ANNUAL REPORT

csm

ANNUAL REPORT

2008

csm

Contents

CSM at a glance

Sales
Autonomous growth 9.7%; net sales increased by 4.6% to

€ 2,599.3 mln

Realized 3-S savings
increased by a further € 31 mln to € 129 mln, exceeding planned savings of € 110 mln

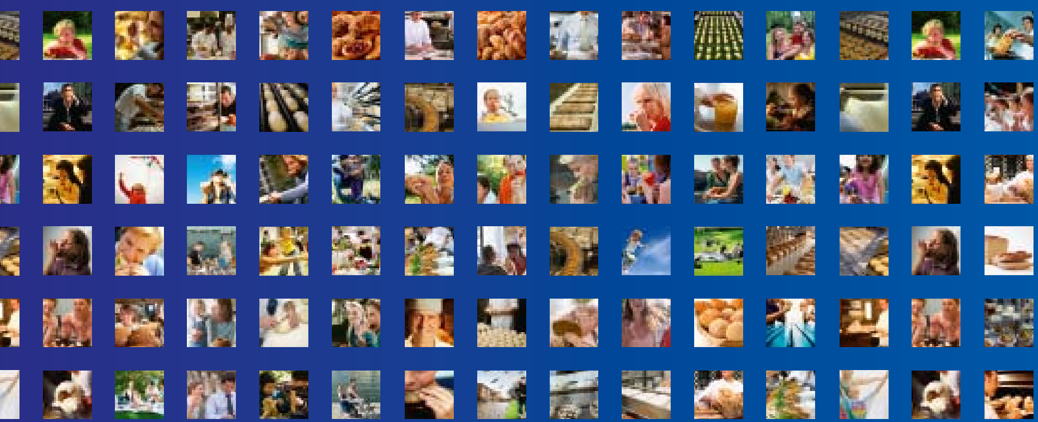
€ 129 mln

EBITA
down 13.4% (8.4% at constant currency)

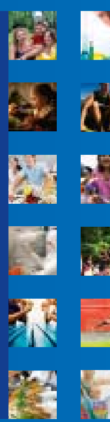
€ 133.1 mln

Cash flow
from operating activities

€ 98.5 mln



Bakery Supplies
CSM is a leading global supplier of bakery ingredients and products to business customers. Bakery Supplies produces and distributes an extensive range of premium quality bakery products and ingredients for artisan and industrial bakeries, as well as for in-store and out-of-home markets, mainly in Europe and North America.



CSM in 2008

CSM is the world's leading Bakery Supplies and Lactic Acid business. CSM operates worldwide and generates annual sales of € 2.6 billion and has a workforce of 8,433 employees in 25 countries. We aim to be the first choice supplier of value-added and premium products that help customers win in their industries. Their preference is driven by the quality of our products and the unrivalled support we give them in producing, marketing and selling.

2008 was a very challenging year for CSM: a combination of fluctuating raw material prices and recessionary pressures meant that EBITA fell by 13% to €133.1 million. Bakery Supplies was impacted in second half of 2008, leading to volume declines of 5%, partly due to a one-off de-stocking effect. PURAC felt the effects of the crisis particularly in the fourth quarter, with volumes dropping from 6% positive in the third quarter to 2% negative in the fourth quarter as a result of de-stocking and lower sales to customers active in some of the more cyclical business segments.
Although market conditions will clearly remain difficult in 2009, CSM's results will benefit from past and present initiatives.

Healthy balance sheet ratios

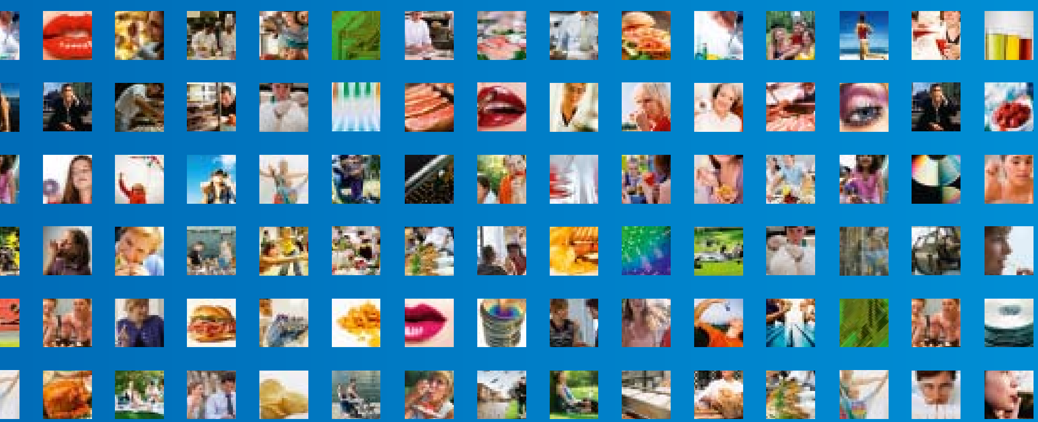
Net debt position at 2.8 x EBITDA and the interest cover 4.9, well within the limits of financing covenants.

2.8 x EBITDA

Earnings per share

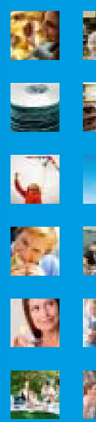
Increased to € 1.39 from € 0.82

€ 1.39



PURAC

PURAC is the world's largest and most experienced producer of natural lactic acid, derivatives, and lactides. The products have a wide range of applications in many different industries. The main markets are food, pharmaceuticals, medical, cosmetics, animal feed and the technical & chemical industries. PURAC is active all over the world.



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Message from
CEO Gerard Hoetmer

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“Please let me invite you to read our annual report for 2008. It was a year that brought a storm; we encountered enormous fluctuations in raw material prices followed by the economic downturn that will bring us more challenges in 2009. Against this background, much to our dismay, we saw our stock price fall sharply over the past months. 2009 marks the 90th anniversary of CSM, a year which is likely to be a historic one in light of the on-going effects of the financial crisis. It will be a year of continuous hard work, consistent with our strategic framework, and at the same time of responding effectively to the challenging economic circumstances ahead.

We have experienced tough times before, as the history of our company shows. It is the strong performance we strive for, the partnerships we nurture, and the passion of our employees in being the best in what we do, that strengthen my belief that we are well positioned to overcome these economic and market challenges and to come out stronger. I would like to express my gratitude to all CSM employees. Since 2005 we have focused strongly on becoming more efficient and innovative, achieving many milestones. This would not have been possible without the dedication and commitment of our people.

Despite the state of the economy, CSM has succeeded in improving its market position versus the competition. Due to market conditions, we have not achieved our 2008 financial targets and we did not manage to improve on our results for 2007, but our foundation is solid and we remain committed to achieving our financial goal of a long term ROCE of at least 12%. Our focus is on performance, both by creating sustainable growth and achieving further cost efficiencies. We are passionate about being the leading global Bakery Supplies and lactic acid company in the world. Even in these challenging times we see abundant opportunity to strengthen our market leadership.

Focus on Results: Strong Performance

We realize that being in business means driving efficiency. That is why we continue to be cost efficient and to focus on having sound financial management.

With regard to cost efficiency, we have been very active in the past three years to bring about a turnaround at CSM. We will continue to improve efficiencies and reduce costs in our businesses, which explains our December announcement to implement further restructuring in the UK and Belgium, reducing the workforce by another 125 FTEs. We will continue to focus on making efficiency improvements in all our businesses. ›

Board of Management:
Left: Koos Kramer (CFO)
Middle: Gerard Hoetmer (CEO)
Right: Reinoud Plantenberg (Board Member)

Financial management is key. Our decision to refinance in 2007 and 2008 gives us a solid financing position, now and in the years ahead. Our activities remain cash generative and our strong focus for 2009 is to enhance these cash generating capabilities further.

We expect to reduce our cash requirements through working capital reductions and capital expenditure reductions for our ongoing business activities.

Focus on Growth: Innovation through Partnerships

Over the past years, we have steadily moved from just being a supplier to becoming a partner for our customers. In our industry we are the only company with a global presence and one which has invested substantially to support our customers with innovative products and value-adding services, thereby identifying ways to help them grow their business. I strongly believe that our innovative power is one of the cornerstones that attracts customers.

Our innovation rate has increased substantially in the past years, resulting in continuous market share growth. For example, in Bakery Supplies we have seen substantial growth in the premium out-of-home markets, e.g. coffee chains, even though this segment is under pressure due to lower consumer spending in the current downturn. And with PURAC we are leading the development of bioplastics, working with our partners and continuously attracting new customers.

For CSM it is a key strategic differentiator to continue its long term investments in innovation and marketing, even in these difficult times. The examples show that more and more major customers are choosing a supplier who focuses on the long term and supports them in these challenging times. That is what distinguishes us and makes us a true global market leader. We shall convey this message more strongly to our potential customers. For this reason we have introduced CSM as a global brand, co-branding and supporting our local operations. We act locally with a global mindset and business infrastructure that support our distinctive strengths to every customer around the world.

Current New Reality

The current worldwide economic environment impacts our bakery business, as demand for some of our products has decreased, especially in the second half of 2008. Our lactic acid business is also seeing lower demand, as some of our customers operate in more cyclical markets which currently require lower volumes. We do not expect the economic climate to change in the first quarter of 2009 compared to the fourth quarter of 2008. That said, currently we do expect the cost of raw material to be lower than the average for 2008. Although we will not be able to mitigate the full effect of the economic downturn in the short term, we have two important instruments at our disposal – flexibility in bringing down cost levels and adjustments to our product offering to meet changing demands – to mitigate the negative impact.

Despite these effects of the economic downturn, I do see opportunities for us to deliver in 2009 and further invest in the future. We are market leader, our financing position is healthy and, well ahead of the crisis, we invested time and effort in becoming a cost efficient and innovative company. Customers value these strengths and are increasingly choosing CSM as a partner. As said before, I am confident that the crisis will help us gain market share and, if the right opportunities arise, we will make value-adding bolt-on acquisitions.

2009 will be the year that marks CSM's 90th anniversary and, more importantly, in which we will further strengthen our roots going forward."

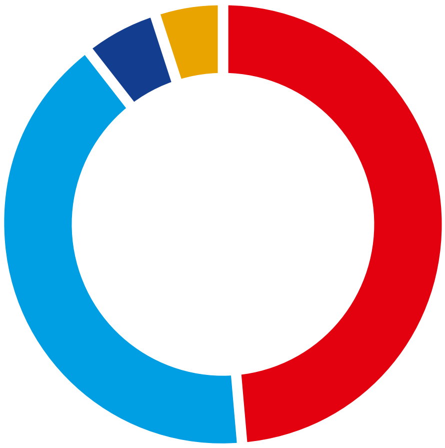
CEO Gerard Hoetmer

Key Figures

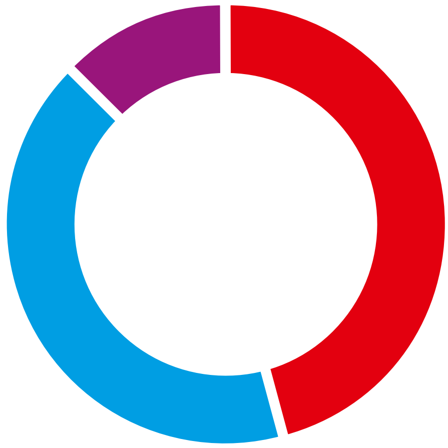
millions of euros	2008	2007
Continuing operations		
Net sales	2,599	2,486
EBITA before exceptional items	133	154
EBITA	113	65
Operating result	107	60
Result after taxes	90	56
Earnings per ordinary share in euros [1]	1.39	0.82
Diluted earnings per ordinary share in euros [1]	1.38	0.81
Cash flow from operating activities	99	143
Cash flow from operating activities per ordinary share, in euros [1]	1.55	2.15
Depreciation/amortization fixed assets	66	66
Capital expenditure on fixed assets	64	116
ROS % [2]	4.4	2.6
Result after taxes / net sales %	3.5	2.3
ROCE excluding goodwill % [3]	13.7	8.2
ROCE including goodwill % [4]	6.2	3.6
Number of employees at closing date	8,433	8,726
Total operations		
Income statement:		
Result after taxes	90	203
Balance sheet:		
Fixed assets	1,361	1,373
Current assets	662	638
Non-interest-bearing current liabilities	381	415
Net debt position [5]	528	456
Provisions	172	182
Equity	942	958
Key data per ordinary share		
Number of issued ordinary shares	62,031,279	66,331,279
Number of ordinary shares with dividend rights	61,868,026	61,802,201
Weighted average number of outstanding ordinary shares	61,849,251	65,280,284
Price as at 31 December	11.50	23.10
Highest price in calendar year	25.90	29.72
Lowest price in calendar year	9.43	22.35
Market capitalization as at 31 December	711	1,428
Earnings in euros	1.39	3.06
Diluted earnings in euros	1.38	3.05
Dividend in euros	0.88	0.88
Other key data		
Number of employees at closing date	8,433	8,726
Number of issued cumulative preference shares	2,983,794	2,983,794
Equity per share in euros [6]	14.52	14.78
Ratios		
Net debt position/EBITDA [7]	2.8	2.1
Interest cover [8]	4.9	7.6
Balance sheet total : equity	1:0.4	1:0.5
Net debt position : equity	1:1.8	1:2.1
Current assets : current liabilities	1:0.5	1:0.6
Dividend pay-out ratio	63.5	28.7

1 Per ordinary share in euros after deduction of dividend on cumulative preference shares.
2 ROS % is EBITA divided by net sales x 100.
3 ROCE excluding goodwill % is EBITA for the year divided by the average capital employed excluding goodwill x 100.
4 ROCE including goodwill % is EBITA for the year divided by the average capital employed including goodwill x 100. This takes account of all acquisitions since 1978, the year when CSM started the diversification process.
5 Net debt position comprises interest-bearing debts less cash and cash equivalents.
6 Equity per share is equity divided by the number of shares with dividend rights.
7 EBITDA is 'Earnings Before Interest, Taxes, Depreciation and Amortization' before exceptional items.
8 Interest cover is EBITA before exceptional items divided by net interest income and charges.

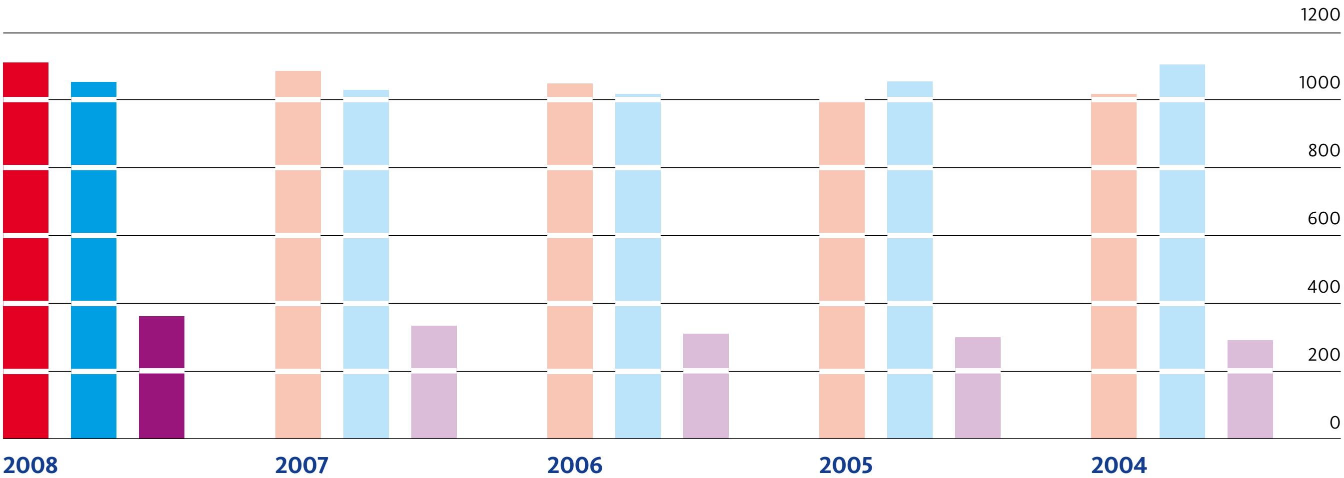
Net sales 2008 by region



Net sales 2008 by division

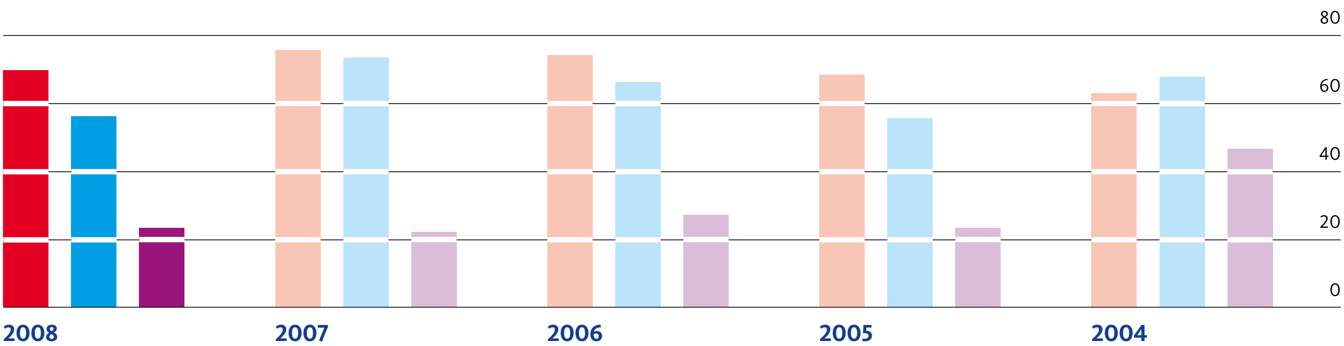


Net sales 2003-2007, bakery and lactic acid activities



EBITA 2003-2007, bakery and lactic acid activities

Before exceptional items



CSM Mission

To be the first choice supplier of value-added and premium products that help customers win in their industries. Their preference is driven by the quality of our products and the unrivalled support we give them in producing, marketing and selling

Company Strategy – Our drive for Efficiency and Profitable Growth

CSM is a global leader in two large business-to-business markets: Bakery Supplies is a leading global supplier of bakery products and ingredients, and PURAC is market leader in the production of lactic acid and derivatives. CSM operates worldwide and generates annual sales of € 2.6 billion and has a workforce of 8,433 employees in 25 countries.

CSM

CSM's strategy is geared towards retaining or attaining **leadership** in the markets in which we operate and ensuring sustainable and **profitable growth** of the company with sustainable **returns above market average**. We will do so in an ethical way, creating an attractive environment for our employees, customers and suppliers. From 2005 through 2008, our strategy was based on the following three pillars:

- creating an efficient and effective corporate structure;
- optimizing the organization to promote autonomous/organic growth;
- investing and divesting parts of the company to optimize our market positions.

After this three year transition period, in which we have optimized our organization for growth, it is time for the next step in our strategy. We will continue focusing on maintaining and creating an **efficient and effective organization** but at the same time we will **focus on growth**:

- focus on value through efficiency and cost reductions;
- drive growth, both organically and through acquisitions.

This strategy is based on the **unique scale** that we have, giving us **a competitive advantage** in:

- the ability to service world-wide operating customers;
- having the clout to seriously invest in Research & Development and consumer insights;
- attracting top talent;
- and negotiating optimal conditions in procurement.

Bakery Supplies

Bakery Supplies produces and distributes an extensive range of premium quality bakery products and ingredients for artisan and industrial bakeries, as well as for in-store and out-of-home markets, mainly in Europe and North America. The market for bakery supplies is relatively stable, with growth in line with GDP (Gross Domestic Product) in developed markets, and higher growth rates in developing countries. We aim to further strengthen our leading position through above market organic growth and by acquiring companies that will strengthen our market positions and give us access to new geographies or markets. Organic growth will be realized by:

- continuously developing new products matching the needs of our customer and end-consumers;
- supporting our customers in all aspects of their business enabling them to be winners and thereby creating loyalty;
- focusing on those growing market segments that are optimally aligned with our distinctive capabilities of being global, innovative and service oriented.

We create value by growing above market average and by achieving economies of scale in production and procurement. The strategy of Bakery Supplies is further detailed on pages 20 to 27.

PURAC

PURAC is predominantly active in preservation, mineral fortification and green chemicals for the food, health care, chemical and polymer industries. Its role is to create a worldwide niche position in these markets by offering solutions based on natural lactic acid products. Lactic acid is produced through natural fermentation of carbohydrates such as sugar, corn and tapioca. Our solutions, particularly in green chemicals, are replacing mineral oil-based products. Innovation is at the heart of the products and services we offer. PURAC's strategy is to further **drive growth** by continuing to invest in the creation of new products and related production capacity. Intimate cooperation with our main customers through **partnerships** is important in increasing the success rate of our innovations and the speed with which our innovations are absorbed by the market. **Value creation** will be realized through organic growth combined with continued cost reductions in the supply chain. Using the company wide procurement scale supports our cost reduction efforts. The strategy of PURAC is further detailed on page 28 to 30.

Performance Objective and Key Performance Indicators (KPI's)

Performance Objective

It is our objective to realize above average returns, defined as a Return on Capital Employed (ROCE) of at least 12%.

KPI's

We strongly believe that we will be able to realize above average returns and meet our leading financial KPI's, which are: ROCE, ROS and NET DEBT/EBITDA.

In order to be able to closely monitor and manage the execution of our strategy we have introduced underlying company specific KPI's, such as: service levels to our customers, sales of new products, working capital days on hand and turnaround time of responses to customer inquiries such as price quotes.

Report of the Board of Management

Financial Commentary 2008, Dividend Proposal, Prospects for 2009

Results

Net Sales

Net sales increased by 4.6% to € 2,599.3 million (2007: € 2,485.6 million). The 2008 sales figures were impacted by exchange rate differences to an amount of € 120.8 million negative, especially due to the weaker US dollar. The net effect of acquisitions and divestments was € 13.6 million positive, mainly due to the 2008 acquisition of Harden Fine Foods and the various acquisitions and divestments in 2007. Adjusted for currency effects and acquisitions/divestments, autonomous growth was 9.7%.

Breakdown of Autonomous Growth:

BSNA	14.0%
BSEU	5.7%
PURAC	8.2%

Growth at BSNA and BSEU was driven by price increases to offset the strongly increased raw material costs. Volume sold was 2.4% down, mainly because of the recessionary environment in the second half of 2008. Growth at PURAC was attributable to both price increases and volume growth. As with the bakery activities increased raw material costs drove price increases. Volume growth of 1.5% was negatively impacted by the recessionary environment in the second half of the report year. The strike in the potassium mine of our North American supplier affected volume by -2.1%. 2008 contained extra days for the North American bakery division, resulting in additional sales of € 14.5 million.

EBITA before Exceptional Items

EBITA before exceptional items decreased by € 20.6 million, or 13.4%, to € 133.1 million. Translation of our income in foreign currencies to the euro impacted our results negatively by € 7.7 million. Our raw material costs increased by € 175 million, this is after 3-S related procurement savings of € 18 million. The extra costs were succesfully compensated by increased selling prices. Volumes sold in 2008 decreased by 1.5% due to the recessionary environment, negatively impacting our EBITA by € 7 million.
Due to the extra days in 2008, EBITA of Bakery Supplies North America was positively impacted by € 0.7 million.

Breakdown of the Change in EBITA before Exceptional Items:

millions of euros

BSNA	-4.1	-5.4%	Decrease in EBITA (in US$ an increase of 1.2 or 1.1%)
BSEU	-15.9	-21.8%	Decrease in EBITA
PURAC	0.5	2.1%	Increase in EBITA
Corporate	-1.1	-6.4%	Higher costs

Breakdown of the Savings under the 3-S Program:

millions of euros				Plan	Total
	2005	2006	2007	2008	2008
Savings	15	55	85	110	110
Restructuring expenses	60	40	20		120

				Realised	Project
	2005	2006	2007	2008	to date
Savings per:					
BSEU	4	27	41	63	63
BSNA	4	11	24	31	31
Bakery Supplies Total	**8**	**38**	**65**	**94**	**94**
PURAC	0	12	20	22	22
Sugar	11	11	11	11	11
Holding activities	0	1	2	2	2
Total	**19**	**62**	**98**	**129**	**129**
Split in:					
Restructuring projects	19	46	67	80	80
Purchasing		16	31	49	49
Restructuring expenses	58	24	15	12	109
Cash out	25	26	18	11	80
FTE reduction	696	250	244	80	1270

Savings under the 3-S Program made their final contribution to the EBITA before exceptional items. The additional savings of € 31 million in 2008 led to cumulative annual savings of € 129 million, up by € 19 million versus the target of € 110 million.

Restructuring

The additional restructuring savings in 2008 amounting to € 13 million were partly the result of the full year savings of reorganizations started in 2007; the closure of our Italian bakery factory in Crema (Italy), the closure of the Elk Grove Village factory in Chicago (US), and the reorganization at our bakery fats plant in Merksem (Belgium). Next to these savings the main new restructurings that contributed to the € 13 million additional savings were the shift of all fruit fillings from our French factory to the factory in Goes the Netherlands and the reorganization of our German operation.

The total restructuring charges arising from the 3-S Program ended at € 109 million, comparing favorably to the expected amount of € 120 million. The addition in 2008 was € 12 million recorded as exceptional income and charges.
Exceptional income and charges in 2008 also includes restructuring charges of new non 3-S related reorganizations at Brill of € 1.9 million and at our European bakery activities in Belgium and the UK of € 1.9 million. A negative correction on the book profit of the sale of QA in 2007 of € 1.8 million was recorded as an exceptional expense.

Procurement

The continuing efforts to bring down the cost of purchasing by using our scale of buying and organization wide knowledge delivered savings of € 18 million. These savings were used to offset the increased raw material costs.

Financial Income and Charges, and Taxes

Net financial charges increased by € 8.5 million compared with the 2007 amount of € 19.6 million. Next to slightly higher interest rates the main impact came from higher borrowings among others due to the € 100 million share buy back at the end of 2007 and the higher working capital in 2008. Interest expense due to fair value adjustments of financial instruments that fix interest rates was € 4.1 million negative.

Taxes

Net tax expenses amounted to € 11.6 million negative. This income was due to the release of € 40.3 million of tax provisions, of wich € 38.7 million for a foreign tax claim that could be released after successfully contesting the claim. Excluding the release of the provision and other one-off items the tax burden as a percentage of income before tax would have amounted to 28%.

Balance Sheet

Capital employed including goodwill increased by € 52.7 million to € 1,861.3 million.
The main movements were:

millions of euros	
Net capital expenditure on fixed assets	61.6
Depreciation of fixed assets	-65.6
Working Capital increase	52.9
Release in tax provisions	40.3
Exchange rate differences	-17

The major capital expenditures on fixed assets were:

- investments in frozen production capacity in the US;
- investments in IT for both Bakery Europe and North America;
- the transformation of our Spanish lactic acid factory into a small scale supplier for the bioplastics industry.

Working capital increased by € 52.9 million to € 243.3 million. The major contributor to the increased working capital were the increases in raw material costs. Inventories increased by € 54.9 million, receivables by € 12.3 million and our accounts payable by € 14.3 million.

Equity before profit appropriation decreased by € 16.1 million to € 941.6 million. The main movements were:

- the addition of € 90 million in profit for 2008;
- a decrease of € 57.2 million in connection with the dividend for financial year 2007;
- negative exchange rate differences of € 32.2 million due to the translation of equity denominated in other currencies than the euro;
- negative movements of € 17.5 million in the hedge reserve.

At the end of 2008 the ratio between balance sheet total and equity was 1:0.4 (2007: 1:0.5).

Cash Flow

Cash flow from operating activities amounted to € 98.5 million, a decrease of € 44.4 million compared to 2007, mainly due to negative cash flow as a result of the higher working capital of € 52.9 million at the end of 2008.
Investment activities required € 72.4 million in cash. Net investment in fixed assets was € 61.6 million, with the remainder being attributable to the acquisition of Harden Fine Foods and an adjustment to the selling price of QA Products.
Cash flow from financing activities includes dividend payments of € 57.2 million.

Financing

CSM has healthy balance sheet ratios. At the end of 2008 the net debt position was 2.8 x EBITDA and the interest cover for 2008 4.9. Well within the limits of our financing covenants.

At the end of 2008 the net debt position amounted to € 528 million, an increase of € 72 million compared to the end of 2007. This is the net balance of the following major movements:
- a positive cash flow from operating activities before working capital and provisions of € 179.3 million;
- an increase of € 52.9 million in working capital;
- net investments in fixed assets of € 61.6 million;
- dividend payments of € 57.2 million;
- negative effects of the appreciation of the US dollar, our main funding currency, amounting to € 17 million;
- negative effects due to the decline of interest rates, leading to higher fair value of our long term debts of € 25 million.

On 31 December 2008 the interest-bearing non-current liabilities amounted to € 606.7 million (31 December 2007: € 484.5 million). The average effective interest rate of the non-current liabilities outstanding on 31 December 2008 was 4.7% and the average remaining term 4.3 years (31 December 2007: average interest rate 5.0% and average term 4.4 years).

Reservation and Dividend Policy

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

Dividend Proposal

Upon adoption of the financial statements holders of cumulative financing preference shares will receive the statutory dividend. The dividend proposal on ordinary shares will be presented to the General Shareholders' Meeting.

The dividend proposed on ordinary shares amounts to € 0.88 per share, equal to the dividend in 2007. Of the proposed dividend per share € 0.44 will be payable in cash and the remaining € 0.44 in shares. The ex-dividend date will be 24 April 2009. The conversion rate will be determined on 4 May 2009 after close of trading, based on the weighted average share price on 27, 28 and 29 April 2009. Both the cash and stock dividends will be payable on 6 May 2009.

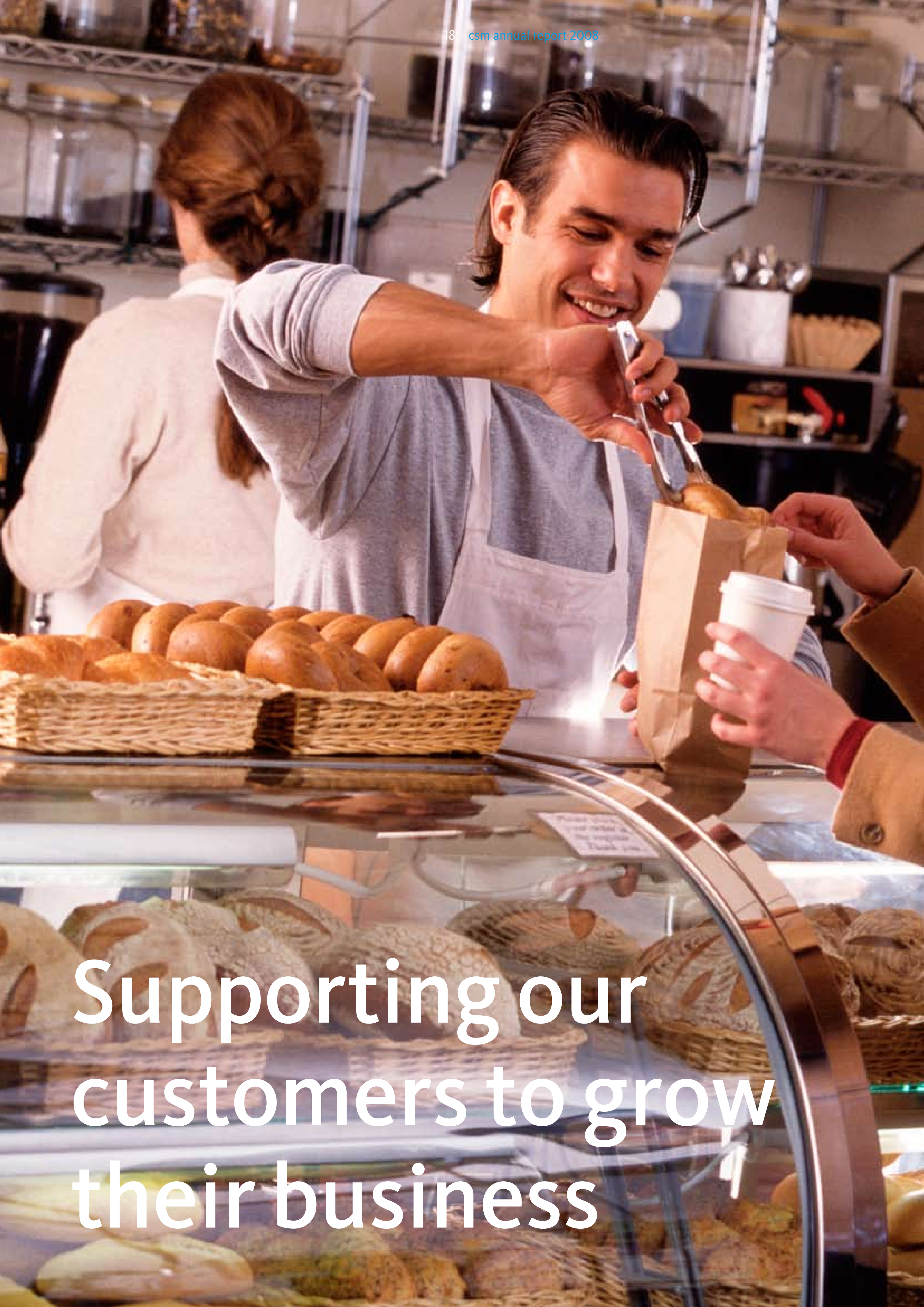
Prospects for 2009

CSM Total

In 2009 results will benefit from a number of actions that we have put in place. These include our investments in Research & Development and marketing, leading to more innovative products that meet consumer demand. The reorganizations at Brill and our German bakery operation will have a positive effect on our results in 2009. Also, the restructuring of the bakery activities in the UK and Belgium announced in December 2008 should make its first contribution. PURAC will benefit from a full year's savings in its supply chain as a result of the major restructuring that took place in 2008. Further, we expect only limited ongoing negative effects from the serious supply disruption of potassium lactate due to a strike in the largest potassium mine in 2008.

These and other initiatives will lead to cost savings of approx. € 25 million, more than compensating the normal cost of inflation. So far it looks like that 2009 will not see the raw material roller-coaster ride as in 2008, which should be beneficial for our margin development. Nevertheless it is clear that the challenges of the current environment will continue. It is difficult to see whether the volume decline and price pressure of especially the fourth quarter of 2008 will further continue. We do not expect the economic climate to change in the first quarter of 2009 compared to the fourth quarter of 2008. In 2009 we will issue quarterly financial updates which will increase transparency of developments in our results. In view of the uncertain economic times we cannot give specific guidance for our 2009 results.

We expect ordinary capital expenditure to be below depreciation, with the exception of a potential large investment in lactide capacity for PURAC. Working capital as a percentage of sales is expected to improve.

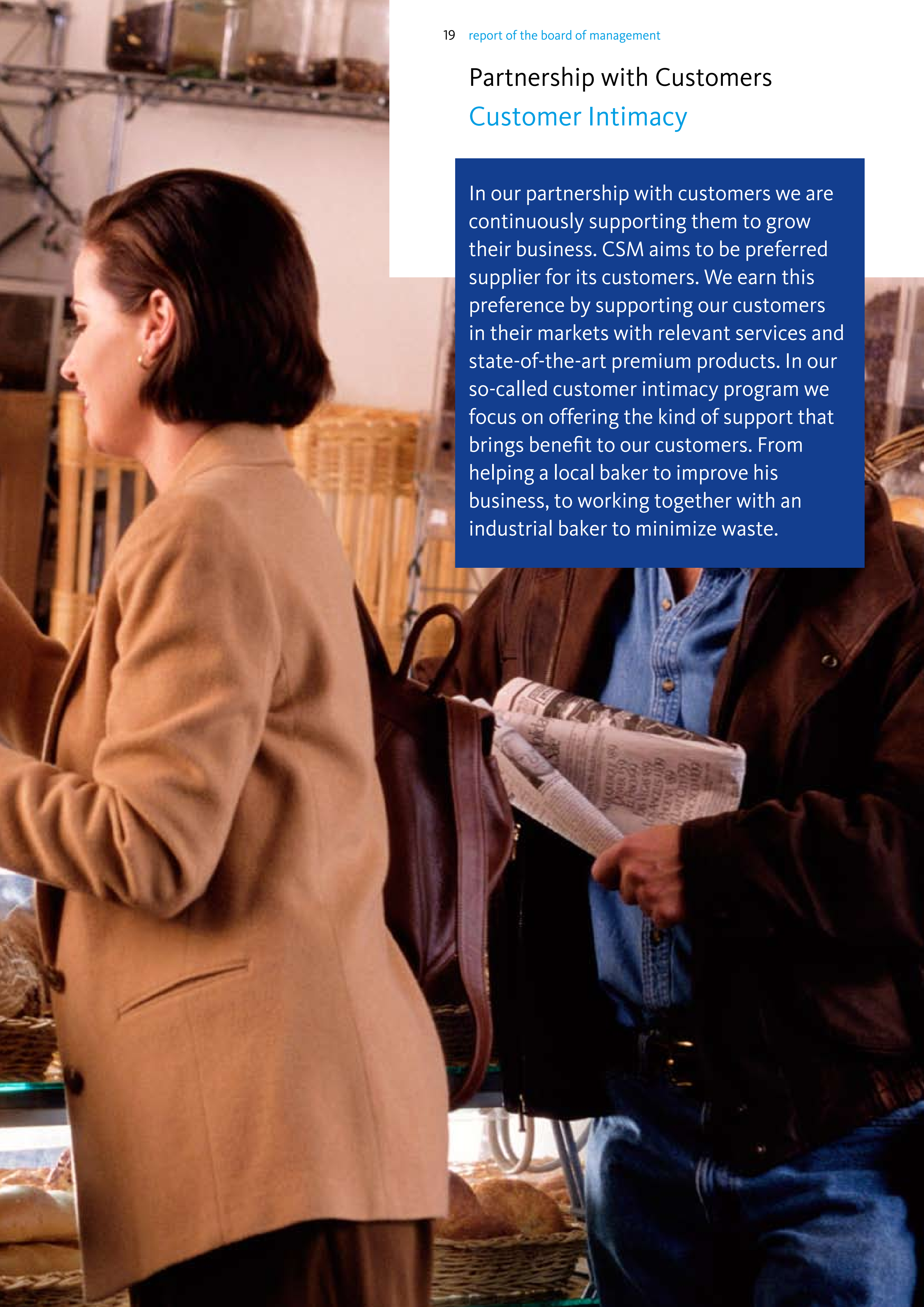


Supporting our customers to grow their business

Partnership with Customers

Customer Intimacy

In our partnership with customers we are continuously supporting them to grow their business. CSM aims to be preferred supplier for its customers. We earn this preference by supporting our customers in their markets with relevant services and state-of-the-art premium products. In our so-called customer intimacy program we focus on offering the kind of support that brings benefit to our customers. From helping a local baker to improve his business, to working together with an industrial baker to minimize waste.



CSM Bakery Supplies

Calendar Year	2008 Before exceptional items	2008	2007 Before exceptional items	2007
millions of euros				
Net Sales	2,273.7	2,273.7	2,175.5	2,175.5
EBITA	127.7	108.3	147.7	146.2
ROS %	5.6	4.8	6.8	6.7
ROCE including goodwill %	8.3	7.1	9.8	9.7

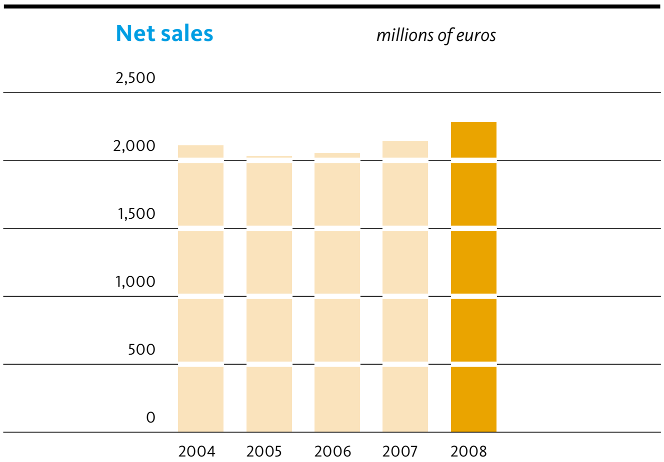
Market

The market for grain-based breads and pastry is one of the largest food markets in the world. Every continent has its own varieties of breads and pastry, with regional differences in taste, preparation, moments of consumption and appearance. However, we are seeing a number of common trends in this market.

There has been an enormous expansion in the assortments sold in bakery shops over the last years, often a result of the introduction of breads and pastry from other regions. Examples are the European croissant, the Mexican flat bread, the American cookie and the North European dark breads.

Another trend is the growing number of outlets selling bakery products and stimulating overall consumption. The traditional bakery shop is no longer the only place that sells fresh bakery products; supermarkets and out-of-home outlets are increasingly offering similar products. This development strongly influences and increases the moments during the day that people consume our bakery products. As a result, bakery products have become a part of a consumer's daily life.

In general, consumers are focusing more and more on a low-calorie intake and healthy ingredients, as well as on-the-move consumption and convenient preparation. We are actively addressing these changes in consumer behaviour.



The total worldwide market for bakery products is estimated at approximately € 30-40 billion. In general growth in this market is in line with GDP for developed countries, while higher growth rates can be seen in developing countries. Currently we are seeing negative GDP growth in most countries, which is reflected in our sales.

In 2008 the prices of the main raw materials fluctuated sharply. Until mid 2008 raw material costs increased by 20% on average, followed by a steep decline in the second half of the year. This was an unprecedented development for all market participants, leading to pressure on margins. The increased selling prices to offset the higher costs of raw materials subsequently had an impact on the demand of both customers and end consumers.

CSM's Position

Our main activity is to sell high quality ingredients to our customers, to enable them to prepare top quality end products for the consumer. CSM's leading ingredients are bread improvers, bread and pastry mixes, bakery margarines and emulsifiers, fruit and (non) dairy-based pastry fillings and icings and glazes. CSM is not active in the production of flour, yeast or sugar, the basic ingredients for bread and pastry. The opportunities for being distinctive in these types of commodity markets are limited.

We sell these products primarily to traditional artisan bakeries, industrial bakers and supermarkets with in-store finishing of bakery products.

We also manufacture and sell premium-finished and semi-finished pastry products like cakes, donuts, muffins, viennoiserie and cookies. These are sold as frozen products to our customers in the out-of-home and supermarket channels in particular.
North America and Europe are CSM's main markets, in which we are leading with many of our product ranges.

Strategy

CSM aims to be preferred supplier for its customers. We earn this preference by supporting our customers in their markets with relevant services and state-of-the-art premium products. We are able to offer this support as the economies of scale in production and procurement allow us to fund market research into the needs of the end consumers. By having in-depth knowledge of consumer trends we can feed our Marketing and Research & Development centers with effective product strategies and bring new services to our customers to help them become more efficient and effective in serving the consumer.

To support this strategy CSM has a regional focus in both North America and Europe, having moved away from the stand-alone operating company structure in North America and the country structure in Europe. Realizing large-scale, specialized production facilities, joint procurement organizations, and technology-based Research & Development centers has resulted in a competitive advantage. The scale advantage provided an improved financial competitiveness, but also created an opportunity to invest substantially in improving core capabilities in the area of customer and consumer insights and Research & Development.

Where appropriate, we coordinate our activities on a worldwide basis. This is already the case in the support of customers with a worldwide presence and in the procurement of some of our main raw materials. The ability to provide those customers with consistent, safe and high quality products is one of the unique capabilities of CSM. Strengthening our market leadership is important to further improve this unique proposition to our customers. Next to autonomous growth we will enlarge our scale by acquiring companies that will add to our geographical position or market penetration, or give us access to unique technologies.

In 2008 CSM acquired the activities of Harden Fine Foods in the UK. This company is specialized in the production of so called mini-bites. The technology to make small bite sized pastry in an efficient way has been incorporated in other facilities and has boosted sales in this growth area.

We strongly believe that we will be able to realize above average returns as indicated in the CSM Strategy section, particularly by meeting a number of operating company specific key performance indicators that we track in our organization, including:

- service levels to our customers;
- sales of new products;
- turnaround time of responses to customer inquiries, for example price quotes;
- return on Sales (ROS);
- working capital days outstanding;
- return on Capital Employed.

Caravan Ingredients

World Breads launch in 2008

Caravan Ingredients' World Bread launch in 2008 combined consumer and customer insights with CSM's international network of bakeries. Werner Simon, CI's Global Bakery Consultant, traveled throughout the European Artisan group looking for traditional breads to bring back to America. Werner's travels took him through Holland, Belgium, Germany, France, and Italy. At the completion of his travels, Caravan Ingredients hosted a panel of highly experienced bakers from diverse backgrounds (artisan, in-store, and industrial bakeries) to identify the products with the greatest appeal to US bakers and consumers. Through consumer data they discovered that while the overall bread category was stagnant, artisan bread sales had been rising in volume and dollars. Consumer insight work confirmed the opportunity for bakeries to offer "affordable indulgences" while the economy struggles.

North America

Calendar Year	2008 Before exceptional items	2008	2007 Before exceptional items	2007
millions of US dollars				
Net Sales	1,735.7	1,735.7	1,528.0	1,528.0
EBITA	104.5	103.6	103.3	104.7
ROS %	6.0	6.0	6.7	6.8
ROCE including goodwill %	10.7	10.6	10.4	10.5
millions of euros				
Net Sales	1,181.2	1,181.2	1,116.1	1,116.1
EBITA	71.1	70.5	75.2	76.2
ROS %	6.0	6.0	6.7	6.8
ROCE including goodwill %	11.1	11.0	10.8	10.8

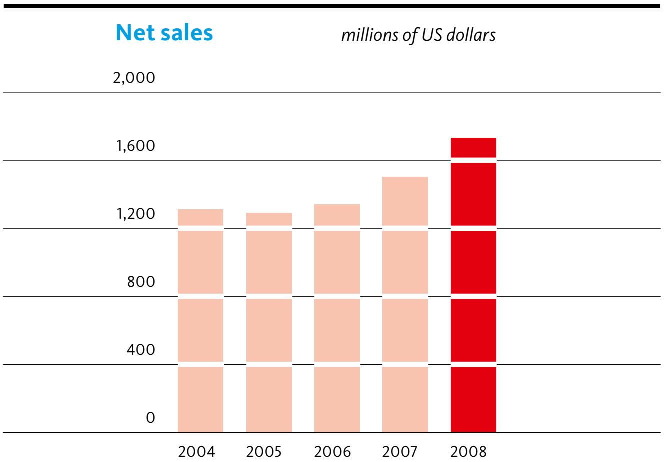
Major Developments and Results 2008

The changing market situation, specifically the fluctuating raw material prices and the economic downturn, the recovery of Brill and the expansion of CSM in the out-of-home market were important developments in North America in 2008.

Raw Material Price Volatility

On average our raw material costs increased by approximately 19%. Major increases were seen for soy oil, flour and eggs. We have been successful in offsetting these price increases with corresponding increases in our selling prices.

In the second half of 2008 raw material prices started to decline. As the economic downturn fueled pressure from our customers to pass on the lower raw material prices to the end consumer as soon as possible, we had to carefully manage our relationships with customers.



Fuel prices have seen the highest price levels ever, which is specifically relevant to our distribution company BakeMark. To a large extent these costs have been offset by higher selling prices and fuel surcharges.

Economic Downturn

The subprime crisis in the United States and the financial crisis that followed, had a severe impact on the US economy. Even though CSM largely satisfies basic needs as a food product supplier, we felt an impact on our sales. Customers started using less of our ingredients, aiming to bring down the costs of their products and minimize their inventories in the supply chain as a result of an increased focus on cash. Products that suffered most were our premium, highest quality products. To respond effectively, our Sales, Marketing and Research & Development started to fine-tune products to the changing demands, always in close contact with our customers. The crisis also impacted consumer behaviour. Especially in the out-of-home segment sales decreased, which to some extent was offset by higher sales in the supermarket channel.

Brill Recovery

As stated in last year's annual report, the results of HC Brill declined substantially in 2007 due to increased complexity in the organization that was not managed adequately. In 2008 we drastically reorganized the Brill organization to make it ready for growth again. An important final step will be made in the first half of 2009 to increase operational efficiency through the implementation of a new ERP system. Preparations for this implementation have been intensive and have involved a large team of professionals. The system implemented will be a mirror image of a successful operating system implemented at sister company Caravan Ingredients. We anticipate that the changes in structure, people and systems will make Brill a stronger player in the in-store supermarket segment. We will see benefits from this turnaround in 2009.

Out-of-Home Expansion

With the acquisition of Titterington's in 2007, we launched our out-of-home strategy in the US. Close and intensive contacts with major players in this important market have led to substantial growth for CSM. Although this channel has been hit most by the economic downturn, we have been able to grow our sales and market share aggressively. The US and European out-of-home organizations work closely together to develop new products and serve global customers.

Results 2008

Taking all major developments into consideration, we are satisfied with the financial results of 2008. In a challenging climate we have been able to stabilize our bottom-line result with much higher sales levels and organic sales growth of 14%. Here, higher selling prices have played an important role, as volume sold was more or less stable. The higher volumes sold to the out-of-home segment was higher, driven by the acquisition of Titterington's. The sale of QA products in December 2007 negatively impacted this sales growth. Due to a close at exactly the 31st of December we incurred extra sales to an amount of US$ 21.4 million. The resulting EBITA increase is US$ 1.1 million. The final year of the 3-S cost efficiency program contributed US$ 9 million in additional cost savings.

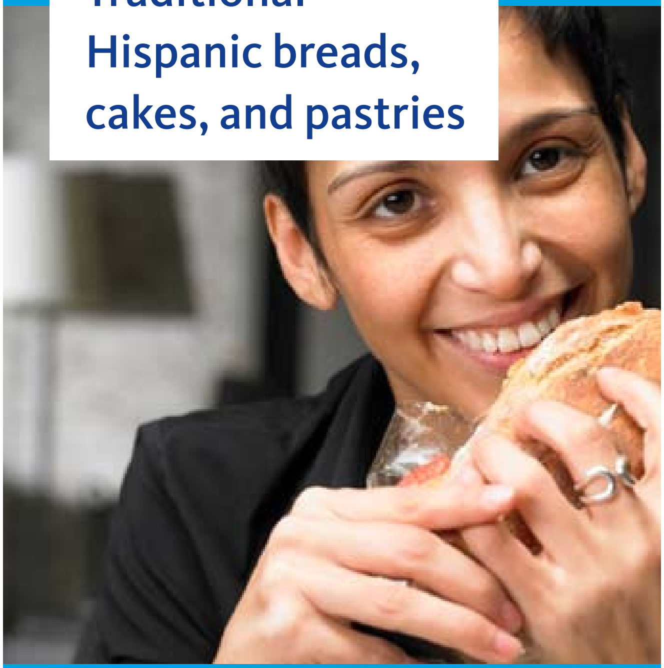
On balance, the effect of the acquisition and divestment on sales is nearly neutral. Our expenses in the US were higher due to higher fuel-related distribution costs, higher investments in our Research & Development centers, and additional costs for bad debt. Capital employed at year end decreased by US$ 31 million driven by the reduction in working capital. Capital expenditures amounted to US$ 25.8 million, in line with depreciation. Major capital expenditures included capacity extensions for our frozen products and a new ERP system at Brill.

Outlook 2009

We anticipate continued improvements in operational efficiencies at Brill and from our successful out-of-home strategy. We will continue to work on improving our strong position in North America, benefiting from our economies of scale and the structural changes we have made in recent years. We expect our innovation initiatives to contribute to sales growth. A more stable price development for raw materials compared to 2008, as currently is the case should support our margin recovery. Considering the continuing decline of the economy it is difficult to forecast the development of financial results for 2009. Our focus in 2009 will remain on cost and working capital.

BakeMark USA

Traditional Hispanic breads, cakes, and pastries



Recognizing the increasing demand for traditional Hispanic breads, cakes, and pastries, BakeMark created a line of authentic Hispanic bakery ingredients under a new, exclusive brand – Trigal Dorado.

The Trigal Dorado line consists of a wide range of bakery ingredients, including mixes and fillings, that not only deliver the authenticity that is key to having a successful Hispanic bakery offering, but also the consistency and convenience that is desired when working with bakery items that originated from scratch recipes. All this, together with expert technical service and innovative marketing support, has made Trigal Dorado the leading Hispanic bakery brand.

Europe

Calendar Year	2008 Before exceptional items	2008	2007 Before exceptional items	2007
millions of euros				
Net Sales	1,092.5	1,092.5	1,059.4	1,059.4
EBITA	56.6	37.8	72.5	70.0
ROS %	5.2	3.5	6.8	6.6
ROCE including goodwill %	6.4	4.2	8.9	8.6

Major Developments and Results 2008

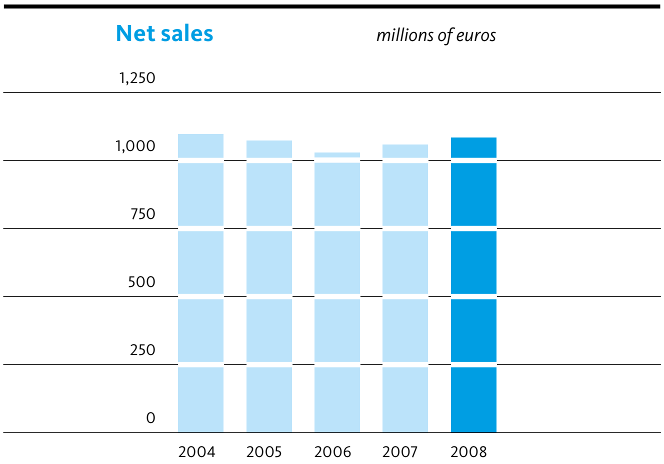
The changes in raw material prices and the economic downturn had a significant impact on our European activities. Other major developments for CSM were the reorganization in Germany and the out-of-home expansion.

Raw Material Price Volatility

The impact of the higher raw material prices became fully apparent in 2008 with raw material prices increasing by 16%. In the second half of 2007, the sharp increase in prices was softened by our long-term contracts for the supply of raw materials. These contracts allowed us to gradually increase our selling prices to prevent margin pressure. As a result, in the first nine months of 2008 the impact of raw material price increases was fully offset by these higher selling prices. Circumstances changed in the fourth quarter with the quickly deteriorating economic climate and sharply declining raw material markets. We came under pressure to accept lower selling prices while our long-term contracts committed us to paying higher prices than spot market levels.

Economic Downturn

Already by mid 2008 it became apparent that consumer confidence in many European countries was declining rapidly. Although CSM's food products for a large part serve basic needs, we are not immune to economic slowdown. We have seen lower sales, mainly of our luxury pastry products. Part of the decline is caused by a one time effect of customers reducing their inventories to absolute minimums. In close cooperation with our customers we are developing products that meet their current needs. Our large exposure in the UK, Spain and Germany, three of the most seriously hit markets, has had an impact on our results.



Reorganization Germany

In the largest bakery market of Europe and one of our strongholds, we have not seen growth for a number of years. Market developments as well as our own organization have limited opportunities for growth in Germany. In January 2008 we announced a major restructuring. A new organizational structure, fully in line with our European organization, new management and a workforce reduction should turn around this negative trend. We have seen some improvement in the last two months of 2008, but EBITA for 2008 was considerably below that of the previous year.

Out-of-Home Expansion

The acquisition of Kate's Cakes in 2007 was a key step in launching our out-of-home strategy. Despite the difficult economic climate in Europe in 2008, particularly in the UK, we have been able to grow our business. In cooperation with the North American colleagues of Titterington's, CSM is now serving global customers and offering services and benefits no other competitor can deliver.

Product development is essential for the out-of-home channel. Our global structure for Research & Development centers is very beneficial and a great enabler for successfully delivering new products.

Results 2008

Sales in Europe grew by 3.1% in 2008. Autonomous sales growth was 5.7%, due to price increases of 8%, necessary to offset the rising raw material costs, mix effects of 3.6% and a volume decline of approximately 6%. Of this volume decline approximately 1% can be attributed to shedding non-profitable co-packing volumes. Volume sold to the out-of-home market grew. The economic downturn in the second half of the year caused most of the decline in real volume and was a main cause of the EBITA being considerably lower than in 2007. Furthermore, due to the weakened British Pound, conversion of our results in the UK and exports to the UK negatively affected results by approximately € 2 million.

Circumstances changed rapidly in the fourth quarter with the quickly deteriorating economic climate and sharply declining raw material markets. We were forced to accept lower selling prices while our long-term contracts committed us to paying higher prices than spot market levels. Our German operation saw a substantially lower result of € 9 million versus 2007, partly due to the imbalance between selling and raw material prices and the economic downturn. In other countries we have also experienced the impact of the downturn on sales; the volume decline of approx. 6% affected EBITA substantially. As part of our strategy CSM opened four Innovation Centers in Europe, leading to € 1 million higher Research & Development costs. The final year of the 3-S cost efficiency program contributed € 22 million in additional cost savings.

Our year end capital employed excluding goodwill increased by € 38 million due to an increase in working capital. Working capital as a percentage of sales increased due to lower payables outstanding. Net investments in fixed assets amounted to € 21.8 million, in line with depreciation. Main capital expenditures included a coating production line, the completion of Innovation Centers, and various automation and IT projects.

Outlook 2009

For 2009 we expect a gradual recovery in our German operation, further growth in out-of-home and increasing cost efficiencies. If current raw material price developments remain less volatile, we expect our margins to improve by correcting the imbalance between selling and raw material prices. However, we are cautious on how this will affect our financial results for 2009, given the continuing deterioration of the economic climate. We will continue to focus on strengthening our organization and controlling our cost and working capital in order to emerge stronger from the economic downturn.

BakeMark | Harden Fine Foods

Dynamic mini-bites a winning category

The dynamic mini-bites category has emerged very quickly. Up until five years ago it did not exist in any meaningful form. Typically these products consist of between 10 and 20 small bite size pieces of varying types of sweet cake, brownie or flapjack.

The winning blend of perceived value for money together with the ability to provide a small guilt free treat or “portion of pleasure” has meant that this product category has grown more quickly than any other within the cake and sweet treat arena over the last two years.

The Hardens Mini Bite offering has immediately brought success and rapid growth. In particular the ability to leverage license partners such as Nestle along with technical expertise within the Cookie category has provided exciting opportunities which are appreciated by customer and consumer alike.

Sharing innovations

Innovation Center

The best of R&D Working together as One

Innovation is at the core of CSM's strategy. Our innovation rate has increased substantially in the past years, resulting in continuous market share growth. Working together as one global organization is instrumental. We now have six Innovation Centers for our Bakery Supplies spread across the globe. PURAC has its centrally managed Innovation and Competence Center and has created three regional application laboratories in São Paulo, Chicago and Singapore which work closely together with the centralized units.

PURAC

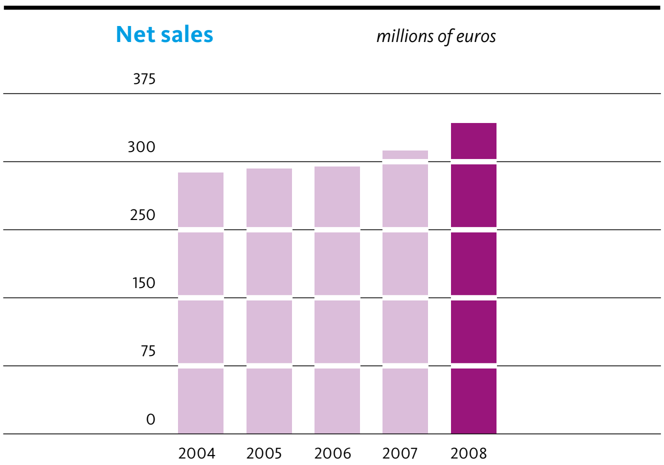
Calendar Year	2008 Before exceptional items	2008	2007 Before exceptional items	2007
millions of euros				
Net sales	325.6	325.6	310.1	310.1
EBITA	22.8	22.4	22.3	-68.8
ROS %	7.0	6.9	7.2	-22.2
ROCE including goodwill %	7.6	7.4	6.7	-20.3

Market Situation

CSM's operating company PURAC is active in the market for preservation, fortification and green chemicals. The market for natural food preservation that PURAC operates in, is growing rapidly. Food safety and a longer shelf life based on a natural process are important for today's consumers and suppliers. The trend towards healthy and clean label products is right at the heart of PURAC's proposition. With its natural and human body-like lactic acid products, PURAC continues to develop a rapidly growing market.

The market for fortification offers great potential. As today's consumers do not get all the basic vitamins and minerals from their diet for a healthy living, there is a need for food fortification. PURAC has developed a superior way of fortifying drinks with calcium and other minerals. It helps our customers to market contemporary products that serve the consumer's need to live healthy in today's hectic environment.

The market for green chemicals is sheer endless, as it includes all mineral oil-based chemicals that can be replaced with natural products based on renewable sources. Research constantly opens up new ways of replacing mineral oil-based chemicals. Examples of successful replacements by PURAC are solvents to clean electronic components and fire extinguishing materials. A very promising development in this market – a multi-billion dollar market in which PURAC wants to develop a position – is PURAC's production of the base material for bioplastics.



Over the past ten years volume growth of between 5-10% has been achieved on an annual basis. Due to the continuing trend towards healthy, natural and eco-friendly products we believe this market will certainly continue its growth.

CSM's Position

With PURAC, CSM has a very strong niche position in this attractive market. PURAC has been developing this market since the 1980s through innovative market applications. All innovations are based on continuous investments in fundamental lactic acid-based Research & Development. PURAC's organization is designed to serve customers anywhere in the world. Production of lactic acid is efficiently concentrated in three large-scale factories on three continents, on locations where our main raw materials are abundantly available. The highly specialized derivatives are manufactured close to our Research & Development laboratories and exported around the world. None of our competitors is capable of supporting our customers with such a deep knowledge of products and consumer requirements.

Strategy

The strategy is geared towards the continuous development of new products, supporting the growth of specific segments in the huge markets of preservation, fortification and green chemicals. New product development is done either via fundamental research or through very close cooperation with our major customers to create new applications. Our so-called customer intimacy model has been developed over the last years in order to lower the cost of new developments and to speed up the time-to-market of new applications. PURAC has a strong focus on new product development and is ideally equipped to liaise with Research & Development of our customers, to combine knowledge and speed up developments. Close cooperation with universities around the world and participations in start-up companies are essential for PURAC to remain ahead of new developments. Effectively meeting the demands of our customers and their consumers is accomplished through this customer intimacy model and our market-oriented sales units.

PURAC's growth is organic and supported by additional production capacity. For the coming years the company expects growth from all its activities and especially from the green chemicals market. For this market, PURAC currently produces lactides for the bioplastics industry on a small scale in its Spanish factory. Lactides are a lactic acid-based monomer product, used in the production of bioplastics. PURAC has developed a unique patent-protected product that will remove many of the current obstacles in this production process. PURAC expects a successful high volume introduction of these products in the coming years, something that will require an investment in a large-scale facility for lactides. A decision about this investment will most likely be taken in the course of 2009.
We believe that we will be able to realize above average returns as mentioned in the CSM Strategy section, by meeting a number of key performance indicators that we track in our organization.

Major Developments and Results 2008

As is the case for our Bakery Supplies activities, the rapidly changing market conditions have affected our business at PURAC. The com-pany was not only confronted with the volatility in raw material prices and the downturn in the economy, it was also affected by a strike at one of our main sources of potassium, an important ingredient for our preservation products. On the upside, we made important progress in the bioplastics strategy and the reorganization of the supply chain.

Raw Material Price Volatility

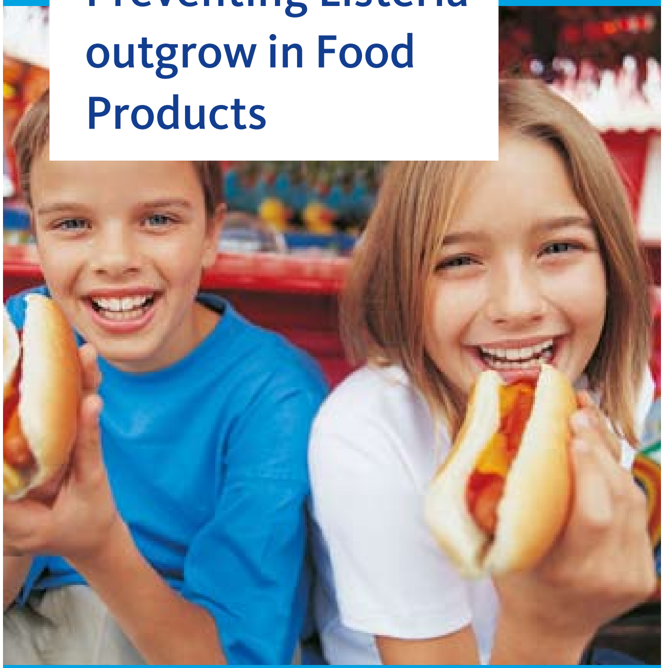
The sharp increase in corn prices, energy and various auxiliary materials forced PURAC to raise prices a number of times during the year. In the second half of 2008 the cost increase of auxiliary materials such as sulphuric acid came unexpectedly, at a time that most of the annual contracts with our customers had already been signed. This development had a substantial detrimental impact on our results. With the current price decline in most of our raw materials, we do not expect this issue to occur in 2009.

Economic Downturn

In the fourth quarter we experienced a decline in our volumes. Being an ingredient supplier for a large number of product categories, from cleaning products to animal feed, food and pharmaceutical products, we were affected to various degrees by the economic downturn. Based on our growth rates until the fourth quarter we do expect

PURAC

Preventing Listeria outgrow in Food Products



Contamination of food products by listeria monocytogenes is a big concern of many food producers. Recalls – like the recent ones in the USA and Canada are not desired and the food industry is taking measures to prevent their products from being contaminated by Listeria.

Listeria monocytogenes is the bacterium which causes the disease listeriosis. It is a potentially lethal food-borne infection which can kill vulnerable people such as the very young, elderly and those with weakened immune systems.

PURAC provides a range of natural preservation products which help the food industry to make products safer throughout their shelflife, such as lactic acid, combinations of organic acids or combinations of lactates with diacetate. These products help producers to control Listeria in their food products.

that the impact in the fourth quarter has been close to 8% of our volume, part of which we assume is due to a one time decrease in inventories at our customers.

Strike in Potassium Mine

In the second half of 2008 we were facing a long lasting strike in the largest North American potassium mine. This caused a serious interruption in the production of one of our most important preservation products for the meat and poultry market. Alternative supply could not be obtained as potassium is also heavily used in fertilizers, a market that has been booming in the last years. We had to confront our customers with a force-majeure situation. The negative impact in the second half of 2008 and especially in the fourth quarter was serious and amounted to approximately € 2 million. The supply of potassium resumed to normal levels by the end of 2008.

Supply Chain Reorganization

Throughout 2008 we completely reorganized the production structure of PURAC. Starting 2009, all lactic acid will be produced in three very efficient locations: Thailand, Brazil and the US. Especially the start-up of our new factory in Thailand has taken quite some efforts from our organization. We are very proud of the flawless execution of this major project. We have discontinued the production of lactic acid in our Dutch and Spanish factories. The Spanish factory is now specializing in technically more sophisticated products. Most of the derivatives are being produced in the Netherlands and our lactides and D- lactic acid in Spain. Production of our Spanish factory is used in the bioplastics industry. The sale of our gluconic acid production activities in Ter Apelkanaal, in the northern part of the Netherlands, completed the reorganization of our production structure. The benefits were limited in 2008, but will fully support our bottom line in 2009.

Bioplastics Strategy Progress

We have made substantial progress in 2008 in executing our bioplastics strategy. We have successfully started our small-scale operation in Spain for lactides and D- lactic acid. This resulted in the sign up of our first customers. Our joint development with the Swiss technology company Sulzer for the polymerization of lactides has been very important for us. We expect to attract more customers and announce a significant investment in lactide production in the course of 2009.

We are confident that the need for plastics that degrade over time and that are made of renewable sources will continue to grow, despite the current low oil prices and the cost focus of customers. We are strengthened in this belief by the continuous strong interest of many potential customers to produce plastics from lactides as a way to reduce their carbon footprint.

Results 2008

After a very promising first half of 2008, we were faced with a disappointing second half of the year. We were affected by the unexpected increase in cost of auxiliary raw materials, impacting our results by approximately € 3 million; the strike in the potassium mines, leading to lower sales, higher costs and a decline in our results of approximately € 2 million; and the impact of the economic downturn on volumes sold.

The efficient supply chain and our underlying growth rate compensated part of these negative effects in the second half. Sales growth amounted to 5%. After elimination of currency effects, our autonomous growth rate was 8.2%, based on a volume growth of 1.5% and price effects of 6.7%. Growth occurred in all three of our markets: preservation, fortification and green chemicals. As said, in preservation our Meat & Poultry channel was very negatively affected by the potassium strike.

Capital employed at year end increased from € 300.2 million to € 311.4 million, fully attributable to an increase in working capital. Working capital increased mainly because of larger inventory as a result of higher raw material costs, a longer supply chain from Thailand to Europe and disappointing sales in the fourth quarter. Receivables improved as a percentage of sales. Capital expenditure amounted to € 22.2 million in line with depreciation. Major capital expenditures are the investment in Spain to convert our lactic acid factory into a factory for bioplastics ingredients and investments in reducing our production costs.

Outlook 2009

In 2009 we will benefit from our more efficient supply chain. If raw materials stay at current levels we will not feel the squeeze we experienced in the second half of 2008. Furthermore, we expect continuous growth of our underlying business. In the short term, we do expect this will be negatively influenced by lower sales to some of the customers we were not able to serve during the potassium strike. We expect to be successful in securing more business for our lactide bioplastics solution, most likely resulting in an announcement in the course of 2009 of a significant investment for the production of lactides.

The balance of all these effects on our EBITA is difficult to estimate, as the impact of the economic downturn on our results is uncertain.

Research and Development

Research & Development Organization

Innovation is vital for CSM. Future sales growth and margin improvement are driven by further development of our product portfolio and enhanced support to our customers.

Bakery Supplies

This year the new Research & Development organization was finalized, including the opening of the EU Innovation Centers for Bakery Ingredients (Bingen, Germany, June), Frozen and Baked Products (Wirral, UK, October), Bakery Fats (Merksem, Belgium, November) and Sweet Ingredients (Goes, the Netherlands, official opening due in February 2009). These centers collaborate closely with the Innovation Centers in the US. By joining forces the centers fully leverage CSM's innovative ability worldwide. This is now resulting in market launches, often on an international scale and in close cooperation with major customers.

PURAC

The knowledge generated by our centrally managed Innovation and Competence Centers is used – often in cooperation with our customers – to develop new products and applications geared to the needs of our specific markets: preservation, fortification and green chemicals. In order to share this knowledge with our customers on an even larger scale we have created three regional application laboratories in São Paulo, Chicago and Singapore which work closely together with the centralized units. Being closer to our customers has increased the effectiveness of our overall innovation chain and enabled us to launch more new products.

Research & Development Areas of Attention

CSM is facing worldwide trends, not only in health, quality, convenience and changing eating patterns, but also in environmental awareness, sustainability and globalization. The product group strategies are geared to these trends and reflected in the Research & Development program.

The Research & Development program at Bakery Supplies has three main themes: nutrition and health, convenience, and indulgence/experience. The research & development strategy for nutrition and health comprises a 'Better for You' and a 'Good for You' program. 'Better for You' aims to systematically remove less healthy components (such as trans fatty acids) from products and lower the content of certain ingredients (like salt). The purpose of 'Good for You' is to further improve the nutritional profile of products with enrichments (vitamins, fibres, anti-oxidants). In 2008, due to the volatility of raw material prices and the economic downturn, large parts of the research & development efforts were allocated to reformulation programs and rationalization projects aimed at mitigating these effects.

PURAC's Meat Market Unit is responding to global trends by exploring innovations based on natural preservation systems for food safety and the extension of the shelf life of meat products by applying lactic acid and lactic acid derivatives. In Food & Nutrition the focus is on consolidating PURAC's strong position in the growth segment of mineral-enriched (fruit) drinks and on the extension of food shelf life. The innovation efforts in Chemicals & Pharma are concentrated on lactides as a renewable raw material for the production of bio-based plastics, especially bio-based Poly-Lactic Acid (PLA).

Progress 2008

The investments in CSM's innovative abilities are delivering a higher output of product renewals and improvements. Innovation now embodies a much greater technological step forward and has a bigger and broader business impact.

Bakery Supplies

Some important launches of the Bakery Supplies divisions in 2008 have been:

- the Optinature bakery fats range, a premium-quality margarine made from 100% natural ingredients only;
- a patented second-generation range of bread improvers and mixes for the production of low-salt bread with a good processing quality and good flavor properties; examples from the world bread program are bread improvers, mixes for ancient cereal breads and tasty thin-crust crispy Caribbean-style bread;
- the structural removal and reduction of trans fatty acids from our products remains a very important focus point. In 2008, second generation trans-free frying fats, but also numerous other products like cake and donut mixes were launched;
- Fridge-soft, a US enzyme-based shelf life extension system that prevents staling even in the most demanding circumstances. On the same technology platform Cake-soft was launched, which is used for keeping cake fresh;
- some very delicious indulgence products: triple-choc muffins, super premium ball donuts, filled cookies;
- an important program for viennoiserie products, resulting in the launch of the Black Label croissant, which outperformed every other product in consumer preference testing in eight countries.

The innovation and product development activities have generated sales from new products accounting for 9.2% of total sales of Bakery Supplies in 2008, compared to 9% in 2007.

PURAC

Some important launches of PURAC in 2008 have been:

- meat preservation products and applications in the area of surface decontamination as well as products with the so-called clean label concept. (for example Protect-M, Protect-LAT, PURASAL Opti.Form Lite and PURASAL Powder Xtend, as well as products with the so-called clean label concept (like several PuraQ Verdad and Purarome);
- fortification products, amongst which a number of new products for mineral fortification and shelf life extension (PURACAL QStable, PURAC Powder MA and PURAC Powder SHM MA) and shelf life extension (PURASAL Powder S 100);
- green chemicals products: D- lactic acid (PURAC DLA 93) and L+ and D- lactides (PURALACT L, PURALACT D) are now produced full-scale in our Spanish factory;
- a new moisturizing product for the cosmetics industry (PURASAL MOISTXS) has also been launched.

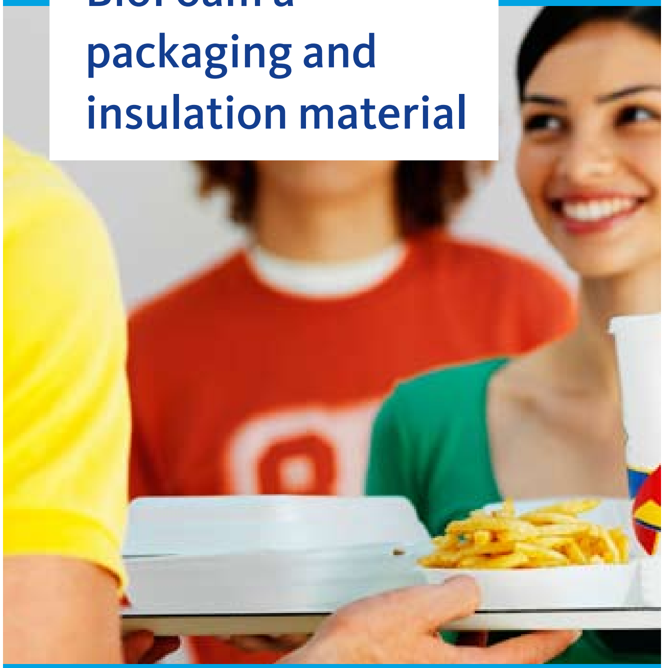
New products accounted for 8% of sales in 2008, compared to 6% in 2007.

Prospects 2009

2009 will be a year in which we will carefully allocate our resources to the long and short term requirements of the company. On the long term our Research & Development programs for breakthrough new products will continue as this is one of the major competitive advantages we have over our competition. On the short term we will support procurement to realize savings in ingredients costs and we will work closely together with our customers in order to develop or reformulate products that are appealing in today's difficult economic climate.

PURAC

BioFoam a packaging and insulation material



For PURAC, Synbra is the first commercially proven case in which teaming up with partners such as Sulzer Chemtech results in fantastic biodegradable end products such as BioFoam. For PURAC all innovations come together; D- lactides as compound material, it's partnership with Sulzer to supply the right polymerization technology and together a successful heat-stable PLA for BioFoam.

Synbra recently introduced *biodegradable* BioFoam which is a packaging and insulation material. As customers from Synbra are increasingly looking for environmentally and sustainable solutions, Synbra wanted to find a biodegradable alternative based on renewable resources.

PURAC supplies Synbra lactide monomers as polymerization feedstock. This has resulted in biodegradable foam with unlimited application possibilities. Recently Synbra received a prestigious Dutch award for being the best performing company in terms of sustainable business practices and sustainable innovation.

Human Resources

Human Resources Strategy

Attracting and retaining talent in order to successfully execute the CSM strategy is to the core of our HR strategy. We acknowledge our talent as being key to our continuous growth, innovation, and cost-effectiveness.

In 2008, we further strengthened (senior) management by offering opportunities for personal development to our people and by successfully recruiting experienced talent. CSM has selected a limited number of few recruitment agencies to help attract the best talent. These agencies are familiar with CSM and our corporate culture and are therefore well positioned to approach the market in a tailor-made and targeted way. Given our size and international spread CSM remains an attractive employer for those who want to work in an international environment close to the business.

To increase our retention rate CSM is actively engaging employees with growth potential. International mobility has increased in 2008, promoting talent development and the sharing of best practices. More focus has been given to short term international assignments as these have shown to be very effective and are valued highly by assignees. Other important elements in talent development are CSM's international leadership development programs. In 2008 we redesigned these programs to better align them with market and corporate developments.

Part of our strategy is to strengthen the Marketing and Research & Development capability. In the US and Europe marketing positions were added to the leadership teams. These positions were filled by external recruits with relevant business experience and/or business-to-consumer knowledge to support our branding and concept policy. With the opening of the innovation centers a world class Research & Development capability is now in place at CSM. The best people in the industry have been recruited to drive innovation. In Europe a dedicated Research & Development trainee program has been launched with a highly international group of graduates.

HR Policies

In 2008 further progress was made in aligning HR strategy with corporate strategy across the company. A functional HR organization is in place to ensure the HR strategy implementation. All divisions, business units and operating companies have HR managers on their leadership teams to drive the HR agenda. Within the CSM context these teams are responsible for tailoring HR policy to their own specific market requirements, cultures and conditions.

At the corporate level the global reward, assessment and development policy for CSM management continues to be applied. The remuneration policy for (senior) management is in line with the remuneration policy for the Board of Management. The performance targets are challenging and linked to both short and long term corporate objectives and associated remuneration instruments.

During 2008 the CSM Code of Conduct was updated and reinforced throughout the organization. The relevance of the Code and its contents were discussed at various key management meetings. The Code of Conduct is available on the CSM Intranet.

Supporting the new CSM Strategy

To support the new CSM strategy, development programs will be rolled out to support the key capabilities of innovation, customer intimacy, consumer insight, agility & responsiveness and market & competitor intelligence. These programs will be instrumental in attracting and retaining the right people and creating a sustainable competitive advantage.

CSM's senior management has developed three new Core Values needed to support the successful execution of the CSM strategy. These three Core Values are:

Partnership: To us, partnership stands for commitment beyond expectations. Customer and consumer insights inspire us to create new innovative products and services. To make this happen we have a passion to commit to our team, our customers and our suppliers. We are empowered and feel accountable. We commit to open communication and we actively share our best practices to challenge each other and to bring out the best in all of us. In partnership we exceed our stakeholders' expectations.

Performance: We are passionate about performance. We persist in our ambition to be best in class and our industry's benchmark. In order to achieve maximum results we align our activities with our strategy and endeavor to eliminate activities without added value. To maintain our leading position we recognize and reward creativity. We support the improvement of our processes, products and services in order to continuously fulfill our customers' needs.

Passion: We are passionate about what CSM stands for and what we have achieved. We know where we are going and how we can contribute. This gives us a strong sense of identity. We are accountable for all our actions through which we contribute to the further development of our company. We take pride in surprising our customers by exceeding their expectations with our excellent products and services. Our mindset is to be best in class in the eyes of customers, (potential) colleagues and shareholders. Our passion to deliver makes us proud of CSM.

Consultative Framework

At its regular meeting in June 2008 the European Works Council (EWC) discussed the results for 2007, CSM's strategy, and the developments within CSM and its divisions. Special attention was paid to the corporate strategy and the related opportunities and challenges for the future.

Number of Employees

The average workforce increased to 8,521 in calendar year 2008, mainly due to acquisitions.

The distribution of the employees over the various regions is set forth in the table below.

Number of employees	2008	2007
The Netherlands	805	785
Rest of Europe	3,853	3,635
North America	3,537	3,722
Rest of the world	326	290
Total	8,521	8,432

Social Policy

Our people are essential to the success of the company. CSM feels responsible for its employees and has incorporated this responsibility in its Code of Conduct and its core values.

Important principles in CSM's social policy are:

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

CSM attaches great significance to maintaining close relationships between executives, senior managers, and emerging talent. Board Members and senior managers regularly visit the various CSM facilities to continue their dialogue with management and staff.

In 2008 further progress was made in steering CSM towards one integrated organization. Human Resources supports this process by aligning HR strategy with corporate strategy, and by consistently applying its HR company-wide policy. The CSM divisions and operating companies are responsible for tailoring HR policy to their own specific market requirements, cultures and conditions. A functional HR organization has been implemented to ensure the implementation of the HR strategy. All business units and operating companies have HR managers on their leadership teams.

A global reward assessment and development policy for CSM management is maintained at the corporate level.

The Environment

A separate sustainability report will be published and can be downloaded from the CSM website (www.csm.nl). For this reason, the Annual Report will only outline the main points.

Main Developments by Division

CSM Bakery Supplies North America

A substantial reduction in electricity consumption was achieved at the H.C. Brill facilities this year; a total amount of 5,000 GJ was saved. At the same time, a reduction in natural gas consumption of 13,700 GJ was reached by improving the energy efficiency of existing equipment.
Caravan Ingredients initiated projects at its production facilities that aim at reducing dependence on environmental resources, with cost savings of over € 200,000. Natural gas consumption will be reduced by 10,000 GJ through an improved process design for monoglycerides and boiler upgrades. Process vacuum systems were modified to save electricity and approximately 38,000 m3 of drinking water annually. Improved process and equipment design due to product changes will reduce product waste resulting from necessary and frequent equipment cleaning.

CSM Bakery Supplies Europe

In the supply chain projects have been implemented to move towards environmentally friendly packaging (from plastic to cardboard and the elimination of non-recycable waxed paper).
We have improved the separation of materials to allow for more recycling. Across the entire supply chain we aim at substantial improvements over the coming years.

More focus was directed to the reduction of electricity and natural gas consumption by improving operating equipment, insulation and operating procedures. Benefiting from our efforts to measure energy consumption in detail, we are able to prioritize energy saving projects. In Merksem we installed a CHP facility for Combined Heat and Power, which generates electricity and hot water in a more energy efficient way.

At two sites noise levels were reduced in order to minimize the impact on the surrounding areas.

PURAC

PURAC successfully completed the start-up of its new lactic acid plant in Thailand. Additional investments have been made in the treatment of waste water, to allow PURAC to discharge water to the sea. Brazil improved its operations significantly in 2008, greatly reducing the amount of waste from its plant. PURAC continues to look for innovative ways to turn by-product streams into product streams and/or eliminate these streams altogether. We have reached our target of reducing energy consumption by 20% by 2009 and will continue to initiate energy reduction projects. With our commitment to “green” chemicals and products for renewable plastics, we believe we can further reduce our carbon footprint. We have successfully produced lactide (a component for bioplastic) and PURAC is now leading the way in making biodegradable plastics a reality.

TPM and Operational Excellence

CSM is implementing Total Productive Maintenance (TPM) in all its plants, as a key instrument to continuously performance improvement. Implementing TPM is an ongoing and long-term process. TPM enables significant and sustainable improvement results due to shared goals and team work.

In 2008 Bakery Supplies Europe evaluated the TPM programs running at different sites and redefined their objectives in terms of the strategic programs developed at all of our sites which are aligned with the new European organization structure. Knowledge and best practices can be effectively shared in the European network. Established internal audit systems will help drive improvement and high quality practices.

At our North American Bakery Supplies business three facilities showed progress by achieving the famous Level 1 Award of the Japanese Institute of Plant Maintenance (JIPM).

PURAC has also effectively introduced state-of-the-art preventive maintenance systems, resulting in better plant reliability at reduced maintenance cost.

Team performance

Improving our Business with Team Spirit

Getting the best out of People

CSM's Bakery Supplies is the leading global supplier of bakery products and ingredients, and PURAC is market leader in the production of lactic acid and derivatives. Our span is global and we are continuously finding new ways of improving our business, building on our economies of scale. Working together, being part of a global organization, is vital in bringing the best to our customer. To do this, we foster team spirit and create teams in such a way that we get the best out of our people.

Corporate Governance

General

CSM endorses the importance of good corporate governance and the principle of the Dutch corporate governance code (the “Code”), i.e. a company is a long-term partnership between various parties related to the company. Corporate management bears overall responsibility for balancing the interests of these parties, mostly with the aim of maintaining continuity of the company. At the same time, CSM aims to create value for its shareholders in the longer term. CSM is committed to embedding the Code firmly in the company, thereby according a central place to the core concepts of good business practices, integrity, openness, and transparent and well-supervised management.

Main Features of Corporate Governance

In accordance with the Code, CSM devotes a section of its annual report describing the main features of the company’s corporate governance structure and the way in which the Code is adhered to, whereby any departures from the best practices are explained. Important changes in the corporate governance structure at CSM are presented to the General Shareholders’ Meeting for discussion. The corporate governance policy at CSM, including the accompanying regulations and reports, may be consulted on the CSM website.

Deviations from the Dutch Corporate Governance Code

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

There are two other situations in which CSM departs from the Code. The members of the Supervisory Board and the Board of Management are appointed by the General Shareholders’ Meeting on the basis of nominations by the Supervisory Board. The CSM Articles of Association state that the General Shareholders’ Meeting can overrule any such nomination by an absolute majority of the votes cast, provided the said majority represents at least 1/3 of the issued capital. In contrast with the Code, no second meeting will be convened if there is no quorum, as a second meeting is not required by law.
The General Shareholders’ Meeting may decide to suspend or dismiss a member of the Board of Management or the Supervisory Board by an absolute majority of the votes cast, provided the said majority represents at least 1/3 of the issued capital. This quorum requirement ceases to apply if the proposal for suspension or dismissal is submitted by the Supervisory Board. In contrast with the Code, no second meeting will be convened if there is no quorum, as a second meeting is not required by law.

Structure

CSM nv is an international holding company as understood by Section 153, subsection 3 paragraph b, of Book 2 of the Dutch Civil Code. The “large company” regime therefore does not apply at the level of CSM nv.
Corporate governance relates to the management and supervision of the company, accountability, and the influence of stakeholders on decision-making.
The Board of Management is responsible for developing the objectives and the strategy and for implementing the strategic and operational policy of the company. The independent Supervisory Board oversees and advises the Board of Management. The Board of Management fulfils its duties by promoting the interests of CSM and its businesses. The interests of CSM and its businesses are understood as the interests of all stakeholders, including customers, shareholders, employees, suppliers, and financial partners. At the same time, CSM is deeply committed to protecting

the interests of the community. CSM works on the principle that corporate management should consistently determine and implement the corporate policy from a long-term vision of continuity. CSM endorses the importance of clear accountability for its policy and the results thereof.

The ordinary shares are listed on Euronext Amsterdam. The financing preference shares are not listed. No restrictions exist on the transfer of shares. If a shareholder or group of shareholders acquires 30% or more of the share capital, the said shareholder or group of shareholders is obliged by law to make an offer for the entire outstanding capital.

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

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

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

With the exception of cases in which a larger majority is required by law or the Articles of Association, decisions at the General Shareholders' Meeting will be taken by an absolute majority of the votes cast.

Decisions to amend the Articles of Association and/or dissolve the company may only be taken at a General Shareholders' Meeting in which at least 2/3 of the issued capital is represented and by a majority of at least 3/4 of the votes cast, unless the proposal has been submitted by all incumbent members of the Board of Management with the collective approval of all incumbent members of the Supervisory Board, in which case the decision may be taken by an absolute majority of votes, regardless of the represented capital.

Amended Code

In December 2008 the Dutch Corporate Governance Code Monitoring Comission published a report, including an amended Code. This amended Code is effective as of the financial year starting 1 January 2009. In line with the Commission's recommendations CSM will submit for discussion purposes a separate agenda item to the annual General Shareholders' Meeting in 2010 regarding the main features of CSM's corporate governance structure and its compliance with the amended Code.

Risk Management

Risk Management and Internal Control

CSM operates worldwide with operating companies in various markets and jurisdictions. In this context it is important to ensure the timely identification and effective management of all significant risks inherent to the execution of our strategy and realization of our objectives. The Board of Management is responsible for the design, implementation and operation of CSM's risk management and internal control systems.Our governance model identifies clear reporting and accountability structures in line with the corporate governance code (see pages 38-39).

Risk Management Approach

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

Risk management workshops to identify the critical risks are held frequently for all Business Units and are driven by CSM corporate. In 2008 the focus was on following up on actions with regard to critical risks identified during the 2007 risk management workshops. The risks were discussed during the quarterly meetings between the Business Units and the Board of Management. A new reporting structure to follow up on actions was designed and implemented. In 2009 we will again organize risk management workshops to identify risks and will continue to work on risk mitigating actions.

Insurance

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

Key Risk Areas

For our main risk areas we will address the main risks identified and the mitigation actions taken.
To be more specific on the likelihood and impact, we have ranked by risk area our identified risks by order of importance.

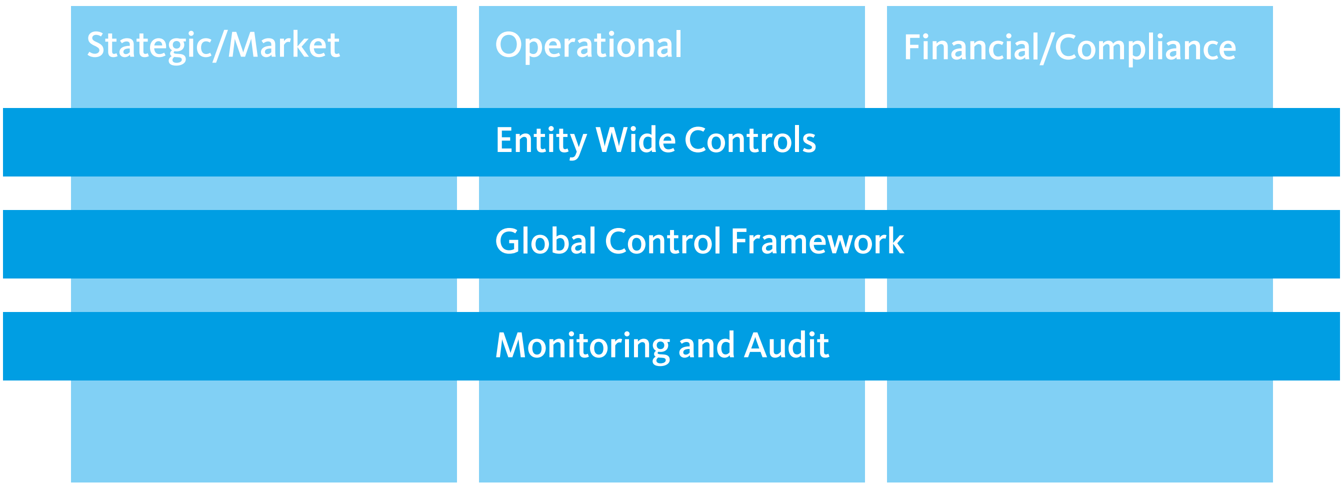
Strategic and Market Risks

This area is also impacted by legal and regulatory changes made by governments, which could severely impact our business but cannot be influenced by us.

Impact of Economic Environment

CSM operates in two markets: the market for bakery supplies and ingredients, and – through its lactic acid products – the market for preservation, fortification and green chemicals. The worldwide economic environment impacts our bakery business as demand for our products will fluctuate in line with GDP development. Demand for lactic acid products will be impacted as certain customers operate in more cyclical markets that fluctuate with the economy.

Risk Management Framework



We will not be able to neutralize the effect of an economic downturn immediately, but we can show flexibility by bringing down cost levels and adjusting the product offering to changing demand, thus employing two instruments available to mitigate the negative impact. To be able to adjust our production costs we have created some degree of flexibility by hiring temporary staff. Adjusting our product offering to changing demand can be realized relatively quickly due to our extensive Research & Development and procurement experience.

Inability to Manage all the Changes in the Company and the Marketplace

Besides the strategic reorganizations CSM has undergone, and is still undergoing, the market situation is becoming more and more volatile. This puts a strain on management's ability to deal with all changes successfully. Failure to react adequately or timely could severely damage CSM's financial situation and its future growth perspective. The availability of good management and systems is vital in this respect.

CSM has dealt with the largest part of its reorganization plans during the last years and is now in a more stable position than before. We will closely review the effectiveness of our organizational structure and the quality of our management to keep our organization future proof. Over the last years CSM has changed a substantial part of its management, aiming for "the right people in the right place". Also, our systems and structures are continuously being aligned with marketplace developments.

The needs of Customers and end Consumers not being addressed with new Products

Continuously innovating and revitalizing our product range is essential in order to maintain market leadership and avoid a narrowing margin on our products sold.

At Bakery Supplies we have established six Innovation Centers across Europe and North America. At PURAC we have established a core Research & Development center with three regional application labs. Our Innovation and Research & Development organizations continuously focus on successful development of products meeting customers' and end users' needs and demands.

PLA bio-plastic Developments not Meeting Customer needs

Lactic acid is one of the sources for manufacturing bioplastics; other technologies are or will be developed to target this promising market. The attractiveness of the bioplastics market is driven by growing consumer demand for degradable plastics made from renewable sources. Demand may increase or decrease with its relative cost compared to conventional oil-based plastics.

PURAC keeps a close eye on competing technologies and is maintaining its competitiveness by continuously refining its proposition from both a product specification and a cost perspective.

Losing our Competitive Position

We operate in a competitive market in which it is essential to keep cost and service levels at least on par with those of our competitors. Failing to achieve this could lead to market share erosion by competitors or customers substituting our products with alternatives.

Our Research & Development efforts are not only geared to new product introductions but also to production improvements. Improving our cost competitiveness has been a priority during the past years. We have restructured our manufacturing footprint, enhanced production specialization and optimized our logistics. Continuous IT investments are being made to support our business requirements and achieve cost efficiencies as well as to improve customer responsiveness and service levels.

Attractive Bakery Supplies Acquisition Candidates not being Available

In our bakery supplies strategy, growth by acquisition plays an important role in consolidating the market. If there are no candidates available to meet our strategic needs or deliver the value required by our financial standards, this could hamper the execution of our strategy.

With an average market share of approximately 10% in our major markets in the US and Europe we believe acquisition opportunities do exist. Over the last years we have changed our structure in such a way as to be able to easily integrate new acquisitions into our organizational structure. This will result in strong synergies through the elimination of costs and/or the realization of faster sales growth. It will also enhance our capability to pay a competitive market price and meet our value creation requirements.

Operational Risks

Business Continuity

Serious disruption of our supply chain as a result of catastrophes like fire, flood or earthquakes, or due to contamination, strikes or major system breakdowns, could have a major impact on our profitability. The closure and specialization of factories for efficiency reasons have increased this risk.

Our risk management approach aims to detect and prioritize the most serious risks leading to a discontinuation of our supply chain. We are working to develop appropriate back up measures and wherever possible these measures have been tested for effectiveness. Based on best practices and experiences, we continuously review and improve manuals and guidelines at our operations to support our employees preventing, limiting or mitigating the risk of catastrophes.

Raw Material & Energy Price Volatility and Availability

As we have seen over the last years, sudden increases or decreases in the price of raw materials can seriously impact the margins of our products sold. Scarceness of raw materials due to excessive demand or production interruption at suppliers can also impact our results due to sales declines and additional cost required to satisfy our raw materials need.

We continuously invest in the relationship with our customers, advising on changes in product assortment, technology and changes in consumer behavior. We believe a relationship based on transparency and trust, in which true value is added, supports our ability to pass on increased cost via price increases or redevelop products with lower cost ingredients in collaboration with our customers.
Our procurement departments, centralized by continent, have developed adequate measures to secure contract positions in order to minimize or delay exposure to cost fluctuations of raw materials which could negatively impact our margins. These measures include early warnings of possible impact to our organization and our customers.
Furthermore, we have implemented a multiple-supplier sourcing policy for our most critical raw materials.

IT implementations

Today's IT systems are the heart of a company's supply chain and customer fulfillment processes. Major disruptions to IT systems can have serious impacts; one of the most critical moments is the implementation of new systems.

We run a continuous IT program supporting our strategic and operational business objectives.
Over the past years we have implemented various new systems. We are confident we have a good understanding of how to execute implementations and that we take the necessary safety measures to avoid failures. Where possible we try to limit the potential impact of new system failures by avoiding "big bang" implementations. These, however, cannot be avoided in every situation, as is the case with the planned systems replacement at Brill in the first half of 2009. The preparation of this implementation by a large team of professionals has been running for over two years. The system implemented will be a mirror image of a successful operating system implemented at sister company Caravan Ingredients.

Integration of Acquisitions

The assumed value of an acquisition can be seriously impacted if it is not properly integrated. This could lead to the loss of major customers, the loss of important employees, the loss of proprietary knowledge and disruption in the supply chain, quality complaints or impacted service levels.

CSM has adopted a structured approach towards the integration of acquisitions which in some instances could even mean that integration is postponed until circumstances are improved. Already during the acquisition process much time is spent on the post-acquisition measures that will need to be taken for successful integration into the CSM organization.

Loss of large Customers

A loss of a large customer could have a disproportionate impact on the profitability of the company as a result of the serious impact on the utilization of factories. CSM has a large customer base in which the five largest customers account for a little less than 10% of CSM sales.

An intimate relationship based on profound knowledge of the customer's needs and those of his end consumers, continuous development of new products, wherever possible developed jointly with our customers and excellent service and cost levels should limit the risk of large customers leaving. CSM's strategy is very much focused on improving these fundamental elements in the relationship with customers. Substantial investments have been and will be made towards further improvement.

Financial and Compliance Risks

Legal and Regulatory Compliance

The company's business is subject to regulations by international, national and local governmental agencies. Non-compliance with local laws, food safety regulations, human health, safety and many other regulations could pose a serious threat to CSM. CSM might be exposed to substantial claims from various parties or permits might be cancelled.

Our corporate Code of Conduct, policies and procedures are properly maintained and made available to all our staff via the CSM intranet and are frequently communicated. Compliance is enforced by local companies supported by Corporate.

Volatility in the Exchange Rate of Various Currencies

As CSM operates in various non-euro countries we have to deal with volatility of exchange rates of a number of currencies versus the euro.
This impact can be seen in the translation of the results and equity

of foreign entities into euros and in the results of transactions when there is a difference between the currency of the production costs and the currency in which the sale of the product is being made.

CSM has a hedging policy in place to limit the impact of volatility of foreign exchange rates. Hedging the impact of the foreign currency translation risk is partly and indirectly effectuated through increasing CSM's liabilities in foreign currencies. Of the total external debt of CSM approximately 90% is denominated in US dollars, which partly offsets the large translation equity exposure CSM has against the US dollar.
The exposure to transaction risks is hedged by offsetting the long or short term currency position through a system of gradually selling respectively buying this currency with the objective of mitigating the impact of sudden movements in currencies.
A sensitivity analysis of interest rate changes can be found in Chapter 27 of this annual report.

Insufficient Liquidity to Finance Operations

As CSM is financed with a mix of equity and interest-bearing loans, a sudden increase in its liquidity needs or a decrease in available loans might pose a threat to the continuity of the company.

In order to avoid unexpected increases in its liquidity needs, CSM has a planning & control system in place that manages the working capital needs of the company and gives an early warning in case of a sudden increase might take place. In the event of an increase in its liquidity needs CSM has sufficient committed loan facilities of approx. € 1 billion at its disposal. At the end of 2008 CSM had used approx. € 500 million of these facilities. The facilities can be used up to a maximum allowable net debt to EBITDA ratio of 3.5. At the end of 2008 this ratio was 2.8.

Pension Risks

The pension risk relates mainly to the funding risk of the defined benefit plans. The most important effects are attributable to economic factors such as interest rate, equity risk, inflation risk and foreign exchange risk. Adverse stock market developments negatively affect the assets of CSM's pension funds, while falling interest rates lead to lower discount rates and higher pension liabilities.

CSM gives considerable attention and assigns quite some resources to ensure disclosure, awareness and control of pension exposure and related financial risks. CSM's pension landscape is divers.

In Europe, CSM has a number of defined benefit plans, covering a substantial number of its employees in the Netherlands, the UK, Germany and Belgium. Outside Europe the pension risk is considered not material, as CSM has mainly defined contribution plans in place or pension arrangements with local insurance companies.

The investment strategy of the pension funds and the associated tactical asset allocation are based on asset, region and currency diversification to offset funding risks. The funding position of some of the defined benefit plans at the end of 2008 was such that the pension fund must draw up a long-term recovery plan. Based on the current funding position, we do not expect that these recovery plans will lead to substantial cash payments by CSM in the short term.

Financial Reporting

Non-compliance with International Financial Reporting Standards (IFRS) could pose a serious threat to CSM. Not informing our shareholders and other stakeholders in conformity with IFRS could lead to a lack of trust, reputation damage, a declining share price, and potential legal claims.

Our financial reporting systems and processes are geared towards our business requirements and support business reviews. For group reporting we deploy a standard consolidation tool. Our corporate accounting policies and procedures are properly maintained and made available to all our staff via the CSM intranet and are communicated frequently to our finance community. A monthly review of finance reports is performed by corporate and business unit teams. Our global control framework should warrant adherence to IFRS.

Tax

As CSM operates in many countries we have to manage compliance with a wide variety of tax laws.

We have an adequate quarterly reporting system in place, hold regular tax meetings, and visit our operating companies to monitor compliance. A transfer pricing policy and documentation are in place as well. Further, we work with external tax experts who support our tax planning and returns and advise us in compliance matters.

Interest Rate Increases

To a large extent CSM is financed via interest-bearing loans, which at the end of 2008 amounted to approximately € 500 million. In order to mitigate fluctuations in the interest rate paid, CSM has agreed on long-term interest rates with its financial partners.
A sensitivity analysis of interest rate changes can be found in Chapter 27 of this annual report.

Control Measures

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

Entity-Wide Controls

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

Legal and Regulatory Review

Local management is responsible for compliance. Corporate Legal is consulted by local management on various occasions. Every six months local management reports any legal issue to Corporate Legal and Corporate Finance.

Fraud Prevention & Code of Conduct

In 2008 CSM revitalized its Code of Conduct. As part of this exercise a booklet, entitled "Good to know on Fraud!" was compiled, presented to CSM management worldwide, and distributed throughout CSM. The publication creates awareness and provides examples how to identify and respond to fraud.

Whistleblower Procedure

A Whistleblower Policy and reporting system is in place to enable our employees to report potential integrity issues or violations of our Code of Conduct. During 2008 no cases were reported.

Letter of Representation

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

Global Control Framework

As we operate worldwide we insist on maintaining and achieving high quality and reliability of our financial reporting and a sound control environment. Since 2006 we have been working on the implementation of a financial control framework. In the initial phase all entities had to document their internal controls on financial reporting; this process has now been completed with the exception of newly acquired businesses. During 2008 a software solution has been implemented at all of our reporting entities. It enables maintenance of the internal control documentation as well as self-assessments of operational effectiveness, reviews and audits.

In 2008 all reporting entities assessed operational effectiveness of their financial closing and reporting processes, as at mid-year and end-of-year, and confirmed compliance with the relevant guidelines and IFRS. Together with the Letter of Representation this assures the integrity of our financial reporting. During the last quarter our main entities performed an assessment of the operational effectiveness of their key financial process controls.

Mid-2008, as part of our Global Control Framework, we introduced a revised policy for Information Security, the scope of which is fully aligned with the ISO 27002 standard while meeting our financial reporting requirements. In 2008 all entities performed assessments. Based on the outcome we concluded that our IT security position is adequate but needs further improvement. For 2009 priorities have been set and additional training and guidance have been planned.

Monitoring and Audits

Business Planning, Budgeting & Management Review

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

Operational management meets at least once a month and discusses strategy and related risks, the actual performance versus budget, and other significant matters.
The Board of Management meets at least once a month, has a bi-weekly conference call, and reviews the divisional businesses on a quarterly basis. Next to this, members of the Board of Management pay regular visits to our main local business operations.

Internal Audit

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

The Internal Audit Department consists of a small number of highly trained professionals working together with an external partner. 28 audits were performed and reported on in 2008. The focus of CIAS is evenly spread over the following areas:

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

Audit results are reported to the Chief Financial Officer and discussed with the Audit Committee.

External Audit

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

Whenever possible, the external auditor relies on the work of CIAS, even though the objectives are different.

Management Representation

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

Internal representations received from management, regular management reviews, reviews of the design and implementation of our risk management and internal control systems, and reviews in business and functional audit committees are an integral part of the company's risk management approach.

It should be noted that the above does not imply that these systems and procedures provide certainty as to the realization of strategic, operational and financial business objectives, nor can they prevent all misstatements, inaccuracies, errors, frauds and non-compliances with rules and regulations.

On the basis thereof, the Board of Management believes to the best of its knowledge that the internal risk management and control systems offer a reasonable level of security against inaccuracies of material importance in the financial reporting. They operated adequately in the reporting year; and there are no indications that the systems would not be adequate in 2009.

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

Responsibility Statement

To the best of our knowledge the financial statements give a true and fair view of the assets, liabilities, financial position and profit of CSM and its consolidated companies. Further to the best of our knowledge the annual report gives a true and fair view of the position of CSM as per the balance sheet date, and of the development during the financial year of CSM and its group companies included in the financial statements, together with a description of principal risks CSM faces.

The members of the Board of Management have signed the financial statements pursuant to their statutory obligations under article 2:101(2) of the Netherlands Civil Code and article 5:25c(2)(c) of the Financial Markets Supervision Act (Wet op het financieel toezicht).

Diemen, the Netherlands, 24 February 2009

Board of Management CSM nv

Consumer insights

Adapting Product to Demand

Helping our Customer understand the Consumer

More and more major customers are choosing a supplier who understands what the consumer wants. Our investments in marketing capabilities and data give us the required consumer insights. We support our customers with this knowledge. We are facing worldwide trends, not only in health, quality, convenience and changing eating patterns, but also in environmental awareness, sustainability and globalization. The investments in CSM's innovation capabilities are delivering a higher output of product renewals and improvements.

Report of the Supervisory Board

General Information

Financial Statements, 1 January 2008 - 31 December 2008

The financial statements prepared by the Board of Management for the financial year 2008 have been audited and certified by Deloitte Accountants B.V. The auditors' findings on the financial statements have been discussed with the Supervisory Board. The Supervisory Board has accepted the financial statements and recommends that they be adopted by the General Shareholders' Meeting. The Supervisory Directors have signed the financial statements pursuant to their sta- tutory obligation under article 2:101(2) of the Netherlands Civil Code.

Meetings of the Supervisory Board

During the report year the Supervisory Board met six times in the presence of the Board of Management. The discussions at these ordinary meetings covered frequently recurring topics, such as strategy, the CSM portfolio, developments in results, business developments in the divisions and operating companies, trends in the markets where CSM operates, key investments, group risks, internal risk management and control systems, the outcome of the Board of Management's evaluation of the set-up and operation of these systems, corporate governance, the organizational structure, management development, acquisitions and divestments, the financial statements and the annual report. In the past year, specific attention was paid to innovation projects, developments in the bioplastics market, the competitive environment and investor relations. The Supervisory Board visited the production facilities and innovation centers of Caravan Ingredients in Kansas City, of Brill in Atlanta and of BakeMark Deutschland in Bingen. The Supervisory Board also held two meetings in the absence of the Board of Management as well as a number of telephone meetings. Prior to the ordinary meetings with the Board of Management the Supervisory Board also meets in the absence of the Board of Management to discuss, amongst others, developments in the results, and the profile, composition and performance of the Board of Management. The Supervisory Board also evaluates its own performance and that of its members. Focus points include expertise, independence, integrity, critical ability, and a balanced composition of the Supervisory Board.

Composition of the Supervisory Board

Messrs M.P.M. de Raad and R. Pieterse, who both resigned by rotation, were reappointed as supervisory directors by the General Shareholders' Meeting of 23 April 2008. The Meeting was informed that, after his reappointment as supervisory director, Mr De Raad would be elected Vice-Chairman of the Supervisory Board. In the judgement of the Supervisory Board all its members are independent as understood by the corporate governance code.

Committees of the Supervisory Board

Audit Committee

The members of the Audit Committee are Mr R. Pieterse (Chairman), Ms L.A.A. van den Berghe and Mr W. Spinner.
In 2008 the Audit Committee met four times in the presence of the CFO, the internal and external auditors, and the Director Financial Accounting. The agenda at these meetings covered, amongst others, the annual and half-year figures, the operation of the internal risk management and control systems, the code of conduct, IFRS, working capital control, impairments, tax matters, treasury, information technology developments and the reports of the internal and external auditors.

Nomination Committee

The Nomination Committee, consisting of Messrs P. Bouw (Chairman), M.P.M. de Raad and W. Spinner has met formally and informally a number of times in 2008. Topics discussed at these meetings covered the composition of the Supervisory Board and the Board of Management, and relevant succession issues.

Remuneration Committee

The Remuneration Committee, consisting of Messrs M.P.M. de Raad (Chairman), P. Bouw and W. Spinner, met four times in 2008. It discussed the allocated remuneration (fixed and variable) for members of the Board of Management, the level of achievement of the 2007 targets for the members of the Board of Management, the progress of the 2008 targets, and the target setting for 2009.

Remuneration Report

This remuneration report outlines the remuneration policy for the Board of Management, which was approved in 2005, and sets forth the details of the remuneration in 2008.

Remuneration Policy for the Board of Management

The aim of the remuneration policy for the Board of Management is to create employment conditions which attract and retain qualified executives and motivate them to perform in such a way that CSM's strategic, operational and financial targets will be achieved.

CSM applies the following principles:
- the total remuneration for the Board of Management is at a level comparable with that of board members of companies in the Netherlands of similar size and complexity as CSM. What this in effect means for CSM is remuneration at the median level of a group of comparable executives based on Hay's market data on the remuneration of executives of companies in the Netherlands (Hay database and Hay Boardroom Guide);
- the remuneration is structured in such a way that there is a balance between the short-term and long-term goals of CSM. The policy for income is: half fixed and half variable; and for the variable part: half short-term and half long-term;
- the guidelines for corporate governance and applicable best practices are respected.

Based on these principles the remuneration of the Board of Management is composed of the following elements:

Base Salary

On the basis of the remuneration policy approved in 2005 the fixed base salary was set at the 2005 median level of similar management positions. In accordance with the policy the base salary is adjusted annually on 1 May on the basis of the consumer price index for family expenditure as published by CBS in the Netherlands. The adjustment amounted to 2% as at 1 May 2008.

Short-Term Bonus

Members of the Board of Management are entitled to a short-term "at target" bonus of 50% of their fixed base salary if they realize their short-term targets. 80% of this short-term bonus is determined by three financial targets (ROS, cash flow from business operations and earnings per share), while 20% relates to personal targets. The extent to which these targets have been realized is determined by the Supervisory Board.
In case a target is exceeded the members of the Board of Management are entitled to a higher bonus than the "at target" bonus for that particular target. A maximum bonus of 75% of the fixed base salary can be achieved in case all targets, financial and personal, are exceeded by 15% or more. In case a target is not realized a smaller bonus than the "at target" bonus will be paid out, with the understanding that no bonus will be awarded for any target that has been realized for less than 85%.

The financial and personal targets for 2008 have for the larger part not been realized. As a result of the fact that most targets have been realized below the "at target" level the total bonus is lower than the "at target" level.

Long-Term Bonus

Each year members of the Board of Management are entitled to an "at target" conditional grant of CSM shares worth 40% of their fixed base salary. The performance criterion for this long-term bonus is Total Shareholder Return (TSR). Three years after the conditional allocation of the shares the TSR of CSM is compared with a peer group of ten more or less similar companies. Vesting depends on the outcome of this comparison. If CSM delivers an outstanding performance (first or second in the peer group) the bonus amounts to 150% of the "at target" grant; if the performance is disappointing (ninth, tenth or eleventh in the peer group) the shares do not vest. In the event of an "at target" performance (fifth or sixth in the peer group) the "at target" grant is awarded. The Remuneration Committee evaluates the performance of CSM in relation to the peer group, using data supplied by a leading bank in the Netherlands.
Upon vesting the members of the Board of Management receive a gross amount which is equal to the gross dividend which would have been paid on the shares in the period of conditional allocation.
At the time of vesting the members of the Board of Management may sell as many shares as necessary to pay the related income tax. The remainder of the vested shares will be blocked for two years.

The Supervisory Board periodically determines the peer group, currently consisting of ABF, ADM, Danisco, Ebro Puleva, General Mills, Aryzta, Kerry Group, Südzucker, Tate & Lyle, and Wessanen. In case of changes to companies within the peer group for whatever reason, the Supervisory Board may decide to make one or more adjustments to the composition of the group.

The at target and maximum number of conditionally granted shares for each member of the Board of Management and the movements in the number of conditionally granted shares are specified on page 95 of the financial statements.

Mr G.J. Hoetmer's 2005 LTIP grant vested in 2008 at target level. As a result Mr Hoetmer received 11,910 shares, which shares are blocked until 1 May 2010.

Commitment Award

Every year the members of the Board of Management are entitled to CSM shares worth 10% of their fixed base salary. The shares are blocked until the end of their employment with CSM with the understanding that they may sell as many shares as necessary to pay the related income tax.

An overview of the Commitment Award shares can be found on page 95 of the financial statements.

Pension

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

Employment Contract

Members of the Board of Management are appointed for a period of four years and may be reappointed with the approval of the General Shareholders' Meeting.
Messrs G.J. Hoetmer and N.J.M. Kramer have a permanent contract which expires at the retirement age or earlier if terminated by either party. Mr R.P. Plantenberg has a contract that expires in September 2011 or earlier if terminated by either party. The notice period for all members of the Board of Management is three months. CSM, being the employer, is required to give six months notice.

A severance pay arrangement has been agreed with the members of the Board of Management. This severance pay deviates from provision II.2.7 of the Dutch corporate governance code. This deviation originates from the time of the appointment of Mr Hoetmer in 2005, when there was a need to offer him a competitive package of employment conditions. The same severance pay arrangement was offered to the members of the Board of Management appointed shortly after Mr Hoetmer.
The agreed severance pay can amount to a maximum of 1.5 times the sum of the annual fixed salary and the most recently determined short-term incentive. In addition, the value of the base pension plan and the Commitment Award will be paid out for a further two years.

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

Loans

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

Remuneration for the Board of Management

Total remuneration for the CSM Board of Management amounted to € 2.1 million in 2008 (2007: € 3.9 million). The decrease is attributable mainly to the severance payment to a former Board of Management member in 2007 and lower short term bonus payments in 2008.
A breakdown of the remuneration for the Board of Management is specified on page 96 of the financial statements.

Remuneration for the Supervisory Board

The annual remuneration for members of the Supervisory Board amounts to € 40,840. The Chairman and the Vice-Chairman receive an additional annual allowance of € 19,160 and € 9,160, respectively. Members of the Audit Committee receive an annual allowance of € 4,500 each and its Chairman another € 1,500. Members of the Remuneration Committee and of the Nomination Committee receive an annual allowance of € 2,250 each and the Chairmen thereof another € 1,000.

Total remuneration for members and former members of the Supervisory Board in 2008 amounted to € 0.3 million (2007: € 0.3 million). This is further specified on page 96 of the financial statements.

No loans or advance payments or any guarantees to that effect have been granted to the members of the Supervisory Board. None of the members of the Supervisory Board has shares in the company or any option rights relating thereto (as at 24 February 2009).

The Supervisory Board is grateful to the Board of Management and all CSM staff for their commitment and efforts in the difficult past year.

Diemen, the Netherlands, 24 February 2009

On behalf of the Supervisory Board

P. Bouw, Chairman

Financial Statements 2008

Contents

Consolidated Income Statement

millions of euros	Note	2008	2007
Continuing operations	**3.**		
Net sales	**4.**	2,599.3	2,485.6
Costs of raw materials and consumables		-1,544.8	-1,418.9
Production costs		-339.0	-448.2
Warehousing and distribution costs		-215.8	-194.7
Gross profit		**499.7**	**423.8**
Selling expenses		-200.5	-200.0
Research & development costs		-35.3	-32.3
General and administrative expenses		-155.6	-140.3
Other costs	**5.**	-1.8	-6.1
Other proceeds	**6.**		14.7
Operating result		**106.5**	**59.8**
Financial income	**9.**	6.2	12.1
Financial charges	**9.**	-34.3	-31.7
Result before taxes from continuing operations		**78.4**	**40.2**
Taxes	**10.**	11.6	15.9
Result after taxes from continuing operations		**90.0**	**56.1**
Discontinued operations	**11.**		
Result after taxes CSM Sugar [1]			3.9
Result from sale of CSM Sugar after taxes			142.8
Result after taxes from discontinued operations			**146.7**
Result after taxes		**90.0**	**202.8**
Per ordinary share in euros	**12.**		
Earnings from continuing operations		1.39	0.82
Diluted earnings		1.38	0.81
Earnings from continuing and discontinued operations		1.39	3.06
Diluted earnings		1.38	3.05

[1] The result from discontinued operations of CSM Sugar comprises the result of CSM Sugar. Taxes have been specifically allocated to the division on the basis of the nominal tax rate in the Netherlands.

Consolidated Balance Sheet

before profit appropriation, millions of euros	Note	As at 31.12.2008	As at 31.12.2007
Assets			
Property, plant & equipment	**13.**	513.4	519.8
Intangible fixed assets	**14.**	773.7	771.6
Financial fixed assets	**15.**	10.3	13.9
Deferred tax assets	**23.**	63.5	67.3
Total fixed assets		**1,360.9**	**1,372.6**
Inventories	**16.**	311.0	256.1
Receivables	**17.**	332.3	325.6
Tax assets	**23.**	17.6	46.1
Cash and cash equivalents	**18.**	83.6	37.7
Assets held for sale	**11./19.**	1.1	10.2
Total current assets		**745.6**	**675.7**
Total assets		**2,106.5**	**2,048.3**
Liabilities			
Equity	**20.**	**941.6**	**957.7**
Provisions	**21.**	118.6	131.6
Deferred tax liabilities	**23.**	53.2	50.4
Non-current liabilities	**24.**	606.7	484.5
Total non-current liabilities		**778.5**	**666.5**
Interest-bearing current liabilities	**25.**	5.0	8.8
Trade payables		236.9	227.6
Other non-interest-bearing current liabilities		117.6	118.5
Tax liabilities	**23.**	26.9	69.2
Total current liabilities		**386.4**	**424.1**
Total liabilities		**2,106.5**	**2,048.3**

Movements in Equity – Consolidated Statement

before profit appropriation, millions of euros	Ordinary share capital	Share premium reserve	Other reserves	Retained earnings	Total
As at 1 January 2007	**18.2**	**7.1**	**7.2**	**812.4**	**844.9**
Movement in hedge reserve			-5.2		-5.2
Movement in translation reserve			-2.1		-2.1
Movement in legal reserve capitalization development costs			0.8	-0.8	
Result recognized in equity			**-6.5**	**-0.8**	**-7.3**
Profit financial year 2007				202.8	202.8
Total result 2007			**-6.5**	**202.0**	**195.5**
Dividend				-52.8	-52.8
Acquisition company shares				-100.5	-100.5
Share-based remuneration charged to result			0.6		0.6
Reclassification cumulative financing preference shares	0.7	69.7		-0.4	70.0
Withdrawal shares	-1.6	-0.8		2.4	
Total transactions with shareholders	**-0.9**	**68.9**	**0.6**	**-151.3**	**-82.7**
As at 31 December 2007	**17.3**	**76.0**	**1.3**	**863.1**	**957.7**
Movement in hedge reserve			-17.5		-17.5
Movement in translation reserve			-32.3		-32.3
Movement in legal reserve capitalization development costs			0.2	-0.2	
Other transfers			-0.3	0.3	
Result recognized in equity			**-49.9**	**0.1**	**-49.8**
Profit financial year 2008				90.0	90.0
Total result 2008			**-49.9**	**90.1**	**40.2**
Dividend				-57.2	-57.2
Acquisition company shares				-0.1	-0.1
Share-based remuneration transfers			-1.5	1.5	
Share-based remuneration charged to result			1.0		1.0
Withdrawal shares	-1.1	-0.5		1.6	
Total transactions with shareholders	**-1.1**	**-0.5**	**-0.5**	**-54.2**	**-56.3**
As at 31 December 2008	**16.2**	**75.5**	**-49.1**	**899.0**	**941.6**

For more information to equity see Note 20.

Consolidated Cash Flow Statement

millions of euros	Note	2008	2007
Cash flow from operating activities			
Result after taxes		90.0	202.8
Adjusted for:			
• Discontinued operations	**11.**		-146.7
• Depreciation/amortization of fixed assets	**8.**	65.6	66.3
• Impairment of fixed assets	**13./14.**	-2.6	72.1
• Result from divestments of fixed assets		7.0	-2.3
• Result from sale of group companies and activities	**5./6.**	1.8	-8.6
• Share-based remuneration		1.0	0.6
• Interest received	**9.**	-3.5	-4.2
• Interest paid	**9.**	30.6	29.1
• Exchange rate differences	**9.**	-0.9	-3.7
• Fluctuations in fair value of derivatives	**9.**	1.4	-3.8
• Other financial income and charges	**9.**	0.5	2.2
• Taxes	**10.**	-11.6	-15.9
Cash flow from operating activities before movements in working capital		**179.3**	**187.9**
Movement in provisions		-11.5	-6.2
Movements in working capital:			
• Receivables		-12.3	-20.6
• Inventories		-54.9	-24.7
• Non-interest-bearing current liabilities		14.3	38.4
Cash flow from business operations		**114.9**	**174.8**
Net interest paid		-23.0	-26.4
Tax paid on profit		6.6	-5.5
Cash flow from operating activities – continuing operations		**98.5**	**142.9**
Cash flow from operating activities – discontinued operations	**11.**		-4.1
Cash flow from operating activities		**98.5**	**138.8**

Consolidated Cash Flow Statement (continued)

millions of euros	Note	2008	2007
Cash flow from investment activities			
Acquisition of group companies	**26.**	-8.3	-106.4
Sale of group companies		-2.5	47.6
Capital expenditure on fixed assets		-63.7	-116.9
Divestment of fixed assets		2.1	10.6
Cash flow from investment activities – continuing operations		**-72.4**	**-165.1**
Discontinued operations	**11.**		-0.8
Sale of discontinued operations			232.9
Cash flow from investment activities – discontinued operations			**232.1**
Cash flow from investment activities		**-72.4**	**67.0**
Cash flow from financing activities			
Proceeds from interest-bearing debts		93.6	1.6
Repayment of interest-bearing debts		-16.5	-93.9
Acquisition of company shares	**20.**	-0.1	-102.1
Sale of company shares	**20.**		1.6
Paid-out dividend		-57.2	-52.8
Cash flow from financing activities		**19.8**	**-245.6**
Net cash flow		**45.9**	**-39.8**
Effects of exchange rate differences on cash and cash equivalents		0.0	-2.7
Increase/decrease cash and cash equivalents		**45.9**	**-42.5**
Cash and cash equivalents at start of financial year		37.7	80.2
Cash and cash equivalents at close of financial year		83.6	37.7

For more information on the cash flow statement see Note 30.

Notes to the Consolidated Financial Statements

1

Accounting Information

General

CSM nv is an internationally operating company engaged in the development, production, sale and distribution of bakery supplies and food ingredients. CSM operates mainly in Europe and North America, but also has offices in Asia and South America.
CSM is based in Amsterdam and listed on Euronext Amsterdam.
The consolidated financial statements drawn up by the Board of Management have been discussed by the Supervisory Board on 24 February 2009. They will be presented to the General Shareholders' Meeting for adoption on 22 April 2009.
In compliance with section 2:402 of the Dutch Civil Code the income statement of CSM nv is presented in a summarized form as it is incorporated in the consolidated financial statements.

Reclassification 2007

To align 2007 figures with current year's presentation, an amount of € 23.7 million has been reclassified from current tax assets to deferred tax assets in relation to the recycling of negative exchange differences on intercompany loans.

Acquisitions

The acquisitions that influenced the 2008 consolidation were:

- On 15 April 2008 CSM acquired Harden Fine Foods, based in the UK (acquisition price: £ 6.4 million; annual sales £ 11 million). Harden Fine Foods operates production facilities in Bradford, Yorkshire (UK) and is a leading supplier of mini-bite flapjacks, brownies, and cakes to in-store bakeries in supermarkets, as well as out-of-home market segments.
- On 3 October 2008 CSM acquired Bakels Gida San. Ve Tic. A.S. in Turkey (acquisition price: € 0.5 million).

Reported Amounts

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

Exchange Rates of Main Currencies

	Average exchange rate 2008	Average exchange rate 2007	Exchange rate 31 December 2008	Exchange rate 31 December 2007
USD	1.47	1.37	1.40	1.47
GBP	0.80	0.68	0.95	0.73
Japanese yen	0.15	0.16	0.13	0.17
Brazilian real	2.67	2.65	3.26	2.58

2

Accounting Principles

General

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

In 2008, CSM applied all the new and revised standards and interpretations published by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), if and insofar as these applied to CSM and were effective as at 1 January 2008.
The effective changes applied by CSM as at 1 January 2008 are:

- IFRIC 11: Interpretation IFRS 2: Group and treasury share transactions;
- IFRIC 14: Interpretation IAS 19: The limit on a defined benefit asset, minimum funding requirements and their interaction.

CSM states that the application of these interpretations has no material impact on the CSM financial statements.

None of the new and revised IFRS and IFRIC interpretations not yet effective in 2008 were applied by CSM. CSM anticipates that the application of these standards and interpretations in future periods will have no material impact on the CSM financial statements.

The effective changes after 1 January 2009 are:
- IFRS 8: Operating segments: new IFRS standard;
- IFRIC 13: Customer loyalty program;
- IFRIC 16: Hedges of a net investment in a foreign operation.

Consolidation

The consolidation includes the financial data of CSM nv and its group companies ("CSM"). All inter-company receivables, debts and transactions have been eliminated. Group companies are companies in which CSM nv exercises control. The PGLA-1 joint venture is consolidated proportionally. The results of acquisitions and divestments are recognized from the moment that control is obtained or transferred.

Foreign Currency

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

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

Property, Plant & Equipment

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

Intangible Fixed Assets

Goodwill

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

Research & Development Costs

Research costs are not capitalized, but charged to the income statement account annually. Development costs are capitalized if the appropriate criteria are met. Development costs are valued at cost and amortized using a straight line method over the estimated economic life. Amortization charges arising from development costs are recognized in research and development costs. The value of the development costs is tested for impairment annually.

Customer Base

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

Brands and Licenses

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

Other Intangible Fixed Assets

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

Financial Fixed Assets

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

Deferred Taxes

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

Inventories

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

Receivables

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

Cash and Cash Equivalents

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

Equity

Ordinary shares are classified as equity. From 1 January 2007 until 7 May 2007 cumulative financing preference shares were classified as non-current debt. As the terms of the cumulative preference shares were adjusted as at 7 May 2007 these shares qualify as equity rather than debt funding as of that date. The dividend on the cumulative financing preference shares up to 7 May 2007 is recognized as a financial charge in the income statement.

CSM runs a share plan and a share option plan for the Board of Management and the Senior Management respectively. The fair value of the right to shares or share options on the date of allocation is recognized in the income statement as payroll costs over the vesting period of the share options. Since 2005 share options have no longer been awarded. The last outstanding option series expired in early February 2008. Liabilities concerning share based plans with payment in shares are included in Equity and measured only initially. Liabilities concerning share based plans with payment in cash are included in provisions and remeasured every period.

Provisions

Pensions

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

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

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

Other Long-Term Employee Benefit Commitments

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

Other Provisions

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

Liabilities

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

Leases

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

Net Sales

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

Costs of Raw Materials and Consumables

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

Production Costs

Production costs are the costs relating to production operations.

Warehousing and Distribution Costs

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

Selling Expenses

Selling expenses relate to the costs of marketing and sales.

General and Administrative Expenses

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

Taxes

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

Assets Held for Sale

Assets held for sale are assets if the book value will be realized mainly through a sale transaction rather than continued use. In accordance with IFRS 5 the fixed assets have been written down at the lower of book value and fair value minus selling expenses.

Discontinued Operations

Discontinued operations are stated on the basis of lower of carrying amount and fair value less costs to sell. Discontinued operations are presented separately in the income statement and cash flow statement. Taxes are specifically allocated on the basis of the nominal tax rate. In accordance with IFRS 5, depreciation of the fixed assets stop after the announcement of the sale.

Financial Instruments and Hedge Activities

Upon initial inclusion in the financial statements as at the start date of the contract derivative financial instruments are recognized at fair value. Subsequently, at each reporting date, they

are measured at fair value. The recognition of any arising results depends on whether or not the derivative instrument can be qualified as a hedging instrument and the type of hedged item.
If no hedge accounting is applied the fair value fluctuations of the derivative financial instruments are recognized in the income statement.

CSM designates certain derivative financial instruments as:

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

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

The fair values of derivative financial instruments which are used as hedging instruments and the movements in the hedge reserve in equity are explained in the respective notes on financial instruments. The total fair value of a hedging instrument is classified as fixed asset or non-current liability if the remaining term of the hedged value is more than 12 months. It is classified as current asset or liability if the remaining term of the hedged value is less than 12 months.

Cash Flow Hedge

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

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

Net Investment Hedge

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

Critical Accounting Estimates and Judgements

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

Goodwill Impairment

CSM tests the goodwill annually (see also Accounting Principles). The value in use is calculated on the basis of estimates and judgements of the expected cash flows which are discounted on a WACC basis. For a description of the main estimates, valuation assumptions and a sensitivity analysis of the applied assumptions see note 14.

Property, Plant & Equipment

Property, plant and equipment (PPE) are tested for sustained impairment annually if there is an indication of possible impairment. A key factor is the recoverable amount which is calculated on the basis of estimates and assumptions of anticipated discounted cash flows, on the one hand, and an estimate of the fair value minus selling expenses, on the other. For a description of the main estimates and valuation assumptions which formed the basis for the write-downs in 2008, and a sensitivity analysis of the applied assumptions see note 13.

Pensions

Actuarial calculations are used to determine provisions for Group personnel arrangements and net receivables or obligations from Group pension plans. These calculations use assumptions in respect of future developments in salary, mortality, staff turnover, return on investments et cetera. Changes to these estimates and assumptions can lead to actuarial gains and losses which are recognized in the income statement, provided a bandwidth of 10% of the greater of the obligation from the plan and the fair value of the plan assets is exceeded. The excess is spread to income over the participant's expected average remaining working life. For more information on the applied assumptions see note 22.

Taxes

CSM is subject to various tax systems across the world. Estimates and judgements are used to determine the tax items in the financial statements. Interpretation differences in tax liabilities are also taken into account. For more information see note 23.

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Consolidated Income Statement before Exceptional Items

The consolidated income statement from continuing operations for financial years 2008 and 2007 before exceptional items can be presented as follows.

	2008			2007		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
Net sales	2,599.3		2,599.3	2,485.6		2,485.6
Costs of raw materials and consumables	-1,544.7	-0.1	-1,544.8	-1,418.9		-1,418.9
Production costs	-336.3	-2.7	-339.0	-356.0	-92.2	-448.2
Warehousing and distribution costs	-214.6	-1.2	-215.8	-194.1	-0.6	-194.7
Gross profit	**503.7**	**-4.0**	**499.7**	**516.6**	**-92.8**	**423.8**
Selling expenses	-200.5		-200.5	-198.8	-1.2	-200.0
Research & development costs	-35.2	-0.1	-35.3	-31.0	-1.3	-32.3
General and administrative expenses	-141.7	-13.9	-155.6	-138.7	-1.6	-140.3
Other costs		-1.8	-1.8		-6.1	-6.1
Other proceeds					14.7	14.7
Operating result	**126.3**	**-19.8**	**106.5**	**148.1**	**-88.3**	**59.8**
Financial income	6.2		6.2	12.1		12.1
Financial charges	-34.3		-34.3	-31.7		-31.7
Result before taxes from continuing operations	**98.2**	**-19.8**	**78.4**	**128.5**	**-88.3**	**40.2**
Taxes	5.5	6.1	11.6	0.6	15.3	15.9
Result after taxes from continuing operations	**103.7**	**-13.7**	**90.0**	**129.1**	**-73.0**	**56.1**

Exceptional items are considered whenever the targeted/budgeted operating performance is damaged by an incidental cause outside the normal course of business. During 2005 to 2008, exceptional items were accepted as basis for the strategic 3-S restructuring program and included furthermore impairments of goodwill and fixed assets and specific pension settlements.

Exceptional items may occur up to and including the item “Operating result”. The exceptional item “Taxes” relates to taxes on these exceptional items only. This item does not include incidental tax gains and losses.

The 2008 exceptional items of negative € 19.8 million impacting the operating result are for the biggest part (€ 18.8 million) related to Bakery Supplies Europe.

The main items per division are:

Bakery Supplies Europe a negative effect of € 13.1 million is noted related to the consolidation of its bakery operations in especially Germany and to a lesser extent in France and Benelux as part of its 3-S efficiency program and to further strengthen the European-wide bakery organization.
In addition, in the UK and Belgium restructuring has taken place to improve efficiencies in the supply chain.

Bakery Supplies North America has exceptional costs of € 0.6 million, due to the profit improvement plan of H.C.Brill.

PURAC has a negative effect of € 0.4 million, because of additional costs related to the discontinuation of the production activities in Ter Apelkanaal of € 1.3 million and a positive effect of € 0.9 million for less costs than anticipated in 2007 concerning the production rationalization project.

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Segment Information

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

The bakery operations comprise the development, production and sale of bakery ingredients and products. The lactic acid operations involve the production of lactic acid and lactic acid derivatives which are used in food, pharmaceutical and technical products. Corporate activities concern activities which cannot directly be allocated to one of the other segments, such as corporate finance, HR, and legal. Until recently the sugar operations were also regarded as a separate segment. For the results of this segment see Note 11.

Segment Information by Business Area

	Bakery Supplies Europe		Bakery Supplies North America		PURAC	
P&L information	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Net sales	1,092.5	1,059.4	1,181.2	1,116.1	325.6	310.1
EBITA	37.8	70.0	70.5	76.2	22.4	-68.8
Operating result	35.5	68.3	67.4	73.0	21.5	-69.1
Balance sheet information						
Total assets*	878.0	894.5	583.9	538.5	369.2	363.9
Total liabilities*	322.9	344.4	139.7	109.1	61.2	60.9
Average capital employed excluding goodwill	296.1	230.3	245.4	263.5	280.4	309.8
Goodwill (average)	595.0	582.2	393.9	429.8	21.4	25.3
Average capital employed including goodwill	891.1	812.5	639.3	693.3	301.8	335.1
Capital employed excluding goodwill year-end	284.2	259.7	241.8	250.6	290.0	278.8
Goodwill year-end	589.3	596.3	420.5	413.6	21.4	21.4
Capital employed including goodwill year-end	873.5	856.0	662.3	664.2	311.4	300.2
Depreciation of property, plant & equipment	22.3	24.0	14.3	14.3	22.1	22.4
Amortization of intangible fixed assets	2.3	1.7	3.1	3.2	0.9	0.4
Other information						
Capital expenditure on property, plant & equipment	23.2	29.5	17.6	22.3	21.4	60.9
Capital expenditure on intangible fixed assets	0.2	0.8			0.8	1.8
Impairment of fixed assets	-0.2	-2.9	-2.4	2.8		72.2
Average number of employees	4,049	3,742	3,433	3,605	990	1,042
Alternative performance measures						
ROS %	3.5	6.6	6.0	6.8	6.9	-22.2
ROCE excluding goodwill %	12.8	30.4	28.7	28.9	8.0	-22.2
ROCE including goodwill %	4.2	8.6	11.0	10.8	7.4	-20.3
Alternative performance measures before exceptional items						
EBITA	56.6	72.5	71.1	75.2	22.8	22.3
Operating result	54.3	70,8	68.0	72,0	21.9	21,9
ROS %	5.2	6.8	6.0	6.7	7.0	7.2
ROCE excluding goodwill %	19.1	31.4	29.0	28.4	8.1	7.2
ROCE including goodwill %	6.4	8.9	11.1	10.8	7.6	6.7

Information on the Use of Alternative Performance Measures

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

- EBITA is the operating result before amortization of intangible fixed assets.
- Return on sales (ROS) is EBITA divided by net sales x 100.
- ROCE excluding goodwill is EBITA for the year divided by the average capital employed excluding goodwill x 100.
- ROCE including goodwill is EBITA for the year divided by the average capital employed including goodwill x 100. This takes account of all acquisitions since 1978, the year when CSM started its diversification process.
- Goodwill relates to management goodwill, being the goodwill capitalized and the goodwill charged directly to equity since 1978.

Segment Information by Business Area (continued)

	Corporate		CSM total Continuing operations	
P&L information	**2008**	**2007**	**2008**	**2007**
Net sales			2,599.3	2,485.6
EBITA	-17.4	-12.0	113.3	65.4
Operating result	-17.9	-12.4	106.5	59.8
Balance sheet information				
Total assets*	275.4	251.4	2,106.5	2,048.3
Total liabilities*	641.1	576.2	1,164.9	1,090.6
Average capital employed excluding goodwill	5.8	-1.4	827.7	802.2
Goodwill (average)			1,010.3	1,037.3
Average capital employed including goodwill	5.8	-1.4	1,838.0	1,839.5
Capital employed excluding goodwill year-end	14.1	-11.8	830.1	777.3
Goodwill year-end			1,031.2	1,031.3
Capital employed including goodwill year-end	14.1	-11.8	1,861.3	1,808.6
Depreciation of property, plant & equipment	0.1		58.8	60.7
Amortization of intangible fixed assets	0.5	0.3	6.8	5.6
Other information				
Capital expenditure on property, plant & equipment			62.2	112.7
Capital expenditure on intangible fixed assets	1.2	0.5	2.2	3.1
Impairment of fixed assets			-2.6	72.1
Average number of employees	49	43	8,521	8,432
Alternative performance measures				
ROS %			4.4	2.6
ROCE excluding goodwill %			13.7	8.2
ROCE including goodwill %			6.2	3.6
Alternative performance measures before exceptional items				
EBITA	-17.4	-16.3	133.1	153.7
Operating result	-17.9	-16.6	126.3	148.1
ROS %			5.1	6.2
ROCE excluding goodwill %			16.1	19.1
ROCE including goodwill %			7.2	8.4

* Figures for 2007 restated

CSM generates almost all of its revenues from the sale of goods.

Segment Information by Geographical Region

	The Netherlands		Rest of Europe		North America	
	2008	2007	2008	2007	2008	2007
Net sales	153.7	133.9	1,066.0	1,042.2	1,294.1	1,229.7
Average capital employed excluding goodwill	94.3	101.0	322.6	254.2	288.9	319.6
Capital expenditure on fixed assets	11.6	11.3	29.3	29.9	18.4	24.1
Depreciation and amortization of fixed assets	9.2	13.5	27.0	27.6	20.3	20.9
Average number of employees	805	785	3,853	3,635	3,537	3,722

	Other countries		CSM consolidated from continuing operations	
	2008	2007	2008	2007
Net sales	85.5	79.8	2,599.3	2,485.6
Average capital employed excluding goodwill	121.9	127.4	827.7	802.2
Capital expenditure on fixed assets	5.1	50.5	64.4	115.8
Depreciation and amortization of fixed assets	9.1	4.3	65.6	66.3
Average number of employees	326	290	8,521	8,432

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

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

	2008	2007
The Netherlands	128.4	85.5
Rest of Europe	1,066.3	1,069.8
North America	1,265.2	1,220.1
Other countries	139.4	110.2
Total	**2,599.3**	**2,485.6**

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Other Costs

	2008	2007
Result from sale of gluconic acid activities PURAC America		6.1
Additional result from sale of QA Products	1.8	
Total	**1.8**	**6.1**

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Other Proceeds

	2008	2007
Result from sale of QA Products		12.4
Result from sale of Le Mans/Maubeuge		2.3
Total		**14.7**

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Payroll and Social Insurance

	2008	2007
Payroll	341.9	335.9
Pension premiums – defined benefit pension plans	11.5	5.2
Pension premiums – defined contribution pension plans	10.5	12.6
Other social insurance	46.3	49.3
Share-based remuneration	1.0	0.6
Total	**411.2**	**403.6**

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Depreciation/Amortization of Fixed Assets

	2008	2007
Depreciation of property, plant & equipment	58.8	60.7
Amortization of intangible fixed assets	6.8	5.6
Total	**65.6**	**66.3**

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Financial Income and Charges

	2008	2007
Interest income	-3.5	-4.2
Interest charges	30.6	29.1
Exchange rate differences	-1.1	-4.1
Recycling of exchange rate differences from translation reserve	0.2	0.4
Fluctuations in fair value of derivatives	1.4	-3.8
Other	0.5	2.2
Total	**28.1**	**19.6**

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Taxes

	Continuing operations		Discontinued operations		Total	
	2008	2007	2008	2007	2008	2007
Current tax	-28.2	-19.7		2.2	-28.2	-17.5
Deferred tax	16.6	3.8		-0.8	16.6	3.0
Total	**-11.6**	**-15.9**		**1.4**	**-11.6**	**-14.5**

Reconciliation of Result before Taxes and Tax Liability:

	2008	2007
Result before taxes from continuing operations	78.4	40.2
Result before taxes from discontinued operations		148.1
Result before taxes	**78.4**	**188.3**
Applicable tax charge at average statutory tax rate	22.8	72.1
Income not subject to tax	-0.8	-59.6
Expenses not deductible for tax purposes	2.2	5.9
Additions/releases of the valuation allowance	-1.0	-23.7
Tax rate changes continuing operations		-1.6
Release of tax provision	-40.3	
Adjustment in respect of prior years	7.8	-5.4
Effects of recycling	-2.3	
Other		-2.2
Tax liability (asset)	**-11.6**	**-14.5**
	-14.8%	**-7.7%**

The average statutory tax rate is the average of the statutory tax rates in the countries where CSM operates, weighted on the basis of the result from ordinary activities before taxes in each of these countries. The average tax burden on continuing operations was -14.8% in 2008 (2007: -39.6%). The lower-than-expected tax liability from continuing operations is due mainly to the release of a tax provision. The adjustment in respect of prior years reflects the effects of changes to relevant regulations, facts or other factors compared to those used in establishing the current tax position or deferred tax balance in previous years.

Breakdown of the Tax Liability Recognized in Equity:

	2008	2007
Tax liability due to loan-related exchange rate differences	-1.6	-0.6
Tax liability due to hedge results of financial instruments	-0.3	-12.5
Total tax liability (asset) recognized in equity	**-1.9**	**-13.1**

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Discontinued Operations

Discontinued operations for 2008 are not applicable.
Discontinued operations for 2007 comprise the results of CSM Sugar up to and including 24 April 2007 and the result from the sale of CSM Sugar as at 24 April 2007.

Breakdown of the Income Statement from Discontinued Operations:

	2007 (4 months)
Net sales	58.2
Costs of raw materials and consumables	-33.2
Production costs	-10.9
Warehousing and distribution costs	-2.7
Selling expenses	-0.5
General and administrative expenses	-5.6
Operating result	**5.3**
Taxes	-1.4
Result after taxes CSM Sugar	**3.9**
Gross result from sale	142.8
Taxes	
Result from sale after taxes	**142.8**
Total	**146.7**

Breakdown of the Cash Flow from Discontinued Operations:

	2007 (4 months)
Cash flow from operating activities	-4.1
Cash flow from investment activities	232.1
Total	**228.0**

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Earnings per Ordinary Share

Earnings per ordinary share and earnings per ordinary share from continuing and discontinued operations are calculated by respectively dividing the result after taxes and the result after taxes from continuing and discontinued operations by the weighted average number of outstanding ordinary shares in CSM nv.

To calculate diluted earnings per ordinary share and diluted earnings per ordinary share from continuing and discontinued operations, the result after taxes and the result after taxes from continuing and discontinued operations, and the weighted average number of outstanding ordinary shares in CSM nv are adjusted for the effects of potential exercise of option rights by the Board of Management and senior management and share rights by the Board of Management.

	2008	2007
Result after taxes	90.0	202.8
Minus: dividend cumulative financing preference shares	4.3	2.8
Profit available for holders of ordinary shares (A)	85.7	200.0
Minus: result from discontinued operations (B)		146.7
Result after taxes from continuing operations (C)	**85.7**	**53.3**
Profit available for holders of ordinary shares	85.7	200.0
Profit after dilution (D)	85.7	200.0
Minus: result from discontinued operations		146.7
Result after taxes from continuing operations, after dilution (E)	**85.7**	**53.3**
Weighted average number of outstanding ordinary shares (F)	61.8	65.3
Plus: ordinary shares related to option rights and share rights	0.1	0.2
Weighted average number of outstanding ordinary shares. after dilution (G)	**62.0**	**65.5**
Per ordinary share		
Earnings from continuing operations (C/F)	1.39	0.82
Earnings from discontinued operations (B/F)		2.24
Earnings (A/F)	1.39	3.06
Diluted earnings from continuing operations (E/G)	1.38	0.81
Diluted earnings from discontinued operations (B/G)		2.24
Diluted earnings (D/G)	1.38	3.05

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Property, Plant & Equipment

	Land	Buildings	Machinery and equipment	Other fixed assets	Under construction	Not employed in operations	Total
1 January 2007							
Acquisition prices	38.4	252.0	739.6	58.1	113.5	0.8	1,202.4
Cumulative depreciation	-0.3	-83.4	-484.7	-47.8	0.2	-0.8	-616.8
Book value	**38.1**	**168.6**	**254.9**	**10.3**	**113.7**		**585.6**
Movements							
Capital expenditure	7.1	3.4	22.0	2.6	77.6		112.7
Divestments	-1.5	-5.1	-1.4	-0.3			-8.3
Exchange rate differences	-1.2	-6.5	-6.5	-0.3	2.5		-12.0
Acquisition of group companies		1.5	3.9	0.4			5.8
Sale of group companies	-0.8	-11.8	-7.8	-1.1	-0.2		-21.7
Depreciation		-6.6	-48.0	-6.1			-60.7
Impairment		-11.1	-59.0	-0.1	-4.1		-74.3
Impairment adjustment			3.0				3.0
Other	0.8	18.7	47.7	4.3	-71.6		-0.1
Reclassification as assets held for sale	-0.5	-3.1	-6.6				-10.2
Net movement in book value	**3.9**	**-20.6**	**-52.7**	**-0.6**	**4.2**		**-65.8**
31 December 2007							
Acquisition prices	42.0	222.8	681.0	56.4	122.0	0.8	1,125.0
Cumulative depreciation		-74.8	-478.8	-46.7	-4.1	-0.8	-605.2
Book value	**42.0**	**148.0**	**202.2**	**9.7**	**117.9**		**519.8**
Movements							
Capital expenditure		0.8	17.4	4.7	39.0	0.3	62.2
Divestments		0.1	-0.7				-0.6
Exchange rate differences	-0.7	-0.4	-4.4	-0.2	-7.8		-13.5
Acquisition of group companies			0.9				0.9
Sale of group companies							
Depreciation		-8.5	-44.4	-5.9			-58.8
Impairment							
Impairment adjustment		2.4	0.2				2.6
Other	-0.1	32.8	64.2	4.9	-101.7		0.1
Reclassification as assets held for sale			0.7				0.7
Net movement in book value	**-0.8**	**27.2**	**33.9**	**3.5**	**-70.5**	**0.3**	**-6.4**
31 December 2008							
Acquisition prices	41.2	257.6	755.0	58.7	51.5	0.3	1,164.3
Cumulative depreciation		-82.4	-518.9	-45.5	-4.1		-650.9
Book value	41.2	175.2	236.1	13.2	47.4	0.3	513.4
Depreciation rates		2.5 – 4%	6.7-12.5%	20-50%		6.7-12.5%	

Breakdown of 2008 Impairment Adjustment:

The 2008 impairment adjustment is mainly due to the reversal of H.C. Brill closure production in Lancaster € 2.4 million.
The property, plant & equipment item includes fixed assets with a book value of € 1.7 million (31 December 2007: € 1.6 million) which are financed through a financial lease.

The book value of property, plant & equipment calculated on the basis of current value, is estimated at € 145 million (31 December 2007: approximately € 147 million) above the disclosed book value on the basis of acquisition price or construction costs.

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Intangible Fixed Assets

	Goodwill	Customer base	Brands and license	Develop-ment costs	Other intangible fixed assets	Total
1 January 2007						
Acquisition prices	674.5	22.9	2.3	2.2	5.1	707.0
Cumulative amortization		-0.6		-0.4	-3.7	-4.7
Book value	**674.5**	**22.3**	**2.3**	**1.8**	**1.4**	**702.3**
Movements						
Capital expenditure				1.7	1.4	3.1
Acquisition of group companies	49.8	44.9	14.6			109.3
Divestments	-8.1					-8.1
Exchange rate differences	-22.3	-5.1	-1.2			-28.6
Amortization		-3.6	-0.8	-0.1	-1.1	-5.6
Impairment				-0.8		-0.8
Net movement in book value	**19.4**	**36.2**	**12.6**	**0.8**	**0.3**	**69.3**
31 December 2007						
Acquisition prices	693.9	62.3	15.7	3.9	6.4	782.2
Cumulative amortization		-3.8	-0.8	-1.3	-4.7	-10.6
Book value	**693.9**	**58.5**	**14.9**	**2.6**	**1.7**	**771.6**
Movements						
Capital expenditure				0.7	1.5	2.2
Acquisition of group companies	4.1	4.4				8.5
Exchange rate differences	3.2	-4.4	-0.6			-1.8
Amortization		-4.6	-0.9	-0.5	-0.8	-6.8
Net movement in book value	**7.3**	**-4.6**	**-1.5**	**0.2**	**0.7**	**2.1**
31 December 2008						
Acquisition prices	701.2	62.2	15.1	4.7	7.4	790.6
Cumulative amortization		-8.3	-1.7	-1.9	-5.0	-16.9
Book value	**701.2**	**53.9**	**13.4**	**2.8**	**2.4**	**773.7**
Amortization rate	0%	7 – 10%	5 – 10%	33.3%	33.3%	

Goodwill Impairment Test

In 2008, as well as in 2007, CSM has been in the process of turning away from a company approach to a divisional approach. Main reason behind this is the goal to benefit more and better from synergies. The traditional company set up of the group locked initiatives to accelerate growth on a broader (divisional or even global) scale. CSM is continuously further integrating businesses within the group. Part of this ongoing organisational process is the set up of business units, the building of technology based innovation centres per division and divisional functional teams (e.g. procurement, R&D, supply chain), both in Europe and North America. Result responsibility has changed from a company to a division (functional) level. Strategic business decisions are aligned with this new approach.

Following a study on the effects of the implementation of IFRS 8 Segment reporting per 1 January 2009, an operating segment analysis has been executed in 2008.

Conclusion of this analysis was that Bakery Supplies Europe, Bakery Supplies North America and PURAC are identified as the operating segments and the level to which goodwill of CSM should be allocated for the purposes of impairment testing.

Main reasons for this are:

- it represents a non-arbitrary, reasonable and consistent basis to allocate goodwill;
- the allocation is also in accordance with the expected synergies at the time of the acquisition from which more than one entity benefits;
- the allocation represents the lowest level at which the goodwill is monitored by the Board of Management and is not larger than the operating segments.

Breakdown of the Book Value of the Goodwill by Division

	at 31.12.2008	at 31.12.2007
CSM Bakery Supplies Europe	507	509
CSM Bakery Supplies North America	191	182
PURAC	3	3
Total	**701**	**694**

The recoverable amount of the cash flow generating units is determined on the basis of the higher of fair value less costs to sell and value in use per unit. The key assumptions used for the calculation of discounted cash flow projections are for the short term based on the known business plans per division and for the longer term based on a stable growth rate of 2%. For each division, estimated post-tax cash flows are discounted to their present value using a post-tax WACC. A post-tax WACC is used because this is readily available in the financial markets. Calculating the recoverable amount on a post-tax basis using post-tax WACC should lead to the same results as pre-tax calculations. The post-tax WACC used for Bakery Supplies Europe is 7.4%, for BSNA 7.7% and for PURAC 7.6%.

In addition, sensitivity analyses have been carried out in respect of the assumptions on the terminal growth rate and WACC. For each division a terminal growth rate of 0% and 1% has been taken into account and a 1% higher WACC. In the case of Bakery Supplies Europe the scenario of a 0% terminal growth rate or a 1% higher WACC would lead to impairment of respectively € 70 million and € 21 million.

Given the above assumptions the Board of Management has concluded that fair value less cost to sell is not lower than the book value of the unit including goodwill.

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Financial Fixed Assets

	Long-term receivables	Derivatives	Total
As at 1 January 2007	**7,3**	**3,1**	**10,4**
Disbursement/withdrawal	3,8		3,8
Repayments		-0,3	-0,3
As at 31 December 2007	**11,1**	**2,8**	**13,9**
Disbursement/withdrawal	0,7		0,7
Repayments	-1,5	-2,8	-4,3
As at 31 December 2008	**10,3**		**10,3**

The book value of the long-term receivables does not significantly deviate from the fair value. The long-term receivables mainly comprise a disbursed loan of € 6.3 million (interest rate 6.5%) and a disbursed loan to partially finance the beet growers joining Cosun following the sale of CSM Sugar of € 2.1 million (interest rate 0%) in 2007.

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Inventories

	As at 31.12.2008	As at 31.12.2007
Raw materials, consumables, technical materials and packaging	94.3	82.0
Work in progress	10.8	8.5
Finished product	214.2	174.3
Impairment provision	-8.3	-8.7
Total	**311.0**	**256.1**

Movements in Inventories Impairment Provision

	2008	2007
As at 1 January	**-8.7**	**-8.9**
Additions/releases	-0.5	-2.0
Use	0.5	1.8
Exchange rate differences	0.4	0.4
As at 31 December	**-8.3**	**-8.7**

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Receivables

	As at 31.12.2008	As at 31.12.2007
Trade receivables	312.5	303.9
Impairment provision	-11.4	-10.8
Other receivables	21.0	16.9
Derivatives	0.2	
Prepayments and accrued income	10.0	15.6
Total	**332.3**	**325.6**

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

The credit risk associated with trade receivables is managed by the local finance manager. Periodically, each division reports the expired credit terms and the movements in the provisions for trade receivables to the Board of Management. The maximum credit risk in respect of trade receivables is € 312.5 million (2007: € 303.9 million).

Trade receivables are not interest-bearing and generally have an average term of credit of 30-90 days. The impairment provision is based on expired terms of credit in the past. The trade receivables item includes an amount of € 74.2 million in receivables with expired terms of credit which are expected to be received and are therefore not provided for.

Breakdown of Expired Credit Terms

	Total	< 30 days	30-60 days	60-90 days	> 90 days
BSEU	38.3	20.1	7.6	4.2	6.4
BSNA	25.2	9.4	6.6	1.7	7.5
PURAC	10.7	7.0	2.2	0.6	0.9
Total	**74.2**	**36.5**	**16.4**	**6.5**	**14.8**

Movements in Trade Receivables Impairment Provision

	2008	2007
As at 1 January	**-10.8**	**-11.3**
Additions/releases	-3.1	-1.3
Use	2.5	1.4
Acquisition/divestment		0.1
Exchange rate differences		0.3
As at 31 December	**-11.4**	**-10.8**

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

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Cash and Cash Equivalents

An amount of € 34.4 million in short term deposits is included in the cash and cash equivalents (31 December 2007: € 0.0 million). The cash and cash equivalents are readily available and payable without notice.

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Assets Held for Sale

	Balance sheet 31.12.2008	Balance sheet 31.12.2007
Land	0.2	0.5
Plant	0.4	3.1
Equipment	0.5	6.6
Total assets held for sale	**1.1**	**10.2**

The assets held for sale as of 31 December 2007, comprise the fixed assets of PURAC glucochem in Ter Apelkanaal (the Netherlands) and those related to the intended production discontinuation and sale of lactitol at PURAC biochem, BakeMark Ingrédients France's plant in Creil (France), and PURAC America's plant in Janesville (US). The sale of these fixed assets is completed or withdrawn in 2008 except PURAC America's plant in Janesville (US).

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Equity

Share Capital

As at 31 December 2008 the authorized share capital totaled € 50 million, consisting of 182 million ordinary shares with a nominal value of € 0.25 each and 18 million cumulative financing preference shares with a nominal value of € 0.25 each, divided into three series of six million named FPA, FPB and FPC.

The series of cumulative financing preference shares have the following dividend percentages and dividend review dates.

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

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

The average dividend on outstanding cumulative financing preference shares is 6.21% as at 31 December 2008.

Movements in Number of Issued Shares

	Ordinary	FPA	FPB	FPC
As at 1 January 2008	**66,331,279**	**852,512**	**852,512**	**1,278,770**
Withdrawn shares	-4,300,000			
As at 31 December 2008	**62,031,279**	**852,512**	**852,512**	**1,278,770**

Movements in Number of Shares with Dividend Rights

	Ordinary	FPA	FPB	FPC
As at 1 January 2008	**61,802,201**	**852,512**	**852,512**	**1,278,770**
Acquired shares	-41			
Share-based remuneration	65,866			
As at 31 December 2008	**61,868,026**	**852,512**	**852,512**	**1,278,770**

Acquisition of Shares

During the report year the company acquired a total of 41 shares with a nominal value of € 0.25 each at a total acquisition price of € 960.22.

Share-based Remuneration

During the report year the company transferred a total of 65,866 shares with a nominal value of € 0.25 each pursuant to the share-based remuneration arrangements.

As at 31 December 2008, CSM had 163,253 acquired shares at its disposal with a nominal value of € 0.25 each (representing 0.3% of total share capital issued) at an average acquisition price of € 26.97.

The costs of € 960.22 (2007: € 100.5 million) arising from the acquisition of shares during the report year, have been charged to the reserves.

Acquired shares have no dividend rights.

Movements in Acquired Shares

	Number	Nominal amount (in euros)
As at 1 January 2008	**4,529,078**	**1,132,270**
Acquired shares	41	10
Share-based remuneration	-65,866	-16,467
Withdrawn shares	-4,300,000	-1,075,000
As at 31 December 2008	**163,253**	**40,813**

Share-based Remuneration Arrangements: Board of Management

A share plan is in place for the Board of Management. The three members of the Board of Management have in total 117,979 unvested share rights in the company as at 31 December 2008 (2007: 133,368). The nominal amount of the shares which are claimable under unvested share rights equals per that date € 29,494.75.

Share-based Remuneration Arrangements: Management

2003 was the last year in which share options were granted, with an expiration date in February 2008.

A reward plan ("Phantom plan") is available for certain members of the management. Participants in this plan are awarded a provisional cash payment. Depending on the Total Shareholders' Return (TSR) of CSM compared with the peer group after a period of three years, the actual gross amount if any is determined and paid.

A Share Buying Program is in place available for managers who also participate in the Phantom plan. On October 1 of the year following the calendar year in which participants have acquired shares, a gross cash payment worth 30% of the shares acquired is made to the participants.

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

Movements in Number of Options on Shares: Management

Year of allocation	Total as at 31.12.2007	Exercised in 2008	Expired in 2008	Total as at 31.12.2008	Exercise price	Expiration date
2003	62,500	6,600	55,900		€ 19,97	03.02.2008

Movements in Number of Unvested Shares: Board of Management

Year of allocation	Total as at 31.12.2007	Allocated in 2008	Expired in 2008	Total as at 31.12.2008
2005	57,865		57,865	
2006	40,399			40,399
2007	35,104			35,104
2008		42,476		42,476
Total	**133,368**	**42,476**	**57,865**	**117,979**

Valuation Allocated Unvested Shares 2008: Board of Management

The fair value of the abovementioned performance-related share allocated in 2008 was € 28.32 per share (2007: € 28.27). The fair value is estimated by using the Black & Scholes model and the assumptions set forth below.

	2008	2007
Risk-free interest rate	3,87%	3,35%
Expected dividend gains	0	0
Expected volatility in share price	15%	15%
Term	3 years	3 years

Movements in Number of Blocked Commitment Award Shares: Total Management

	Total as at 31.12.2007	Allocated in 2008	Released in 2008	Total as at 31.12.2008
Total	**25.212**	**12.720**	**3.019**	**34.913**

Other Reserves

	Movements in Legal Reserves				
	Translation reserve	Hedge reserve	Develop-ment costs	Option/ Share plan reserve	Total
As at 1 January 2007	**2.7**	**1.4**	**1.8**	**1.3**	**7.2**
Net investment hedge					
• Exchange rate differences foreign currency loan	42.9				42.9
• Tax effect	-15.6				-15.6
Translation difference					
• Foreign group companies	-56.2				-56.2
• Tax effect	26.8				26.8
Cash flow hedge					
• Fluctuations in fair value derivatives		-7.1			-7.1
• Tax effect		1.9			1.9
Share-based remuneration charged to result				0.6	0.6
Movement in capitalization of development costs			0.8		0.8
As at 31 December 2007	**0.6**	**-3.8**	**2.6**	**1.9**	**1.3**
Net investment hedge					
• Exchange rate differences foreign currency loan	-23.1				-23.1
• Tax effect	5.9				5.9
Translation difference					
• Foreign group companies	-5.5				-5.5
• Tax effect	-9.6				-9.6
Cash flow hedge					
• Fluctuations in fair value derivatives		-23.4			-23.4
• Tax effect		5.9			5.9
Share-based remuneration charged to result				1.0	1.0
Share-based remuneration transfers				-1.5	-1.5
Movement in capitalization of development costs			0.2		0.2
Other transfers				-0.3	-0.3
As at 31 December 2008	**-31.7**	**-21.3**	**2.8**	**1.1**	**-49.1**

In specific circumstances legal reserves must be created in accordance with Part 9, Book 2 of the Netherlands Civil Code. The legal reserves comprise the translation reserve, hedge reserve, and development costs reserve. In case a legal reserve has a negative value no payments can be made from the retained earnings up to the level of the negative value(s).

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Provisions

	As at 31.12.2008	As at 31.12.2007
Pensions and early retirement schemes	74.7	80.3
Long-term personnel commitments	7.7	8.4
Reorganization and restructuring	21.4	31.4
Other	14.8	11.5
Total	**118.6**	**131.6**

Movements in provisions

	Pension and early retirement schemes	Long-term personnel commitments	Reorganization and restructuring	Other	Total
As at 1 January 2008	80.3	8.4	31.4	11.5	131.6
Addition charged to result	15.1	0.7	14.8	3.8	34.4
Release credited to result	-3.6	-0.1	-12.1		-15.8
Withdrawal for intended purpose	-15.4	-1.2	-12.9	-0.6	-30.1
Exchange rate differences	-1.7	-0.1	0.2		-1.6
Acquisition/divestments				0.1	0.1
As at 31 December 2008	**74.7**	**7.7**	**21.4**	**14.8**	**118.6**

Pensions and Early Retirement Schemes

Pension and early retirement schemes relate to post employment defined benefit arrangements. For more details see Note 22.

Long-Term Personnel Commitments

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

Reorganization and Restructuring

The restructuring provision relates mainly within Bakery Supplies Europe to redundancies following the consolidation of its bakery operations especially in Germany and supply chain improvements in the UK and Belgium. Within Bakery Supplies North America a restructuring provision is in place in connection with the profit improvement plan of H.C. Brill.

Other Provisions

The other provisions relate to loss-making contracts and legal disputes, amongst others. The main items concern a provision for unoccupied office space in Diemen, the Netherlands, a dispute in connection with the bankruptcy of a former subsidiary and a provision related to the discontinuation of the production activities in Ter Apelkanaal.

The provisions for Pensions and Early Retirement Schemes and Long-Term Personnel Commitments can be considered long-term. The Reorganization and Restructuring and Other provisions are short-term commitments.

22
Pensions

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

	As at 31.12.2008	As at 31.12.2007	As at 31.12.2006	As at 31.12.2005	As at 31.12.2004
Present value of pension commitments	526.1	526.8	639.3	650.5	613.1
Fair value of plan assets	-435.7	-529.4	-617.6	-562.1	-483.8
Balance	**90.4**	**-2.6**	**21.7**	**88.4**	**129.3**
Unrecognized actuarial gains/losses current year	-33.4	53.5	53.3	-4.3	-26.2
Unrecognized past-service pension costs	-2.1	-2.2	-2.4		
Movement in off-balance-sheet asset	19.8	31.6	17.6	15.4	15.4
Net liability	**74.7**	**80.3**	**90.2**	**99.5**	**118.5**

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

One Dutch pension fund showed a surplus as at 31 December 2008. As this is not immediately available to CSM the asset has not been recognized in the balance sheet.

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

	Total 2008	2007
Current service costs	14.0	15.8
Interest charges	27.1	27.0
Expected return on plan assets	-31.3	-34.0
Actuarial gains/losses	16.0	-7.9
Past-service costs	-0.2	0.2
Contribution by employees	-2.0	-1.6
Movement in unrecognized asset	-12.1	14.0
Subtotal	**11.5**	**13.5**
Gains from significant curtailments		-4.6
Gains from significant settlements		-3.7
Total pension costs	**11.5**	**5.2**

The gains from significant curtailments and settlements in 2007 are related to the sale of CSM Sugar.

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

	2008	2007
Production costs	4.7	4.4
Warehousing and distribution costs	0.3	0.2
Selling expenses	1.6	0.6
Research & Development	1.4	0.9
General and administrative expenses	3.5	-0.9
Total	**11.5**	**5.2**

Movements in Pension Commitments

	Funded plans 2008	Unfunded plans 2008	Total 2008	Total 2007
As at 1 January	**520.7**	**6.1**	**526.8**	**639.3**
Significant curtailments				-4.6
Significant settlements				-67.9
Current service costs	11.9	2.1	14.0	15.8
Past service costs	-0.4		-0.4	
Interest charges	27.0	0.1	27.1	27.0
Pension payments	-28.4	-1.4	-29.8	-32.1
Actuarial gains/losses	-2.2	-0.5	-2.7	-43.2
Exchange rate differences	-13.8	-0.3	-14.1	-7.5
Other	5.2		5.2	
As at 31 December	**520.0**	**6.1**	**526.1**	**526.8**

The actual experience actuarial gains on pension commitments was € 2.4 million and is included in actuarial gains/losses.

Movements in Fair Value of Plan Assets

	2008	2007
As at 1 January	529.4	617.6
Expected return on plan assets	31.3	34.0
Pension payments	-25.1	-27.0
Employer/employee contribution	12.7	12.5
Actuarial gains/losses	-107.2	-19.7
Significant settlements		-80.8
Exchange rate differences	-12.6	-7.2
Other	7.2	
As at 31 December	**435.7**	**529.4**

The funding position of some of the defined benefit plans are such that the pension fund will have to draw up a long term recovery plan. We do not expect that these recovery plans will lead to substantial company contributions on the short term.

The Main Weighted Average Actuarial Assumptions:

	2008	2007
Discount rate	4.0 – 6.3%	4.25 – 6.0%
Expected return on plan assets	4.7 – 8.0%	4.8 – 8.0%
Future salary increases	2.5 – 4.0%	2.1 – 4.0%
Inflation	2.0 – 3.5%	2.0 – 3.5%

The actual return on plan assets was € 75.9 million negative (2007: € 14.2 positive).

The expected return on plan assets is determined as a weighted average rate of return based on the current and projected investment portfolio mix of each plan, taking into account the corresponding long-term yields for the separate asset categories.

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

Asset Categories of Plan Assets: (in Percentages)

	2008	2007
Fixed income	71%	50%
Equities	29%	50%

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Deferred Tax

Breakdown of Deferred Tax Assets and Liabilities:

	2008	2007
Deferred tax liabilities	50.4	43.1
Deferred tax assets	-67.3	-57.3
As at start of financial year	**-16.9**	**-14.2**
Tax charge in income statement	16.6	3.0
Translation differences foreign group companies	-0.8	1.7
Acquisition/sale of group companies	1.3	5.1
Tax charge movements in equity	-10.5	-12.5
As at close of financial year	**-10.3**	**-16.9**
Deferred tax liabilities	53.2	50.4
Deferred tax assets	-63.5	-67.3
As at close of financial year	**-10.3**	**-16.9**

Breakdown of Deferred Tax Assets and Liabilities by Type:

	31.12.2008		31.12.2007	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Property, plant & equipment	-14.6	24.9	-15.3	26.8
Intangible fixed assets	-9.2	59.4	-10.3	49.8
Current assets/liabilities	-14.9	2.1	-10.7	3.1
Tax loss carry forward	-43.1		-47.5	
Provisions	-22.7	3.8	-20.2	2.6
Exchange rate differences loans		0.1		0.3
Financial instruments	-0.5	0.2		0.3
Other		4.2		4.2
	-105.0	**94.7**	**-104.0**	**87.1**
Netting	41.5	-41.5	36.7	-36.7
Total	**-63.5**	**53.2**	**-67.3**	**50.4**

The short-term part of deferred tax assets and of tax liabilities, after write-down and netting with the short-term part of deferred tax liabilities, amounts to € 21.0 million (2007: € 38.2 million) and € 0 (2007: € 0 million) respectively.

Depending on the term of anticipated realization of deferred tax assets and liabilities, these are netted. This may be the case for a legal entity or for a group of legal entities which are considered one fiscal entity. After netting deferred tax assets and liabilities these are assessed and the possibilities of future realization analyzed. This may result in full or partial write-down of the relevant tax asset or liability.

Breakdown of Deferred Taxes due to Tax Loss Carry Forward:

	2008	2007
Total tax loss carry forward	260.9	251.1
Tax loss carry forward not qualified as deferred tax asset	-73.1	-69.7
Tax loss carry forward qualified as deferred tax asset	**187.8**	**181.4**
Average tax rate	23%	26.2%
Deferred tax asset	**43.1**	**47.5**

The underlying losses are recoverable without limitations in the future. The resulting tax assets are mainly related to Germany (€ 12.1 million), the United States (€ 11.8 million), France (€ 8.8 million), Spain (€ 4.5 million) and Belgium (€ 3.5 million).

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

	2008	2007
Property, plant & equipment	-0.8	-20.8
Intangible fixed assets	10.0	6.4
Current assets/liabilities	3.7	-2.5
Tax loss carry forward	5.4	-26.7
Provisions	-10.6	-3.5
Exchange rate differences loans	3.0	40.7
Financial instruments	5.6	21.2
Other	0.3	-11.8
Total	**16.6**	**3.0**

Due to a positive outcome of a dispute with a foreign tax authority on a substantial tax claim, a current tax liability of € 40.3 million could be released.

Current tax liabilities and deferred tax liabilities include a € 11.9 million provision in connection with a dispute with a foreign tax authority. A claimed deduction in the 2004 tax statement is in dispute.

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Non-Current Liabilities

			Effective interest %		Average term in years	
	As at 31.12.2008	As at 31.12.2007	As at 31.12.2008	As at 31.12.2007	As at 31.12.2008	As at 31.12.2007
Owed to credit institutions	496.7	398.9	4.78	5.15	4.5	4.5
Financial lease commitments	1.6	1.5	3.82	3.66	3.0	4.1
Derivatives	107.8	83.2	4.27	4.36	3.2	3.8
Other debts	0.6	0.9	0.01	0.01	6.9	7.9
Total	**606.7**	**484.5**				
Weighted average			**4.71**	**5.00**	**4.3**	**4.4**

The weighted average of the term has been calculated on the basis of the remaining terms of the individual loans.
Repayments due within 12 months of the close of the report year are not included in the above amounts but are recognized in interest-bearing current liabilities.

Repayments due after five years or more on the above amounts amount to € 0.6 million.

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

	Balance sheet value as at 31.12.2008	Fair value as at 31.12.2008	Balance sheet value as at 31.12.2007	Fair value as at 31.12.2007
Owed to credit institutions	496.7	504.2	398.9	402.4

Owed to Credit Institutions

All debts owed to credit institutions are expressed partly in euros and partly in US dollars, and are subject to variable interest rates. As at 31 December 2008 € 496.7 million of the credit facilities were withdrawn (31 December 2007: € 398.9 million), € 55 million of which in euros and € 441.7 million in US dollars (=US$ 620 million). Part of the US dollar liability (US$ 450 million) is seen as a net investment hedge for all US$ companies. Hence, exchange rate differences in respect of this liability are charged to the translation reserve in equity. Part of the US dollar liability (US$ 380 million) has been converted from a variable to a fixed interest rate using interest swaps. In addition, CSM entered into a cancellable interest rate swap with a nominal value of US$ 240 million (31 December 2007: US$ 60 million) where the cancellation date is optional for the bank.

The remaining part of debts has variable interest rates. A 1% increase in the interest rate will lead to a decrease of about € 1.7 million on the result after taxes.

Derivatives

In 2006, CSM opted for early repayment of a US$ 225 million loan. However, this loan had been replaced by a euro financing facility with a fixed annual interest rate of 6.1% using an interest and currency swap. The swap had a nominal value of US$ 225 million (€ 249.9 million) and a term from 10 October 2001 up to and including 10 October 2011. In mid-December 2005 CSM offset this swap and terminated the hedge relation with the US dollar loan. The offsetting swap has a nominal value of US$ 225 million (€ 187.3 million), a fixed euro interest rate of 4.7%, and a term from 19 December 2005 up to and including 10 October 2011. No hedge accounting is applied to both swaps. The fair value of the swaps as at 31 December 2008 is € 75.6 million negative (31 December 2007: € 75.8 million negative) and is recognized in non-current liabilities.

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Interest-Bearing Current Liabilities

			Effective interest %	
	As at 31.12.2008	As at 31.12.2007	As at 31.12.2008	As at 31.12.2007
Owed to credit institutions		7.0		4.77
Financial lease commitments	0.2	0.1	3.59	3.86
Other debts	4.8	1.2	2.56	4.28
Derivatives		0.5		
Total	**5.0**	**8.8**		
Weighted average			**2.74**	**4.69**

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Acquisitions

On 15 April 2008 CSM acquired Harden Fine Foods, based in the UK (acquisition price: £ 6.4 million; annual sales £ 11 million). Harden Fine Foods operates production facilities in Bradford, Yorkshire (UK) and is a leading supplier of mini-bite flapjacks, brownies and cakes to in-store bakeries in supermakets, as well as out-of-home market segments.

On 3 October 2008 CSM acquired Bakels Gida San. Ve Tic. A.S. in Turkey (acquisition price: € 0.5 million).

Breakdown of Acquired Assets and Liabilities, Including Goodwill (Based on a Provisional Allocation):

	Book value before acquisition 2008	Fair value adjustment	Fair value acquisitions 2008
Property, plant & equipment	0.9		0.9
Intangible fixed assets		4.4	4.4
Stocks	0.5		0.5
Receivables	1.8		1.8
Cash and cash equivalents	0.7		0.7
Trade payables and other non-interest-bearing current liabilities	-2.1		-2.1
Deferred tax liabilities	-0.1	-1.2	-1.3
Net identifiable assets and liabilities	**1.7**	**3.2**	**4.9**
Goodwill	0.7	3.4	4.1
Acquisition price	**2.4**	**6.6**	**9.0**

	Amount	Amortization rate
Customer base	4.4	7.15%
Total	**4.4**	

Breakdown of the Acquisition Price:

Payment in cash	7.2
Repayment of loan	1.2
Other costs	0.6
Total	**9.0**
Acquired cash and cash equivalents	-0.7
Net cash outflow	**8.3**

Breakdown of the Acquired Assets and Liabilities Including Goodwill per Acquisition:

	Harden Fine Foods 15.04.2008	Bakels Gida San. Ve Tic. 03.10.2008	Total
Property, plant & equipment	0.8	0.1	0.9
Intangible fixed assets	4.4		4.4
Stocks	0.5		0.5
Receivables	1.7	0.1	1.8
Cash and cash equivalents	0.6	0.1	0.7
Trade payables and other non-interest-bearing current liabilities	-2.1		-2.1
Deferred tax liabilities	-1.3		-1.3
Net identifiable assets and liabilities	**4.6**	**0.3**	**4.9**
Goodwill	3.9	0.2	4.1
Acquisition price	**8.5**	**0.5**	**9.0**

Breakdown of the Acquisition Price per Acquisition:

	Harden Fine Foods 15.04.2008	Bakels Gida San. Ve Tic. 03.10.2008	Total
Cash payment	6.7	0.5	7.2
Repayment loan	1.2		1.2
Other costs	0.6		0.6
Total	**8.5**	**0.5**	**9.0**

The table below shows the pro-forma result of CSM if the acquisitions had been made as at 1 January 2008:

	CSM	Pro-forma adjustment full-year effect	Pro-forma CSM
Net sales	2,599.3	4.0	2,603.3
Operating result	106.5	0.5	107.0
Result after taxes from continuing operations	90.0	0.3	90.3
Earnings per share	1.39	0.00	1.39

The pro-forma adjustments per entity are:

	Harden Fine Foods 15.04.2008	Bakels Gida San. Ve Tic. 03.10.2008	Total
Net sales	4.0		4.0
Operating result	0.8	-0.3	0.5
Result after taxes from continuing operations	0.5	-0.2	0.3

The pro-forma adjustments comprise net sales, operating result and result after taxes from continuing operations of the acquired companies from 1 January 2008 until the acquisition date.

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Financial Instruments

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

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

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

In principle, CSM applies the matching principle. This means that capital employed in foreign operations is financed using the country's currency in order to avoid wide fluctuations due to translation effects.

For practical reasons a specific limit is defined for each currency. Currency translation risks above this limit are hedged using a net investment hedge as follows:

US$ 450 million owed to credit institutions are seen as a net investment hedge for all US dollar companies. Exchange rate differences are therefore charged to the translation reserve in equity.
With a view to the investment in Thailand CSM entered into a forward currency contract worth Thai baht 1 billion. This forward currency contract is closed out during 2008.

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

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

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

	As at 31.12.2008	As at 31.12.2007
Receivables		1.7
Current liabilities	-0.1	
Total	**-0.1**	**1.7**

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

Sensitivity Analysis

Breakdown of the Net Amount of Unhedged Risk (Translation Risk and Transaction Risk) for each Currency as at 31 December 2008:

millions

	Net risk position	
Currency	2008	2007
• US dollar	25.1	2.3
• GB pound	80.9	90.0
• Brazilian real	29.2	48.1
• Thai baht	88.4	78.1

Out of the various divisions the results of PURAC (transaction and translation effects) and CSM Bakery Supplies North America (translation effect) are most exposed to the effect of fluctuations in the US dollar. A fall of US$ 0.01 in the exchange rate of the US dollar against the euro would have a net negative impact of approximately € 0.6 million on net profit.

Interest Risk Management

Interest rate swaps and forward interest rate contracts are used to adjust the nature of the interest rate and currency of long-term financing to fit the desired risk profile. Periodically, the Board of Management makes an assessment as to whether the fixing of the long-term financing still meets the desired risk profile.
As the interest rate has been fixed (4.7% on average) for all the CSM long-term debt (approximately € 607 million) for a period of on average 4.3 years, the interest risk is limited.

CSM entered into interest rate swaps to hedge the variable interest risk of part of the US$ 380 million US dollar debt owed to credit institutions. The fair value of those swaps was € 28.9 million negative as at 31 December 2008 (31 December 2007: € 6.5 million negative) and is recognized in non-current liabilities (2007 in non-current liabilities). Except for the cancelable interest rate swaps hedge accounting is applied to these interest rate swaps. Further analysis is found in the section on hedge transactions.

Sensitivity Analysis

If the interest rate would increase by 50 basis points the net result would be increased by € 2.1 million and equity increased by € 5.9 million. This sensitivity analysis takes account of the change in the fair value of the interest swaps and the effect of the variable interest loans and receivables on cash flows.

Breakdown Fair Values Financial Instruments:

31.12.2008	Derivatives hedge accounting	Derivatives through income statement	Loans and receiv-ables	Other debts	Total balance value	Fair value
Financial fixed assets						
• Loans			8.4		8.4	8.4
• Loans non-interest bearing			1.9		1.9	1.9
Receivables						
• Trade receivables			301.1		301.1	301.1
• Other receivables			21.0		21.0	21.0
• Accruals and deferred income			10.0		10.0	10.0
Cash						
• Deposits			34.4		34.4	34.4
• Cash other			49.2		49.2	49.2
Interest bearing liabilities						
• Owed to credit institutions				-175.3	-175.3	-177.7
• Owed to credit institutions (net investment hedge)				-321.4	-321.4	-326.5
• Financial lease commitments				-1.8	-1.8	-1.8
• Other debts				-5.4	-5.4	-5.4
Non-interest bearing liabilities						
• Trade payables				-236.9	-236.9	-236.9
• Other payables				-117.6	-117.6	-117.6
Derivatives						
• Interest rate swaps (cash flow hedges)	-28.9				-28.9	-28.9
• Foreign exchange contracts	-0.1	0.2			0.1	0.1
• Exchange swaps US$ (net investment hedge)						
• Cancellable interest rate swap		-3.3			-3.3	-3.3
• Cross currency interest swap		-75.6			-75.6	-75.6
• Exchange swap THB						
Total	**-29.0**	**-78.7**	**426.0**	**-858.4**	**-540.1**	**-547.6**

Fair values are determined as follows:

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

Hedge Transactions

Amount of € -21.3 million in hedge reserve (see note 20) relates to hedging of risks arising from future purchase and sales deals and/or commitments from current purchase and sales contracts amounting to € 43 million. The phased release of this amount will take place during the current year. The remainder relates to an interest payment hedge using an interest rate swap. This amount will be released between now and 2015, matching the release to the interest payments. Effectively, only the fixed hedged interest level will remain in the income statement.

Amount of € -31.7 million in the translation reserve (see note 20) relates to currency fluctuations of the net investments in a foreign operation deducted with the currency fluctuations of the corresponding net investment hedges. At disposal of an net investment in a foreign operation, the corresponding net impact of the currency fluctuations is recycled from the translation reserve to the income statement.

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

Derivatives:

	Short < 1 year		Long > 1 year	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Derivatives receivables used as hedge instrument in cash flow hedge relations:				
Forward currency contracts		1.7		
Derivatives receivables used as hedge instrument in net investment hedge relations:				
Forward currency contracts				2.8
Derivatives liabilities used as hedge instrument in cash flow hedge relations:				
Forward currency contracts	-0.1			-0.9
Interest rate swaps			-28.9	-6.2
Total derivatives in hedge relation	**-0.1**	**1.7**	**-28.9**	**-4.3**
Derivatives liabilities not used in a hedge relation with value change through income statement:				
Forward currency contracts	0.2			
Interest rate swaps		-0.5	-75.6	-75.8
Cancellable currency interest swap			-3.3	-0.3
Total derivatives through income statement	**0.2**	**-0.5**	**-78.9**	**-76.1**
Total derivatives	**0.1**	**1.2**	**-107.8**	**-80.4**

Liquidity Risk

Liquidity risk is the risk of CSM not being able to obtain sufficient financial means to meet its obligations in time. Periodically, the Board of Management evaluates liquidity for the next 12 months. In 2008, CSM took out a 3-year credit facility for US$ 385 extra facility for future acquisitions. The committed credit facilities at CSM's long-term disposal amounted to € 700 million and US$ 385 million as at 31 December 2008.
As at 31 December 2008 € 496.7 million were drawn.

The main conditions for the credit facility:
- the ratio of net debt position divided by EBITDA ("Earnings Before Interest, Taxes, Depreciation and Amortization") may not exceed the factor 3.5 (2007: 3.5)
- a minimum interest cover of 3.5.

These conditions were met during 2008 and as at 31 December 2008 (as at 31.12.2007 the then applicable conditions were met).

To provide insight into the liquidity risk the table below shows the contractual terms of the financial obligations (converted at balance sheet rate), including interest paid.
The table below analyzes CSM's financial obligations which will be settled on a net basis, according to relevant expiration dates, based on the remaining period from the balance sheet date to the contractual expiration date. The amounts shown are contractual non-discounted cash flows.

	Effective interest %	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
At 31 december 2008					
Owed to credit institutions	4.78		496.7		496.7
Financial lease commitments	3.79	0.2	1.6		1.8
Derivatives	4.27	11.7	96.1		107.8
Other debts	2.28	4.8	0.6		5.4
Trade payables		236.9			236.9
Other non-interest bearing current liabilities		117.6			117.6
Total		**371.2**	**595.0**		**966.2**
At 31 december 2007					
Owed to credit institutions	5.15	7.0	398.9		405.9
Financial lease commitments	3.66	0.1	1.5		1.6
Derivatives	4.36	8.0	75.2		83.2
Other debts	4.00	1.2		1.0	2.2
Trade payables		227.6			227.6
Other non-interest bearing current liabilities		118.5			118.5
Total		**362.4**	**475.6**	**1.0**	**839.0**

Credit Risk Management

CSM runs a credit risk in relation to financial instruments. This risk consists of the losses that would be incurred if the other party were to default on its contractual obligations. In respect of disbursed loans, other receivables and cash and cash equivalents the maximum credit risk equals the book value (see notes 15, 17 and 18). In respect of derivatives it equals the fair value shown in the table above.

Given the credit rating that it requires of its partners (at least single A) CSM has no reason to assume that they will not honor their contractual obligations. Therefore, the actual credit risk is virtually nil at today's insights.

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Off Balance Sheet Financial Rights and Commitments

Financial Commitments

As at 31 December 2008 the nominal value of future commitments from operational lease contracts for property, plant & equipment was € 76.5 million (2007: € 68.3 million), of which € 16.3 million within one year, € 35.1 million between 1 and 5 years, and € 25.1 million after 5 years.

Short-Term Commitments

The purchase and sales commitments from current orders stood at € 369.6 million as at 31 December 2008 (2007: € 352.3 million).

Contingent Commitments

Guarantees

Third-party guarantees amounted to € 27.0 million as at 31 December 2008 (2007: € 20.8 million). No significant future losses are expected from these guarantees.

Fiscal Entity CSM

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

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Events after Balance Sheet Date

No important events after balance sheet date are noted.

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Cash Flow Statement

The consolidated cash flow statement is drawn up using the indirect method. The items in the consolidated income statement and the balance sheet have been adjusted for changes that do not influence cash inflow and outflow in the report year. Working capital consists of stocks and receivables minus non-interest-bearing debts, excluding payable dividend, interest and income tax. The cash flow from the acquisition of group companies consists of the acquisition price of the acquired companies minus their cash and cash equivalents.

The cash flow from the sale of group companies consists of the selling price of the divested companies minus their cash and cash equivalents.

The interest-bearing debts consist of non-current and current liabilities.

The effects of exchange rate differences on cash and cash equivalents are presented separately.

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Other Information

Remuneration Policy Board of Management

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

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

	Granted in	'At target' number outstanding as at 31.12.2008	Maximum number outstanding as at 31.12.2008	Year of vesting
G.J. Hoetmer	2006	11,308	16,961	2009
	2007	9,893	14,840	2010
	2008	11,973	17,960	2011
N.J.M. Kramer	2006	7,813	11,719	2009
	2007	6,754	10,132	2010
	2008	8,172	12,258	2011
R.P. Plantenberg	2006	7,813	11,719	2009
	2007	6,754	10,132	2010
	2008	8,172	12,258	2011
Total as at 31.12.2008		**78,652**	**117,979**	

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

	Maximum number outstanding as at 31.12.2007	Maximum number granted in 2008	Expired in 2008	Vested in 2008	Maximum number outstanding as at 31.12.2008
G.J. Hoetmer	89,666	17,960	5,955	51,910	49,761
N.J.M. Kramer	21,851	12,258			34,109
R.P. Plantenberg	21,851	12,258			34,109
Total	**133,368**	**42,476**	**5,955**	**51,910**	**117,979**

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

	Number as at 31.12.2007	Awarded in 2008	Released in 2008	Number as at 31.12.2008
G.J. Hoetmer	4,523	3,169		7,692
N.J.M. Kramer	3,088	2,166		5,254
R.P. Plantenberg	3,088	2,166		5,254
G.J.van Nieuwenhuyzen	1,448		1,448	
Total	**12,147**	**7,501**	**1,448**	**18,200**

Breakdown Remuneration Board of Management:

thousands of euros	Fixed salary 2008	Fixed salary 2007	Variable salary 2008	Variable salary 2007	Total salary 2008	Total salary 2007
G.J. Hoetmer	575	564	87	220	662	784
N.J.M. Kramer	393	385	69	150	462	535
R.P. Plantenberg	393	385	69	131	462	516
G.J.van Nieuwenhuyzen		127		65		192
Total	**1,361**	**1,461**	**225**	**566**	**1,586**	**2,027**

	Pension and other provisions 2008	Pension and other provisions 2007	Total 2008	Total 2007
G.J. Hoetmer	221	217	883	1,001
N.J.M. Kramer	134	132	596	667
R.P. Plantenberg	172	168	634	684
G.J.van Nieuwenhuyzen		1,313		1,505
Total	**527**	**1,830**	**2,113**	**3,857**

Supervisory Board remuneration:

Total remuneration for members of the Supervisory Board in 2008 was € 0.3 million (2007: € 0.3 million), specified as follows:

thousands of euros	2008	2007
P. Bouw, Chairman (member Remuneration Committee/ Chairman Nomination Committee)	66	66
M.P.M. de Raad, Vice-Chairman (Chairman Remuneration Committee/ member Nomination Committee)	56	56
L.A.A. van den Berghe (member Audit Committee)	46	46
R. Pieterse (Chairman Audit Committee)	48	48
W. Spinner (member Remuneration Committee/ Nomination Committee/Audit Committee)	51	51
Total	**267**	**267**

No loans or advance payments or any guarantees to that effect have been made or issued to the members of the Supervisory Board.

None of the members of the Supervisory Board has shares in the company or any option rights relating thereto (as at 24 February 2009).

Audit Services

Total audit services for the financial year 2008 amount to € 1.5 million an can be specified as follows:

millions of euros	Deloitte Accountants bv 2008	Deloitte Other 2008	Total 2008	Total 2007
Audit Services	259	1,041	1,300	1,219
Audit related services	70		70	51
Non audit services		95	95	4
Total audit services	**329**	**1,136**	**1,465**	**1,274**

Corporate Financial Statements

Corporate Balance Sheet

before profit appropriation, millions of euros	Note	As at 31.12.2008	As at 31.12.2007
Assets			
Intangible fixed assets		27.3	27.8
Financial fixed assets	**32.**	1,369.2	1,590.4
Total fixed assets		**1,396.5**	**1,618.2**
Receivables		0.3	3.4
Tax assets		4.8	24.1
Cash and cash equivalents	**33.**	26.9	
Total current assets		**32.0**	**27.5**
Total assets		**1,428.5**	**1,645.7**
Liabilities			
Ordinary share capital		16.2	17.3
Share premium reserve		75.5	76.0
Other reserves		-49.1	1.3
Retained earnings		899.0	863.1
Equity	**34.**	**941.6**	**957.7**
Deferred tax liabilities		0.5	0.5
Non-current liabilities	**35.**	483.1	482.1
Total non-current liabilities		**483.6**	**482.6**
Interest-bearing current liabilities	**36.**		196.3
Non-interest-bearing current liabilities	**37.**	3.3	9.1
Total current liabilities		**3.3**	**205.4**
Total liabilities		**1,428.5**	**1,645.7**

Corporate Income Statement

millions of euros	2008	2007
Result from group companies after taxes	52.2	159.9
Other income and charges after taxes	37.8	42.9
Result after taxes	**90.0**	**202.8**

Notes to the Corporate Financial Statements

General

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

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

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Financial Fixed Assets

	As at 31.12.2008	As at 31.12.2007
Participations in group companies	490.6	575.2
Loans to group companies	899.4	1,097.6
Derivatives		2.8
Owed to/by group companies	-20.8	-85.2
Total	**1,369.2**	**1,590.4**

The balance of the participations in group companies and loans to group companies is positive in all participations of CSM nv.

Amounts owed to or by group companies are long-term.

	2008	2007
Movements in participations in group companies:		
As at start of financial year	575.2	478.0
Paid-in capital	66.8	47.6
Acquisition group company	0.3	
Internal sale group company	-16.0	
Result of group companies	52.2	159.9
Dividend group companies	-170.0	-105.1
Exchange rate differences	-16.8	-5.2
Other	-1.1	
As at close of financial year	**490.6**	**575.2**
Movements in loans to group companies:		
As at start of financial year	1,097.6	769.4
Exchange rate differences	17.0	-40.5
Disbursements	86.8	560.4
Repayments	-302.0	-191.7
As at close of financial year	**899.4**	**1,097.6**

33
Cash and Cash Equivalents

The cash and cash equivalents were available and payable without notice in 2008 and includes a deposit of € 19 million with ABN/AMRO with a maturity date of 2 January 2009.

34
Equity

See Movements in Equity – Consolidated Statement and note 20 to the consolidated financial statements.

35
Non-Current Liabilities

	As at 31.12.2008	As at 31.12.2007
Owed to credit institutions	375.2	398.9
Derivatives	107.9	83.2
Total	**483.1**	**482.1**

See note 24 to the consolidated financial statements.

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Interest-Bearing Current Liabilities

	As at 31.12.2008	As at 31.12.2007
Owed to credit institutions		195.8
Derivatives		0.5
Total		**196.3**

The amount owed to credit institutions in 2007 concerns bank accounts, which are showing a liability, but are part of a cashpool arrangement in the group.
See further note 25 to the consolidated financial statements.

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Non-Interest-Bearing Current Liabilities

	As at 31.12.2008	As at 31.12.2007
Taxes and social insurance premiums	-0.7	-1.4
Other debts and accruals and deferred income	4.0	10.5
Total	**3.3**	**9.1**

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Off-Balance Sheet Commitments

Contingent Liabilities

Under Section 2:403 of the Dutch Civil Code the company accepts liability for the debts incurred by Dutch group companies. The relevant declarations have been filed for perusal at the office of the Trade Register within whose jurisdiction the group company falls.

The company guarantees an external loan of US$ 170 million drawn by an American group company on the credit facility of the company.

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Personnel

On average, 3 personnel were employed by CSM nv in the Netherlands during 2008 (2007: 3.3 personnel).

Diemen, the Netherlands, 24 February 2009.

Supervisory Board
P. Bouw, *Chairman*
L.A.A. van den Berghe
R. Pieterse
M.P.M. de Raad
W. Spinner

Board of Management
G.J. Hoetmer, *Chairman*
N.J.M. Kramer
R.P. Plantenberg

Other Information

Statutory Arrangement for Appropriation of Profit

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

Article 21.1

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

Article 21.4

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

Article 21.7

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

Article 21.10

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

Proposed Appropriation of Profit

millions of euros	2008	2007
Result after taxes	90.0	202.8
Available for dividend payment to holders of cumulative financing preference shares	4.3	2.8
Proposed addition to the reserves	31.3	145.6
Available for dividend payment to holders of ordinary shares	54.4	54.4
Dividend of € 0.88* per ordinary share with a nominal value of € 0.25	54.4	54.4

* 2008 : half in stock half in cash

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

To the General Shareholders' Meeting of CSM nv

Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements 2008 of CSM N.V., Amsterdam. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at
31 December 2008, profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2008, the company profit and loss account for the year then ended and the notes.

Management's Responsibility

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with Respect to the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of CSM N.V. as at 31 December 2008, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with Respect to the Company Financial Statements

In our opinion, the company financial statements give a true and fair view of the financial position of CSM N.V. as at 31 December 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other Legal and Regulatory Requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the report of the board of management is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 24 February 2009

Deloitte Accountants B.V.
G.M. Dekker RA

Brief Resumés of the Members of the Supervisory Board

P. Bouw (1941), Chairman

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

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

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

Ms. Prof. L.A.A. van den Berghe (1951)

Nationality	Belgian
Current positions	Professor at the University of Gent
	Director Vlerick Leuven Gent Management School
	GUBERNA Belgium
Supervisory directorships	Belgacom
	Electrabel
	SHV Holdings N.V.
First appointed in	1998
Current term of office	2006 – 2010

R. Pieterse (1942)

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

W. Spinner (1948)

Nationality	German
Previous position	Member Board of Management Bayer AG
Supervisory directorships	Altana AG, Wesel (Germany)
	Cryo-save nv
	Senator Group USA, Dallas (US)
First appointed in	2004
Current term of office	2007 – 2011

Brief Resumés of the Members of the Board of Management

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

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

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

Nationality	Dutch
Previous position	(Interim) Director Finance Vroom & Dreesmann, CFO and member of the Executive Board Wessanen NV
First appointed in	April 2006

R.P. Plantenberg (1951), member of the Board of Management, division director Bakery Supplies North America

Nationality	Dutch
Previous position	Managing Director Mora Group Unilever
First appointed in	April 2006

Secretary to the Board of Management

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

Nationality	Dutch
Employed since	August 1986

Group Structure
As at 24 February 2009

CSM nv

CSM Bakery Supplies Europe	CSM Bakery Supplies North America	PURAC

Main Product Groups

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

Operating Companies

BakeMark China	BakeMark Ingredients Canada	PURAC America
BakeMark Danmark	BakeMark USA	PURAC Argentina
BakeMark Deutschland	Caravan Ingredients	PURAC Asia Pacific
BakeMark Hellas	CGI	PURAC biochem
BakeMark Ibérica	CSM Bakery Supplies Latin America	PURAC bioquímica
BakeMark Ingrédients France	CSM Bakery Supplies Mexicana	PURAC China
BakeMark International	H.C. Brill	PURAC Deutschland
BakeMark Italia	Titterington's Olde English Bakeshop	PURAC France
BakeMark Magyarország		PURAC Hungary
BakeMark Polska		PURAC Japan
BakeMark Romania		PURAC Korea
BakeMark Russia		PURAC Mexico
BakeMark Turkey		PURAC Polska
BakeMark UK		PURAC Russia
Bender-Iglauer Backmittel		PURAC sínteses
Carels Goes		PURAC Thailand
Harden Fine Foods		PURAC UK
Kate's Cakes		PGLA-I (50%)
MARGO-BakeMark Schweiz		
Unipro Benelux		

Five Years in Figures

millions of euros	2008	2007	2006	2005	2004
Continuing operations *					
Net sales	2,599	2,486	2,421	2,618	3,475
EBITA before exceptional items	133	154	155	170	262
EBITA	113	65	124	135	266
Operating result	107	60	122	134	224
Result after taxes	90	56	64	55	120
Earnings per ordinary share in euros [1]	1.39	0.82	0.90	0.75	2.05
Diluted earnings per ordinary share in euros [1]	1.38	0.81	0.89	0.73	2.04
Cash flow from operating activities	99	143	96	79	263
Cash flow from operating activities per ordinary share, in euros [1]	1.55	2.15	1.36	1.07	3.44
Depreciation/amortization fixed assets	66	66	69	76	103
Capital expenditure on fixed assets	64	116	118	99	123
ROS % [2]	4.4	2.6	5.1	5.1	7.7
Result after taxes/net sales %	3.5	2.3	2.6	2.1	3.5
ROCE excluding goodwill % [3]	13.7	8.2	17.5	16.2	22.5
ROCE including goodwill % [4]	6.2	3.6	7.1	6.9	9.5
Number of employees at closing date	8,433	8,726	8,204	8,458	13,242
Total operations					
Income statement:					
Result after taxes	90	203	105	423	120
Balance sheet:					
Fixed assets	1,361	1,373	1,356	1,327	1,558
Current assets	662	638	789	777	978
Non-interest-bearing current liabilities	381	415	530	485	612
Net debt position [5]	528	456	592	425	881
Provisions	172	182	178	248	217
Equity	942	958	845	946	826
Key data per ordinary share					
Number of issued ordinary shares	62,031,279	66,331,279	72,831,132	78,354,449	80,866,886
Number of ordinary shares with dividend rights	61,868,026	61,802,201	65,954,285	71,371,595	76,073,681
Weighted average number of outstanding ordinary shares	61,849,251	65,280,284	71,101,226	74,061,602	76,485,850
Price as at 31 December	11.50	23.10	29.17	23.03	22.92
Highest price in calendar year	25.90	29.72	29.57	26.96	24.00
Lowest price in calendar year	9.43	22.35	21.19	20.87	16.92
Market capitalization as at 31 December	711	1,428	1,924	1,644	1,744
Earnings in euros	1.39	3.06	1.47	5.72	1.49
Diluted earnings in euros	1.38	3.05	1.46	5.60	1.49
Dividend in euros	0.88	0.88	0.80	0.80	0.80

millions of euros	2008	2007	2006	2005	2004
Other key data					
Number of employees at closing date	8,433	8,726	8,497	8,458	13,242
Number of issued cumulative preference shares	2,983,794	2,983,794	2,983,794	2,983,794	4,262,566
Equity per share in euros [6]	14.52	14.78	12,81	13.26	10.86
Ratio' s					
Net debt position/EBITDA [7]	2.8	2.1	2.0	1.8	2.7
Interest cover [8]	4.9	7.6	5.6	3.7	4.7
Balance sheet total : equity	1:0.4	1:0.5	1:0.4	1:0.4	1:0.3
Net debt position : equity	1:1.8	1:2.1	1:1.4	1:2.2	1:0.9
Current assets : current liabilities	1:0.5	1:0.6	1:0.7	1:0.6	1:0.6
Dividend pay-out ratio	63.5	28.7	54.3	14.0	39.1

The financial figures as of 2005 are in compliance with IFRS, the financial figures of 2004 are in compliance with NL GAAP.

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

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

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

[3] ROCE excluding goodwill % is EBITA for the year divided by the average capital employed excluding goodwill x 100.

[4] ROCE including goodwill % is EBITA for the year divided by the average capital employed including goodwill x 100.
This takes account of all acquisitions since 1978, the year when CSM started the diversification process.

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

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

[7] EBITDA is 'Earnings Before Interest, Taxes, Depreciation and Amortization' before exceptional items.

[8] Interest cover is EBITA before exceptional items divided by net interest income and charges.

Information on the CSM Share

Share Capital

CSM is listed on Euronext Amsterdam N.V.
As at 31 December 2008 62,031,279 ordinary shares of € 0.25 each and 2,983,794 financing preference shares of € 0.25 each had been issued, including 163,253 ordinary shares with CSM.

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

Under the Listed Companies Disclosure Act of 2006, the following notifications of capital interest in CSM as at 31 December 2008 were reported:

- Hermes Focus Asset Management Europe Limited 9.549%
- Fortis Verzekeringen Nederland N.V. 6.68%
- Franklin Mutual Series Fund Inc. 10.4%
- ING Groep N.V. 6.9%
- Lansdowne Partners Limited 9.79%
- Morgan Stanley Investment Management Ltd 7.15%

N.B.: As at 24 February 2009 CSM nv has a capital interest of 0.2%.

Other Information

	2008	2007	2006	2005
Number of ordinary shares with dividend rights x 1,000 as at 31 December	61,868	61,802	65,954	71,372
Market capitalization in millions of euros as at 31 December	711	1,428	1,924	1,644
Highest share price	25.90	29.72	29.57	26.96
Lowest share price	9.43	22.35	21.19	20.87
Share price as at 31 December	11.50	23.10	29.17	23.03
Average daily turnover of shares *	372,167	279,911	250,987	258,482

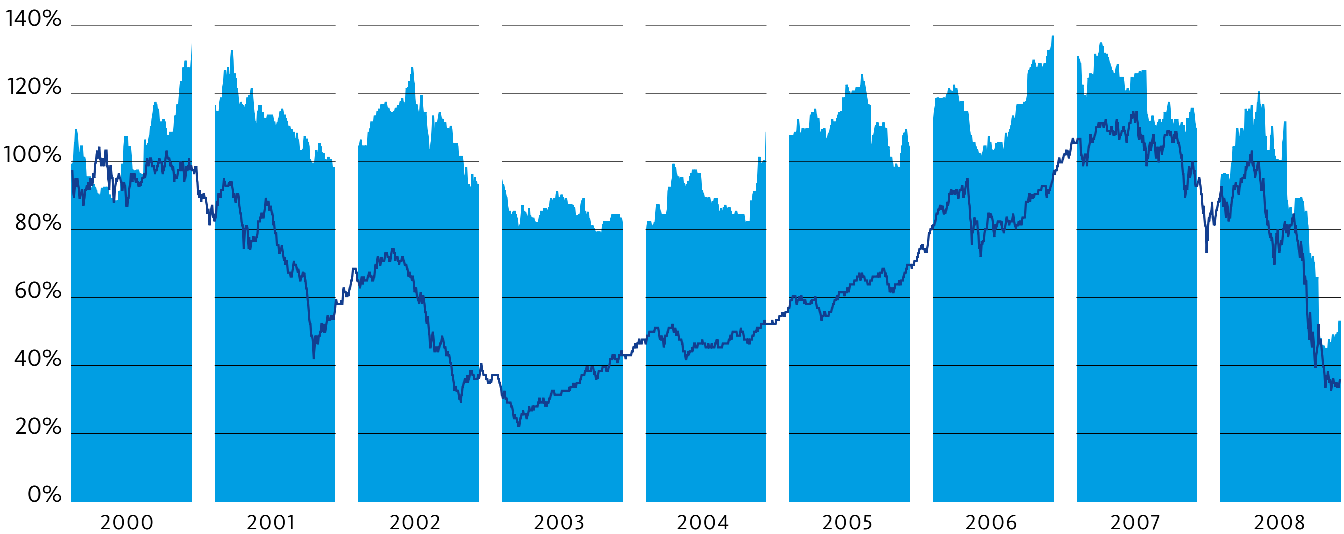
* Depositary receipts of shares have been converted to ordinary shares as at 7 May 2007.

Important Dates *

22 April 2009	General Shareholders' Meeting
24 April 2009	Ex date
28 April 2009	Record date
06 May 2009	Dividend payable for 2008
13 May 2009	Publication of interim management statement first quarter 2009
05 August 2009	Publication of half-year figures 2009
11 November 2009	Publication of interim management statement third quarter 2009
24 February 2010	Publication of annual figures 2009
24 February 2010	Announcement of dividend proposal 2009
24 February 2010	Press conference on annual figures 2009
21 April 2010	General Shareholders' Meeting
23 April 2010	Ex date
27 April 2010	Record date

* subject to change

Trend in the Share Price



Movement in price of CSM shares from 2 January 2000 to 31 December 2008 (per share of € 0.25; 2 January 2000 = 100)
Midkap index (2 January 2000 = 100)

Colophon

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