutch Corporate Governance Code).

No conflict of interest

In compliance with the Code, Wessanen has formalised strict rules to avoid conflicts of interests between Wessanen and the individual members of the Executive Board and Supervisory Board.

Decisions to engage in transactions in which interests of members of the Executive Board and Supervisory Board play a role, which are of material significance to Wessanen or to the Board member concerned, require approval by the Supervisory Board, and conflicted members of the Executive Board and Supervisory Board may not participate in deliberation or decision-making processes, if they have a direct or indirect personal interest with respect to the matter concerned that conflicts with the interests of the Company and the business connected thereto.

The Supervisory Board is responsible for taking decisions on handling conflicts of interest between Wessanen and the members of the Executive Board and Supervisory Board.

No conflicts of interest were reported in 2016.

Amsterdam, 14 February 2017

Supervisory Board

Report of the Supervisory Board

Remuneration Report

Summary Remuneration Policy

The objective of Wessanen's Remuneration Policy is to attract, motivate and retain experienced executives with an international outlook, and reward them appropriately for their ability to achieve stretched targets for short-term and long-term performance. The full text of the Remuneration Policy can be found on the Company's website.

The structure of the remuneration package for the Executive Board strives to achieve a balance between Wessanen's short-term and long-term strategy while taking into account the interest of its stakeholders.

Variable compensation, which forms a considerable part of the total remuneration package, is linked to measurable predetermined targets.

Incentive targets and performance conditions reflect the key drivers for value creation and medium to long-term growth in shareholder value and are closely aligned with Wessanen's strategy.

Share Ownership Guideline

In order to increase the alignment of members of the Executive Board with the interests of shareholders, members of the Executive Board will be required to build up share ownership of Wessanen, equal to the value of 100% of their annual gross base salary, within four years after election as a member of the Executive Board. The current members of the Executive Board have four years after the adoption of the Remuneration Policy to comply with the aforementioned share ownership requirement.

The best practice that shares granted without financial consideration must be retained for at least five years will not be applied. In view of the parallel requirement to build up and hold on to a significant portfolio of Wessanen shares under Wessanen's amended remuneration policy, members of the Executive Board may, at all times sell shares provided that the share ownership guidelines are met.

Furthermore, members of the Executive Board may sell shares if to pay wage withholding taxes in connection with the delivery of shares related to such grant of shares.

Remuneration components

The remuneration for Executive Board members comprises the following components:

- a base salary, which is reviewed annually;
- a short-term cash incentive, ranging from 0% – 100% of the base salary depending on the achievement of performance targets (Short Term Incentive Plan: 'STIP');
- a long-term incentive, ranging from 0% – 50% of the base salary at grant date; vesting will depend on the achievement of performance hurdles (Long Term Incentive Plan: 'LTIP');
- share Matching, ranging from 0 – 150% of the mandatory and/or voluntary investment in Wessanen Shares; vesting will depend on the achievement of performance conditions;
- pension contributions;
- benefits in kind such as a contribution to health and medical insurance premium, a company car, a contribution to telephone costs and a fixed expense allowance for business purposes and housing.

Base Salary

On joining the Executive Board, members receive a base salary that is comparable with the median of the labour-market peer group. Adjustment of the base salary is at the discretion of the Supervisory Board, which takes into account external and internal developments. The annual review date for the base salary is 1 April.

Short Term Incentive Plan (STIP)

The Wessanen STIP rewards the Executive Board for sound operational performance in Wessanen's competitive environment, focusing on achieving annual operating result before exceptional items ('EBITE'), sales growth and working capital targets.

The STIP targets, including the personal objectives, are set each year at a challenging level, taking into account general trends in the relevant markets, and are for a major part (70%) linked to the consolidated financial results of Wessanen and for the remaining part (30%) to personal objectives.

In order to enhance the alignment of the performance conditions for the STIP with Wessanen's strategy and best practices, the personal agenda of the members of the Executive Board will consist of at least one target related to sustainability (equivalent to 10% of total STIP).

Members of the Executive Board have to invest at least 25% (as long as they have not yet met the number of shares as required by the share ownership guideline), and might voluntarily choose to invest up to 100%, of the (after tax) STIP pay out in Wessanen shares per year.

Operating result before exceptional items ('EBITE'), sales growth and primary working capital days reflect the elements of Wessanen's financial performance.

The short term incentive related to financial targets will only be paid if the minimum EBITE target has been achieved.

Report of the Supervisory Board

Remuneration Report

Long Term Incentive Plan (LTIP)

Under the LTIP, the Executive Board members are rewarded with performance shares based on a three-year horizon with a review date at the end of the third year.

The actual number of performance shares granted to Executive Board members is determined by the Supervisory Board. The target value at grant date is set at a maximum of 50% of the base salary.

For the 2015 and 2016 LTIP, two equally weighted specific performance targets are measured at the review date at the end of the third year: (i) Relative Total Shareholder Return ('TSR') and (ii) Return on Invested Capital ('ROIC'). The performance target for the 2014 LTIP is only TSR.

TSR

50% of the actual number of performance shares granted that may vest for each member of the Executive Board ('vested performance shares') depends on the TSR performance over a three-year period compared to the TSR performance of a selected peer group and ranges between 0% to 150% of the initial number of performance shares granted.

ROIC

50% of the actual number of performance shares granted that may vest will depend on the ROIC performance. The ROIC is the second financial performance condition for the LTIP, in order to put more emphasis on Wessanen's value creation as such. At the review date at the end of the third year, the performance of Wessanen is measured on the basis of performance versus the targeted ROIC and ranges between 0% to 150% of the initial number of performance shares granted.

The awarded performance shares must be retained by Executive Board members for a period of at least five years (including the three-year vesting period, or at least until termination of employment if this period is shorter) as long as they have not yet met the number of shares as required by the share ownership guideline.

During the three-year vesting period, the costs of these shares (determined according to IFRS) will be recognised in the profit and loss statement as 'personnel expenses'.

Performance shares that depend on the TSR performance will not vest if the TSR performance is below the median of the peer group. For the 2014–16 period, Wessanen has ended first, resulting in a 150% pay-out. Performance shares that depend on the ROIC performance will not vest if the ROIC performance is less than a minimum target.

Share matching

In order to stimulate share ownership, the members of the Executive Board may participate in a Share Matching plan. Members of the Executive Board have to invest at least 25% (as long as they have not yet met the number of shares as required by the share ownership guideline), and might voluntarily choose to invest up to 100%, of the (after tax) STIP pay out in Wessanen shares. These investment shares will be matched in accordance with a share matching plan, subject to performance, after a 3-year vesting period. For on-target performance, the shares will be matched one on one, with a maximum of 1.5 for every share in case of stretch performance. For threshold performance, a matching of 0.5 share for each share will vest. Below threshold performance will result in no matching.

A limited number of senior executives designated by the SARC upon recommendation of the Executive Board is also required to participate in the share matching plan.

Adjustment of remuneration

The Supervisory Board has the 'ultimate remedy' power to adjust the value of the variable remuneration components awarded, either downwards or upwards, if this remuneration produces an unfair result.

In addition, a variable remuneration component will be recovered from an Executive Board member if it appears that such remuneration component was granted on the basis of incorrect (financial) data (i.e. clawback).

Performance targets 2016

Short term incentive performance	C.P.J. Barnouin	R.J.J.B. Merckx	Performance targets and relative weighting	Relative weighting	Performance target realisation % per component: C.P.J. Barnouin	Performance target realisation % per component: R.J.J.B. Merckx
At target: % of base salary	50%	40%	Personal agenda	30%	45.0%	45.0%
Maximum: % of base salary	100%	80%	Wessanen (Consolidated)			
			Sales growth	30%	33.4%	33.4%
			EBITE	30%	66.4%	66.4%
			Primary working capital days	10%	7.9%	7.9%
			Total		**152.7%**	**152.7%**
			Realised pay-out % of base salary		**76.4%**	**61.1%**

Report of the Supervisory Board

Remuneration Report

Change of control
In the event of a change of control, the Executive Board members are entitled to a severance payment in case their employment agreement would end following such change of control, their annual short term incentive will be paid out on the fixed assumption of at least an 'at target' performance and outstanding long-term incentive will vest. With regard to performance shares awarded under the share matching plan, the vesting of the matching shares will however be time pro-rated.

Remuneration of the Executive Board 2016
In connection with the contemplated amendment of the Remuneration Policy the SARC performed a scenario analysis and concluded that the remuneration of the Executive Board was fair and did not have unreasonable effects under any of the tested scenarios.

Share Grant to Mr Barnouin
In order to incentivise and retain Mr Barnouin, the Supervisory Board proposed to the AGM to grant Mr Barnouin a conditional one-off share award of 42,917 shares which equals the annual base salary to which Mr Barnouin was entitled in April 2016 divided by the closing price of such shares on 1 April 2016 (the Share Grant). The Share Grant will vest on 1 April 2020 if Mr Barnouin (i) is still CEO of Wessanen on 1 April 2020 and (ii) has not given notice to terminate the relationship with Wessanen on or before 1 April 2020. The 'ultimate remedy' and clawback that is part of the remuneration policy applies to the Share Grant. The Share Grant was adopted by the AGM on 14 April 2016.

Remuneration of the Supervisory Board 2016
In 2016, each member of the Supervisory Board received a fixed fee of €45,000 and a fixed cost allowance of €3,176. The Chairman of the Supervisory Board was awarded an additional fee of €20,000 and an additional cost allowance of €454. The Chairman of the Audit Committee was awarded an additional fee of €10,000 and the Chairmen of the SARC and NFSC were each awarded an additional fee of €5,000.

Further details of the remuneration of the members of the Executive Board and Supervisory Board in 2016 can be found in Note 7 to the Financial Statements.

A mature product indeed

Vegetarian yeast pates have to mature for several weeks after production in order to reach the right taste and texture that our loyal consumers prefer.

Interview

'I think and dream day and night about new recipes. Innovations keep us going and make us different and better than a lot of our competitors.'

Lorella Pavani

Interview

'Making innovative dreams come true'

Lorella Pavani (53) joined Abafoods 16 years ago and has been part of the Wessanen family since the acquisition in 2015. She is a highly skilled research laboratories specialist and her personal drive is to thoroughly research new ingredients and develop innovative recipes for all Wessanen Dairy Alternatives brands. Her job is to mix natural ingredients and bring them to market following an extensive research and testing process. 'I'm always coming up with new recipes and researching new production innovations. It's innovations that keep us going and make us different and better than a lot of our competitors.'

'You might say that I started a second life in 2000, when I first became attracted to the whole "vegetarian" and "100% organic" ethos. I believe that natural food has the power to make us happier and more vital. It became my personal belief and my purpose as well. My complete family – me, my husband Flavio and our two daughters, Elisa and Serena – have embraced the Wessanen slogan "Healthier Food, Healthier People and – most importantly – Healthier Planet". Our resources on this Earth are finite and we have to keep our planet healthy and pass it on to future generations. Wessanen contributes to this philosophy.'

Strong growth

'Abafoods is an integrated organic company that develops, produces, packages and markets organic vegetable-based drinks. We produce a range of cereal drinks using rice, coconut, almond, oats, spelt and soy. We have strong R&D capabilities, delivering new concepts and innovative packaging, and operate a sophisticated manufacturing plant here in Badia Polesine. We own and operate around 700 hectares of organic farmland, which we use to grow all our raw materials. Our Isola Bio brand is the leading brand in vegetable-based drinks in Italian health food stores and is also exported successfully to a large number of European countries. Our company has really grown, especially after the acquisition by Wessanen. In addition to our own brands, Abafoods currently produces a large number of non-soy-based cereal drinks for our Bjorg and Bonneterre sister brands as well.'

Developing new recipes is serious business

'The climate in this region is perfect for growing natural foods and our specialists make improvements to increase crops, as well as remaining in close contact with farmers throughout the year. I started my job creating the Isola Bio innovative recipes from scratch, and I currently work closely with our Research and Development Manager. The development of new recipes, research into new production innovations, shelf life control of the products launched, and recipe innovation are all serious business. I create these innovations using premium raw materials, and manage their production in the supply chain with care.'

Passion for products

'I also work closely with my colleagues in our Marketing, Quality Control and Production departments. My personal drive is to highlight our strengths and share my knowledge with these colleagues. Together we are strong, and we even consider mistakes opportunities to learn. My biggest passion is to see the products I create being sold on the shelves of shops all over Europe. It all begins with passion and ends with a common objective. We at Wessanen are really one big family. I would like to continue creating innovative products with the same passion and dedication I've had for the last 16 years.'

Lorella Pavani

Research and Development Manager
Abafoods at Badia Polesine, Italy

Our teams at Abafoods are obsessed about authentic, organic, best quality raw materials. That's why we have our own fields in Italy where we grow ourselves some of the most important ingredients for our drinks.

Contents

Consolidated income statement

In € millions, unless stated otherwise	Notes	2016	2015 [1]
Continuing operations			
Revenue		**570.0**	**523.0**
Raw materials and supplies		(335.6)	(308.6)
Personnel expenses	7, 8	(91.7)	(81.5)
Depreciation, amortisation and impairments	13, 14	(7.8)	(8.7)
Other operating expenses		(100.6)	(89.6)
Operating expenses		**(535.7)**	**(488.4)**
Operating result		**34.3**	**34.6**
Interest expenses		(0.4)	(0.4)
Other financial income and expenses		(1.4)	(1.9)
Net financing costs	9	**(1.8)**	**(2.3)**
Profit before income tax		**32.5**	**32.3**
Income tax expense	10	**(9.7)**	**(4.5)**
Profit after income tax from continuing operations		**22.8**	**27.8**
Discontinued operations			
Profit from discontinued operations, net of income tax	11	**–**	**9.5**
Profit for the period		**22.8**	**37.3**
Attributable to equity holders of Wessanen		**22.8**	**37.3**
Earnings per share attributable to equity holders of Wessanen (in €)	12		
Basic		0.30	0.49
Diluted		0.30	0.49
Earnings per share from continuing operations (in €)	12		
Basic		0.30	0.37
Diluted		0.30	0.37
Earnings per share from discontinued operations (in €)	12		
Basic		–	0.12
Diluted		–	0.12
Average number of shares (in thousands)	12		
Basic		75,594	75,582
Diluted		76,116	76,163
Average GBP exchange rate (GBP per Euro)		0.8227	0.7242
Average USD exchange rate (USD per Euro)		1.1032	1.1046

1 2015: 'Personnel expensens' and 'Other operating expenses' have been restated for a reclassification of other personnel related expenses in the amount of €(9.4) from 'Other operating expenses' to 'Personnel expenses'.

Consolidated statement of comprehensive income

In € millions	Notes	2016	2015
Profit for the period		**22.8**	**37.3**
Other comprehensive income/(loss)			
Remeasurements of post employment benefit obligations, net of income tax	10	(0.5)	(0.5)
Other comprehensive income/(loss) that will not be reclassified to profit or loss		**(0.5)**	**(0.5)**
Foreign currency translation differences, net of income tax	10	(5.2)	3.8
Effective portion of changes in fair value of cash flow hedges, net of income tax	10	(0.1)	0.1
Other comprehensive income/(loss) that may be reclassified to profit or loss		**(5.3)**	**3.9**
Total other comprehensive income/(loss)		**(5.8)**	**3.4**
Total comprehensive income		**17.0**	**40.7**
Attributable to equity holders of Wessanen		**17.0**	**40.7**

Consolidated statement of financial position

In € millions, unless stated otherwise	Notes	31 December 2016	31 December 2015
Assets			
Property, plant and equipment	13	51.2	43.8
Intangible assets	14	203.3	97.5
Other investments	15	0.6	0.9
Deferred tax assets	16	8.8	8.3
Total non-current assets		**263.9**	**150.5**
Inventories	17	68.5	59.0
Income tax receivables		0.4	0.1
Trade receivables	18	101.0	92.0
Other receivables and prepayments	18	15.5	16.8
Cash and cash equivalents	19	9.4	24.7
Total current assets		**194.8**	**192.6**
Total assets		**458.7**	**343.1**

In € millions, unless stated otherwise	Notes	31 December 2016	31 December 2015
Equity			
Share capital		76.0	76.0
Share premium		102.9	102.9
Reserves		(20.1)	(14.4)
Retained earnings		32.4	18.9
Total equity	20	**191.2**	**183.4**
Liabilities			
Interest-bearing loans and borrowings	21	81.2	1.5
Employee benefits	22	7.7	6.7
Provisions	23	3.0	3.9
Deferred tax liabilities	16	10.9	7.0
Total non-current liabilities		**102.8**	**19.1**
Bank overdrafts	19	8.7	1.5
Interest-bearing loans and borrowings	21	3.0	4.2
Provisions	23	12.1	6.7
Income tax payables		2.6	3.3
Trade payables	24	80.5	67.9
Non-trade payables and accrued expenses	24	57.8	57.0
Total current liabilities		**164.7**	**140.6**
Total liabilities		**267.5**	**159.7**
Total equity and liabilities		**458.7**	**343.1**
End of period GBP exchange rate (GBP per Euro)		0.8562	0.7339
End of period USD exchange rate (USD per Euro)		1.0541	1.0887

Consolidated statement of changes in equity

In € millions	Issued and paid-up share capital	Share premium	Reserves				Retained earnings	Total equity
			Treasury shares	Translation reserve	Hedging reserve	Other legal reserves		
2015								
Balance at beginning of year	76.0	102.9	(0.1)	(14.8)	–	0.7	(10.5)	154.2
Total comprehensive income and expense for the period								
Profit for the period	–	–	–	–	–	–	37.3	37.3
Foreign currency translation differences [1, 2]	–	–	–	3.8	–	–	–	3.8
Remeasurements of post employment benefit obligations [1]	–	–	–	–	–	–	(0.5)	(0.5)
Effective portion of changes in fair value of cash flow hedges [1]	–	–	–	–	0.1	–	–	0.1
Total comprehensive income and expense for the period	**–**	**–**	**–**	**3.8**	**0.1**	**–**	**36.8**	**40.7**
Contributions by and distributions to owners								
Shares delivered	–	–	1.1	–	–	–	(1.1)	–
Dividends	–	–	–	–	–	–	(7.5)	(7.5)
Purchase of own shares	–	–	(4.5)	–	–	–	–	(4.5)
Share-based payments	–	–	–	–	–	–	0.5	0.5
Transfer to other legal reserves	–	–	–	–	–	(0.7)	0.7	–
Total contributions by and distributions to owners	**–**	**–**	**(3.4)**	**–**	**–**	**(0.7)**	**(7.4)**	**(11.5)**
Balance at year end	**76.0**	**102.9**	**(3.5)**	**(11.0)**	**0.1**	**–**	**18.9**	**183.4**
2016								
Balance at beginning of year	**76.0**	**102.9**	**(3.5)**	**(11.0)**	**0.1**	**–**	**18.9**	**183.4**
Total comprehensive income and expense for the period								
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**22.8**	**22.8**
Foreign currency translation differences [1]	**–**	**–**	**–**	**(5.2)**	**–**	**–**	**-**	**(5.2)**
Remeasurements of post employment benefit obligations [1]	**–**	**–**	**–**	**–**	**–**	**–**	**(0.5)**	**(0.5)**
Effective portion of changes in fair value of cash flow hedges [1]	**–**	**–**	**–**	**–**	**(0.1)**	**–**	**-**	**(0.1)**
Total comprehensive income and expense for the period	**–**	**–**	**–**	**(5.2)**	**(0.1)**	**–**	**22.3**	**17.0**
Contributions by and distributions to owners								
Shares delivered	**–**	**–**	**1.7**	**–**	**–**	**–**	**(1.7)**	**–**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(8.3)**	**(8.3)**
Purchase of own shares	**–**	**–**	**(2.1)**	**–**	**–**	**–**	**-**	**(2.1)**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**1.2**	**1.2**
Transfer to other legal reserves	**–**	**–**	**–**	**–**	**–**	**–**	**-**	**-**
Total contributions by and distributions to owners	**–**	**–**	**(0.4)**	**–**	**–**	**–**	**(8.8)**	**(9.2)**
Balance at year end	**76.0**	**102.9**	**(3.9)**	**(16.2)**	**–**	**–**	**32.4**	**191.2**

1 Net of income tax.

2 Foreign currency translation differences in 2015 of €3.8 comprise translation differences related to the appreciation of the GBP and US dollar in the amount of €7.8 and the recycling of the accumulated translation differences following the divestment of ABC in the amount of €(4.0).

Consolidated statement of cash flows

In € millions	Notes	2016	2015
Cash flows from operating activities			
Operating result		**34.3**	**34.6**
Adjustments for:			
– Depreciation, amortisation and impairments		7.8	8.7
– Provisions created		11.0	5.1
– Equity-settled share-based payments		1.2	0.5
Cash generated from operations before changes in working capital and provisions		**54.3**	**48.9**
Changes in working capital	29	3.5	(6.2)
Payments from provisions		(6.4)	(3.2)
Changes in employee benefits		(0.2)	(0.3)
Cash generated from operations		**51.2**	**39.2**
Interest paid		(0.8)	(0.9)
Income tax paid		(12.4)	(12.0)
Operating cash flow from continuing operations		**38.0**	**26.3**
Operating cash flow from discontinued operations	11	**-**	**(3.4)**
Net cash from operating activities		**38.0**	**22.9**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(5.2)	(6.5)
Proceeds from sale of property, plant and equipment		0.3	–
Acquisition of intangible assets		(2.1)	(1.6)
(Payments for)/repayments of other investments		0.3	(0.4)
Acquisition of subsidiaries, net of cash acquired	5	(114.3)	(43.0)
Investing cash flow from continuing operations		**(121.0)**	**(51.5)**
Investing cash flow from discontinued operations	11	**-**	**42.2**
Net cash from investing activities		**(121.0)**	**(9.3)**
Cash flows from financing activities			
Net proceeds from/(repayments of) interest-bearing loans and borrowings		72.1	(5.5)
Net payments of finance lease liabilities		(0.3)	(0.3)
Cash payments derivatives		(0.7)	(0.5)
Purchase of own shares		(2.1)	(4.5)
Dividends paid		(8.3)	(7.5)
Financing cash flow from continuing operations		**60.7**	**(18.3)**
Financing cash flow from discontinued operations		**–**	**–**
Net cash from financing activities		**60.7**	**(18.3)**
Net cash flow	29	**(22.3)**	**(4.7)**

Notes to the consolidated financial statements

1. The Company and its operations

Koninklijke Wessanen N.V. ('Wessanen' or 'the Company') is a public limited company domiciled in the Netherlands. It is a leading company in the European market for healthy and sustainable food. Our focus is on organic, vegetarian, fair trade and natural ingredients as these are healthier and more sustainable. Operating mainly in the Benelux, France, Germany, Italy, Spain and the UK, we manage and develop well-known local brands such as Bjorg, el Granero, Whole Earth, Zonnatura, Kallø, Alter Eco, Gayelord Hauser, Allos and Bonneterre and European brands such as Clipper, Tartex, Destination, Mrs. Crimble's.

Next to our healthier and sustainable food businesses, that represent Wessanen's continuing operations, we had two non-core businesses during the first quarter of 2015, that were part of Wessanen's discontinued operations: (1) US-based American Beverage Corporation ('ABC'), one of the leading producers of single-serve bottled fruit drinks (Little Hug) and ready-to-drink cocktail pouches and non-alcoholic cocktail mixers (Daily's) and (2) Distribution-France (Bio-Distrifrais-Chantenat), a French wholesaler of fresh products. These businesses were divested on 8 March 2015 and 2 January 2015 respectively.

The consolidated financial statements of Wessanen for the year ended 31 December 2016, comprise Wessanen and its subsidiaries (together referred to as 'the Group'). Wessanen's subsidiaries as at 31 December 2016 are listed in Note 30. The address of the Company's registered office is Hoogoorddreef 5, Amsterdam Zuidoost, the Netherlands.

2. Basis of preparation

Statement of compliance

The consolidated financial statements for the year ended 31 December 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code.

The financial statements were signed and authorised for issuance by the Supervisory Board and the Executive Board on 14 February 2017, and will be submitted for adoption to the Annual General Meeting of Shareholders on 12 April 2017.

Reclassification

The 2015 'Personnel expenses' and 'Other operating expenses' have been restated for a reclassification of other personnel related expenses in the amount of €(9.4) from 'Other operating expenses' to 'Personnel expenses'. This reclassification includes car, travel, training and education, and other personnel related expenses.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, unless otherwise indicated, including the following assets and liabilities that are stated at their fair value: derivative financial instruments, defined benefit plan assets, liabilities for cash-settled share-based payment arrangements and assets and liabilities classified as held for sale. The methods used to measure fair value are disclosed in Note 4.

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 in conformity with IFRS 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 materially from these estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

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 to be impaired requires an estimation of the recoverable amount of the asset (or cash-generating unit), which is the greater of fair value less cost 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 14 for specific information on the carrying amounts of goodwill and brands, the cash-generating units affected and the estimates and assumptions applied.

Customer incentives

Judgements and estimates are required regarding the timing and the amount of outflow of resources in respect of customer incentives, including trade promotions and customer rebates. Estimated customer incentives are calculated and recorded at the time related sales are made based on contractual arrangements, and subsequently monitored carefully, as settlement only takes place periodically.

Provisions and contingencies

The recognition of provisions requires estimates and judgement regarding the timing and the amount of outflow of resources.

The main estimates are as follows:

- Restructuring: the provisions are based on formal and approved plans using the best information available at the time. The amounts that are ultimately incurred may change as the plans are executed.

— Claims and legal disputes: management, supported by internal and external legal counsel, where appropriate, determines whether it is more likely than not that an outflow of resources will be required to settle an obligation. If this is the case, the best estimate of the outflow of resources is recognised.

See Notes 23 and 26 for specifc information on provisions and contingencies.

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, discount rates, investment returns on plan assets and life expectancy. 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 22 for specific information on the estimates and assumptions applied in respect of the calculation of the defined benefit obligations.

Income tax

Wessanen is subject to income tax in several jurisdictions. The ultimate tax effects of transactions may be uncertain for a considerable amount of time, requiring management to estimate the related current and deferred tax positions. Judgement is required in determining whether deferred tax assets are realisable. The Group has tax loss carry-forward positions whereby the realisation 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 planning. The Group recognises liabilities for uncertain tax positions when it is more likely than not that additional tax will be due. See Notes 10 and 16 for specific information on income tax and deferred tax assets and liabilities.

New and revised IFRSs applied

A number of amendments is effective for annual periods that begin on or after 1 January 2016 and have been adopted in preparing these consolidated financial statements. None of these amendments had a significant effect on the consolidated financial statements.

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.

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of Wessanen and all entities that are controlled by Wessanen ('subsidiaries'). Wessanen controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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 into Euro at the exchange rates ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated into Euro at foreign exchange rates ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Euro at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Euro at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated into Euro at annual average exchange rates (the average is calculated based on 12 month-end closing rates). The resulting foreign exchange differences arising on translation are recognised 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 recognised in the income statement upon disposal of the foreign operation or settlement of the net investment.

The principal exchange rates against the Euro used in the statement of financial position and income statement are:

Currency per €	Statement of financial position		Income statement	
	31 December 2016	31 December 2015	2016	2015
£	0.8562	0.7339	0.8227	0.7242
US$	1.0541	1.0887	1.1032	1.1046

Derivative financial instruments

Wessanen uses derivative financial instruments to hedge its exposure to foreign exchange, interest rate and commodity risks arising from operating, investing and financing activities. These instruments are initially recognised in the statement of financial position at fair value on a settlement date basis and are subsequently remeasured at their fair value. Gains and losses resulting from the fair value remeasurement are recognised directly in the income statement, unless the derivative qualifies and is effective as a hedging instrument in a designated hedging relationship. Derivatives that are designated as hedges are accounted for as either cash flow hedges or fair value hedges. In both 2016 and 2015 Wessanen did not enter into any fair value hedges.

Gains and losses on derivative financial instruments are (ultimately) recognised in the income statement under financial income and expenses, except for the effective portion of those derivative financial instruments that are designated as hedges and entered into to mitigate operational risks. This portion is recognised in operating result.

Hedging

Cash flow hedges

If a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised liability, a firm commitment or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. When the firm commitment or forecasted transaction results in the recognition of an asset or liability, the cumulative gain or loss is removed from other comprehensive income and included in the initial measurement of the asset or liability. Otherwise, the cumulative gain or loss is removed from other comprehensive income and recognised in the income statement at the same time as the hedged transaction. The ineffective part of any gain or loss is immediately recognised 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 other comprehensive income and is recognised 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 unrealised gain or loss recognised in other comprehensive income is recognised immediately in the income statement.

Hedge of net investment in a foreign operation

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

Segment reporting

An operating segment is a component of Wessanen that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components.

The operating segment's operating result (EBIT) is reviewed regularly by the Executive Board of Wessanen to make decisions about resources to be allocated to the segment and assess the performance, and for which discrete financial information is available. The 'Branded' operating segment is managed by the 'Executive Leadership Team (ELT)'. The members of the ELT are the Executive Board members, the directors Marketing & Quality and Operations and the operating company general managers.

Segment results that are reported to the Executive Board of Wessanen include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise part of the overhead expenses (corporate costs being shareholder and stewardship costs), financial income and expenses and income tax gains and losses. Corporate assets and liabilities and income tax assets and liabilities are excluded from segment assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

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.

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 capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised 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, these are accounted for as separate items of property, plant and equipment. Depreciation methods, useful lives, as well as residual values are re-assessed 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	15 – 30 years
Machinery and equipment	5 – 20 years
IT equipment	3 – 5 years
Other	3 – 5 years

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

Intangible assets

Goodwill

All business combinations are accounted for by applying the acquisition method as at the acquisition date. Goodwill represents amounts arising on acquisition of subsidiaries.

In respect of acquisitions that have occurred since 1 January 2010, 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 (measured based on methods as described in Note 4).
Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that Wessanen incurs in connection with a business combination are expensed as incurred.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment.

Brands and customer lists

Capitalised brands and customer lists are measured at cost less accumulated amortisation and impairment losses. Brands and customer lists acquired in business acquisitions are initially measured at fair value.

The useful lives of brands 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 brands are expected to contribute to the cash flows of the Group. Capitalised brands with an indefinite life are not amortised, but tested annually for impairment.

Customer lists are amortised over their estimated useful lives of maximum 20 years.

Research and development

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

Expenditure on development activities, of which research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised 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 capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the assets for its intended use. Other development expenditure is recognised in the income statement as an expense when incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets

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

Subsequent expenditure

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

Amortisation

Amortisation 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 amortised from the date these are available for use. Residual useful life is re-assessed annually.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle as from the fourth quarter 2015 (previously 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 realisable 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 amortised cost less impairment losses. Amortised cost is determined using the effective interest rate.

Cash and cash equivalents and bank overdrafts

Cash and cash equivalents comprise cash and bank balances and call deposits with original maturities of three months or less. Cash equivalents are only recognised 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 net cash and cash equivalents for the purpose of the statement of cash flows.

Net cash and cash equivalents represent cash and cash equivalents, net of bank overdrafts.

Bank accounts are netted if the Company has a legal enforceable right to offset and offsetting takes place on a regular basis.

Impairment of assets

The carrying amounts of Wessanen's assets, other than inventories, financial assets 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 recognised 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 recognised in the income statement.

Goodwill and brands with indefinite useful lives are subject to annual impairment testing, irrespective of whether indications of impairment exist.

Calculation of recoverable amount

The recoverable amount is the greater of an asset's fair value less cost to sell and the asset's 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.

Reversal of impairment

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 when 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 amortisation, if no impairment loss had been recognised.

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 recognised 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 respectively amortised. 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 recognised 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. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. Results from operations qualifying as discontinued operations are presented separately as a single amount on the income statement.

Equity

Issued and paid-up capital

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

Dividends

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

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost (excluding attributable transaction costs) and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. Capitalised transaction respectively financing costs are amortised on a straight-line basis over the term of the syndicated credit facility. In case interest-bearing borrowings are fully repaid, related capitalised financing costs are classified as part of Other investments, in case the facility is still in place.

Employee benefits

Defined contribution plans

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

Defined benefit plans

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be classified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:
- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income;
- Remeasurement.

Wessanen presents the first two components of defined benefit costs in profit or loss in the line item 'personnel expenses' and 'other financial income and expense' respectively. Curtailment gains and losses are accounted for as past service costs. The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in Wessanen's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Long term service benefits
Wessanen's net obligation in respect of long term service benefits, other than pension plans, is the amount of the 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 while 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 performance shares and matching shares programme grants conditional rights to receive shares to members of the Executive Board and other designated senior executives of Wessanen (equity-settled share-based payment transactions). The performance incentive rights programme grants conditional share appreciation rights, which are settled in cash, to eligible employees of Wessanen (cash-settled share-based payment transactions).

For equity-settled share-based payment transactions, the grant date fair value of share-based compensation plans is expensed, with a corresponding increase in equity, on a straight-line basis over the vesting periods of the grants. The cumulative expense recognised at each balance sheet date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of shares that will eventually vest. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition (e.g. total shareholder return), which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all non-market conditions (e.g. continued employment) are satisfied.

For cash-settled share-based payment transactions, the grant date fair value is recognised in the income statement over the vesting periods of the grants, with a corresponding increase in provisions. At each balance sheet date, and ultimately at settlement date, the fair value of the liability is remeasured with any changes in fair value recognised in the income statement.

Provisions
A provision is recognised in the statement of financial position 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 recognised 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.

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

Revenue
Revenue represents the value of goods delivered to third parties, less any value-added tax or other sales tax. Revenue is recognised 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.

Fair value of the consideration received or receivable is allocated between (1) the goods and/or services purchased and delivered and (2) the award credits that will be redeemed in the future, if applicable. The consideration allocated to the award credits is presented as 'deferred revenue' in the statement of financial position. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

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

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, commitment, utilisation and agency fees, amortisation of capitalised financing costs, losses on unwinding the discount on provisions, interest expense related to defined benefit plans, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement.

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised 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. Provisions for uncertain tax positions are reported under the income tax payables.

Deferred tax is recognised using the statement of financial position 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 recognised for all taxable temporary differences. Deferred tax assets and liabilities are not recognised for temporary differences arising from the initial recognition of goodwill. 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 recognised to the extent that the Company has sufficient taxable temporary differences or it is probable that future taxable profits will be available (over a five-year horizon) against which deductible temporary differences can be utilised and deferred tax assets realised. 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 tax that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

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 tax is levied by the same fiscal authority.

Statement of cash flows

Cash flows from operating activities

Cash flows from operating activities are calculated by the indirect method, by adjusting the consolidated operating result of Wessanen for expenses that are not cash flows (such as amortisation, depreciation and impairments), and for autonomous movements in consolidated working capital (respectively excluding the impact from acquisitions, divestments and foreign currency differences). Cash payments to employees and suppliers are all recognised as cash flows from operating activities. Operating cash flows also include costs of financing operating activities, income tax paid on all activities, and spending on restructuring and other provisions.

Cash flows from investing activities

Cash flows from investing activities are those arising from net capital expenditure and from the acquisition and sale of subsidiaries and businesses. Cash and cash equivalents (net of bank overdrafts) available at the time of acquisition or sale are deducted from the related payments or proceeds.

Cash flows from financing activities

Cash flows from financing activities comprise the cash receipts and payments from dividend, debt instruments and derivatives. Cash flows from short term financing are also included.

Cash receipts and payments from derivative financial instruments are classified in the same manner as the cash flows of the hedged items. Cash flows in foreign currencies are translated into Euro at foreign exchange rates ruling at the date of transaction.

New standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations is effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, earlier application is permitted. IFRS 9 could change the classification and measurement of financial assets. Wessanen does not plan to adopt this standard early and the extent of the impact is anticipated to be limited.

In May 2014, the IASB issued IFRS 15 'Revenue form contracts with customers'. According to the new standard, revenue is recognised to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognised when, or as, the customer obtains control of the goods or services. IFRS 15 also includes guidance on the presentation of contract balances, that is, assets and liabilities arising from contracts with customers, depending on the relationship between the entity's performance and the customer's payment. In addition, the new standard requires a set of quantitative and qualitative disclosures to enable users of the Company's consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 supersedes IAS 11 'Construction contracts' and IAS 18 'Revenue' as well as related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018; early application is permitted. Wessanen anticipates that the application of IFRS 15 will not have a significant effect on the consolidated financial statements, partly because of the nature of the industry Wessanen is operating in, being the 'consumer goods–food products' industry. Wessanen does not plan to adopt this standard early.

IFRS 16 'Leases' was issued by the IASB in January 2016 and is effective for annual periods beginning on or after 1 January 2019; early application is permitted. IFRS 16 'Leases', eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a lessee to recognise a right of use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets. Wessanen anticipates that the application of IFRS 16 will have a significant effect on its reported assets and liabilities, operating and financing expenses, and cash flows from operating and financing activities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until a detailed review has been completed. As an indication only, reference is made to Note 26: 'Commitments and contingencies', in which the total of non-cancellable operating lease commitments at year-end and operating lease expenses for the year are disclosed. Despite the fact that early adoption is permitted, Wessanen does not plan (yet) to do so.

4. Determination of fair value

A number of the Group's accounting policies and disclosures requires the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

Intangible assets

The fair value of brands acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the brand being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Share-based payment transactions

The fair value of performance shares and incentive rights granted is recognised as personnel expense over the vesting period of the performance shares and incentive rights with a corresponding increase in equity for equity-settled plans respectively provisions for cash-settled plans. For equity-settled plans, the fair value of performance shares is measured at grant date and spread over the period during which the employees become unconditionally entitled to the performance shares. For cash-settled plans the fair value of the performance incentive rights is remeasured at each balance sheet date. The fair value of the performance shares granted is measured using a Monte Carlo simulation model, taking into account the terms and conditions upon which the instruments were granted.

5. Acquisitions

In 2016 Wessanen made the following aquisitions:

	Piramide	Ineobio	Mrs Crimble's	Biogran	Total
Date of acquisition	1 March	1 June	1 July	5 December	
Proportion of voting equity interests acquired	N/A[1]	100%	100%	100%	
Principal activity	Marketing and Sales	Production/ Marketing and Sales	Marketing and Sales	Production/ Marketing and Sales	
Segment/Cash-generating unit	Branded-Benelux	Branded-France	Branded-UK	Branded-Spain	
Consideration paid	7.8	19.9	18.8	69.0	115.5
Revenue contribution 2016	2.7	14.4	7.1	2.3	26.5
Pro forma revenue contribution 2016[2]	3.2	25.1	15.3	31.9	75.5
Operating profit contribution 2016	1.1	0.1	0.4	0.1	1.7
Pro forma operating profit contribution 2016[2]	1.2	0.7	1.6	5.1	8.6
Acquisition costs	–	0.5	0.3	0.5	1.3

1 Asset deal.

2 Contribution as if the acquisition had occurred on 1 January 2016.

The results of Piramide tea, Ineobio, Mrs Crimble's and Biogran have been included as from 1 March 2016, 1 June 2016, 1 July 2016 and 1 December 2016 respectively contributing €26.5 to consolidated revenue and €1.7 to consolidated operating profit for the period ending 31 December 2016 (see table above). The operating profit for the period has been impacted by (1) the inventory step-ups recognised as part of the purchase price allocations as these were (partly) expensed against 'raw materials and supplies' following sales subsequent to acquisition (total amount of €0.5) and (2) integration costs mainly relating to Ineobio and Mrs Crimble's. If the acquisitions had occurred on 1st January 2016 the acquired businesses would have contributed €75.5 to the consolidated revenue and €8.6 to the consolidated operating profit. Acquisition costs amounted to €1.3 in total and have been recognised as an expense in the income statement in 2016, within the 'other operating expenses' line item.

The acquisitions had the following total effect on Wessanen's assets and liabilities:

In € millions	Piramide	Ineobio	Mrs Crimble's	Biogran	Total
Property, plant and equipment	–	8.0	–	1.2	9.2
Intangible assets	1.7	9.1	8.2	–	19.0
Other investments	–	0.8	–	–	0.8
Inventories	–	6.5	0.6	3.2	10.3
Trade and other receivables, and prepayments	–	5.4	2.8	4.6	12.8
Cash and cash equivalents	–	0.2	2.0	2.6	4.8
Interest-bearing loans and borrowings	–	(6.3)	(1.1)	(0.2)	(7.6)
Employee benefits	–	(0.1)	–	–	(0.1)
Deferred tax liabilities	–	(3.7)	(1.4)	–	(5.1)
Bank overdrafts	–	(3.6)	–	–	(3.6)
Income tax payables	–	(0.2)	(0.4)	(0.2)	(0.8)
Trade and non-trade payables, and accrued expenses	–	(6.2)	(3.1)	(5.0)	(14.3)
Net identifiable assets and liabilities	**1.7**	**9.9**	**7.6**	**6.2**	**25.4**
Goodwill on acquisitions	6.1	10.0	11.2	62.8	90.1
Consideration paid	**7.8**	**19.9**	**18.8**	**69.0**	**115.5**
Net cash and cash equivalents and bank overdrafts acquired	–	3.4	(2.0)	(2.6)	(1.2)
Net cash outflow	**7.8**	**23.3**	**16.8**	**66.4**	**114.3**

As part of the purchase price allocations, step-ups have been recognised in respect of intangible assets of €18.9, property, plant & equipment of €1.7, inventories of €0.6 and related deferred tax liabilities of €(5.3), which have been reflected in the assets and liabilities acquired as specified in the table above. The step-up recognised in respect of intangible assets of €18.9 relates to brands acquired, to be specified into: Piramide (€1.7), Destination (€9.0) and Mrs Crimble's (€8.2).

The total net cash outflow of €114.3 (including cash and cash equivalents and bank overdrafts acquired of €(1.2)) was fully paid in cash, of which €2.0 in escrow relating to the acquisition of Ineobio.

Total goodwill recognised on the acquisitions amounts to €90.1. The allocation of the purchase consideration paid in respect of the Biogran acquisition could not be completed in time, due to the fact that the acquisition was only done in December 2016. Accordingly, part of the goodwill amount recognised of €62.8, is still to be allocated to other identifiable intangible assets, being brands and customer lists. In addition, in accordance with IFRS 3, the amounts recorded for the transactions are still provisional and subject to adjustments during the measurement period if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

Goodwill arose on the acquisition of all businesses, as the considerations paid effectively included amounts in relation to the benefit of revenue growth, future market developments and expected synergies. It fits our ambition to build strong brands across all channels, in existing and new markets, and to further strengthen and leverage our scale, expertise and capabilities in core categories.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes, except for the goodwill recognised in respect of the acquisition of the Piramide tea business.

6. Segment information

The accounting policies used for the segments are the same as the accounting policies applied in the consolidated financial statements as described in Note 3.

Segment	Significant operating companies
Branded	Bjorg et Compagnie[1], Bonneterre et Compagnie[2], Destination[3], Wessanen Benelux, Kallø Foods, Mrs Crimble's[4], Bio Slym, Abafoods[5], Allos Hof-Manufaktur, Allos Schwarzwald, Allos, Biogran[6]
Non-allocated	Corporate entities
Discontinued operations	American Beverage Corporation[7], Bio-Distrifrais-Chantenat[8]

1 Previously named Distriborg France.

2 Previously named R. Bonneterre.

3 Destination is a wholly owned subsidiary of Ineobio which was acquired as per 1 June 2016.

4 Acquired as per 1 July 2016.

5 Acquired as per 8 January 2015.

6 Acquired as per 5 December 2016.

7 Divested per 8 March 2015.

8 Divested per 2 January 2015.

2015 In € millions	Branded	Non allocated[3]	Continuing operations	American Beverage Corporation[4]	Distribution[5]	Discontinued operations	Total Wessanen
Income statement information							
Revenue	523.0	–	**523.0**	21.7	–	**21.7**	**544.7**
Operating result (EBIT)	38.5	(3.9)	**34.6**	(1.5)	–	**(1.5)**	**33.1**
Net financing costs			**(2.3)**			**–**	**(2.3)**
Profit/(loss) before income tax			**32.3**			**(1.5)**	**30.8**
Statement of financial position							
Assets							
Assets related to operations	303.8	30.9	**334.7**				**334.7**
Deferred and current income tax	4.2	4.2	**8.4**				**8.4**
Assets related to continuing operations	**308.0**	**35.1**	**343.1**				**343.1**
Assets classified as held for sale	–	–	**–**	–	–	**–**	**–**
Total assets	**308.0**	**35.1**	**343.1**	**–**	**–**	**–**	**343.1**
Liabilities							
Liabilities related to operations	136.4	13.0	**149.4**				**149.4**
Deferred and current income tax	9.9	0.4	**10.3**				**10.3**
Liabilities related to continuing operations	**146.3**	**13.4**	**159.7**				**159.7**
Liabilities classified as held for sale	–	–	**–**	–	–	**–**	**–**
Total liabilities	**146.3**	**13.4**	**159.7**	**–**	**–**	**–**	**159.7**
Other information							
Investments in PP&E and IA [1]	6.4	1.7	**8.1**	4.4	–	**4.4**	**12.5**
Depreciation, amortisation	5.8	2.2	**8.0**	–	–	**–**	**8.0**
Impairments	0.7	–	**0.7**	–	–	**–**	**0.7**
Total other non-cash items [2]	0.5	5.1	**5.6**	2.3	–	**2.3**	**7.9**
Average capital employed	163.9	11.9	**175.8**				
Average number of employees	857	47	**904**	153	–	**153**	**1,057**

1 Investments in property, plant and equipment ('PP&E') and intangible assets ('IA').

2 Total of provisions recognised, result from disposals and equity-settled share-based payment expenses as reflected in the consolidated statement of cash flows.

3 Non-allocated consists of corporate entities.

4 American Beverage Corporation qualifying as discontinued operation as from 30 September 2014.

5 Distribution (including Bio-Distrifrais-Chantenat) qualifying as discontinued operation as from 31 December 2013.

2016 In € millions	Branded	Non allocated[3]	Continuing operations	American Beverage Corporation[4]	Distribution[5]	Discontinued operations	Total Wessanen
Income statement information							
Revenue	570.0	–	**570.0**	–	–	**–**	**570.0**
Operating result (EBIT)	37.9	(3.6)	**34.3**	–	–	**–**	**34.3**
Net financing costs			**(1.8)**			**–**	**(1.8)**
Profit/(loss) before income tax			**32.5**			**–**	**32.5**
Statement of financial position							
Assets							
Assets related to operations	442.3	7.2	**449.5**				**449.5**
Deferred and current income tax	4.2	5.0	**9.2**				**9.2**
Assets related to continuing operations	**446.5**	**12.2**	**458.7**				**458.7**
Assets classified as held for sale	–	–	–	–	–	**–**	**–**
Total assets	**446.5**	**12.2**	**458.7**	**–**	**–**	**–**	**458.7**
Liabilities							
Liabilities related to operations	155.8	98.2	**254.0**				**254.0**
Deferred and current income tax	13.2	0.3	**13.5**				**13.5**
Liabilities related to continuing operations	**169.0**	**98.5**	**267.5**				**267.5**
Liabilities classified as held for sale	–	–	–	–	–	**–**	**–**
Total liabilities	**169.0**	**98.5**	**267.5**	**–**	**–**	**–**	**267.5**
Other information							
Investments in PP&E and IA[1]	5.0	2.3	**7.3**	–	–	**–**	**7.3**
Depreciation, amortisation	5.9	1.7	**7.6**	–	–	**–**	**7.6**
Impairments	0.2	–	**0.2**	–	–	**–**	**0.2**
Total other non-cash items[2]	6.3	5.9	**12.2**	–	–	**–**	**12.2**
Average capital employed	204.1	14.3	**218.4**				
Average number of employees	947	46	**993**	–	–	**–**	**993**

1 Investments in property, plant and equipment ('PP&E') and intangible assets ('IA').

2 Total of provisions recognised, result from disposals and equity-settled share-based payment expenses as reflected in the consolidated statement of cash flows.

3 Non-allocated consists of corporate entities.

4 American Beverage Corporation qualifying as discontinued operation as from 30 September 2014.

5 Distribution (including Bio-Distrifrais-Chantenat) qualifying as discontinued operations as from 31 December 2013.

Geographical information

In € millions

	Revenue		Average number of FTEs		Non-current assets [1]	
	2016	2015 [2]	2016	2015	31 December 2016	31 December 2015
The Netherlands (country of domicile)	43.6	41.7	96	94	17.4	9.1
France	335.6	293.0	404	357	51.2	24.2
United Kingdom	77.2	73.7	132	120	47.0	33.2
Germany	47.4	50.9	229	239	18.5	19.2
Italy	22.7	23.2	122	94	56.4	55.6
Spain	7.2	7.6	10	–	64.0	–
Other countries	36.3	32.9	–	–	–	–
Total continuing operations	**570.0**	**523.0**	**993**	**904**	**254.5**	**141.3**
Total discontinued operations	**–**	**21.7**	**–**	**153**	**–**	**–**
Total Group	**570.0**	**544.7**	**993**	**1,057**	**254.5**	**141.3**

1 Property, plant and equipment and intangible assets.

2 2015 is restated for a reclassification of Revenue (by destination) to United Kingdom (€6.7), Germany (€0.5), Italy (€27.2) and Other countries (€34.4). In addition Spain is presented separately (in 2015 reported as part of Other countries in the amount of €7.6).

Revenue by product category

In € millions	2016	2015
Core categories	421.9	383.6
Other categories	145.8	136.2
Other revenue	2.3	3.2
Total continuing operations	**570.0**	**523.0**
Total discontinued operations	**–**	**21.7**
Total Group	**570.0**	**544.7**

Wessanen defined the following six core product categories: Dairy Alternatives, Sweet in Between, Bread and Biscuit Alternatives, Veggie Meals, Breakfast Cereals and Hot Drinks. Core categories have been defined to give focus in product development and to allow to leverage successful mixes across countries and brands. In both 2016 and 2015 the following (core) product categories represent more than 10% of Wessanen's total revenue from continuing operations: Dairy Alternatives, Sweet in Between, Hot Drinks and Veggie Meals.

Wessanen has no customers that represent revenue of greater than 10% of Wessanen's total revenue from continuing operations.

7. Personnel expenses and remuneration key management

Personnel expenses

In € millions	2016	2015
Salaries and wages	51.3	49.1
Severance payments and termination benefits [1]	4.8	0.4
Social security	12.3	11.3
Defined contribution plans [2]	3.1	4.0
Defined benefit plans [2]	0.3	(1.1)
Share-based payment expenses [3]	5.4	4.8
Other personnel expenses [4]	14.5	13.0
Total personnel expenses [4]	**91.7**	**81.5**

1 Severance payments and termination benefits mainly comprise additions to restructuring provisions as described in Note 23.
2 See Note 22.
3 See Note 8.
4 2015 is restated for a reclassification adjustment of €(9.4) from 'Other operating expenses' to 'Other personnel expenses'.

The average number of full-time employees in 2016, for continuing operations, amounted to 993 (2015: 904). In the Netherlands, Wessanen employed on average 96 (2015: 94) full-time employees. The increase in the average number of full-time employees is mainly driven by the acquisitions of Ineobio, Mrs Crimble's and Biogran.

Severance payments and termination benefits in 2016 of €4.8, mainly relate to the sourcing units Allos and Allos Schwarzwald, to streamline the German operations and to downsize the Allos plant.

Remuneration of key management

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company determined that key management consists of the members of the Executive Board and the members of the Supervisory Board. The total remuneration of key management in 2016 amounts to €2,346 thousand (2015: €2,714 thousand). This includes a release of additional tax provided for of €136 thousand (2015: addition of €502 thousand) relating to contract termination benefits provided to Mr Merckens (former CEO of Wessanen), which became excessive upon Dutch tax legislation as a result of share price appreciation and improved TSR-performance. The total remuneration of the members of the Executive Board and Supervisory Board is specified in the tables below.

Executive Board remuneration expenses

In € thousands			Direct remuneration		Deferred remuneration		Total
2015	Salary	Short term bonuses [1]	Other [2]	Total direct remuneration	Share-based compensation [3]	Pension costs	
Remuneration expenses							
C.P.J. Barnouin	405	371	95	**871**	122	66	**1,059**
R.J.J.B. Merckx	354	260	42	**656**	172	92	**920**
Sub-total	**759**	**631**	**137**	**1,527**	**294**	**158**	**1,979**
Former employee expenses[4]	–	–	502	**502**	–	–	**502**
Total	**759**	**631**	**639**	**2,029**	**294**	**158**	**2,481**
2016							
Remuneration expenses							
C.P.J. Barnouin	410	314	95	**819**	385	50	**1,254**
R.J.J.B. Merckx	359	220	50	**629**	279	87	**995**
Sub-total	**769**	**534**	**145**	**1,448**	**664**	**137**	**2,249**
Former employee expenses[4]	–	–	(136)	**(136)**	–	–	**(136)**
Total	**769**	**534**	**9**	**1,312**	**664**	**137**	**2,113**

1 Short term bonuses relate to the performance in the year reported and are to be paid in the subsequent year. As from 2015, each member of the Executive Board may choose to invest part of the short term bonus in shares; these shares will be matched in accordance with the newly introduced Share Matching plan.

2 Other compensation mainly includes social security charges, contributions to health and medical insurances, company car expenses, fixed expense allowances for business purposes and housing.

3 Share-based compensation represents the share-based compensation expense calculated under IFRS 2 related to share rights granted to the Executive Board. The fair value of the share-based compensation grants at the grant date is expensed on a straight-line basis over the vesting period of the grants. The share-based payment expenses relating to Mr Barnouin of €385 thousand (2015: €122 thousand) can be specified into expenses relating to performance share rights granted of €243 thousand (2015: €122 thousand), matching shares granted of €68 thousand (2015: -) and extraordinary (one-off) share rights granted of €74 thousand (2015: -). The share-based payment expenses relating to Mr Merckx of €279 thousand (2015: €172 thousand) can be specified into expenses relating to performance share rights granted of €183 thousand (2015: €152 thousand) and matching shares granted of €76 thousand (2015: €20 thousand).

4 Former employee expenses in 2015 of €502 thousand mainly include additional tax due related to contract termination benefits provided to Mr Merckens. Upon Dutch tax legislation, these benefits (= share grant 2012 and 2013) became excessive as the fair value of the outstanding share rights granted increased significantly as a result of an increase in Wessanen's share price and improved TSR-performance. In 2016, €136 thousand could be released from the tax provision upon final settlement.

The remuneration for the members of the Executive Board comprises a base salary and related pension benefits, and, subject to meeting performance criteria, a short term bonus and a long term equity based component. As from 2015, the short term bonus can be paid out in cash or as an investment in matching shares. The main elements of the Remuneration Policy are described in the Remuneration Report (pages 72- 74).

The members of the Executive Board participate in the Wessanen Pension Plan. The Wessanen Pension Plan for corporate staff in the Netherlands comprises a basic scheme (with a maximum pension salary of €85 thousand) and a surplus scheme (above the amount of €85 thousand). Both schemes qualify as a defined contribution system. Following a change in Dutch legislation on 1 January 2015 both schemes were amended. The main amendment concerns the change into a 'net pension scheme' for salaries above €100 thousand, which implies that the pension contributions paid are subject to wage tax, whereas the benefit payments received upon retirement will be exempted from wage tax.

Short term bonuses to members of the Executive Board are granted according to performance criteria which in 2016 were based on earnings before interest, taxation and exceptional items ('EBITE'), revenue, primary working capital days and personal targets (for 30%, 30%, 10% and 30% respectively).

As the minimum EBITE target for 2016 was met, both Mr Barnouin and Mr Merckx will be awarded a pay out related to the financial targets of 107.7%. As personal targets of both Mr Barnouin and Mr Merckx were fully met, the pay out related to personal agenda items will be 150% of the total target incentive, being 45%. In total the 2016 target realisation amounts to 152.7% (2015: 183.6%). Accordingly, the short term bonus pay out to Mr Barnouin and Mr Merckx amounted to 76.4% (based on the incentive reward at target of 50% of base salary) and 61.1% (based on the incentive reward at target of 40% of base salary) respectively.

Share rights were granted in 2016 under vesting conditions based on a three-year service period and performance hurdles for the total test period of three years. Based on this plan, Wessanen granted share rights to members of the Executive Board in 2016. In addition, both Mr Barnouin and Mr Merckx opted to invest part of the short term bonus 2015 in shares, resulting in a grant of 18,265 (short term bonus 2014: -) and 9,150 (short term bonus 2014: 9,553) matching shares respectively. Further reference is made to Note 8: Share-based payments and the Remuneration Report (pages 72-74).

In the Annual General Meeting on 14 April 2016, Mr Barnouin was granted a one-off award of 42,917 share rights. This share grant will vest on 1 April 2020 in case (i) Mr Barnouin is still, on that date, member of the Executive Board in the position of Chief Executive Officer and (ii) Mr Barnouin has not given notice to terminate the relationship with Wessanen on or before 1 April 2020.

Supervisory Board remuneration expenses

In € thousands	Fixed		Other compensation[1]		Total	
	2016	2015	2016	2015	2016	2015
R.K. Kluiber[2]	60	55	3	3	**63**	**58**
P.E.M. Mispolet[3]	32	–	2	–	**34**	**–**
F. Van Oers[4]	65	65	4	4	**69**	**69**
I.M.C.M. Rietjens[5]	50	50	3	3	**53**	**53**
M.M. Van Zuijlen[6]	13	50	1	3	**14**	**53**
Total	**220**	**220**	**13**	**13**	**233**	**233**

1 Other compensation includes expense allowances.
2 R.K. Kluiber was appointed as Chairman of the Audit Committee on 24 January 2014 and appointed as Chairman of the SARC on 27 November 2015.
3 P.E.M. Mispolet was appointed as member of the Supervisory Board on 14 April 2016.
4 F. Van Oers was appointed as Chairman of the Supervisory Board on 24 January 2014.
5 I.M.C.M. Rietjens was appointed as Chairman of the NSFC on 17 April 2012.
6 M.M. Van Zuijlen resigned from the Supervisory Board on 14 April 2016.

Members of the Supervisory Board each received a fixed compensation of €45 thousand in both 2016 and 2015, excluding expenses. The Chairman of the Supervisory Board was awarded an additional fee of €20 thousand, the Chairman of the Audit Committee was awarded an additional fee of €10 thousand and the Chairman of the SARC and NFSC were each awarded an additional fee of €5 thousand in both 2016 and 2015 as well. The proportionate amounts are included above, if applicable.

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

8. Share-based payments

Main characteristics

The purpose of the share-based compensation plans is to reward eligible employees for their contribution, loyalty and commitment to Wessanen and to align the interests of eligible employees with those of shareholders by providing incentives to improve the Company's performance on a long term basis, thereby increasing shareholder value.

The Company has the following plans:

— Performance share plan: rights to receive shares in the future based on performance and service conditions (equity settled share-based payments).
— Performance incentive right plan: rights to receive remuneration in cash in the future based on performance and service conditions (cash settled share-based payments).
— Share matching plan (newly introduced in 2015): rights to receive matching shares in the future based on performance and service conditions (equity settled share-based payments).
— Extraordinary performance incentive right plan: rights to receive remuneration in cash in the future based on service conditions only (cash settled share-based payments).

In 2015, the share matching plan was introduced following the implementation of share ownership guidelines for executives. In order to increase the alignment of the members of the Executive Board and designated other senior executives with the interest of shareholders, members of the Executive Board and other senior executives are required to build up share ownership of Wessanen, equal to the value of 100% and 50% respectively of their annual gross base salary, within four years. Based on the share matching plan, members of the Executive Board and other senior executives can invest part of their short term incentives in Wessanen shares, which under certain conditions, may have such shares matched by the Company.

Delivery of shares respectively payment of the remuneration in cash generally depends on the achievement of performance hurdles (for a three-year test period ending at 31 December in the third year), in addition to a three year service condition (as from grant date). If a participant ceases to be employed by the Group for any other reason than death, disability or retirement, before the vesting date, all shares and performance incentive rights granted lapse automatically unless otherwise decided by the Supervisory Board or Executive Board.

The performance condition for the Long Term Incentive Plan 2014 is the relative Total Shareholder Return (TSR) compared to a peer group of 10 companies in total. For the Long Term Incentive Plan 2015 and 2016, the Return on Invested Capital (ROIC) was introduced as additional (non-market) performance condition. Accordingly, 50% of the 2015 and 2016 grant is linked to ROIC and the other 50% to TSR.

The performance condition for the Share Matching plan 2015 and 2016 is a (non-market) financial performance condition, defined as an EBITE percentage of revenue realised in the third year.

At threshold performance, target performance and maximum performance, respectively 50%, 100% and 150% of the awarded rights will vest.

All costs of the plans are borne by the Group; any and all tax which arise are for the sole risk and account of the eligible employee.

Fair value of performance shares, performance incentive rights and matching shares

The fair value of services received in return for performance shares granted to the Executive Board and other senior executives, and performance incentive rights granted to other employees are measured by reference to the fair value of Wessanen's shares. The estimate of the fair value of the services received is measured based on a Monte Carlo simulation model. The model inputs for the valuation of the share rights granted to the members of the Executive Board and other senior executives, and performance incentive rights granted to other employees can be specified as follows:

	Executive Board and other senior executives		Other employees	
	2016	2015	2016	2015
Share price at grant date (1 June)	9.02	8.07	9.02	8.07
Expected volatility	30.0%	29.0%	30.0%	29.0%
Term (in years) [1]	3	3	3	3
Expected dividend	0.14	0.10	0.14	0.10
Risk free interest rate	(0.1)%	0.2%	(0.1)%	0.2%
Fair value at measurement date	5.39	7.62	5.39	7.62

1 Best practice provision II.2.5, which provides that shares granted without financial consideration must be retained for at least 5 years or until at least the end of the employment, will not be applied. In view of the parallel requirement to build up and hold on to a significant portfolio of Wessanen shares under Wessanen's amended remuneration policy, members of the Executive Board may, at all times sell shares provided that the share ownership guidelines are met. Furthermore, members of the Executive Board may sell shares if to pay wage withholding taxes in connection with the delivery of shares related to such grant of shares.

The expected volatility has been determined based on the historic volatility, adjusted for any expected changes to future volatility due to publicly available information. Share rights as well as performance incentive rights are, in principle, granted under service conditions and market conditions. Only market conditions are taken into account in the fair value measurement of the share rights respectively performance incentive rights at grant date of the services received.

The fair value of the potential matching shares at the date of the share investment is amortised as a charge over the three-year vesting period.

Main conditions Long Term Incentive and Share Matching plans

Based on the Long Term Incentive and Share Matching plans 2016, Wessanen granted 90,748 shares and 61,205 matching shares to the Executive Board and other senior executives and 90,417 performance incentive rights to other employees.

The main conditions of the performance share plans, matching share plans and the performance incentive right plans issued can be summarised as follows:

Performance share plans	Number of instruments	Vesting conditions	Contractual life[1]
2013	172,018	Three years of service and Relative TSR over three years (share rights granted to Executive Board)	3 years
2014	88,836	Three years of service and Relative TSR over three years (share rights granted to Executive Board)	3 years
2015	126,739	Three years of service, Relative TSR over three years (50%) and ROIC (50%) (share rights granted to Executive Board and other senior executives)	3 years
2016	90,748	Three years of service, Relative TSR over three years (50%) and ROIC (50%) (share rights granted to Executive Board and other senior executives)	3 years

Share Matching plans	Number of instruments	Vesting conditions	Contractual life[1]
2015	48,002	Three years of service, financial performance target defined as an EBITE percentage of revenue realised in the third year (share rights granted to Executive Board and other senior executives)	3 years
2016	61,205	Three years of service, financial performance target defined as an EBITE percentage of revenue realised in the third year (share rights granted to Executive Board and other senior executives)	3 years

Performance incentive right plans	Number of instruments	Vesting conditions	Contractual life
2013	290,100	Three years of service and Relative TSR over three years (performance incentive rights granted to eligible Other employees)	3 years
2014	309,483	Three years of service and Relative TSR over three years (performance incentive rights granted to eligible Other employees)	3 years
2015	160,803	Three years of service, Relative TSR over three years (50%) and ROIC (50%) (performance incentive rights granted to eligible Other employees)	3 years
2016	90,417	Three years of service, Relative TSR over three years (50%) and ROIC (50%) (performance incentive rights granted to eligible Other employees)	3 years

1 Best practice provision II.2.5, which provides that shares granted without financial consideration must be retained for at least 5 years or until at least the end of the employment, will not be applied. In view of the parallel requirement to build up and hold on to a significant portfolio of Wessanen shares under Wessanen's amended remuneration policy, members of the Executive Board may, at all times sell shares provided that the share ownership guidelines are met. Furthermore, members of the Executive Board may sell shares if to pay wage withholding taxes in connection with the delivery of shares related to such grant of shares.

The total shareholder return ('TSR') performance involves a comparison between the TSR of a peer group of leading multinational food companies over the same period.

The peer group for the 2016 and 2015 plans consists of the following companies: Cranswick, La Doria, Frosta, Raisio, Bonduelle, Corbion, Ebro Foods, Lotus Bakeries, Premier Foods, and Koninklijke Wessanen (2014 plan: Bonduelle, Bongrain, Corbion, Ebro Foods, Fleury Michon, Lotus Bakeries, Nutreco, Premier Foods, Sligro and Koninklijke Wessanen).

Performance shares and matching shares

The movement in the number of outstanding performance and matching shares is as follows:

	31 December 2015	Granted	Delivered	Forfeited	Performance adjustment	31 December 2016	To be delivered in[1]
Members of the Executive Board							
C.P.J. Barnouin							
2014[2]	47,379	–	–	–	23,690	**71,069**	June 2017
2015	34,723	–	–	–	–	**34,723**	June 2018
2016	–	26,126	–	–	–	**26,126**	May 2019
2016[3]	–	42,917	–	–	–	**42,917**	April 2020
2016 – Share Matching	–	18,265	–	–	–	**18,265**	April 2019
R.J.J.B. Merckx							
2013	91,107	–	(91,107)	–	–	**–**	
2014 [2]	41,457	–	–	–	20,729	**62,186**	June 2017
2015	24,306	–	–	–	–	**24,306**	June 2018
2015 – Share Matching	9,553	–	–	–	–	**9,553**	April 2018
2016	–	18,288	–	–	–	**18,288**	May 2019
2016 – Share Matching	–	9,150	–	–	–	**9,150**	April 2019
Former member of the Executive Board							
P.H. Merckens							
2013	166,920	–	(166,920)	–	–	**–**	
Total (former) members of the Executive Board	**415,445**	**114,746**	**(258,027)**	**-**	**44,419**	**316,583**	
Other (former) employees							
2015	67,710	–	–	(11,285)	–	**56,425**	June 2018
2015 – Share Matching	38,381	68	–	(11,341)	–	**27,108**	April 2018
2016	–	46,334	–	(8,366)	–	**37,968**	May 2019
2016 – Share Matching	–	33,790	–	(7,529)	–	**26,261**	April 2019
Total other (former) employees	**106,091**	**80,192**	–	**(38,521)**	–	**147,762**	
Total	**521,536**	**194,938**	**(258,027)**	**(38,521)**	**44,419**	**464,345**	

1 Best practice provision II.2.5, which provides that shares granted without financial consideration must be retained for at least 5 years or until at least the end of the employment, will not be applied. In view of the parallel requirement to build up and hold on to a significant portfolio of Wessanen shares under Wessanen's amended remuneration policy, members of the Executive Board may, at all times sell shares provided that the share ownership guidelines are met. Furthermore, members of the Executive Board may sell shares if to pay wage withholding taxes in connection with the delivery of shares related to such grant of shares.

2 As the TSR-performance hurdle for the Long Term Incentive Plan 2014 was met (TSR ranking at 31 December: 1st), the conditional share rights granted to the members of the Executive Board under this plan will vest at 150%. In the table, this has been reflected as a 'performance adjustment'.

3 One-off award of 42,917 share rights. The share grant will vest on 1 April 2020 in case (i) Mr Barnouin is still, on that date, member of the Executive Board in the position of Chief Executive Officer and (ii) Mr Barnouin has not given notice to terminate the relationship with Wessanen on or before 1 April 2020.

Performance incentive rights

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

	31 December 2015	Granted	Delivered	Forfeited	Performance adjustment	31 December 2016	To be delivered in
Other (former) employees [1]							
2013	348,600	–	(347,700)	(900)	–	**–**	
2014 [2]	289,135	–	–	(32,332)	128,402	**385,205**	June 2017
2014 [3]	13,350	–	–	–	–	**13,350**	June 2017
2015	111,168	–	–	(2,736)	–	**108,432**	June 2018
2015 [3]	36,285	4,500	–	–	–	**40,785**	June 2018
2016	–	90,417	–	(450)	–	**89,967**	May 2019
2016 [3]	–	16,650	–	–	–	**16,650**	April 2019
Total	**798,538**	**111,567**	**(347,700)**	**(36,418)**	**128,402**	**654,389**	

1 A performance incentive right is a conditional right as set by the Company to receive remuneration in cash, whereby each performance incentive right has a value that is equal to the closing price of a share at Euronext Amsterdam on the day prior to the date of vesting. A performance incentive right does not entitle the employee to any right related to the share of the Company including but not limited to dividend or the right to vote.

2 As the TSR-performance hurdle for the Long Term Incentive Plan 2014 was met (TSR ranking at 31 December: 1st), all 2014 performance incentive rights granted to other employees under this plan will vest at 150% when the service condition will be met. In the table, this has been reflected as a 'performance adjustment'.

3 Only service condition, no performance hurdles.

Actual performance and share-based payments expenses

As the TSR-performance hurdles for the Long Term Incentive Plan 2013 and 2014 were met (TSR ranking at 31 December for both plans: 1st), the performance shares and performance incentive rights granted to the Executive Board and other employees under these plans vested at 150%. As at 31 December 2016, Wessanen's TSR is ranking as number two (= vesting at 125%) and number three (= vesting at 125%) in respect of the Long Term Incentive Plan 2015 and 2016 respectively.

In 2016, total expenses arising from transactions accounted for as equity-settled and cash-settled share-based compensation transactions amounted to €1.2 and €4.2 respectively (2015: €0.5 and €4.3 respectively), excluding related social security expenses of €0.7 (2015: €0.6). As at 31 December 2016, other provisions include an amount of €7.6 (2015: €6.4) related to cash-settled share-based payments (see Note 23). Of this provision €5.5 has been classified as current representing the liability related to performance incentive rights vested (LTIP 2014) valued at Wessanen's share price at 31 December 2016.

9. Net financing costs

In € millions	2016	2015
Interest expenses	**(0.4)**	**(0.4)**
Net foreign exchange loss	(0.7)	(1.0)
Net change in fair value of derivatives	0.2	–
Interest expense defined benefit plans	(0.1)	(0.1)
Commitment and agency fee	(0.2)	(0.2)
Other[1]	(0.6)	(0.6)
Total other financial income and expenses	**(1.4)**	**(1.9)**
Net financing costs	**(1.8)**	**(2.3)**

1 Other includes amortisation of capitalised finance costs of €0.2 (2015: €0.2).

Interest expenses in 2016 of €0.4 (2015: €0.4) originate from Wessanen's credit facilities, finance leases and other long term loans and borrowings. See Note 21 for more information on the interest-bearing loans and borrowings.

Foreign exchange results on financing transactions and on financial assets and liabilities are presented as part of total net foreign exchange loss. Wessanen mitigates its foreign currency exchange exposure by entering into various financial instruments. For more information on Wessanen's foreign currency exposure and financial risk management reference is made to Note 25.

10. Income tax expense

Income tax expense

The income tax expense for the year 2016 amounted to €9.7 (2015: €4.5) and can be specified into current and deferred tax components as follows:

In € millions	2016	2015
Current income tax gain/(expense)		
Current income tax expense	(11.3)	(11.1)
Adjustment for prior years	0.5	0.3
Total current income tax expense	**(10.8)**	**(10.8)**
Deferred income tax gain/(expense)		
Change in income tax rate	–	0.6
Deferred taxation relating to temporary differences	0.6	0.6
Utilisation of income tax losses	(2.3)	(1.1)
Benefit from previously unrecognised income tax losses	2.2	6.6
Reversal/(write-down) of deferred tax assets	0.6	(0.4)
Total deferred income tax gain/(expense)	**1.1**	**6.3**
Total income tax expense	**(9.7)**	**(4.5)**

Effective income tax rate

The Group's operating activities are subject to income tax in various countries with statutory income tax rates between 20% and 34%.

The following table reconciles the domestic income tax rate (=25%) 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

In € millions	2016	2015
Profit before income tax	**32.5**	**32.3**
Income tax using the domestic income tax rate	(8.1)	(8.1)
Effect of income tax rates in foreign jurisdictions	(2.3)	(3.1)
Change in income tax rate	–	0.6
Non-deductible expenses and tax exempt income and other permanent differences	(0.3)	(0.4)
Recognition of unrecognised income tax losses	2.3	6.6
Unrecognised income tax losses for the year	(2.4)	–
Reversal/(write-down) of deferred tax assets	0.6	(0.4)
Over/(under) provided in prior years and other	0.5	0.3
Income tax expense in income statement	**(9.7)**	**(4.5)**
Effective income tax rate	**29.9%**	**14.1%**

The recognition of unrecognised income tax losses in both 2015 and 2016 relates to estimated future taxable profits to be realised in Italy and the Netherlands.

Unrecognised income tax losses for the year fully relate to income tax losses incurred in Germany as a result of the announced restructuring plans. The write-down of a deferred tax asset relating to tax carry forward losses in 2015 in Germany, was fully reversed in 2016, resulting in an income tax gain of €0.6.

Prior year adjustments in 2016 mainly include differences between initial and final tax assessments and additions to and releases from the provision for uncertain tax positions of €(0.2) (2015: €(0.1)) and €0.3 (2015: €0.4) respectively.

Income tax on other comprehensive income

In € millions	2016 Amount before tax	2016 Tax	2016 Amount net of tax	2015 Amount before tax	2015 Tax	2015 Amount net of tax
Remeasurements of post employment benefit obligations	(0.6)	0.1	(0.5)	(0.6)	0.1	(0.5)
Foreign currency translation differences	(5.2)	–	(5.2)	3.8	–	3.8
Effective portion of changes in fair value of cash flow hedges	(0.1)	–	(0.1)	0.1	–	0.1
Total other comprehensive income	**(5.9)**	**0.1**	**(5.8)**	**3.3**	**0.1**	**3.4**

11. Disposal groups and discontinued operations

Wessanen's discontinued operations as at 1 January 2015 included the businesses of Distribution-France (Bio-Distrifrais-Chantenat) and ABC. In 2015, the Group signed an agreement to sell Distribution-France effectively as from 2 January 2015. In March 2015, the Group signed an agreement to sell ABC to Harvest Hill Beverage Company, effectively as from 31 March 2015. Following these divestments, Wessanen has no disposal groups as at 31 December 2015 and 2016.

Result from discontinued operations

The result from discontinued operations can be specified into the operating result from discontinued operations and the result on divestment of discontinued operations, as follows:

In € millions	2016	2015
Revenue	–	21.7
Operating result	–	(1.5)
Net financing costs	–	–
Profit before income tax	–	(1.5)
Income tax gain/(expense)	–	–
Loss after tax from discontinued operations	**–**	**(1.5)**
Pre-tax gain on the divestment of discontinued operations	–	9.4
Income tax gain	–	1.6
After tax gain recognised on the divestment of discontinued operations	**–**	**11.0**
Result for the year from discontinued operations	**–**	**9.5**

Result on divestment of discontinued operations

The following table presents a reconciliation between net assets divested, proceeds on the divestments of discontinued operations and the result on the divestments:

In € millions	2016	2015
Non-current assets	–	35.1
Current assets	–	21.0
Non-current liabilities	–	–
Current liabilities	–	(10.0)
Net assets divested	**–**	**46.1**
Consideration received in cash, net of expenses	–	46.6
Proceeds to be received [1]	–	4.5
Total proceeds on divestment	**–**	**51.1**
Net assets divested	–	(46.1)
Foreign exchange result on transaction	–	(0.1)
Result on prior period divestments	–	0.5
Cumulative exchange rate differences transferred from equity	–	4.0
Pre-tax gain on divestment of discontinued operations	**–**	**9.4**
Income tax gain	–	1.6
After tax gain recognised on divestment of discontinued operations	**–**	**11.0**

1 See Note 25.

Total cash proceeds on divestment in 2015 include the net cash proceeds on the divestment of ABC (€51.4) and Distribution-France (€(0.3)). Total cash proceeds on the divestment of ABC, net of cost to sell, amounted to €51.4 of which €4.5 ($5.0) was paid in escrow for potential claims in case of breach of contractual representations and warranties. As no cash outflow of economic resources was deemed probable in respect of the representations and warranties provided, no provision was recognised.

The income tax gain of €1.6 is the result of releases from the provision for uncertain income tax positions.

Cash flow from discontinued operations

The cash flow from discontinued operations in 2015 consists of a cash flow from operating activities in the amount of €(3.4) and a cash flow from investing activities in the amount of €42.2. The cash flow from investing activities includes: (a) cash proceeds on the divestment of ABC in the amount of €46.9 (excluding proceeds paid in escrow of €4.5), (b) cash proceeds on the divestment of Distribution-France in the amount of €(0.3) and (c) acquisitions of property, plant and equipment by ABC in the amount of €(4.4).

12. Earnings per share

Basic earnings per share

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

In € millions	2016	2015
Profit attributable to equity holders of Wessanen		
Profit after income tax	22.8	27.8
Profit from discontinued operations, net of income tax	–	9.5
Profit for the period attributable to equity holders of Wessanen	**22.8**	**37.3**

In thousands	2016	2015
Number of ordinary shares		
Issued ordinary shares	75,992	75,992
Own shares, held by the Company	(460)	(524)
Number of ordinary shares at year end	**75,532**	**75,468**

In thousands, unless stated otherwise	2016	2015
Weighted average number of ordinary shares	**75,594**	**75,582**
Earnings per share in € from continuing operations	0.30	0.37
Earnings per share in € from discontinued operations	–	0.12
Earnings per share in €	**0.30**	**0.49**

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 potential impact of delivery of share rights granted.

In thousands, unless stated otherwise	2016	2015
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares	75,594	75,582
Effect of delivery of share rights granted	522	581
Weighted average number of ordinary shares (diluted)	**76,116**	**76,163**
Diluted earnings per share in € from continuing operations	0.30	0.37
Diluted earnings per share in € from discontinued operations	–	0.12
Diluted earnings per share in €	**0.30**	**0.49**

13. Property, plant and equipment

In € millions	Land and buildings	Machinery and equipment	Other	Under construction and pre-payments	Total
2015					
Carrying value at beginning of year	10.3	7.6	4.7	0.1	22.7
Effect of movements in foreign exchange rates	0.2	0.1	0.1	–	0.4
Additions	1.0	4.6	0.4	0.5	6.5
Acquisitions through business combinations	10.8	8.7	0.9	–	20.4
Reclassifications	0.6	1.9	(2.5)	–	–
Disposal	–	(0.1)	–	–	(0.1)
Depreciation	(1.4)	(3.4)	(0.8)	–	(5.6)
Impairment	–	–	–	(0.5)	(0.5)
Carrying value at year end	**21.5**	**19.4**	**2.8**	**0.1**	**43.8**
Accumulated depreciation and impairment losses	15.8	33.2	8.0	0.5	57.5
Cost at year end	**37.3**	**52.6**	**10.8**	**0.6**	**101.3**

In € millions	Land and buildings	Machinery and equipment	Other	Under construction and pre-payments	Total
2016					
Carrying value at beginning of year	21.5	19.4	2.8	0.1	43.8
Effect of movements in foreign exchange rates	(0.6)	(0.6)	–	–	(1.2)
Additions	0.3	2.2	0.3	2.7	5.5
Acquisitions through business combinations[1]	4.7	3.6	0.9	–	9.2
Reclassifications	–	(0.4)	0.4	–	–
Disposal	–	(0.2)	–	–	(0.2)
Depreciation	(1.3)	(3.6)	(0.8)	–	(5.7)
Impairment	–	(0.5)	–	0.3	(0.2)
Carrying value at year end	**24.6**	**19.9**	**3.6**	**3.1**	**51.2**
Accumulated depreciation and impairment losses	18.2	38.1	9.8	–	66.1
Cost at year end	**42.8**	**58.0**	**13.4**	**3.1**	**117.3**

1 See Note 5.

Impairments

In 2015 an impairment was recognised in the amount of €0.5, concerning of capitalised costs for a building construction project in France. As the project was put on hold the related capitalised costs were impaired. In 2016 the project is no longer on hold as a result of which a partial reversal of impairment has been recognised in the amount of €0.3. In addition, an impairment of €0.5 in respect of machinery and equipment is recognised, following the decision to downsize the Allos manufacturing plant (Drebber, Germany).

The present value of estimated future cash flows has been calculated using a pre-tax discount rate of 9.4% (2015: 9.5%) in respect of our UK business and within the range between 8.7% and 11.5% (2015: range between 9.3% and 12.4%) in respect of our other European businesses.

Finance leases

Property, plant and equipment includes a carrying value of €2.5 (2015: €2.5) in respect of assets held under finance leases, mainly related to land and buildings of €0.6 (2015: €0.6) and machinery and equipment of €1.7 (2015: €1.5).

Security

No restrictions on title exist and no property, plant and equipment is pledged as security for liabilities.

14. Intangible assets

In € millions	Goodwill	Brands	Customer lists	Software	Development expenses and Other	Total
2015						
Carrying value at beginning of year	37.1	23.4	0.9	3.0	0.3	64.7
Effect of movements in foreign exchange rates	0.8	0.7	0.1	–	(0.1)	1.5
Additions	–	–	–	1.5	0.1	1.6
Acquisitions through business combinations	18.5	8.6	4.9	0.2	0.1	32.3
Reclassifications	–	–	–	(1.0)	1.0	–
Amortisation	–	–	(0.5)	(1.9)	–	(2.4)
Impairment	–	–	–	(0.2)	–	(0.2)
Carrying value at year end	**56.4**	**32.7**	**5.4**	**1.6**	**1.4**	**97.5**
Accumulated amortisation and impairment losses	95.2	9.3	1.0	12.3	0.9	118.7
Cost at year end	**151.6**	**42.0**	**6.4**	**13.9**	**2.3**	**216.2**
2016						
Carrying value at beginning of year	56.4	32.7	5.4	1.6	1.4	97.5
Effect of movements in foreign exchange rates	(2.0)	(1.8)	–	–	–	(3.8)
Additions	–	–	–	0.2	2.2	2.4
Acquisitions through business combinations [1]	90.1	18.9	–	0.1	–	109.1
Reclassifications	–	–	–	–	–	–
Amortisation	–	–	(0.6)	(1.1)	(0.2)	(1.9)
Impairment	–	–	–	–	–	–
Carrying value at year end	**144.5**	**49.8**	**4.8**	**0.8**	**3.4**	**203.3**
Accumulated amortisation and impairment losses	91.5	8.5	1.5	13.4	0.6	115.5
Cost at year end	**236.0**	**58.3**	**6.3**	**14.2**	**4.0**	**318.8**

1 See Note 5.

Acquisition through business combinations

In 2016, intangible assets from acquisitions through business combinations of €109.1 consist mainly of goodwill and brands capitalised related to the acquisition of Piramide, Ineobio, Mrs. Crimble's and Biogran (see Note 5).

Intangible assets from acquisition through business combinations in 2015 of €32.3 consist mainly of goodwill, brands and customer lists capitalised related to the acquisition of Abafoods.

Impairment

In 2015 an impairment on intangible assets has been recognised in the amount of €0.2, which concerns the impairment of an ERP system in Italy.

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 cash-generating units have significant carrying values of goodwill and brands:

In € millions	31 December 2016			31 December 2015		
	Goodwill	Brands	Total	Goodwill	Brands	Total
Branded – Italy	18.5	8.6	27.1	18.5	8.6	27.1
Branded – France	21.5	18.2	39.7	11.5	9.1	20.6
Branded – UK [1]	21.7	18.0	39.7	12.5	11.7	24.2
Branded – Germany	9.3	3.3	12.6	9.3	3.3	12.6
Branded – Benelux	10.7	1.7	12.4	4.6	–	4.6
Branded – Spain [2]	62.8	–	62.8	–	–	–
Carrying value at year end	**144.5**	**49.8**	**194.3**	**56.4**	**32.7**	**89.1**

1 2016 change in carrying values at Branded-UK included both acquisition of Mrs Crimble's (see Note 5) and foreign currency changes (2015: change related entirely to foreign currency changes).

2 The allocation of the purchase consideration paid in respect of the Biogran acquisition could not be completed in time, due to the fact that the acquisition was only done in December 2016. Accordingly, part of the goodwill amount recognised of €62.8, is still to be allocated to other identifiable intangible assets, being brands and customer lists. Furthermore, due to the timing of the acquisition Biogran was not subect to impairment testing in 2016.

2016 annual impairment test

The recoverable amount of each cash-generating unit, used in the annual impairment tests performed in the fourth quarter, is based on its value in use. Key assumptions used in the impairment tests for the cash-generating units in the table above were sales growth rates, gross profit (margin) and the rates used for discounting the projected cash flows. These cash flow projections were determined using management's internal forecasts that cover a period of 5 years, based on financial plans as approved by the Company's management, after which a terminal value was calculated. For terminal value calculation, growth rates were capped at an average long term inflation rate of 1.8% (2015: 1.8%).

The present value of estimated future cash flows has been calculated using a pre-tax discount rate of 9.4% (2015: 9.5%) in respect of our UK business and within the range between 8.7% and 11.5% (2015: range between 9.3% and 12.4%) in respect of our other European businesses. The pre-tax discount rate reflects the current market assessment of the time value of money and the specific risks of the cash-generating unit.

Based on the 2016 annual impairment test the recoverable amounts for all cash-generating units were estimated to be higher than the carrying amounts, and therefore no impairment losses were identified (2015: €0.0).

The results of the annual impairment test of Branded Italy, Branded France, Branded UK and Branded Benelux have indicated that a reasonably possible change in key assumptions would not cause the value in use to fall to the level of the carrying value.

In 2016 the cash-generating unit Branded-Germany showed a dissappointing performance. Our brands Allos and Tartex failed to deliver sustainable, profitable innovation and we were late to respond to changing channel dynamics. We did, however, manage to achieve new listings in the German drugstore channel (Grocery) for our Cupper and Tartex brands, which provide a good future platform for growth. Plans to fix in-market performance, re-balance our channel mix and to reduce our cost base are in place.

Based on the annual impairment test, it was noted that for the cash-generating unit Branded-Germany the headroom was limited. An increase of 153 basis points in the pre-tax discount rate, a 360 basis points decline in the compound sales growth rate, a 80 basis points decline in the gross profit margin or a 23% decrease in terminal value would cause its value in use to fall to the level of its carrying value. The achievement of projected sales growth and gross profit margin improvements, two key assumptions underlying the impairment test, will be highly dependent on the successful implementation and execution of the profit recovery plans in place. Accordingly, we will closely monitor the execution of these plans in 2017. Goodwill and brands allocated to Branded-Germany at 31 December 2016 amount to €9.3 and €3.3 respectively.

Security

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

15. Other investments

Other investments mainly include long term receivables of €0.6 (2015: €0.1) and capitalised finance costs of €0.0 (2015: €0.8). As at 31 December 2015, capitalised finance costs were not netted against long term interest-bearing loans, as no loans were drawn from the related credit facility.

16. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

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

In € millions	Balance 1 January 2015	Effect of movement in foreign exchange rates	Acquisitions through business combinations	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2015
Provisions	1.4	–	0.1	(0.2)	0.1	1.4
Trade and other payables and accrued expenses	1.0	–	–	0.1	–	1.1
Tax loss carried forward	1.8	–	–	4.8	–	6.6
Other	–	–	(0.1)	0.5	–	0.4
Total deferred tax assets	**4.2**	**–**	**–**	**5.2**	**0.1**	**9.5**
Property, plant and equipment	(0.1)	–	(1.3)	0.3	–	(1.1)
Intangible assets	(3.5)	(0.1)	(4.2)	0.7	–	(7.1)
Other	–	–	–	–	–	–
Total deferred tax liabilities	**(3.6)**	**(0.1)**	**(5.5)**	**1.0**	**–**	**(8.2)**
Net deferred tax assets	**0.6**	**(0.1)**	**(5.5)**	**6.2**	**0.1**	**1.3**

	Balance 1 January 2016	Effect of movement in foreign exchange rates	Acquisitions through business combinations	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2016
Provisions	1.4	–	0.1	(0.1)	0.1	1.5
Trade and other payables and accrued expenses	1.1	–	–	(0.1)	–	1.0
Tax loss carried forward	6.6	–	–	0.8	–	7.4
Other	0.4	–	–	0.4	–	0.8
Total deferred tax assets	**9.5**	**–**	**0.1**	**1.0**	**0.1**	**10.7**
Property, plant and equipment	(1.1)	–	(0.6)	(0.2)	–	(1.9)
Intangible assets	(7.1)	0.4	(4.5)	0.2	–	(11.0)
Other	–	–	(0.1)	0.2	–	0.1
Total deferred tax liabilities	**(8.2)**	**0.4**	**(5.2)**	**0.2**	**–**	**(12.8)**
Net deferred tax assets	**1.3**	**0.4**	**(5.1)**	**1.2**	**0.1**	**(2.1)**

In € millions	31 December 2016	31 December 2015
Net deferred tax assets/(liabilities) are presented as follows:		
Deferred tax assets presented under non-current assets	8.8	8.3
Deferred tax liabilities presented under non-current liabilities	(10.9)	(7.0)
Net deferred tax assets/(liabilities)	**(2.1)**	**1.3**

Tax losses carried forward/unrecognised deferred tax assets

The tax losses carried forward per expiration date, and their recognition can be specified as follows:

In € millions	31 December 2016		
	Recognised	Unrecognised	Total
Expiration date 2018	8.1	11.5	19.6
Expiration date 2020	4.6	–	4.6
Expiration date 2021 and future years	7.4	129.7	137.1
Indefinite and timing differences	8.1	11.8	19.9
Total tax losses carried forward (nominal value)	**28.2**	**153.0**	**181.2**
Total tax losses carried forward (tax value)	**7.4**	**38.9**	**46.3**

The unrecognised deferred tax assets related to tax losses carried forward increased by €0.1 from €38.8 as at 31 December 2015 to €38.9 as at 31 December 2016. This slight increase can mainly be explained by unrecognised income tax losses incurred in Germany, almost fully offset by the recognition of previously unrecognised income tax losses in the Netherlands and Italy.

17. Inventories

In € millions	31 December 2016	31 December 2015
Finished products	47.8	42.1
Semi-finished products	0.9	0.8
Raw materials and supplies	19.6	16.1
Prepayments on inventories	0.2	–
Total inventories	**68.5**	**59.0**

Inventories are shown net of impairment losses in the amount of €2.0 (2015: €1.5). The net write off in the amount of €2.4 (2015: €0.4) is included in the cost of raw materials and supplies.

18. Trade and other receivables and prepayments

Trade receivables are shown net of impairment losses in the amount of €1.8 (2015: €1.8) arising from identified doubtful receivables from customers.

Other receivables and prepayments as at 31 December 2015 include a cash amount of €4.5 held in escrow for representations and warranties provided related to the divestment of ABC. The escrow account expired by the end of September 2016, after which €4.1 was released and repaid. As at 31 December 2016, an amount of €0.4 is still kept in escrow. Per January 2017, a remaining balance of €0.2 ($0.2) was released and received, after payment of a tax claim of €0.2 ($0.2), which was charged against the income statement ('Income tax expense: Over/(under) provided in prior years and others') in 2016.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables and prepayments are disclosed in Note 25.

19. Net cash and cash equivalents

In € millions	31 December 2016	31 December 2015
Cash and cash equivalents	9.4	24.7
Bank overdrafts	(8.7)	(1.5)
Net cash and cash equivalents	**0.7**	**23.2**

Cash and cash equivalents are at Wessanen's free disposal as at 31 December 2016.

In 2014 we introduced ABN AMRO Bank as our main cash management provider and created a cross border European zero balancing cash pool. Through the cash pool, all balances are concentrated on a daily basis to the bank account of Wessanen Finance B.V. Next to that ING was implemented in 2016 as cash management provider in Italy given the growth of the business. The cash and cash equivalents balance at Wessanen Finance B.V. as per 31 December 2016 amounts to €0.5 (31 December 2015: €19.9). As at 31 December 2016 there are no bank balances that have been offset, except for the ABN AMRO euro bank account which has been set off against ABN AMRO foreign currency bank accounts, which net to an amount of €0.5 (as at 31 December 2015 no bank balances have been offset).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 25.

20. Equity attributable to equity holders of Wessanen

Issued and paid-up share capital

The authorised share capital of the Company as at 31 December 2016 consists of 300 million ordinary shares (2015: 300 million shares) with a nominal value of €1.00, of which 76.0 million shares were issued and paid-up (2015: 76.0 million shares).

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.

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 31 December 2016 Wessanen held 460 thousand shares (2015: 524 thousand).

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

In € millions, unless stated otherwise	2016		2015	
	Number of shares x 1,000	Amount	Number of shares x 1,000	Amount
Balance at beginning of the year	524	(3.5)	19	(0.1)
Repurchase shares	194	(2.1)	678	(4.5)
Shares delivered	(258)	1.7	(173)	1.1
Balance at year end	**460**	**(3.9)**	**524**	**(3.5)**

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 of permanent nature.

Hedging reserve

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

Dividends

The Executive Board, with the approval of the Supervisory Board, proposes that a dividend of 12 eurocent per share will be paid in 2017 with respect to 2016. This dividend is subject to approval by the General Meeting of Shareholders and has not been included as a liability in the consolidated statement of financial position as per 31 December 2016. The payment of this dividend will not have income tax consequences for the Company.

In € millions	2016	2015
Dividends declared and paid in the year	(8.3)	(7.5)

21. Interest-bearing loans and borrowings

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

In € millions	31 December 2016			31 December 2015		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
Syndicated loans	–	79.0	79.0	–	–	–
Finance leases	0.4	0.9	1.3	0.3	0.8	1.1
Other long term loans and borrowings	2.6	1.3	3.9	3.9	0.7	4.6
Total	**3.0**	**81.2**	**84.2**	**4.2**	**1.5**	**5.7**

The current portion of the interest-bearing loans and borrowings as at 31 December 2016 is included in current liabilities as at 31 December 2016.

Syndicated loans

The Group has a committed €100 revolving credit facility in place. The last refinancing was done in June 2015 whereby the existing facility was refinanced with ABN AMRO and ING. The credit facility is unsecured and the maturity is 2020 plus two extension options of both one year. The pricing grid over the relevant floating rate (EURIBOR or LIBOR) is based on the leverage ratio (Net debt to EBITDAIE of total Wessanen). The maximum aggregate amount which can be drawn under the "accordion facility" (optional increase of the credit facility) is €50. Following the acquisition of Biogran in December 2016 the Company exercised the option to increase the credit facility by €25 effectively as from 2 January 2017.

Under its financial covenants Wessanen has to ensure that total net debt does not exceed 3.0 times consolidated EBITDAIE. A spike up to 3.5 times consolidated EBITDAIE is allowed under specific conditions for a maximum duration of two (consecutive) quarters. At 31 December 2016 our net debt level amounted to 1.5 times consolidated EBITDAIE; our net debt amounted to €83.5 (2015: cash surplus of €17.5). The facility has various other general and financial covenants that are customary for its type, amount and tenor. For example, Wessanen is not permitted to declare or pay a dividend exceeding 45% of its net results, excluding any non-recurring items, and there are certain restrictions in place in case of acquisitions. A violation of any of these covenants constitutes an event of default under our credit facility, which would, unless waived by our lenders, provide our lenders with the right to request for immediate repayment of the outstanding loan without the requirement of notice or any other formality.

The Group has the ability to draw loans from the syndicated credit facility with maturities ranging between 1 week and 9 months. When a loan expires, this is, ceteris paribus, refinanced with a new loan drawn from the facility.

The average interest rate on drawings for 2016 was 0.7% (2015: 0.9%).

Finance leases

Non-cancellable finance leases are payable as follows:

In € millions	31 December 2016			31 December 2015		
	Total lease payments	Interest	Carrying value	Total lease payment	Interest	Carrying value
Less than 1 year	0.4	–	0.4	0.3	–	0.3
Between 1 and 5 years	0.6	0.1	0.5	0.6	0.1	0.5
More than 5 years	0.5	0.1	0.4	0.4	0.1	0.3
Total	**1.5**	**0.2**	**1.3**	**1.3**	**0.2**	**1.1**

Other long term loans and borrowings

Other long term loans and borrowings as per 31 December 2016 consist of reverse factoring of €2.6 (2015: €3.9) and long term loans of €1.3 (2015: €0.7).

22. Employee benefits

Defined benefit plans

In 2016 Wessanen and its subsidiaries made contributions to defined benefit plans in the Netherlands and France, that provide pension benefits for employees upon retirement. Wessanen pays benefits directly to employees upon retirement in Germany. These are final-pay plans, based on the employees' years of service and compensation near retirement. The schemes in the Netherlands and France are administered by industry pension funds and life insurance companies. The schemes in Germany are administered by Wessanen.

In Italy Wessanen made contributions to a legal employee leaving entitlement. Each employee is entitled to a deferred compensation ("TFR") which is paid upon retirement or upon leaving the Company. The entitlement is accrued for an amount equal to approximately one months salary for each year of service and is adjusted for inflation every year. The main part of the scheme is administered by Wessanen and is qualified as a career average defined benefit scheme. In accordance with a change in Italian law in 2007, part of the scheme has been transferred since to an external pension fund and is qualified as a defined contribution scheme.

In € millions	31 December 2015	Acquisitions through business combinations	Re-measurements	Other movements	31 December 2016
Present value of obligations	6.6	0.1	0.6	0.2	7.5
Fair value of plan assets	(0.5)	–	–	0.1	(0.4)
Net liability for defined benefit obligations	**6.1**	**0.1**	**0.6**	**0.3**	**7.1**
Other employee benefits	0.6	–	–	–	0.6
Total liability employee benefits	**6.7**	**0.1**	**0.6**	**0.3**	**7.7**

Wessanen's net liability for defined benefit obligations as at 31 December 2016 amounts to €7.1 and relates mainly to one of the pension plans in Germany (in the amount of €4.4) and the part of the above mentioned TFR scheme in Italy that qualifies as a defined benefit scheme (in the amount of €1.4). Both the German and Italian scheme are administered by Wessanen and are unfunded. Wessanen pays benefits directly to employees upon retirement or, in case of the TFR, upon leaving the Company. The German plan is closed for new participants and has an expected duration of 17.8 years. The TFR scheme is open for new participants and has an expected duration of 15.6 years. The weighted average duration of the total net liability for defined benefit obligations of Wessanen is 16.2 years. The 2016 movement of Wessanen's net liability for defined benefit obligations (increase in the amount of €1.0) is mainly driven by an actuarial loss due to changes in financial assumptions (e.g. discount rate at year end) in the amount of €0.6 and a net liability in the amount of €0.1 which was part of the acquisition of Ineobio (France).

The net liability for defined benefit obligations is calculated separately for each plan by calculating the amount 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.

Multi-employer plans

One of the Dutch companies is engaged in a multi-employer plan with 'Stichting Bedrijfspensioenfonds voor de Groothandel in Levensmiddelen' ('GIL'). This multi-employer plan is a defined benefit plan, though accounted for as if it was a defined contribution plan because it is not possible to identify Wessanen's share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes. This is due to the fact that the plan exposes 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 the pension law 'Pensioenwet' and the regulatory framework 'Financieel Toetsingskader'.

Per both December 2016 and 2015, the GIL showed a deficit compared to the minimum required coverage. A recovery plan was submitted to De Nederlandsche Bank (DNB) in January 2016, who accepted the plan and considered it specific and feasible. The recovery plan requires GIL to achieve a coverage rate of 122.1% per December 2026. More detailed information concerning the financial position of GIL is publicly available on the website of the industry pension fund (www.bpf-gil.nl).

Wessanen's level of participation in the plan compared with other participating entities is relatively low with 52 active members (total plan: approximately 12,000 members), 37 deferred members (total plan: approximately 33,000 members) and no retired members (total plan: approximately 8,000 members).

The expected contributions for this multi-employer plan in 2017 amount to €0.3.

Defined contribution plans

Wessanen and its subsidiaries make contributions to defined contribution plans in the Netherlands, France and the UK. The expected contributions for these plans in 2017 amount to €3.0.

Defined benefit plans

The components of the employee benefits for the years ending 31 December 2016 and 2015 respectively are shown in the following tables.

In € millions	31 December 2016	31 December 2015
Present value of obligations	**7.5**	**6.6**
Fair value of plan assets	(0.4)	(0.5)
Net liability for defined benefit obligations	**7.1**	**6.1**
Other employee benefits	0.6	0.6
Total liability employee benefits	**7.7**	**6.7**

Movement in the liability for defined benefit obligations

In € millions	2016	2015
Liability for defined benefit obligations at beginning of year	6.6	10.3
Benefits paid	(0.2)	(0.3)
Employee contributions	–	–
Current service costs	0.3	0.3
Interest costs	0.1	0.2
Settlements	–	(5.8)
Remeasurement losses	0.6	0.9
Acquisitions through business combinations	0.1	1.0
Liability for defined benefit obligations at year end	**7.5**	**6.6**

Movement in plan assets

In € millions	2016	2015
Fair value of plan assets at beginning of year	0.5	4.5
Employer contributions	–	0.3
Employee contributions	–	–
Benefits paid	(0.1)	(0.3)
Interest income	–	–
Remeasurement gains	–	0.3
Settlements	–	(4.3)
Acquisitions through business combinations	–	–
Fair value of plan assets at year end	**0.4**	**0.5**

Plan assets

The pension plan asset allocation can be specified as follows (on a weighted average basis):

	31 December 2016	31 December 2015
Equity securities	8.9%	9.0%
Bonds	86.1%	86.0%
Other quoted securities	5.0%	5.0%
Total	**100.0%**	**100.0%**

All plan assets have a quoted market price in an active market.

Expense recognised in the income statement

In € millions	2016	2015
Current service costs	0.3	0.3
Past service costs, curtailments and settlements	–	(1.4)
Net interest costs	0.1	0.1
Total expense/(gain)	**0.4**	**(1.0)**

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

In € millions	2016	2015
Personnel expenses	0.3	(1.1)
Net financing costs	0.1	0.1
Total expense/(gain)	**0.4**	**(1.0)**

Remeasurement effects of total Wessanen recognised in other comprehensive income in respect of defined benefit plans are as follows:

In € millions	2016	2015
Actuarial loss due to experience adjustments	–	0.3
Actuarial loss due to changes in financial assumptions	0.6	0.6
Return on plan assets (excluding amounts included in net interest expense)	–	(0.3)
Total remeasurement effects recognised in other comprehensive income, before income tax	**0.6**	**0.6**

In € millions	2016	2015
Actual return on plan assets	–	0.3

The expected contributions for defined benefit plans in 2017 amount to €0.0.

Actuarial assumptions

Principal actuarial assumptions at the balance sheet date:

	2016	2015
Discount rate at year end	1.5-1.8%	2.0-2.3%
Future general salary increases	1.8-3.3%	1.8-3.3%
Price inflation	1.8%	1.8%
Future pension increases	1.8%	1.8%

Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, future general salary increases and future pension increases. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- A reduction in the discount rate by 25 basis points would result in an increase in the liability for defined benefit obligations of €0.3 as per 31 December 2016 (2015: €0.3);
- An increase in the future general salary increases by 100 basis points would result in an increase in the liability for defined benefit obligations of €0.4 as per 31 December 2016 (2015: €0.4);
- An increase in the future pension increases by 100 basis points would result in an increase in the liability for defined benefit obligations of €0.6 as per 31 December 2016 (2015: €0.6).

The sensitivity analysis presented above may not be representative for the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. 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 as at 31 December

In € millions	2016	2015	2014	2013	2012
Defined benefit obligation	7.5	6.6	10.3	4.7	97.9
Fair value of plan assets	(0.4)	(0.5)	(4.5)	(0.6)	(83.3)
Deficit in the plan	7.1	6.1	5.8	4.1	14.6

Experience adjustments arising on plan liabilities and plan assets as at 31 December

In € millions	2016	2015	2014	2013	2012
Plan liabilities	–	(0.3)	0.3	0.3	1.8
Plan assets	–	0.3	0.5	–	9.5

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

23. Provisions

Movements in provisions can be specified as follows:

2015 In € millions	Restructuring	Other provisions	Total
Non-current	–	3.3	**3.3**
Current	2.5	1.7	**4.2**
Balance at beginning of year	**2.5**	**5.0**	**7.5**
Additions charged against result	1.9	6.8	**8.7**
Used during the year	(2.8)	(2.1)	**(4.9)**
Released to result	(0.5)	(0.2)	**(0.7)**
Balance at year end	**1.1**	**9.5**	**10.6**
Non-current	–	3.9	**3.9**
Current	1.1	5.6	**6.7**
Balance at year end	**1.1**	**9.5**	**10.6**

2016 In € millions	Restruc-turing	Other provisions	Total
Non-current	–	3.9	**3.9**
Current	1.1	5.6	**6.7**
Balance at beginning of year	**1.1**	**9.5**	**10.6**
Additions charged against result	5.7	5.7	**11.4**
Used during the year	(1.0)	(5.4)	**(6.4)**
Released to result	(0.3)	(0.2)	**(0.5)**
Balance at year end	**5.5**	**9.6**	**15.1**
Non-current	–	3.0	**3.0**
Current	5.5	6.6	**12.1**
Balance at year end	**5.5**	**9.6**	**15.1**

Restructuring

In 2016, additions to the restructuring provision of €5.7, mainly include severance payments relating to restructuring plans in respect of our German operations of €5.1 and the integration of Mrs Crimble's in the UK of €0.3. In 2015, additions to the restructuring provision of €1.9, mainly included severance payments relating to the divestment of ABC of €1.0 and additional provisions for severance payments at the corporate head office of €0.6 and other locations.

The additions to the restructuring provision include severance payments and termination benefits, and required management judgement in estimating the expected cash outflows based on detailed plans. For all restructuring provisions a detailed formal plan exists and the implementation of the plan has started or the plan has been announced before the balance sheet date.

Other provisions

Other provisions as at 31 December 2016 of €9.6 mainly comprise (1) provisions for liabilities arising from cash-settled share-based payment transactions of €7.6 (2015: €6.4), (2) contract risks of €0.6 (2015: €0.7) and (3) a provision for additional tax due relating to contract termination benefits provided to Mr Merckens (former CEO of Wessanen) of €0.0 (2015: €1.5) The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Additions in 2016 of €5.7 mainly include share-based payment expenses of €4.1 and related social security expenses of €0.7. In 2016, payments of €5.4 were made against the other provisions, including share-based payment expenses and related social security expenses of €3.6 and additional tax relating to contract termination benefits provided to Mr Merckens (former CEO of Wessanen) of €1.4 following final settlement.

The releases from restructuring and other provisions of €0.3 and €0.2 respectively are mainly the result of favourable settlements and revised estimates relating to various individual cases. Releases of prior year provisions are accounted for in operating result. The Company expects the provisions at year-end to be utilised mostly within the next year, the cash outflows related to the non-current part of the other provisions will mostly materialise in 2018 and 2019, as they mainly include provisions for cash-settled share-based payment transactions (LTIP 2015-2017 and LTIP 2016-2018).

24. Trade and non-trade payables and accrued expenses

In € millions	31 December 2016	31 December 2015
Total trade payables – third party	**80.5**	**67.9**
Customer incentives	27.2	27.1
Personnel expenses	11.9	10.3
Pensions	5.1	5.1
Social securities and other tax	5.9	5.2
Derivatives	–	0.1
Other liabilities	7.7	9.2
Total non-trade payables and accrued expenses	**57.8**	**57.0**
Total trade and non-trade payables and accrued expenses	**138.3**	**124.9**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 25.

25. Financial instruments and risk management

This Note presents information about Wessanen's exposure to liquidity risk, market risk (currency risk, interest rate risk and commodity risk) and credit risk, Wessanen's objectives, policies and processes for measuring and managing risk, and Wessanen's management of capital, as well as quantitative disclosures (before income tax) in addition to those included throughout these consolidated financial statements.

The Executive Board has overall responsibility for the establishment and oversight of Wessanen's Risk Management and Internal Control Framework. The framework is designed to enable the Executive Board to achieve its strategic objectives within a managed risk profile. The 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 comply with 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 Framework are discussed with the Audit Committee and the Supervisory Board.

Wessanen does business in the UK, through its subsidiaries Kallø Foods and Mrs Crimble's. The consequences of the UK people's vote to leave the European Union (Brexit) are as yet not clear, but has had an impact on the Pound Sterling and its volatility. The assessment of potential accounting and financial reporting implications did not (yet) result into any specific actions other than those that are already taken in the ordinary course of business; e.g. currency risks are being mitigated in accordance with our foreign exchange policy, and where possible, through customer price negotiations.

Liquidity risk

Liquidity risk is the risk that Wessanen will not be able to meet its financial obligations as they fall due. A material and sustained shortfall in Wessanen's cash flow could undermine overall investor confidence and could restrict the Group's ability to raise funds. Operational cash flow provides the funds to service the Group's financing obligations. The Group's objective to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its financial obligations when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Wessanen manages its liquidity by monitoring and forecasting cash flows of its operating companies, debt servicing requirements, dividends to shareholders and other obligations. The Group's syndicated credit facility allows to draw in maturities ranging between 1 week and 9 months. When a loan expires, this is ordinarily refinanced with a new loan drawn from the facility. In addition to the syndicated loan facility, Wessanen has no other uncommitted credit facilities.

The table below summarises the maturity profile of Wessanen's financial liabilities of continuing operations, including estimated interest payments at 31 December 2016 and at 31 December 2015 based on undiscounted contractual cash flows.

In € millions	Note		Undiscounted contractual cash flows						
2015			Carrying amount	Total cash flows	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities									
Syndicated loans	21	floating	–	–	–	–	–	–	–
Other long term loans	21	floating	(4.6)	(4.7)	(3.9)	–	(0.1)	(0.3)	(0.4)
Finance lease liabilities	21	fixed	(1.1)	(1.3)	(0.2)	(0.1)	(0.2)	(0.4)	(0.4)
Trade and other payables[1]	24	non-interest bearing	(124.8)	(124.8)	(124.8)	–	–	–	–
Bank overdrafts	19	floating	(1.5)	(1.5)	(1.5)	–	–	–	–
Subtotal			**(132.0)**	**(132.3)**	**(130.4)**	**(0.1)**	**(0.3)**	**(0.7)**	**(0.8)**
Derivative financial instruments									
Other forward contracts used for hedging			(0.1)	(0.1)	(0.1)	–	–	–	–
Subtotal			**(0.1)**	**(0.1)**	**(0.1)**	**–**	**–**	**–**	**–**
Total			**(132.1)**	**(132.4)**	**(130.5)**	**(0.1)**	**(0.3)**	**(0.7)**	**(0.8)**

1 Excluding derivatives.

In € millions	Note		Carrying amount	Total cash flows	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
				Undiscounted contractual cash flows					
2016									
Non-derivative financial liabilities									
Syndicated loans	21	floating	(79.0)	(84.2)	(0.4)	(0.4)	(1.6)	(2.4)	(79.4)
Other long term loans	21	floating	(3.9)	(4.2)	(2.7)	(0.1)	(0.2)	(0.5)	(0.7)
Finance lease liabilities	21	fixed	(1.3)	(1.5)	(0.1)	(0.3)	(0.3)	(0.3)	(0.5)
Trade and other payables [1]	24	non-interest bearing	(138.3)	(138.3)	(138.3)	–	–	–	–
Bank overdrafts	19	floating	(8.7)	(8.7)	(8.7)	–	–	–	–
Subtotal			**(231.2)**	**(236.9)**	**(150.2)**	**(0.8)**	**(2.1)**	**(3.2)**	**(80.6)**
Derivative financial instruments									
Other forward contracts used for hedging			–	–	–	–	–	–	–
Subtotal			**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total			**(231.2)**	**(236.9)**	**(150.2)**	**(0.8)**	**(2.1)**	**(3.2)**	**(80.6)**

1 Excluding derivatives.

Currency risk

Wessanen conducts business in foreign currencies but publishes its financial statements, and measures its performance, in Euros. These foreign currencies mainly include the Pound Sterling and the US dollar. Because of the Group's international presence, it is subject to risks from changes in foreign currency values that could affect earnings and capital.

The Group has a foreign exchange policy in order to mitigate the impact of foreign currencies to functional currencies and is based on the following principles:
- Transactions arising from operational and financing activities, in currencies other than the functional currency, are hedged in order to mitigate income statement volatility. All operating companies conduct their hedging transactions internally through the centralised corporate treasury department. Wessanen provides operational funding to its operating companies in their functional currency.
- Translation results on capital invested in foreign subsidiaries are recorded as a movement in the translation reserve in equity. Capital invested in, and net income from foreign subsidiaries are not hedged to the Euro.

Further, hedging foreign exchange risk is achieved through the use of forward foreign exchange contracts and forward foreign exchange swaps. Hedge accounting is applied for transactions that exceed certain thresholds.

The Group's balance sheet exposure to foreign currency risk was as follows based on notional amounts:

In € millions	31 December 2016				31 December 2015			
	€	US$	£	Other[1]	€	US$	£	Other[1]
Trade and other receivables	0.1	0.7	–	–	–	5.2	–	–
Cash and bank overdrafts	–	0.8	2.8	0.2	–	2.8	1.8	0.1
Trade payables	(4.6)	(0.9)	–	–	(4.3)	(0.4)	–	–
Financial assets/(liabilities), excluding investments in subsidiaries	–	–	(10.9)	–	–	–	(0.2)	–
Derivatives[2]	15.4	–	–	–	8.1	(3.7)	3.0	–
Net exposure	**10.9**	**0.6**	**(8.1)**	**0.2**	**3.8**	**3.9**	**4.6**	**0.1**

1 In €.

2 Represents forward foreign exchange contracts related to future purchase commitments, as well as foreign exchange swaps.

At year end 2016 the Group designated £17 (2015: £17) of intercompany loan financing as part of its net investment in its UK operations. Foreign currency results on this intercompany loan financing of €3.3 negative (net of income tax) in 2016 (2015: €1.3 positive (net of income tax)) are recorded in the translation reserve in equity.

In 2016, currency translation differences of €(5.2) (2015: €3.8) relate entirely to the depreciation of the GBP (2015 comprised translation differences related to the appreciation of the GBP and US dollar in the amount of €7.8 and the recycling of the accumulated translation differences from equity to the income statement (as part of the result on divestment of discontinued operations) following the divestment of ABC in the amount of €(4.0)).

Currency sensitivity analysis

A 10% strengthening of the Euro against the Pound Sterling and US dollar currencies in 2016 would have had hypothetical impact on equity and net result by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

In € millions	£ 2016	US$ 2016	£ 2015	US$ 2015
10% strengthening of the Euro				
Equity[1]	(4.5)	–	(3.8)	(0.2)
Net result	(0.4)	–	(0.6)	(0.2)

1 Including impact on net result.

Interest rate risk

Wessanen's debt funding is primarily achieved through its syndicated credit facility. Loan draw-downs bear interest at short term rates. These may fluctuate and cause income statement volatility. The Group aims to contain income statement volatility and, at the same time, minimise its financing costs. We manage our interest rate risk through closely monitoring short term and long term interest rates and where necessary modifying the interest rate exposure of debt and cash positions through the use of interest rate derivatives.

Interest rate sensitivity analysis

A change of 100 basis points (bp) in variable interest rates in 2016 would have had a hypothetical impact on equity and profit by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

In € millions	Profit or loss		Equity[1]	
2015	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Variable rate instruments	–	–	–	–
Interest rate swap	–	–	–	–
Net impact	**–**	**–**	**–**	**–**
2016				
Variable rate instruments	(0.1)	0.1	(0.1)	0.1
Interest rate swap	–	–	–	–
Net impact	**(0.1)**	**0.1**	**(0.1)**	**0.1**

1 Including impact on net result.

Commodity risk

Wessanen requires a wide range of agricultural and other commodities for its products. Fluctuations in commodity prices may lead to volatility in net income. In addition, increases in commodity prices may lead to a reduction in margin and net income when corresponding or selling prices cannot be raised. The Group uses a large variety of commodities and is not exposed to a significant concentration in one single category. In general, Wessanen aims to mitigate volatility in commodity prices by frequently entering into term price agreements with suppliers, providing sufficient time to increase the selling prices of our products.

Credit risk

Credit risk is the risk of financial loss to Wessanen if a customer or any other counterparty to a transaction fails to meet its contractual obligations. As the exposure to credit risk is influenced mainly by the individual characteristics of each customer, the spread in Wessanen's customer base reduces the impact of the credit risk. Moreover, a customer's creditworthiness is analysed frequently using benchmarks and external rating information. As a preventive control Wessanen manages credit risk by applying credit limits for its customers.
The creditworthiness of a financial institution is assessed by their credit rating, which should be at least A (Standard & Poor's).
Wessanen establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and

a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The maximum exposure to credit risk for trade receivables by type of customer can be specified as follows:

In € millions	31 December 2016	31 December 2015
Supermarkets	65.4	64.4
Health food stores	26.8	22.4
Other customers	8.8	5.2
Total	**101.0**	**92.0**

The aging of trade receivables at balance sheet date can be specified as follows:

In € millions	31 December 2016			31 December 2015		
	Gross	Impairments	Net	Gross	Impairments	Net
Not past due	93.9	–	93.9	88.5	–	88.5
Past due 0–30 days	6.8	(0.5)	6.3	3.5	(0.8)	2.7
Past due 31–180 days	0.9	(0.2)	0.7	0.6	(0.1)	0.5
Past due 181–360 days	0.2	(0.2)	–	0.2	(0.1)	0.1
More than 360 days	1.0	(0.9)	0.1	1.0	(0.8)	0.2
Total	**102.8**	**(1.8)**	**101.0**	**93.8**	**(1.8)**	**92.0**

The movement in the allowance for impairments in respect of trade receivables during the year was as follows:

In € millions	2016	2015
Balance at beginning of year	1.8	2.7
Effects of movements in foreign exchange	(0.1)	0.1
Acquisition through business combinations	0.8	0.1
Addition charged/(released) against result	–	(0.4)
Write offs	(0.7)	(0.7)
Balance at year end	**1.8**	**1.8**

The allowances relating to trade receivables are used to record impairment losses until the Group is satisfied that no recovery of the amount owing is possible. At that point the amounts are considered irrecoverable and are written off against the financial asset directly.

Recurring fair value measurements versus carrying amounts

Fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

In € millions	31 December 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value				
Foreign exchange swap contracts used for hedging	0.2	0.2	0.1	0.1
Total	**0.2**	**0.2**	**0.1**	**0.1**
Assets carried at amortised cost				
Other investments	0.6	0.6	0.9	0.9
Trade receivables	101.0	101.0	92.0	92.0
Other receivables and prepayments[1]	15.3	15.3	16.7	16.7
Cash and cash equivalents	9.4	9.4	24.7	24.7
Total	**126.3**	**126.3**	**134.3**	**134.3**
Liabilities carried at fair value				
Forward exchange contracts used for hedging	–	–	0.1	0.1
Total	**–**	**–**	**0.1**	**0.1**
Liabilities carried at amortised cost				
Syndicated loans	79.0	79.0	–	–
Other long term loans	3.9	3.9	4.6	4.6
Finance lease liabilities	1.3	1.3	1.1	1.1
Trade payables	80.5	80.5	67.9	67.9
Non-trade payables and accrued expenses[1]	57.8	57.8	56.9	56.9
Bank overdrafts	8.7	8.7	1.5	1.5
Total	**231.2**	**231.2**	**132.0**	**132.0**

1 Excluding derivatives, which are shown separately.

Fair value of financial assets and liabilities

The carrying amounts of cash and cash equivalents, trade receivables, other receivables and prepayments, trade payables and bank overdrafts approximate their fair values because of the short term nature of these instruments. 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 has been determined by Wessanen using available market information and appropriate valuation methods (level 2 only). Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The fair value of the derivatives as at 31 December 2016 (as specified in the table in this note under paragraph 'currency risk') amounts to €0.2 (2015: €0.0). These derivatives have been entered into with financial institutions. An assessment has been made of a potential debit valuation adjustment, however, has not been recorded as the adjustment is deemed to be not material.

Level 2 inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Non-recurring fair value measurements versus carrying amounts

As at 31 December 2015 an amount paid in escrow of €4.5 was measured at fair value. The fair value of the amount paid in escrow was determined by Wessanen using inputs that were not based on observable market data (unobservable inputs) (level 3). After expiration by the end of September 2016, an amount of €4.1 ($4.6) was released and received from the escrow account in October 2016. Per January 2017, a remaining balance of €0.2 ($0.2) was released and received, after payment of a tax claim of €0.2 ($0.2), which was charged against the income statement ('Income tax expense: Over/(under) provided in prior years and others') in 2016.

Capital management

Wessanen's financing strategy is built around the following objectives:
- Ongoing access to debt and equity markets;
- Sufficient flexibility to fund add-on acquisitions;
- Optimal weighted average cost of capital;
- Mitigating financial risks.

The capital structure of the Company balances these objectives in order to meet the Company's strategic objectives and day-to-day needs. Our targeted net debt level is aimed to be below 2.5 times consolidated EBITDAIE of total Wessanen, but our actual net debt levels can be higher or lower depending on acquisitions and divestments, access to capital markets and the timing of cash flows. At 31 December 2016 our net debt level amounted to 1.5 times consolidated EBITDAIE (2015: (0.4) as we had a cash surplus of €17.5). As a consequence the gearing ratio (net debt/shareholders' equity) as at 31 December 2016 amounted to 43.7% (31 December 2015: negative 9.6%).

26. Commitments and contingencies

Operating lease commitments

Non-cancellable operating leases are payable as follows:

In € millions	31 December 2016	31 December 2015
Less than 1 year	4.4	2.9
Between 1 and 5 years	10.2	9.0
More than 5 years	5.3	5.5
Total non-cancellable operating lease commitments	**19.9**	**17.4**

Wessanen leases a number of office, warehouse and factory facilities, machinery and installations, office equipment, computer software and hardware and vehicles under operating leases. The leases typically run between 3 and 15 years, with an option to renew after that date. Lease payments are adjusted 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 31 December 2016, €3.6 (2015: €3.1) was recognised as an expense in the income statement of continuing operations.

Capital commitments

Commitments to purchase property, plant and equipment as at 31 December 2016 amounted to €1.1 (2015: €0.5).
Commitments to purchase intangible assets as at 31 December 2016 amounted to €0.5 (2015: €0.6).

In addition, at the end of December 2016, our subsidiary Bjorg Bonneterre et Compagnie entered into a construction contract regarding the construction of a green office building in Saint-Genis-Laval, France. The net investment value (total investment less proceeds from the sale of a piece of land) amounts to about €11. The green building construction project will be funded by a financial institution; however, terms are currently still subject to negotiation.

Purchase commitments

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

Guarantees

Wessanen has various letters of credit and guarantees outstanding to third parties amounting to US$15.0 as at 31 December 2016 (2015: US$18.1). Letters of credit amounting to US$2.6 (2015: US$2.8) are provided in favour of workers compensation insurers and are reduced as the workers compensation claims, on the divested operations ABC and Tree of Life, Inc., are settled and closed. Wessanen has also provided guarantees amounting to US$12.4 (2015: US$15.3) relating to lease obligations of Tree of Life, Inc. which are reduced when the underlying lease contracts expire during a maximum period of up to six years. Kehe Food Distributors Inc. has indemnified Wessanen for calls of third parties under such guarantees and, to the extent these claims are related to Tree of Life, Inc., letters of credit.

For guarantees provided, a provision has been made in the amount of €0.6 as at 31 December 2016 (2015: €0.7). Reference is made to Note 23.

Bank guarantees have been issued in the amount of €0.3 (2015: €0.1).

Contingent assets and liabilities

Wessanen is subject to certain other loss contingencies arising from claims by various parties. Management believes that any reasonable possible loss related to such claims and possible litigation is properly provided for when recognition criteria are met. These estimates and associated assumptions are based on management's best knowledge of current events and actions.

As at 31 December 2015, other receivables and prepayments included an amount paid in escrow of €4.5 ($5.0). As no cash outflow of economic resources was deemed probable in respect of the representations and warranties provided, no provision was recognised. After expiration by the end of September, an amount of €4.1 ($4.6) was released and received from the escrow account in October 2016. Per January 2017, a remaining balance of €0.2 ($0.2) was released and received, after payment of a tax claim of €0.2 ($0.2), which was charged against the income statement ('Income tax expense: Over/(under) provided in prior years and others') in 2016.

27. Related parties

Wessanen has a related party relationship with its subsidiaries (see Note 30) and key management. Transactions with key management are described in Notes 7 and 8.

In 2016 no transactions were made with related parties, other than described above.

28. Principal auditor's remuneration

Principal auditor's remuneration for audit and other services incurred can be specified as follows:

In € millions			2016			2015
	Deloitte Accountants B.V.	Other Deloitte Network	Total	Deloitte Accountants B.V.	Other Deloitte Network	Total
Audit of annual accounts	0.2	0.3	0.5	0.3	0.3	0.6
Other assurance services	–	–	–	–	–	–
Other non-audit services	–	–	–	–	–	–
Total principal auditor's remuneration	**0.2**	**0.3**	**0.5**	**0.3**	**0.3**	**0.6**

29. Cash flow

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

In € millions	2016	2015
Inventories	(0.9)	(3.9)
Trade receivables	0.3	(11.6)
Other receivables and prepayments	3.7	2.5
Trade payables	2.3	1.4
Non-trade payables and accrued expenses	(1.9)	5.4
Total changes in working capital	**3.5**	**(6.2)**

The following table presents a reconciliation of the change in cash and cash equivalents (net of bank overdrafts) as presented in the balance sheet to the net cash flow from operating, investing and financing activities in the period:

In € millions	2016	2015
Net cash and cash equivalents at beginning of year[1]	**23.2**	**27.3**
Net cash from operating, investing and financing activities	(22.3)	(4.7)
Effect of exchange rate differences on cash and cash equivalents [1]	(0.2)	0.6
Net cash and cash equivalents at year end[1]	**0.7**	**23.2**

1 Net of bank overdrafts.

30. List of subsidiaries

The following are Wessanen's significant subsidiaries categorised into operating companies and holding companies:

Company name	Principal activity	Country of incorporation	Ownership interest (%) 31 December 2016	Ownership interest (%) 31 December 2015
Continuing operations				
Operating companies				
Bjorg et Compagnie S.A.S.[1]	Marketing and Sales	France	100.0	100.0
Bjorg Bonneterre et Compagnie S.A.[2]	Marketing and Sales	France	100.0	100.0
Bonneterre et Compagnie S.A.S.[3]	Marketing and Sales	France	100.0	100.0
Destination S.A.S.[4]	Production/Marketing and Sales	France	100.0	–
Allos GmbH	Production	Germany	100.0	100.0
CoSa Naturprodukte GmbH	Marketing and Sales	Germany	100.0	100.0
Allos Schwarzwald GmbH	Production	Germany	100.0	100.0
Allos Hof-Manufaktur GmbH	Marketing and Sales	Germany	100.0	100.0
Abafoods S.r.L.[5]	Production/Marketing and Sales	Italy	100.0	100.0
Bio Slym S.r.L.	Production/Marketing and Sales	Italy	100.0	100.0
Biogran S.L.[6]	Production/Marketing and Sales	Spain	100.0	–
Wessanen Benelux B.V.	Marketing and Sales	the Netherlands	100.0	100.0
Kallø Foods Ltd	Production/Marketing and Sales	United Kingdom	100.0	100.0
Mrs Crimble's Ltd[7]	Marketing and Sales	United Kingdom	100.0	–
Holding companies				
Wessanen France Holding S.A.S.	Holding	France	100.0	100.0
Wessanen Deutschland GmbH	Holding	Germany	100.0	100.0
Wessanen Italia S.r.L.	Holding	Italy	100.0	100.0
Wessanen Finance B.V.	Holding	the Netherlands	100.0	100.0
Wessanen Nederland Holding B.V.	Holding	the Netherlands	100.0	100.0
Wessanen Great Britain Holdings Ltd	Holding	United Kingdom	100.0	100.0
Discontinued operations				
Operating companies				
Bio-Distrifrais-Chantenat S.A.S.[8]	Marketing and Sales	France	–	–
American Beverage Corporation[9]	Production/Marketing and Sales	United States	–	–

1 Previously named Distriborg France S.A.S.
2 Previously named Distriborg Groupe S.A.
3 Previously named R. Bonneterre S.A.S.
4 Destination is a wholly owned subsidiary of Ineobio which was acquired as per 1 June 2016.
5 Acquired as per 8 January 2015.
6 Acquired as per 5 December 2016.
7 Acquired as per 1 July 2016.
8 Divested per 2 January 2015
9 Divested per 8 March 2015.

At 31 December 2016 and 31 December 2015 all subsidiaries of Wessanen are wholly owned and there are no significant restrictions on the Company's or its subsidiaries' ability to access or use the assets and settle the liabilities of the Group.

Income statement and balance sheet of the Company

Income statement of the Company

In € millions	Notes	2016	2015
Personnel expenses	2	(2.5)	(3.0)
Other operating income	3	2.0	2.3
Operating result		**(0.5)**	**(0.7)**
Net financing costs	4	(3.3)	(7.6)
Profit/(loss) before income tax		**(3.8)**	**(8.3)**
Income tax	5	0.8	4.2
Profit/(loss) after income tax		**(3.0)**	**(4.1)**
Income from subsidiaries, net of income tax	6	25.8	41.4
Profit/(loss) for the period		**22.8**	**37.3**

Balance sheet of the Company

(before appropriation of current year's result)

In € millions	Notes	31 December 2016	31 December 2015
Assets			
Financial assets	6	534.3	514.3
Deferred tax assets	5	5.0	4.2
Total non-current assets		**539.3**	**518.5**
Current assets		2.1	–
Total assets		**541.4**	**518.5**
Shareholders' equity			
Share capital		76.0	76.0
Share premium		102.9	102.9
Reserve for own shares		(3.9)	(3.5)
Legal reserves		(16.2)	(10.9)
Retained earnings		9.6	(18.4)
Profit for the period		22.8	37.3
Total shareholders' equity	7	**191.2**	**183.4**
Current liabilities	8	350.2	335.1
Total shareholders' equity and liabilities		**541.4**	**518.5**

Notes to the financial statements of the Company

1. Principles of valuation and income determination

General

The Company financial statements are part of the 2016 financial statements of Wessanen.

In accordance with Section 379 and 414, Part 9, of Book 2 of the Dutch Civil Code, a list of consolidated group companies will be deposited at the Trade Register of the Amsterdam Chamber of Commerce, together with the financial statements (the Company is registered with number 33145851).

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, Part 9, of Book 2 of the Dutch 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 to the consolidated financial statements). The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Reclassification

As from 2016, the recharge of expenses to subsidiary Wessanen Nederland Holding B.V. is recognised in the year the expenses are incurred (based on a latest estimate), with a potential true-up in the following year. In prior years, expenses incurred were recharged in the following year only. The specification of the income statement, movement schedule of financial assets as well as current liabilities have been adjusted for 2015 and 2016 accordingly and does not impact the 2015 and 2016 reported equity and profit for the period.

2. Personnel expenses

Personnel expenses amount to €2.5 (2015: €3.0) and include remuneration expenses of the Executive and Supervisory Board of €2.1 (2015: €2.5). Reference is made to Note 7 to the consolidated financial statements of Wessanen.

3. Other operating income

Other operating income includes recharged expenses to Wessanen Nederland Holding B.V. for services rendered in 2016 of €2.0 in total (2015: €2.3).

4. Net financing costs

Net financing costs amount to €3.3 (2015: €7.6) and consists of interest expenses on payables to subsidiaries.

5. Income tax

In 2016 an income tax gain was realised of €0.8 relating to the recognition of unrecognised income tax losses in the Netherlands (2015: income tax gain of €4.2).

6. Financial assets

In € millions	2016	2015
Balance at beginning of year	514.3	469.5
Remeasurement of post employment benefit obligations[1]	(0.5)	(0.5)
Effect of movements in foreign exchange[1]	(5.2)	3.8
Cash flow hedges[1]	(0.1)	0.1
Income from subsidiaries[1]	25.8	41.4
Balance at year end	**534.3**	**514.3**

1 Net of income tax.

Financial assets include investments in subsidiaries.

7. Shareholders' equity

For a specification of shareholders' equity, see the consolidated statement of changes in equity (page 81) and Note 20 to the consolidated financial statements. Legal reserves (translation reserve, hedging reserve and other legal reserves) are not available for distribution to the Company's equity holders. If the translation reserve, hedging reserve or other legal reserves have a negative balance, distribution to the Company's equity holders is restricted to the extent of the negative balance.

As at 31 December 2016, the freely distributable reserves amount to €115.2 (2015: €107.3), before distribution of dividends.

8. Current liabilities

In € millions	31 December 2016	31 December 2015
Payables to subsidiaries	349.5	332.7
Other provisions	–	1.5
Trade and other payables	0.7	0.9
Total current liabilities	**350.2**	**335.1**

Other provisions as at 31 December 2015 of €1.5 relate entirely to a provision for additional tax due, see Note 23 to the consolidated financial statements. In 2016, an amount of €1.4 was paid against the provision; the remaining balance of €0.1 was released against 'personnel expenses' in the income statement.

9. Commitments and contingencies

The Company is part of the fiscal unity with its Dutch subsidiaries. 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, Part 9, of Book 2 of the Dutch Civil Code. This implies that these Group companies are not required to prepare their financial statements in every respect in accordance with Part 9, of Book 2 of the Dutch Civil Code or to publish them.

10. Remuneration Executive Board and Supervisory Board

For the remuneration of the Executive Board and Supervisory Board reference is made to Note 7 to the consolidated financial statements. The average number of full-time employees in 2016 amounted to 2 (2015: 2).

11. Principal auditor's remuneration

For the principal auditor's remuneration reference is made to Note 28 to the consolidated financial statements.

12. Appropriation of result 2016

The profit for the year 2016 attributable to the equity holders of Wessanen amounted to €22.8 (2015: €37.3). The profit has been added to the retained earnings, respectively the distributable part of shareholders' equity.

13. Dividend proposal

The Executive Board decided on a new dividend policy. The previous dividend policy aimed at paying out a dividend of between 35-45% of the consolidated net result, excluding major non-recurring effects.

The new dividend policy of the Company aims at creating value in the long term. The objective of the dividend policy is to maintain a healthy financial structure and to retain sufficient earnings in order to execute Wessanen's four pillar strategy. Wessanen aims at paying out a dividend that is stable or growing over time. Before deciding to pay out dividend, Wessanen will assess whether more value could be created by (i) investing profit in the execution of Wessanen's strategy (such as investments in R&D, capital expenditures or acquisitions), (ii) improving Wessanen's financial position (debt repayment), or (iii) improving the position of its shareholders (share repurchasing). Accordingly, it may be decided not to pay dividend or to pay a lower dividend in any year in the future.

In line with the new dividend policy, it is proposed to the Annual General Meeting of Shareholders to pay a dividend of 12 eurocent per share. The dividend will be paid wholly in cash.

14. Subsequent events

Subsequent to 31 December 2016 no material events occurred that require disclosure.

Amsterdam, 14 February 2017

Supervisory Board
F. van Oers, Chairman
R.K. Kluiber
P.E.M. Mispolet
I.M.C.M. Rietjens

Executive Board
C.P.J. Barnouin, CEO
R.J.J.B. Merckx, CFO

Independent auditor's report

To the Shareholders and Supervisory Board of Koninklijke Wessanen N.V.

Report on the Audit of the Financial Statements 2016

Our Opinion

We have audited the financial statements 2016 of Koninklijke Wessanen N.V. ('the Company') based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements as set out on pages 77 to 142 of the annual report.

In our opinion:

— The accompanying consolidated financial statements give a true and fair view of the financial position of Koninklijke Wessanen N.V. as at 31 December 2016, and of its results and cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU') and with Part 9 of Book 2 of the Dutch Civil Code.

— The accompanying company financial statements give a true and fair view of the financial position of Koninklijke Wessanen N.V. as at 31 December 2016, and of its results for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at 31 December 2016.
2. The following statements for 2016: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at 31 December 2016.
2. The company income statement for 2016.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for Our Opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our Responsibilities for the Audit of the Financial Statements' section of our report.

We are independent of Koninklijke Wessanen N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' ('ViO') and other relevant independence regulations in the Netherlands. Furthermore we have complied with the 'Verordening gedrags- en beroepsregels accountants' ('VGBA').

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

Materiality

Based on our professional judgment we determined materiality for the financial statements as a whole at €3.0 million. The materiality is based on a percentage of 7% of normalised operating result (i.e. 'EBITE') from continuing operations. We have also taken into account misstatements and possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Audits of group entities were performed using lower materiality levels as determined by the judgment of the group audit team to address the aggregation risk of identified misstatements exceeding the group materiality. The materiality levels applied for these audits range between €1.2 million to €2.0 million.

We agreed with the Supervisory Board that misstatements in excess of €100 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the Group Audit

Koninklijke Wessanen N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements.

Our group audit mainly focused on significant group entities in terms of size and financial interest or where significant risks or other complexity were present, leading to the completion of the group audit in accordance with the following scope:

— We have performed audit procedures ourselves at group entities in the Netherlands and other holding entities. Furthermore we performed audit procedures at group level on areas such as consolidation, disclosures, impairment analyses, business combinations, financial instruments and controls over automated data processing. Experts were involved, amongst others, in the areas of Information Technology, taxation, pensions and corporate finance.

— We have used the work of others, part of Deloitte's network, when auditing group entities in France, United Kingdom, Germany and Italy.

— We have performed analytical procedures at group level for Wessanen Italy, La Goccia, Bio Slym, Mrs Crimble's and Biogran.

The group audit team provided detailed instructions to all auditors of the significant group entities, including the relevant audit risks of material misstatement, and set out the information required to be reported back to the group audit team. The group audit team visited during the year all foreign locations and performed detailed file reviews of the local audit teams.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit on the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters.

Accounting for customer incentives and reported net revenues

Description

The accounting for customer incentives, including trade promotions and volume rebates, impacts reported net revenues recognised during the period. This area was significant to our audit as the estimates of recognised customer incentive allowances at year-end and the timing of subsequent settlement with customers have a degree of uncertainty, which involve management judgment. Revenue recognition policies and the level of judgment required are disclosed in the Company's notes to the consolidated financial statements (Note 2 and 3).

Our response

We evaluated the Company's internal controls relating to management's process for determining their estimates of customer incentive allowances. In addition, we performed substantive testing and analytical procedures to test the accuracy and completeness of the underlying calculations of the recorded accruals as per year-end. These procedures included challenging the appropriateness of management's assumptions, agreeing input data to underlying customer arrangements and back testing to assess the accuracy of prior period accruals retrospectively.

Discounted cash flow projections used for annual impairment testing of goodwill and brands

Description

Goodwill and brands amount to €194.3 million as per 31 December 2016, which represents 42.4% of the balance sheet. Management's annual impairment test was significant to our audit because the assessment process is complex and a certain degree of judgment is applied using various assumptions in respect of future market and economic conditions such as revenue growth, gross margin development, market share and expected inflation rates.

Our response

Our audit procedures focused, amongst others, on the robustness of the projected cash flows based on the approved 2017 budget and strategic plans up till 2019. We have challenged management's assumptions and consistency with historical trends in financial performance, market developments and specific business plans. We also analysed the sensitivity in the available headroom for the cash generating units ('CGU'), evaluating whether a reasonable change in assumptions could cause the carrying amount to exceed its recoverable amount. Corporate finance experts were consulted to assist us in validating the methodologies applied by management to determine the recoverable amounts for goodwill and brands. We assessed the adequacy of the Company's disclosure (Note 14) about those assumptions for the CGU Branded-Germany to which the outcome of the impairment test is most sensitive.

Newly acquired businesses

Description

In 2016 the Company acquired four new businesses: Piramide tea, Ineobio, Mrs Crimble's and Biogran. These transactions were significant to our audit due to the significance of the acquisitions to the Company and the recognition and measurement of the acquired assets and assumed liabilities are subject to management judgment. These acquisitions were accounted for as business combinations. As per 31 December 2016 the allocation of the purchase consideration and fair value step ups for the acquired businesses was completed with the exception of Biogran (acquired in December 2016), for which the allocation is reported on a provisional basis. Management determined fair value adjustments for intangible assets and step ups in property, plant and equipment and inventory for an amount of €21.2 million and related deferred tax liabilities of €5.3 million. A total amount of €90.1 million of goodwill was allocated to existing CGUs and to a new CGU, which was identified for the Biogran acquisition in Spain.

Our response

With respect to the accounting for the business combinations, we have, amongst others, examined the purchase agreements, assessed whether the correct accounting treatment has been applied and appropriate disclosures (Note 5) have been provided. In addition we traced purchase price payments to bank statements and audited the allocation thereof by assessing management's identification of intangible assets and measurement of fair value of certain assets and liabilities. We have consulted corporate finance and real estate experts who validated the methodologies and assumptions used in the purchase price allocation prepared by management and their valuation advisors.

Uncertain tax positions and valuation of tax losses carried forward

Description

The Company is active in various jurisdictions in Europe and formerly in the United States and is therefore subject to periodic challenges by the local tax authorities during the normal course of business, including transaction related taxes and transfer pricing arrangements. Accounting for uncertain tax positions and deferred tax assets was significant to our audit because estimates for the amounts receivable or payable require management judgment and are subject to local tax legislation and complex accounting standards (Notes 10 and 16).

Our response

We have used the expertise of our local audit teams and consulted with tax experts for the Dutch fiscal unit focusing on the appropriateness of management's assumptions related to uncertainties from tax exposures and estimates to generate future taxable profits based on available forecasts and tax planning. We obtained an understanding of the Company's transfer pricing arrangements and assessed tax risks, legislative developments and the status of ongoing local tax authority audits. We considered correspondence with tax authorities and relevant historical and recent judgments. Furthermore, we examined legal opinions from third party tax advisors engaged by the Company.

Report on the other information included in the Annual Report

In addition to the financial statements and our auditor's report, the annual report contains other information that consists of:
- Report of the Executive Board
- Other Information as required by Part 9 Book 2 of the Dutch Civil Code
- Other information included in the annual report

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope those performed in our audit of the financial statements.

The Executive Board is responsible for the preparation of other information, including the Report of the Executive board in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on Other Legal and Regulatory Requirements

Engagement

We were engaged by the Supervisory Board as auditor of Koninklijke Wessanen N.V. on 26 April 2016 for the audit for the year 2016 and have been the statutory auditor since the year 2010.

Description of Responsibilities for the Financial Statements

Responsibilities of Executive Board and Supervisory Board for the financial statements

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS-EU and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the Audit of the Financial Statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions or users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:
- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt

on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
- Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or analytical procedures at group level had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine that key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 14 February 2017

Deloitte Accountants B.V.

R.A. Graaf

Financial summary 2012–2016

2016 figures and ratios are derived from the 2016 consolidated finanical statements, the 2015 and 2014 restated figures and ratios are derived from the 2015 consolidated financial statements, the 2013 restated figures and ratios are derived from the 2014 consolidated financial statements and the 2012 figures and ratios are derived from the consolidated financial statements as reported in the respective year. As a result of changes in the reporting and legal structure in 2013, we are unable to restate the year 2012.

In € millions, unless stated otherwise	**2016**	2015	2014 restated[2]	2013 restated	2012 reported
Condensed consolidated income statement					
Continuing operations					
Revenue	570.0	523.0	430.6	407.3	710.8
EBITE	41.2	34.7	23.6	19.5	17.5
Operating profit/(loss)	34.3	34.6	20.6	13.2	(45.8)
Net financing costs	(1.8)	(2.3)	(1.6)	(1.8)	(3.8)
Profit/(loss) before income tax	32.5	32.3	19.0	11.4	(49.6)
Income tax	(9.7)	(4.5)	(7.6)	(10.0)	(3.9)
Profit/(loss) from continuing operations	22.8	27.8	11.4	1.4	(53.5)
Profit/(loss) from discontinued operations, net of income tax	–	9.5	33.9	(1.5)	–
Non-controlling interests	–	–	–	–	0.3
Profit/(loss) for the period, attributable to equity holders	22.8	37.3	45.3	(0.1)	(53.2)
Condensed consolidated statement of financial position					
Non-current assets	263.9	150.5	91.4	118.0	154.5
Current assets	194.8	192.6	204.3	219.7	183.4
Total assets	**458.7**	**343.1**	**295.7**	**337.7**	**337.9**
Equity	191.2	183.4	154.2	105.4	101.6
Non-current liabilities	102.8	19.1	12.4	72.5	90.2
Current liabilities	164.7	140.6	129.1	159.8	146.1
Total equity and liabilities	**458.7**	**343.1**	**295.7**	**337.7**	**337.9**

1 Continuing operations only.

2 2014 'Revenue' and 'Other operating expenses' have been restated for a reclassification of €(2.9) from 'Other operating expenses' to 'Revenue' (see Note 2 of the 2015 consolidated financial statements).

In € millions, unless stated otherwise	2016	2015	2014 restated[2]	2013 restated	2012 reported
Condensed consolidated statement of cash flows					
Operating result	**34.3**	**34.6**	**20.6**	**13.2**	**(45.8)**
Depreciation and amortisation	7.6	8.0	6.4	6.3	14.0
Impairments	0.2	0.7	–	2.3	46.8
Provisions created	11.0	5.1	5.2	3.5	16.6
Other non-cash and non-operating items	1.2	0.5	0.7	0.7	0.4
Changes in working capital	3.5	(6.2)	3.9	3.0	(7.6)
Payments from provisions	(6.4)	(3.2)	(4.9)	(7.3)	(3.2)
Changes in employee benefits	(0.2)	(0.3)	–	(1.2)	(2.4)
Cash generated from operations	**51.2**	**39.2**	**31.9**	**20.5**	**18.8**
Interest paid	(0.8)	(0.9)	(1.4)	(1.7)	(1.9)
Income tax paid	(12.4)	(12.0)	(6.8)	(4.5)	(2.3)
Operating cash flow from continuing operations	**38.0**	**26.3**	**23.7**	**14.3**	**14.6**
Operating cash flow from discontinued operations	–	(3.4)	8.5	4.6	–
Net cash from operating activities	**38.0**	**22.9**	**32.2**	**18.9**	**14.6**
Net cash from investing activities	**(121.0)**	**(9.3)**	**48.9**	**(9.7)**	**(23.6)**
Net cash from financing activities	**60.7**	**(18.3)**	**(68.7)**	**(3.4)**	**12.0**
Net cash flow	**(22.3)**	**(4.7)**	**12.4**	**5.8**	**3.0**
Ratios					
EBITE as % of revenue	7.2%	6.6%	5.5%	4.8%	2.5%
Operating profit as % of revenue	6.0%	6.6%	4.8%	3.2%	(6.4)%
Net profit as % of revenue	4.0%	7.1%	10.5%	0.0%	(7.5)%
Return on average capital employed (ROCE)	15.7%	19.7%	17.0%	10.3%	(19.1)%
Net debt as % of total equity	43.7%	(9.5)%	(17.7)%	48.1%	54.0%
Leverage ratio	1.5	(0.4)	(0.7)	1.6	1.7
Capital expenditure as % of revenue	1.3%	1.5%	1.1%	1.0%	0.8%

1 Continuing operations only.

2 2014 'Revenue' and 'Other operating expenses' have been restated for a reclassification of €(2.9) from 'Other operating expenses' to 'Revenue' (see Note 2 of the 2015 consolidated financial statements).

Revenue in € millions

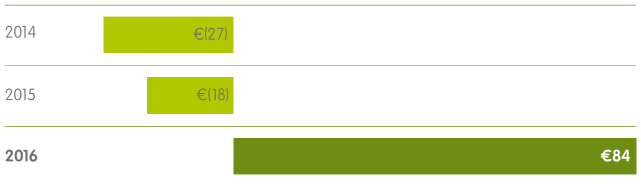
Net profit in € millions

Total assets in € millions

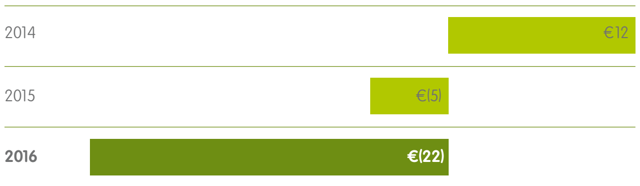
Average capital employed in € millions

Total equity in € millions

Net debt/(cash) in € millions



Net cash flow in € millions



Shareholder information

At Wessanen, we are engaged in active dialogue with our shareholders and other stakeholders. Our actions are focused on ensuring clear, timely and simultaneous provision of information to all shareholders.

Investment proposition

Wessanen is a leading company in the European market for healthy and sustainable food. Our focus is on organic, vegetarian, fair trade and natural ingredients as these are healthier and more sustainable.

Operating mainly in the Benelux, France, Germany, Italy, UK and Spain, we manage and develop well-known local brands such as Allos, Alter Eco, Bjorg, Bonneterre, Clipper, Destination, el Granero, Gayelord Hauser, Isola Bio, Kallø, Mrs Crimble's, Tartex, Whole Earth and Zonnatura.

Disclosure

All results announcements and press releases are published, in principle, before market opening of Euronext Amsterdam. All results announcements are accompanied by a conference call and/or meeting for the professional investment community. A simultaneous audio webcast will be freely accessible for all of those interested via our corporate website. All presentations made to groups of investors are published at the same time on our website.

Our Disclosure Policy is available on our website.

Prevention of misuse of insider information

Wessanen considers the prevention of misuse of insider information essential in the relationship with all stakeholders. The Company has in place an Insider Trading Policy applicable to management. The Company Code prohibits insider trading.

Investor relations

At Wessanen, we are engaged in an active dialogue with our (potential) shareholders. During the year both members of the Executive Board had regular contact with investors and analysts. The Company attended broker conferences and hosted roadshows during the year to meet institutional investors in Europe and the United States. In addition, the Company hosted a Capital Markets Day at its Abafoods subsidiary in Italy, which was attended by (prospective) investors and analysts. In 2017, the Company will continue to attend investor conferences and host roadshows as an integral part of its investor relations policy.

Capital structure and distribution of shares

The capital structure consists of one class of stocks, i.e. voting shares with a nominal value of €1.00 per share. All shares outstanding have equal rights and can be traded freely without any restriction. Since these are mainly in bearer form, our analysis of the ownership of Wessanen shares by type of investor and by country of origin is based on data provided by depository banks per February 2017.

Major shareholders

In accordance with the Act on the Disclosure of Influence over Listed Companies (1991) the Company believes it had the following major shareholders as at 31 December 2016:

Delta Partners, LLC	15-20%
Mr C. Jobson	5-10%
Invesco Limited	3-5%

Coverage by brokers and banks

During 2016, seven brokers covered Wessanen, all based in the Benelux. Research has been published from time to time, although it has been mainly around the publication of quarterly reporting or a news event. In addition, Wessanen has been included in sector and country reports or when addressing specific themes, such as raw material/input cost movements.

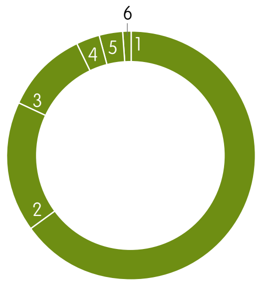
Development of the share price in €

Year	High	Low	Year end	Average daily volume traded
2016	**13.37**	**6.97**	**13.31**	**192,044**
2015	10.21	5.04	9.35	204,900
2014	5.54	2.84	5.25	220,700
2013	3.19	2.07	2.84	163,300
2012	2.97	1.94	2.20	256,800

Market capitalisation in € millions

Year	High	Low	Year end	Net debt/ (cash) year end	Enterprise value year end
2016	**1,010**	**526**	**1,005**	**84**	**1,089**
2015	771	380	706	(18)	688
2014	421	216	399	(27)	372
2013	242	157	216	51	267
2012	225	147	167	55	222

Volume traded per exchange 2016 in %

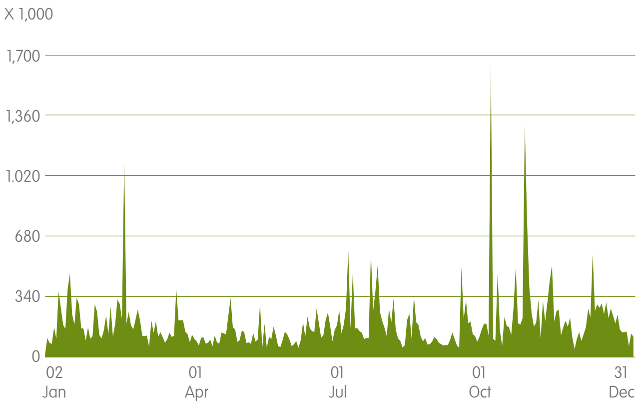


1. Euronext	65
2. BATS Chi-X	17
3. Turquoise	11
4. Equiduct	3
5. BATS over-the-counter	3
6. Other	1

Source: Fidessa Group PLC

2016 trading volume (at Euronext)

192,044 average daily volume traded

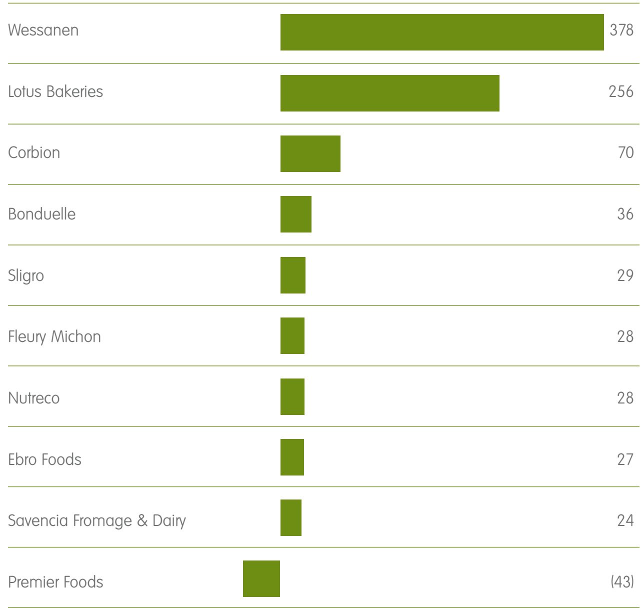


Wessanen share price 2014 – 2016 in €

Peer group (TSR)

At Wessanen, we use performance shares granted under a Long Term Incentive Plan which have a three-year horizon with a review date at the end of this period. Wessanen's performance is (partly) measured on the basis of its total shareholder return (TSR) in relation to its TSR peers and comprises the aggregate of share price appreciation and dividends over the three-year period. The measure reflects performance relative to a relevant group of companies (the peer group). The actual reward is determined by the vesting schedule. As a result, performance under the median is not rewarded.

TSR 2014 – 2016 performance in %



Of the LTIP 2014-2016, the Wessanen peer group consisted of: Bonduelle, Savencia Fromage & Dairy (formerly known as Bongrain), Corbion (formerly known as CSM), Ebro Foods, Fleury Michon, Lotus Bakeries, Nutreco, Premier Foods and Sligro.

In 2015, we updated our peer group. We removed Bongrain and Fleury Michon given their (too) limited free float, Nutreco as it was taken over and delisted and Sligro as it did not classify within the same GICS sub-industry. We included Cranswick (UK), La Doria (Italy), Frosta (Germany) and Raisio (Finland), which are all European headquartered companies that qualify within the same GICS sub-industry (3577) (consumer goods-food products). The updated peer group is referred to in both the LTIP 2015-2017 and LTIP 2016-2018.

It best reflects sector-specific competitors and the relevant market in which the Company competes for shareholder preference. The peer group is reviewed by the Supervisory Board each year.

The performance conditions for both the Long Term Incentive Plan 2015 and 2016 are Return on Invested Capital (ROIC) (50%) and TSR (50%).

Key figures (as reported in respective years)

In € millions	2016	2015	2014
Revenue	570.0	523.0	430.6[1]
EBITE	41.2	34.7	23.6
Operating profit	34.3	34.6	20.6
Profit for the period	22.8	37.3	45.3
Cash generated from operations	51.2	39.2	31.9
Average capital employed	218.4	175.8	121.0
Total equity	191.2	183.4	154.2
Net debt/(cash)	83.5	(17.5)	(27.3)

1 2014 'Revenue' and 'Other operating expenses' have been restated for a reclassification of €(2.9) from 'Other operating expenses' to 'Revenue' (see Note 2 to the 2015 consolidated financial statements).

Key ratios (as reported in respective years)

	2016	2015	2014
Leverage ratio	1.5	(0.4)	(0.7)
Return on average capital employed	15.7%	19.7%[1]	17.0%[1]
Dividend yield	0.9%	1.2%	1.9%
Enterprise value to revenue	1.91	1.32	0.86

1 Continuing operations only.

Per share data (as reported in respective years)

In €	2016	2015	2014
Revenue	7.55	6.93	5.71
EBITE	0.55	0.46	0.31
Operating result	0.45	0.46	0.27
Net profit	0.30	0.49	0.60
Dividend	0.12	0.11	0.10
Total equity	2.53	2.43	2.03
Net debt/(cash)	1.11	(0.23)	(0.36)

Cash flow per share (as reported in respective years)

In €	2016	2015	2014
Cash generated from operations	0.68	0.52	0.42
Net cash from operating activities	0.50	0.30	0.42
Net cash from investing activities	(1.60)	(0.12)	0.64
Net cash from financing activities	0.80	(0.24)	(0.90)
Net cash flow	(0.30)	(0.06)	0.16

Dividend policy

The Executive Board decided on a new dividend policy. The previous dividend policy aimed at paying out a dividend of between 35-45% of the consolidated net result, excluding major non-recurring effects.

The new dividend policy of the Company aims at creating value in the long term. The objective of the dividend policy is to maintain a healthy financial structure and to retain sufficient earnings in order to execute Wessanen's four pillar strategy. Wessanen aims at paying out a dividend that is stable or growing over time. Before deciding to pay out dividend, Wessanen will assess whether more value could be created by (i) investing profit in the execution of Wessanen's strategy (such as investments in R&D, capital expenditures or acquisitions), (ii) improving Wessanen's financial position (debt repayment), or (iii) improving the position of its shareholders (share repurchasing). Accordingly, it may be decided not to pay dividend or to pay a lower dividend in any year in the future. No interim dividends will be paid.

The proposed dividend for a financial year must be approved by the AGM, which is usually held in April of the following financial year. Dividend proposals shall be made by the Executive Board with approval from the Supervisory Board and should be in line with the dividend policy.

Dividend payments are only allowed to the extent that the shareholders' equity is in excess of the sum of the paid-up capital and any reserves required under Dutch law.

2016 dividend proposal

In line with the new dividend policy, it is proposed to the Annual General Meeting of Shareholders to pay a dividend of 12 eurocent per share. The dividend will be paid wholly in cash.

Dividend timetable

2017	
15 March	Record date
12 April	Annual General Meeting of Shareholders
18 April	Ex-dividend date
19 April	Dividend record date
21 April	Payment date

Key dates

2017	
12 April	Annual General Meeting of Shareholders
21 April	Q1 trading update
25 July	Q2 and semi-annual report
24 October	Q3 trading update

For analysts, investors (institutional and private), SRI specialists and media

Ronald Merckx
Chief Financial Officer
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email: ronald.merckx@wessanen.com

Glossary (acronyms and definitions)

Acronyms

BPA – Bisphenol A
BRC – British Retail Consortium
COP21 – United Nations Conference of the Parties meeting in Paris
CSR – Corporate Social Responsibility
FSC – Forest Stewardship Council
GFSI – The Global Food Safety Initiative
ILO – International Labour Office
IFOAM – International Federation of Organic Agriculture Movements
IFS – International Food Standard
ISO – International Organisation for Standardisation
KPI – Key Performance Indicator
NGO – Non-Governmental Organization
OOD – Out of date
PTO – Purchased turnover
R&D – Research and Development
SKU – Stock Keeping Units
SQB – Supplier Quality Booklet
SQD – Supplier Quality Declaration
WHO – World Health Organization

Definitions

Biodiversity – Biodiversity (contraction of biological diversity) is the variety of life on Earth. It refers to the wide variety of ecosystems and living organisms: species of plants, animals and micro-organisms.

Climate change – A change in global or regional climate patterns, in particular a change apparent from the mid to late 20th century onwards and attributed largely to the increased levels of atmospheric carbon dioxide produced by the use of fossil fuels.

Fair Trade – Fair Trade products are certified by a third party to standards for the development of disadvantaged producers and workers. These standards are set by the international body Fair Trade Labelling Organizations International (www.fairtrade.net).

Flexitarian – Flexitarian refers to a plant-based diet with the occasional inclusion of fish, meat or poultry products.

Food miles – The distance food travels from where it is grown until it reaches the consumers.

Full-time equivalents (FTEs) – FTEs is the total number of hours worked by the headcount divided by the local number of contract hours.

Genetically Modified Organisms (GMO or GM) – GMO are organisms with manipulated genes to introduce new, or alter existing, characteristics, or produce a new protein or enzyme.

Global Reporting Initiative (GRI) – The GRI is a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally-applicable sustainability reporting guidelines for voluntary use by organisations that report on the economic, environmental and social dimensions of their business. The GRI incorporates participation of business, accountancy, investment, environmental, human rights and research and labour organisations from around the world.

Natural products – Natural products do not contain artificial additives (e.g. preservatives and artificial colouring) and natural products have been processed as little as possible. Under this definition, there is a degree of overlap between organic and natural products.

Organic products – Organic products are grown without synthetic pesticides, insecticides, herbicides, fungicides, hormones, fertilisers or other synthetic or toxic substances. Also, no artificial additives have been added. (Regulation EU 834/2007; EU889/2008 and EU 1235/2008).

The Roundtable on Sustainable Palm Oil (RSPO) – The RSPO is a global, multi-stakeholder initiative on sustainable palm oil products. Members of RSPO and participants in its activities come from many different backgrounds, including plantation companies, manufacturers and retailers of palm oil products, environmental and social NGOs and from many countries that produce or use palm oil products.

Scrapping – discarded or remove from service wasted material, especially metal suitable for reprocessing. Scrapping can bring monetary value.

Vegan – Veganism is a way of living which excludes all animal products, including eggs, dairy, beeswax and honey.

Vegetarian – Vegetarian refers to products without meat or meat by-products (such as meatstock and gelatine). Products may contain animal products such as eggs and dairy.

Waste – Waste is unwanted or unusable material, substances or by-product. Waste occur at different levels in our supply chain from the farm to the consumer home. In a circular economy, waste is considered as a future resource, so nothing will be lost and everything is to be transformed.

Notes

Cautionary statement regarding forward-looking statements
This Annual Report may contain forward-looking statements. These are defined as statements not being historical facts. Forward-looking statements include (but are not limited to) statements expressing or implying Wessanen's beliefs, expectations, intentions, forecasts, estimates or predictions (and the underlying assumptions). Forward-looking statements necessarily involve uncertainties and risks. The actual results or situations may therefore differ materially from those expressed or implied in any forward-looking statements. Those differences may be caused by various factors, including but not limited to, macro-economic developments, regulator and legal changes, market developments, competitive behaviour, currency developments, the ability to retain key employees, and unexpected changes in the operational environment. Additional factors that could cause actual results or situations to differ materially include, but are not limited to, those disclosed under 'risk factors'. Any forward-looking statements in this Annual Report are based on information available to the management on 18 February 2016. Wessanen assumes no obligations to publicly update or revise any forward-looking statements in this Annual Report whether as a result of new information, future events or otherwise, other than as required by law or regulation.

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