Annual report 2012

Design for growth

csm

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Contents

CSM at a glance

CSM has leadership positions in two large business to business markets. Bakery Supplies is a leading global supplier of bakery products and ingredients. Purac is a fermentation powerhouse with a leading position in food preservation, bio-based chemicals, and bio-plastics components produced from lactic acid, lactic acid derivatives, and other fermentation-based materials.
Operating worldwide CSM generates annual sales of around € 3.3 billion and has a workforce of around 9,800 employees in 28 countries. CSM is listed on NYSE Euronext Amsterdam.

Bakery products

We have a leading position in the manufacturing and sale of premium finished and semi-finished pastry products, such as cakes, donuts, muffins, viennoiserie, and American cookies. Our innovative strengths, combined with deep market insights are our engines for growth giving us our competitive edge in the market. Our activities within this segment focus on North America and Europe, where we are a leading supplier. We have been increasing our presence in fast-growing emerging markets, such as Asia and the Middle East.

Bakery ingredients

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

Preservation

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

Bio-based chemicals and bio-plastics

More sustainable solutions are replacing fossil-oil-based chemicals. We are one of the most experienced companies in the production of ingredients and chemicals through fermentation of carbohydrates. Our technology is based on renewable resources, and we have developed a number of successful products based on lactic acid, for the polymers and chemical industry.

Message from
CEO Gerard Hoetmer

Design for growth

The journey to becoming a leading supplier of bio-based ingredients

In 2012 we decided on the next step in the development of CSM. On 7 May 2012 we announced the transformation of CSM into a bio-based ingredients company, comprising our Caravan Ingredients and Purac businesses, and the divestment of our Bakery Supplies businesses.

This was a difficult decision to make as we are passionate about both our business activities and see great futures for each of them. However, to support both their growth potential we would need substantial funds in the short and long term. As a result, we had to make a choice and decided to focus on bio-based ingredients in order not to jeopardize the further development of both businesses. As CSM we will continue our bio-based ingredients activities because we are convinced that these will lead to higher value creation for our shareholders. On 3 July 2012 the CSM Extraordinary General Shareholders' Meeting approved the proposed transformation of CSM into a bio-based ingredients company including the divestment of our Bakery Supplies businesses.

Future CSM will consist of a fermentation powerhouse creating innovative and cost effective performance products and an ingredients solution provider offering customized products and best in class services.

The new company will continue to be based on the solid foundation of our values of Passion, Partnership, and Performance, using the distinct elements of the cultures and entrepreneurial spirit existing in our business.

The combined activities of Caravan Ingredients and Purac will continue to grow our strong positions in innovative products for preservation, nutrition, fortification, and structuring materials in the Food and Chemicals and Pharma markets. The opportunities to exploit our biotechnology capabilities in downstream products, such as lactides and bio-plastics, and adjacent new organic acid platforms, including succinic acid, continue to be very promising. We are making good progress in these long-term innovation cycles. At the same time, we are developing one, new operating company on the foundations of both Caravan Ingredients and Purac that will be able to execute our bio-based ingredients strategy.

Looking back on 2012, I am very satisfied that we were able to exceed 2011 results both in turnover and in EBITA, as we were able to respond well to the challenging economic environment despite the unsettling message given to many of our employees that, in due course, the Bakery Supplies businesses would no longer be part of CSM.

Our North American Bakery Supplies businesses, Bakery Products, Caravan Ingredients, and BakeMark, continued to improve their results in a market impacted by lower consumer spending. Volumes were almost stable in the fourth quarter, and good margin management combined with strong cost control boosted profits compared to last year.

At Bakery Supplies Europe, volumes increased in the fourth quarter compared to last year, the first increase since 2010. The decline in the artisan channel was not as pronounced as in the previous quarters. In line with our strategy, Bakery Supplies Europe successfully compensated this with significant growth in the in-store bakery channel.

Volumes in Purac's Food segment remained under pressure due to the subdued food market in general and low cost preservation substitutes in the US specifically, offsetting good growth at Chemicals and Pharma. Caravan Ingredients increased its market share and its overall performance was robust.

We adapted our cost base to a lower level as the CSM-wide Relevance restructuring program generated € 39 million in savings.

This year especially I want to thank all our employees for their professionalism, hard work, and ongoing support. I am proud of the way our people responded to the changes announced, with continued emphasis on serving our customers and a drive for results. This dedication has created the best foundation for the future of Bakery Supplies and for the combined Caravan Ingredients and Purac business. I have great confidence in the future of these businesses and the employees behind them. I would also like to express my gratitude to shareholders, partners, suppliers, and customers who supported us in our strategic choices and trusted us to continue to deliver the high-quality products and services to which they have become accustomed.

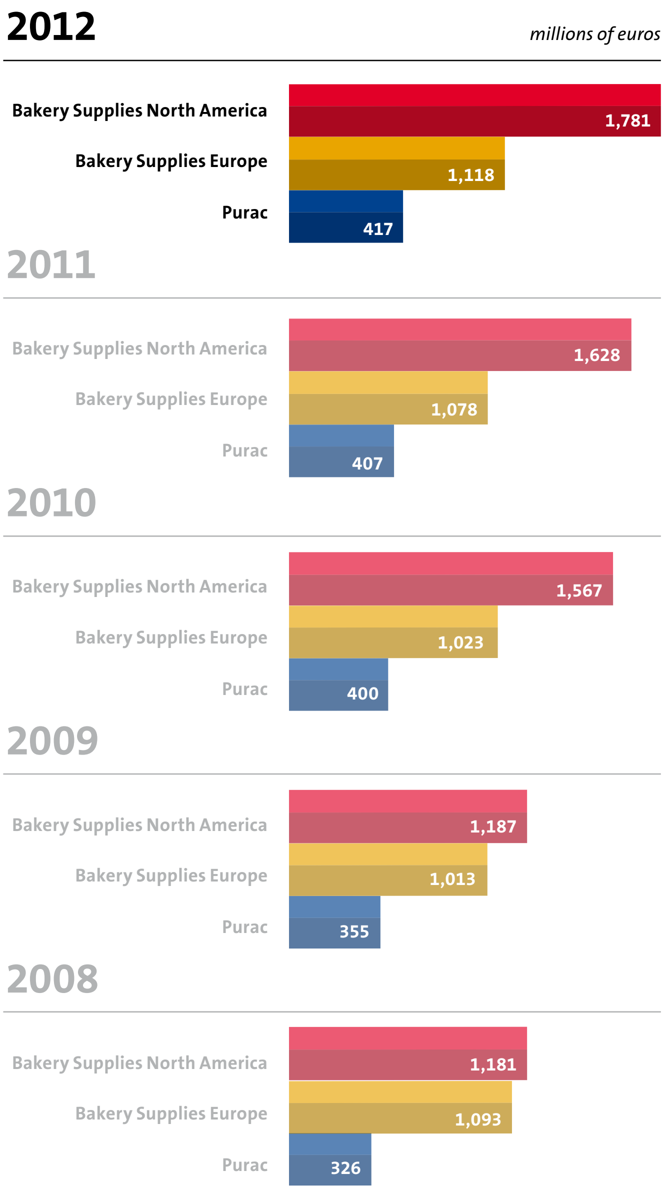
Gerard Hoetmer, CEO

Members of the Board of Management
CEO Gerard Hoetmer
CFO Koos Kramer

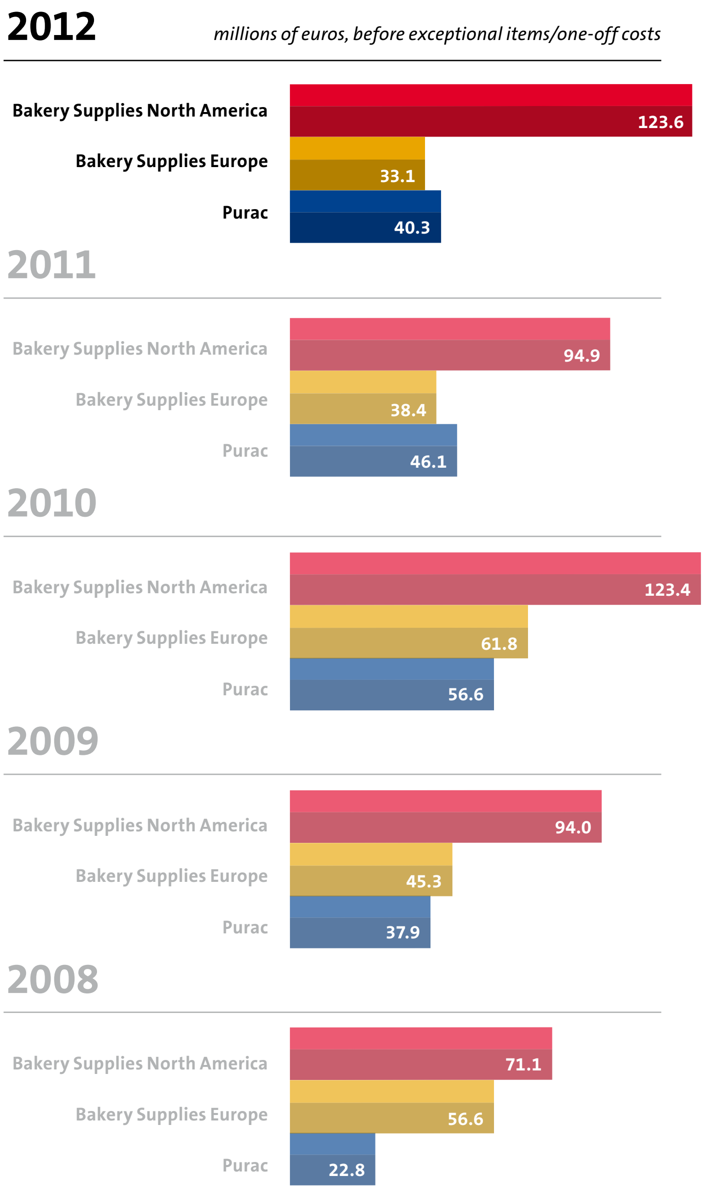
Financial highlights

Sales	EBITA	Cash flow
Organic sales growth 0.4%	EBITA excluding one-off costs increased by 13.0%	Increased by € 49.4 million
€ 3,315.7 mln	**€ 170.8 mln**	**€ 197.4 mln**

Net sales 2008-2012, bakery and lactic acid activities



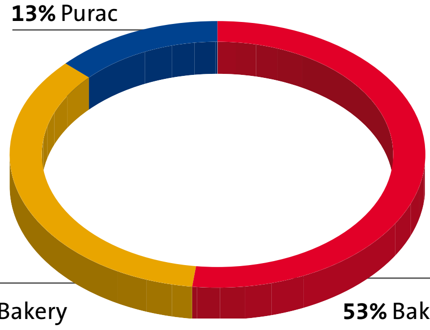
EBITA 2008-2012, bakery and lactic acid activities



Healthy balance sheet ratios	Earnings per share	ROCE
		Excluding one-off costs
2.0x EBITDA	**€ -0.96**	**7.6%**

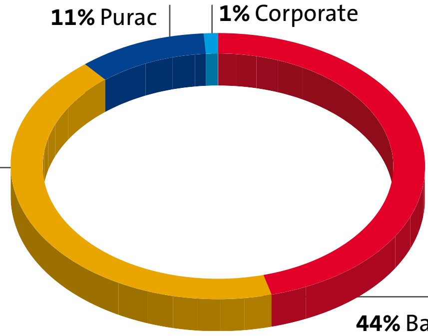
Net sales by division

2012



Number of employees by division

2012



Net sales by region and number of employees by region

Key figures

millions of euros	2012	2011
Continuing operations		
Net sales	753.7	714.3
EBITA excluding one-off costs	64.0	64.2
EBITA	45.8	55.6
Operating result	39.8	49.7
EBITDA excluding one-off costs	101.2	94.8
Result after taxes	27.2	30.9
Earnings in euros [2] *	0.34	0.38
Diluted earnings in euros [2] *	0.34	0.38
Cash flow from operating activities	72.8	61.9
Cash flow from operating activities per common share, in euros [2] *	0.99	0.83
Depreciation/amortization fixed assets	43.2	36.5
Capital expenditure on (in)tangible fixed assets	55.8	47.9
EBITA margin % [4]	6.1	7.8
Result after taxes / net sales %	3.6	4.3
ROCE % [5]	8.4	10.5
Number of employees at closing date	1,795	1,828
Total operations		
Income statement		
Net sales	3,315.7	3,112.6
EBITA excluding one-off costs	170.8	150.8
EBITA	123.9	130.2
Operating result	-72.7	-149.5
EBITDA excluding one-off costs	252.0	222.8
Result after taxes	-63.7	-174.3
Balance sheet		
Non-current assets	1,374.3	1,558.9
Current assets excluding cash and cash equivalents	704.4	740.4
Non-interest-bearing current liabilities	489.6	478.5
Net debt position [1]	510.9	615.6
Provisions	219.5	256.9
Equity	858.7	948.3
Key data per common share		
Number of issued common shares	69,914,711	67,658,699
Number of common shares with dividend rights	69,909,876	67,580,372
Weighted average number of outstanding common shares*	69,877,362	69,813,766
Price as at 31 December	16.25	12.08
Highest price in calendar year	16.48	26.88
Lowest price in calendar year	10.49	9.25
Market capitalization as at 31 December	1,136	816
Earnings in euros [2] *	-0.96	-2.56
Diluted earnings in euros [2] *	-0.96	-2.55
Cash flow from operating activities per common share, in euros [2] *	2.77	2.06
Other key data		
Cash flow from operating activities	197.4	148.0
Depreciation/amortization fixed assets	109.6	102.7
Capital expenditure on (in)tangible fixed assets	76.2	91.7
Number of employees at closing date	9,650	9,843
Number of issued cumulative preference shares	2,983,794	2,983,794
Equity per share in euros [3]	11.78	13.44
Ratios		
EBITA margin % [4]	3.7	4.2
Result after taxes / net sales %	-1.9	-5.6
ROCE % [5]	5.5	5.9
Net debt position/EBITDA [6]	2.0	2.8
Interest cover [7]	10.1	7.6
Balance sheet total : equity	1:0.4	1:0.4
Net debt position : equity	1:1.7	1:1.5
Current assets : current liabilities	1:0.4	1:0.6

*previous year is restated for stock dividend

1 Net debt position comprises interest-bearing debts less cash and cash equivalents.

2 Per common share in euros after deduction of dividend on cumulative preference shares.

3 Equity per share is equity divided by the number of shares with dividend rights.

4 EBITA margin % is EBITA divided by net sales x 100.

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

6 EBITDA is "Earnings Before Interest, Taxes, Depreciation, Amortization and impairment of intangible fixed assets" here including acquisition and divestment results for the full year and excluding one-off costs.

7 Interest cover is EBITDA as defined in Note 6 divided by net interest income and charges.

Report of the Board of Management

Strategic transformation of CSM

On 7 May 2012 we announced a major step in the evolution of the company: the intended transformation of CSM into a bio-based ingredients company and the intended divestment of our Bakery Supplies businesses.

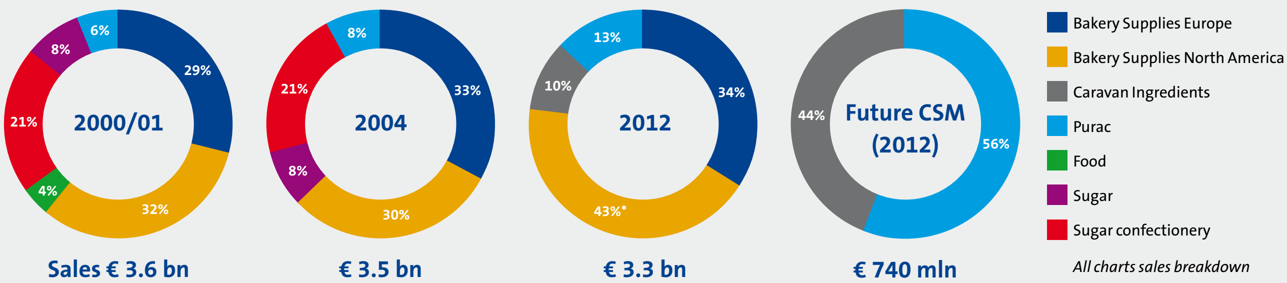
Future CSM will be a leading global player in fermentation and bio-based ingredients derived through sustainable processes. It is our goal to be a high growth, high margin business built around our combined Caravan Ingredients and Purac businesses.

Caravan Ingredients has leading positions in the North American markets for specialty ingredients including lactic acid based emulsifiers, functional blends, and fortification ingredients.

Purac is an innovative biotechnology company. Historically its main focus has been on lactic acid and lactic acid derivatives, in which it has a world market leadership position. Purac is leveraging its fermentation capabilities to expand beyond lactic acid into other bio-based alternatives for fossil-oil-based products.

Divestment of Bakery Supplies

Our Bakery Supplies businesses have strong market positions in Europe and North America. In the current environment of expected continuation of volatility in raw material costs and pressure on consumer spending, further market consolidation in the bakery segment is essential for a prosperous future. The high-growth opportunities CSM has identified for its bio-based product activities require significant investments as well. In the



*ex. Caravan Ingredients

The history of CSM

CSM was founded in 1919 and for the first sixty years of its existence CSM was a domestic sugar processing company. Changes to the European sugar regulations made it difficult to expand in the sugar industry in Europe and CSM started to look elsewhere for future growth.

The most suitable sector for diversification was considered to be the branded food and confectionery sector where CSM's strategy was to acquire high-quality products with sustainable market positions. The first acquisition in this sector was the consumer food group of Koninklijke Scholten-Honig, including the strong Honig brand. This acquisition marked the move into the consumer food market. Many other acquisitions in the food and sugar confectionery industry, both foreign and Dutch were to follow.

In the meantime a small biochemical research laboratory was set up and in 1968 CSM entered the lactic acid market through a joint venture with Handelsvereniging Amsterdam (HVA). In the 1980s the investments in bio-based chemicals began to bear fruit; joint venture partner HVA was bought out and in 1986 the Spanish lactic acid producer Luis Ayuso was acquired. The lactic acid business unit was renamed Purac, which developed a broad spectrum of applications for lactic acid and lactic acid derivatives.

Alongside a high rate of autonomous growth, expansion was achieved through the acquisition of important users of lactic acid such as the US producers of bakery products Breddo and C.J. Patterson. This was the beginning of the entrance into the bakery ingredients field. The acquisition of Westco Products in 1992 marked the beginning of a period of rapid expansion in this field. Many other acquisitions in the bakery segment followed both in the US and in Europe where in 2000 Unilever's European Bakery Supplies Business was acquired.

After evaluating its options CSM decided to focus on its business-to-business activities. This led to the sale of the food division in 2001, the sugar confectionery division in 2005, and ultimately to the sale of the sugar division in 2007.
Following a comprehensive review of the group's strategy in early 2012, instigated by the Business Review by the end of 2011, CSM decided on its next step in the company's evolution: transforming into a bio-based ingredients company.

longer term CSM does not have sufficient financial resources to exploit both opportunities. It is expected, given the current market environment and the requirement to maximize shareholder value, that our Bakery Supplies businesses will be of greater value to another owner, and as such better positioned to participate in this consolidation.

CSM started the divestment process for its North American and European Bakery Supplies businesses in 2012. The strategic transformation of CSM and the divestment process of the Bakery Supplies businesses are progressing according to plan. Once the divestment process is finalized, CSM will be able to further focus on and invest in its bio-based ingredients activities.

Evolution of CSM

Throughout its existence CSM has worked on its strategy and portfolio, streamlining and refocusing to exploit new opportunities. Starting as a sugar company, it grew through sugar-derived products, food ingredients, bakery supplies, and to now bio-based ingredients, CSM's future focus.

Becoming a leading supplier of bio-based ingredients

Future CSM will be a leading supplier of innovative, bio-based ingredients for preservation, nutrition, fortification, and stabilization, serving end markets in Food and Pharma as well as providing substitutes for fossil-oil-based chemicals.

We will continue to operate in a variety of segments and markets starting from a strong foundation in food, and rapidly expanding into other segments through differentiated products for a wide variety of applications. We will target growth opportunities in new core food industries, lactic acid applications such as bio-plastics, as well as next generation, bio-based alternatives for fossil-oil-based materials, all with superior performance and environmental credentials.
CSM will develop commercially attractive bio-based alternatives for fossil-oil-based chemicals using renewable and sustainable resources manufactured through natural processes based on biotechnology.

We will develop innovative products in line with market trends and needs and deliver both short- and long-term (open) innovations to enable customers to grow and succeed.

During 2012 CSM made major strides towards becoming a leading supplier of bio-based ingredients.

On 15 May 2012 we, together with DSM and Delft University of Technology, announced our joint venture for bioprocess research. The new company, Bioprocess Pilot Facility bv, is aimed at scale-up research and education for next-generation bioprocesses. A unique facility which enables companies, researchers, and educational organizations around the world to test their new bioprocesses on such a scale that they can make the step to an industrial facility.

In August, CSM strengthened its position in the resorbable biomedical market, with the acquired FiberLive™ technology from Vivoxid Ltd. This acquisition complements the activities of Purac Biomaterials, which develops, manufactures, and markets resorbable polymers and monomers for medical applications. This new technology will enable Purac to develop, manufacture, and market new high strength biomaterials for medical use.

The joint venture with BASF (5 October 2012), which aims to develop a market leader position in bio-based succinic acid, is an important step forward in the execution of our strategy to transform CSM into a bio-based ingredients company. This joint venture, for the production and sale of bio-based succinic acid, is fully in line with our strategy to develop commercially attractive bio-based alternatives using renewable and sustainable resources.

Growth opportunities

The opportunities to exploit our biotechnology capabilities in downstream products (such as lactides and bio-plastics) and adjacent new organic acid platforms (for example, succinic acid) continue to be very promising. CSM is making good progress in these long-term innovation cycles. Our competences and customer intimacy open up opportunities to expand our food portfolio building on the combined strategic capabilities of Caravan Ingredients and Purac.

Many fossil-oil-based chemicals can be replaced by bio-based chemicals. CSM's fermentation capabilities can be used to expand into these bio-based alternatives. For example, currently only a fraction of the worldwide 265 million tons of plastics produced is biodegradable and/or from renewable sources. Being a raw material for bio-plastics, PLA made out of lactic acid is developing its use in various applications steadily.

We see an increasing demand for high quality bio-based products at a good price, preferably produced in a sustainable way. CSM is continuously improving the eco footprint of its lactic acid and other organic acid processes to meet this demand. The gypsum free process reduces the use of chemicals substantially and produces significantly less CO_2. We also have research and development programs working towards options of using biomass as a raw material input to significantly lower our eco footprint even further.

Steps on the journey to becoming a leading supplier of bio-based ingredients

During the past year CSM set some important milestones on its journey to becoming a leading supplier of bio-based ingredients. The acquisition of the FiberLive™ technology from Vivoxid Ltd. and the recent joint ventures with BASF and with Royal DSM and Delft University of Technology are major steps for Future CSM.

Succinic acid production on an industrial scale

In October CSM and BASF established a 50-50 joint venture in bio-based succinic acid. The company, Succinity GmbH, will be operational in 2013.

Strong growth is anticipated in the demand for succinic acid in the years ahead, driven mainly by bio-plastics, chemical intermediates, solvents, polyurethanes, and plasticizers. This bio-based succinic acid collaboration adds an important new growth pillar to CSM's bio-based polymers and green chemical business.
BASF and CSM have been conducting research on succinic acid within a joint development agreement since 2009. The complementary strengths in fermentation and downstream processing have led to the development of a sustainable and highly efficient manufacturing process based on a proprietary microorganism. The bacterium used is Basfia succiniciproducens, which produces succinic acid through natural processes and which is capable of metabolizing a variety of renewable feedstocks into succinic acid. The new process combines high efficiency with renewable raw materials and the fixation of the greenhouse gas carbon dioxide (CO_2), and makes bio-based succinic acid an economically and ecologically attractive alternative to petrochemical raw materials.

At present a fermentation facility at Purac's Montmélo site near Barcelona in Spain is being modified for the production of succinic acid. This plant, which will go into operation in late 2013, with an annual capacity for 10,000 metric tons will assure the joint venture of a leading position in the global marketplace. This is complemented by plans for a second large-scale facility with a capacity for 50,000 tons, which will enable the company to respond to the expected increase in demand.

Strengthen our position in the resorbable biomedical market

The acquisition of the FiberLive™ technology from the Finnish company Vivoxid Ltd. in August 2012 complements the activities of Purac Biomaterials, which, under the brand name of PURASORB®, develops, manufactures, and markets resorbable polymers and monomers for medical applications. FiberLive™, a unique composite consisting of resorbable glass fibers and resorbable polymers, forms the strongest fully resorbable material available today. With this technology Purac Biomaterials will further consolidate and strengthen its position in the resorbable biomedical market and will develop, manufacture, and market new materials with load-bearing properties.

The FiberLive™ technology will be a game changer in the orthopedic resorbable market, where load-bearing properties are needed in trauma and spine applications amongst others. The FiberLive™ technology is the strongest fully resorbable material available for human implants, with a strength comparable to metal, and up to six times greater than cortical bone.

From laboratory and pilot plant to industrial-scale operations

Since May 2012, CSM, Royal DSM, and Delft University of Technology have been participating in a joint venture for bioprocess research. The new company, Bioprocess Pilot Facility bv (BPF), is based in Delft in the Netherlands and will scale up research and education for the next generation of bioprocesses.

BPF can facilitate research in process development across the entire spectrum of biomass pre-treatment, fermentation, and downstream processing. Initially, BPF was set up with buildings and equipment that already existed on the DSM site and were brought into the joint venture.
BPF is an open-access facility where other companies, universities, and institutes can execute their scale-up research on bioprocesses. CSM, DSM, and Delft University of Technology joined forces in order to obtain a world-class facility for testing new bioprocesses in the development from laboratory and pilot plant to industrial-scale operations.

BPF receives funding from the European Union, the Dutch Ministry of Economic Affairs, Agriculture and Innovation, the Province of South Holland and the Municipalities of Rotterdam, Delft, and The Hague.

Financial commentary 2012, dividend proposal, outlook for 2013

Results

Net sales

Net sales in 2012 increased by 6.5% to € 3,315.7 million (2011: € 3,112.6 million). The effect of acquisitions contributed € 24.5 million (0.8%). Exchange rate differences, especially the US dollar, positively impacted the sales figures by € 166.0 million (5.3%). Adjusted for acquisition and currency effects, organic growth was € 12.6 million (0.4%).

Breakdown of organic growth

Bakery Supplies North America	1.1%
Bakery Supplies Europe	-0.1%
Purac	-1.2%

Organic growth for Bakery Supplies North America was the result of 2.4% lower volumes sold due to the unfavorable economic climate offset by average higher sales prices (3.5%). In Europe volumes were lower by 2.6%. The negative impact was almost wholly offset by price/mix effects of 2.5%.

Volumes at Purac were down by 0.7% mainly due to a weaker economic climate and the impact of low cost in use, chemical substitutes in the meat preservation market. Average sales prices were slightly lower (0.5%).

EBITA

EBITA excluding one-off costs increased by € 20.0 million, or 13.3%, to € 170.8 million in 2012 (2011: € 150.8 million). EBITA including one-off costs (mainly related to the Relevance restructuring program and divestment costs) amounted to € 123.9 million. The net acquisition effect was negligible. Our EBITA was positively impacted by € 12.1 million as a result of the translation of our income in foreign currencies to the euro.

Breakdown of the change in EBITA excluding one-off restructuring and divestment costs

	millions of euros	*+/-%*
BSNA	28.7	30.2%
BSEU	-5.3	-13.8%
Purac	-5.8	-12.6%
Corporate	2.4	8.4%

Development of the results per division is explained in the divisional sections.

Impairment of BSEU goodwill

In connection with the divestment of our Bakery Supplies businesses, our 2012 financial statements will reflect the reclassification of the entire Bakery Supplies business as “Held For Sale”. Immediately before doing so, a regular assessment of the carrying amount of our assets was required, in accordance with conventions used until the reclassification. This implies that our goodwill impairment test was performed separately for Bakery Supplies Europe, Bakery Supplies North America, and Purac.

Through applying this test, we concluded that the carrying value of Bakery Supplies Europe no longer was justified by its fair value. As a result we have taken a non-cash impairment charge of € 165 million. For Bakery Supplies North America and Purac the fair value exceeded the carrying value.

Following the IAS 36 impairment, we have applied IFRS 5 and compared the total combined carrying value of our global Bakery Supplies businesses (after adjustment for the above impairment) with the estimated total fair value. We found that the combined fair value exceeds the combined carrying value.

In estimating the appropriate valuation of the cash generating units and the disposal group, all relevant information was considered; that information was not yet available as of the date of our January 29 trading update.

Financial income and charges

Net financial charges decreased by € 5.0 million to € 24.7 million due mainly to the lower net debt position and partly to a shift to more floating-rate financed debt which resulted in a lower average interest rate.

Taxes

Net taxes in 2012 were € 33.6 million positive compared to a tax income of € 5.0 million in 2011.

Balance sheet

Capital employed including goodwill on historical-cost basis decreased by € 33.1 million to € 2,206.8 million. The main movements were:

millions of euros

Capital expenditure on (in)tangible fixed assets	76.2
Depreciation/amortization/impairment of (in)tangible fixed assets	-121.9
Acquisitions	14.1
Working capital decrease	-30.5
Exchange rate differences	-13.5
Tax positions	39.4
Other	3.1

The acquisition effect mainly relates to the acquisition of The Cookie Man (UK), Promocook (France), and the FiberLive™ technology from Vivoxid Ltd. (Finland).

In the Bakery Supplies businesses there were no large capital expenditures in 2012 because the acquisitions made provided the required capacity increase for frozen foods. The capital expenditures made in Bakery Supplies are regular replacement capital expenditures and investments made to enhance our IT structure. At Purac, while there were no major capital expenditure projects in 2012, many smaller capacity de-bottlenecking and new innovation investments were made.

CSM's headquarter buildings in Diemen, which were owned by the Pension fund CSM Suiker, were acquired by CSM in 2012. Trade working capital decreased by € 30.5 million to € 224.4 million. Lower inventory and receivable balances were the main contributors. Payables were at the same level as 2011.

Equity before profit appropriation decreased by € 89.6 million to € 858.7 million.
The main movements were:

- The negative result after taxes of € 63.7 million;
- A decrease of € 21.6 million in connection with the dividend for financial year 2011;
- Negative exchange rate differences of € 8.3 million due to the translation of equity denominated in currencies other than the euro;
- Positive movement of € 3.5 million in the hedge reserve.

At the end of 2012 the ratio between balance sheet total and equity was 1:0.4 (2011: 1:0.4).

Assets and liabilities held for sale

Under IFRS 5, assets or groups of assets held for sale (HFS) should be presented separately in the ending balance sheet.

Such assets are to be recognized in the balance sheet at the lower of carrying value or fair value less costs to sell, and are no longer depreciated from that moment onwards. To the extent such HFS components are also part of a major line of business to be sold, such operations should also be presented as Discontinued Operations in the income statement on a full-year basis (including re-presentation of comparative 2011 figures). The sale of CSM's Bakery Supplies businesses meets the definition of both HFS and Discontinued Operations.

The total net asset value of the HFS activities as recorded in our balance sheet does not equal the carrying value of these activities taking into account the impairment charge, because of the fact that the carrying value does not include elements such as intercompany debt and cash.

Cash flow

Cash flow from operating activities increased by € 49.4 million to € 197.4 million compared to 2011. This is the balance of the higher operational cash flow before movements in working capital of € 6.2 million, a positive impact of the decrease in working capital and provisions of € 28.6 million, and lower taxes and interest paid of € 14.6 million.

The cash flow needed for investment activities decreased by € 22.1 million to € 80.8 million in 2012. Next to the acquisition of The Cookie Man (UK), Promocook (France), and the FiberLive™ technology from Vivoxid Ltd. (Finland), capital expenditure accounted for most (€ 74.5 million) of this cash outflow.

Cash outflow from financing activities amounted to € 123.4 million, this was € 74.0 million higher compared to 2011. This comprised the cash element of the dividend for 2011 paid in 2012 of € 21.6 million and a net repayment on loans amounting to € 101.4 million.

Financing

Our financing ratios have been improved by the higher operating result as well as lower debt levels.
At the end of 2012, the ratio of net debt to EBITDA was 2.0x (2011: 2.8x) and the interest cover for 2012 was 10.1x (2011: 7.6x). We continue to stay well within the limits of our financing covenants.

The net debt position amounted to € 510.9 million at the end of 2012, a decrease of € 104.7 million compared to the end of 2011. This is the net balance of the following major movements:

- A positive cash flow from operating activities before working capital and provisions of € 212.4 million;
- A net investment in tangible and intangible fixed assets of € 74.5 million;
- Cash dividend payments of € 21.6 million;
- The acquisitions of The Cookie Man, Promocook, and the FiberLive™ technology from Vivoxid Ltd. totaling € 17.7 million;
- Taxes paid on profit of € 8.3 million;
- Interest payments of € 26.1 million;
- A decrease of € 19.4 million in working capital and provisions.

At 31 December 2012, the interest-bearing non-current liabilities amounted to € 615.0 million (31 December 2011: € 726.9 million). The average effective interest rate on the non-current liabilities outstanding as at 31 December 2012 was 3.3% and the average remaining term 2.9 years (31 December 2011: average interest rate 3.5 and average term 4.0 years).

Reservation and dividend policy

The reservation policy is aimed at creating and retaining sufficient financial scope to realize the growth objectives while maintaining healthy balance sheet ratios. CSM intends to add or charge the profit or loss to the company reserves after payment of the statutory dividend on financing preference shares and after deduction of the proposed dividend on common shares. Issues such as financing requirements, acquisitions, divestments, reorganizations, or other strategic considerations can lead to adjustments in the reserves and the reservation policy.

The amount of dividend on common shares and the type of dividend that the company will 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.

The company's reservation and dividend policy will be reviewed, in view of the transformation process currently underway at CSM.

Dividend proposal

Upon adoption of the financial statements holders of cumulative financing preference shares will receive the statutory dividend. The proposed dividend on common shares will be presented to the General Shareholders' Meeting to be held on 6 May 2013.

The proposed dividend on common shares amounts to € 0.70 per share, in line with previous year. Shareholders will be able to choose between a cash and stock dividend charged to the reserves. The stock dividend is exempt from Dutch dividend taxes.

Outlook 2013

2013 will be a transformational year for CSM as we build our new bio-based ingredients organization centered on Caravan Ingredients and Purac. We expect to divest our Bakery Supplies businesses, and that the Bakery Supplies businesses will only contribute for a part of the year. The current macroeconomic environment is challenging and many aspects remain uncertain. However, CSM should benefit in 2013 from reduced volatility in raw material prices compared to the hectic period 2010 to early 2012. For Future CSM, 2013 will be a year in which we plan to invest in many exciting, innovative products, and to build our organization further. The returns on some of these investments will become visible in years beyond 2013.

CSM Bakery Supplies

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

The Bakery Supplies market

Bakery products are a core product in many Western markets with a household penetration of nearly 100%. Grain-based breads and pastries are an important part of consumers' daily diets in large parts of the world, while in non-Western markets, bakery products are becoming increasingly popular. The market has developed into a wide range of products, from traditional breads to the finest pastries, offering unprecedented levels of choice for today's consumer anywhere, anytime.
Innovation is a key growth driver in the bakery market. Innovations include product development addressing the trends in the marketplace, while innovations in technology and application improve the baking process.
Technology and packaging have extended the shelf life of many bakery products. In addition, technology and innovation have increased the quality of (semi) finished bakery products that can compete with freshly baked goods. This has opened up many opportunities to diversify sales channels. The artisan bakery remains an important channel in Europe, although in-store bakeries in supermarkets and out-of-home channels are continuing to increase their sales in the bakery market worldwide.

The requirements of the Bakery Supplies market in which CSM operates can be divided into:

- Ingredients;
- Finished and semi-finished products.

CSM's position in Bakery Supplies

CSM has a leading position in the bakery market. Our position is based on the high quality of our products and the value-adding services, for which we are renowned.

Ingredients

CSM is market leader in ingredients such as bread improvers, bread and pastry mixes, bakery margarines and emulsifiers, fruit and pastry creams, fillings, icings, and glazes. We focus on areas where we can offer added value, meaning that we do not offer basic bakery product ingredients such as flour and sugar. CSM has a strong reputation in ingredient technology, which is the backbone of our strategy to drive growth in both ingredients and finished bakery products.
Within the ingredient segment, our customer base comprises traditional artisan bakeries, industrial bakers, and supermarkets that offer in-store finishing of bakery products.

Finished and semi-finished products
We have a leading position in the manufacturing and sale of premium finished and semi-finished pastry products, such as cakes, donuts, muffins, viennoiserie, and American cookies. Our innovation strengths, combined with deep market insights are our engines for growth giving us our competitive edge in the market.

Our activities in this segment focus on North America and Europe, where we are a leading supplier. We have also increased our presence in fast-growing emerging markets, such as Asia and the Middle East.

Main market trends
We identify a number of key market trends. CSM Bakery Supplies is excellently positioned for leveraging these to drive future growth.

New types of outlets
In Europe, the artisan bakery is still the traditional outlet for daily bread and pastries, but the landscape is rapidly changing. In most Western countries, supermarkets are increasingly making inroads into the bakery markets and are already accounting for an important share in sales. More and more consumers are demanding bakery products wherever they go. They no longer expect these products to be available only throughout traditional outlets and channels, and this has resulted in other types of outlets gradually selling more bakery products. These trends are forcing the once very unique channels to adapt, whereby many traditional artisan bakeries are either focusing on premium products or increasing their offerings by selling coffee and pastry for direct consumption. The largest sales growth is seen in out-of-home channels such as coffee houses, convenience stores at train stations and gas stations, and restaurants, which can offer bakery products anytime, anywhere.

Improved production technology
State-of-the-art technology that allows freezing of partly or fully baked products has boosted the above-mentioned blurring of channels. The availability of frozen bakery products is also driving the increased assortment of artisan and in-store supermarket bakeries and the sale of fresh bakery products at out-of-home outlets.

Demand for healthier products
Consumers interest in calorie reduction and their increasing awareness of healthy ingredients create a growth opportunity for the bakery industry. Lowering the fat and sugar content and focusing on the natural health aspects of grain-based products, like high fiber content, will continue to drive growth in this industry.

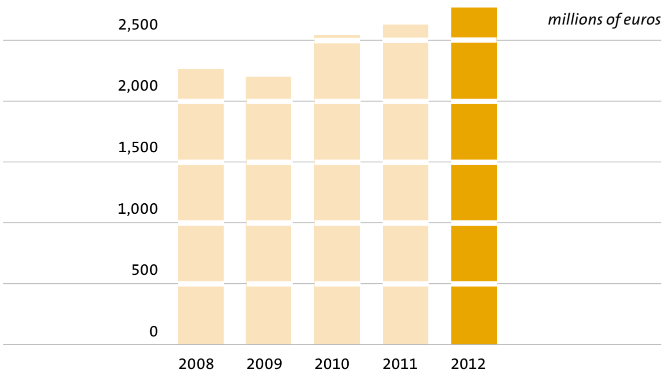
New indulgence
The trend towards healthier food means consumers have become more conscious when allowing themselves to consume indulgent products, and they demand the highest premium quality. Many consumers are experimenting with new products, new flavors, and new moments to enjoy bakery products. This openness to new tastes and products is allowing CSM to launch products, typically enjoyed in one part of the world, in other markets.

Expanding into new markets
The growth of bakery markets in developed countries, where population and spending power growth are limited, is relatively low and aligned with the overall GDP. Growth rates are considerably higher in emerging markets where populations are steadily expanding and average income is supporting the consumption of Western type grain-based products.

Customer support and services
Our Bakery Supplies customers are increasingly looking for suppliers who can support them in various ways, including product development, logistics solutions, and marketing activities. We see a growing demand for what we call customer intimacy-based solutions, which we are able to provide.
In addition to these long-term trends, we see the impact of the current trading environment on the market, with both the consumer and our customers seeking ways to economize. Our customer support and services provide our customers with the right insights to respond to these needs, and we customize our offering accordingly, for example with product reformulations or packaging changes.

Bakery Supplies strategy
Our Bakery Supplies strategy is geared towards building leadership positions in our markets and ensuring sustainable and profitable growth with above market average returns.

Net sales CSM Bakery Supplies



The starting point of our strategy is our passion for delivering the best products and being a true partner to our customers. Our global reach and capabilities give us a unique competitive edge that supports a successful execution.

Passion for our products

New and innovative products are brought to the market continuously to meet the needs of our customers and end-consumers. Turning global trends into local offerings is one of the keys to maintain an attractive product portfolio. Our global strengths in marketing and innovation and a strong local and regional presence coupled with an in-depth understanding of the local markets are strong competitive advantages.

Partnership

Partnering with our customers is our preferred way of operating, as it leads to mutual growth and prosperity. This means not only supplying the right product to each customer, but also providing a range of customer support services. The technical support required by our customers to improve the quality of their products and the efficiency of their operations is delivered by our motivated employees.

Developments and results 2012

During 2012 the economic climate continued to be difficult in North America and Europe. Consumer spending was stagnant to declining, driven by worries about job security and housing prices. Especially in Southern Europe our customers and consumers faced difficult times; the consequences of fiscal austerity in these countries are lower government spending, higher taxes and increased interest expenses - all of which put constraints on the spending power of our end-consumers.
Raw material prices remained at high levels, close to their peaks of mid-2011.

In this tough environment our Bakery Supplies businesses performed satisfactorily. We saw volume declines albeit at a rate in line with or better than market average, while profitability increased as a result of our strong focus on cost. The performance of our North American Bakery Supplies businesses; Bakery Products, Caravan Ingredients and BakeMark, continued to improve in a market impacted by lower consumer spending. Volumes were almost stable in the fourth quarter, and good margin management combined with strong cost control boosted profits compared to last year. At Bakery Supplies Europe, volumes increased in the fourth quarter compared to last year – the first increase since 2010. The decline in the artisan channel was not as pronounced as in the previous quarters. In line with our strategy, Bakery Supplies Europe successfully compensated this with significant growth in the in-store bakery channel.

Market situation

Recessionary economic situation in North America and Europe

The ongoing uncertainty in the worldwide economy has affected consumer demand in especially the United States and Europe. Food sales were down across the board and our bread and pastry categories performed in line with many other food categories. This of course also impacted our sales levels. Total sales volume of Bakery Supplies decreased by just over 2%, according to our information in line with or better than the market. As a result of lower spending power many consumers look for cheaper alternatives. This has led to down trading in products, from premium to economy products and to a shift in consumer channels, with the artisan channel losing market share to the supermarkets.

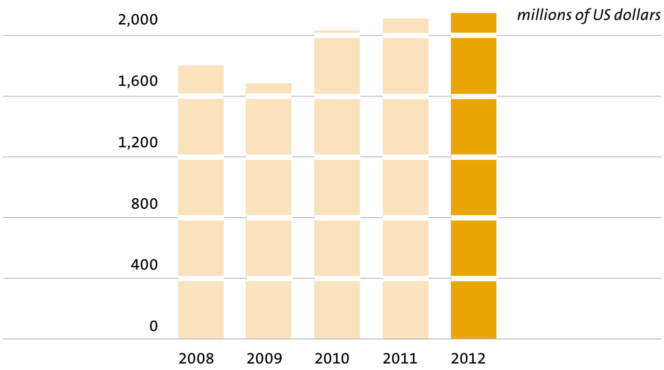
Raw material price volatility

For many months in 2012 it looked like raw material prices would remain rather stable for the first time in many years. Unfortunately weather conditions in the summer and fall of 2012 distorted this picture. A severe drought in especially large parts of the US made prices of corn and wheat increase sharply. 2012 once again made clear that a professional organization is a necessity. Close cooperation between our procurement and sales organizations reduced the impact of the increased raw material prices for both our customers and us.

Increasing importance of the supermarket as primary bakery channel

As many consumers in Western markets had to cut their spending, supermarkets got a boost as a primary outlet for bakery products. With an offering of high-quality but premium priced products artisan bakeries have a natural disadvantage in these days and had to accept a stronger decline in 2012 than

Net sales CSM Bakery Supplies North America



over the previous years. Given the high market share of CSM in this channel, our revenues were impacted substantially. The continuous increase in our share of the in-store bakery channels in supermarkets could not fully offset the impact of declining volumes in the artisan market.

Restructuring

The impact of our Relevance restructuring program, initiated in the fourth quarter of 2011, has been very visible in our results for 2012. Savings for the total company amounted to € 39 million versus our target of € 30 million for the year, while one-off costs related to Relevance amounted to € 12.7 million in 2012, bringing the total costs since the start of the initiative to € 23.8 million versus our estimate of € 30 million. The Bakery Supplies divisions have contributed the vast majority of the savings leading to a successful execution of the Relevance program.

Results 2012: Bakery Supplies North America

As mentioned above, the Bakery Supplies market had difficulties in maintaining its volumes, which was in line with the total food market. We saw volumes decline by 2.4%, in line with or better than the market. The volumes at Caravan Ingredients declined by 1%.

As a result of somewhat higher selling prices our US dollar sales increased by US$ 23 million (1%) to US$ 2.287 million.

The on average higher selling prices recovered some of the margin lost in 2011, while our focus on cost control further benefited our margins. The closure of two of our manufacturing sites at the end of 2011 made an important benefit to our cost level in 2012. As a result, despite lower volumes sold, EBITA before one-off costs rose to US$ 158.7 million (2011: US$ 132 million), and as a percentage of sales to 6.9% (2011: 5.8%).

Investments in fixed assets in our Bakery Supplies North America activities of US$ 18 million were lower than our depreciation level of US$ 34 million. Although working capital faced upward pressure from the on average higher raw material cost and selling prices, our continuous efforts supported by improvement programs reduced it by US$ 33 million. Our average working capital cash conversion cycle improved and ended at 29.0 days, from 30.2 days in 2011, indicating continued cash discipline within our organization. As a result of the improved EBITA and supported by the lower capital employed, ROCE before one-off costs increased to 12.0% compared to 9.7% in 2011.

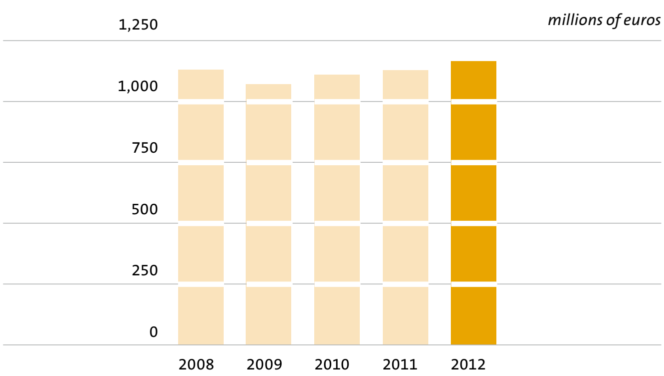
Results 2012: Bakery Supplies Europe

Volumes sold in the European markets were also impacted by the difficult economic climate. More than in the US, we were impacted by the decline in market share of the artisan channel. For the full year our volumes declined by 2.6% despite sales growth in supermarket in-store bakeries. A few smaller acquisitions made during 2011 and 2012 supported our volumes sold by 2.2%.

Higher selling prices which reflected compensation for higher raw material prices and product mix changes, positively impacted sales by on average 2.5%. The higher selling prices recovered the lost margins incurred in 2011. Margins were further supported by our focus on costs. Selling, general, and administrative expenses benefited from the Relevance restructuring program compensating most of the inflationary cost pressures. EBITA before one-off costs amounted to € 33.1 million (2011: € 38.4 million). It was encouraging to see that the second half of 2012 saw improved results compared with the second half of 2011, an indication that we are on track to further recovery. EBITA as percentage of sales decreased to 3.0% from 3.6% in 2011.

An impairment to the value of the goodwill on the balance sheet was required for an amount of € 165 million since the fair value of the Bakery Supplies Europe activities was below its carrying value.
Capital expenditure of € 10.8 million was lower than our depreciation level in 2012. Working capital saw a further reduction despite ongoing pressure due to higher raw material costs and increased selling prices. We were able to decrease working capital to € 54.5 million at year-end (2011: € 58.1 million). Our average cash conversion cycle ended at 28.8 days, from 31.1 days in 2011 reflecting continued attention to capital conservation. Our ROCE before one-off costs decreased to 3.8% in 2012 (4.6% in 2011) as a result of lower EBITA.

Net sales CSM Bakery Supplies Europe



Buying bakery products anywhere

Supermarkets are making more and more inroads into the bakery market and are continuing to increase their share of total consumer spending. More consumers are demanding bakery products wherever they are; shopping or on-the-go.

In 2012 CSM successfully targeted growth in out-of-home and in-store bakery channels in Europe. We strengthened our presence in these strategically important channels by rebalancing activities and resources.

CSM increased its retail and out-of-home expertise and culture by investing in more dedicated people in these channels and developing internal training on category management.

Marketing project managers and new processes increased CSM's agility in working with key accounts in retail and out-of-home. These project managers supported, for instance, the development of consumer shelf-ready packaging for donuts and muffins. Ready-packed donuts and muffins are easier for retailers, who have lower implementation costs and products that are quicker to implement. Shelves are always packed with products because refilling is easier and quicker.

CSM's cross-functional key account teams carefully examined key geographies, category, and channels to identify the best growth opportunities. CSM used its deep and broad knowledge of bakery for the growing category of bakery products and retail and out-of-home channels and helped its customers to expand their business.

To strengthen its position in these segments, CSM acquired the well-recognized brand The Cookie Man and the French company Promocook.

Platform for growth

The Cookie Man, based in Esher, Surrey (UK), manufactures a range of baked cookies, cupcakes, muffins, and cake slices. It was a long-term acquisition target for CSM because of the nature of its products and its customer base. In January 2012 this family-owned business went into administration, and after a period of intense negotiation with the administrator, it was acquired by CSM. The Cookie Man fits in perfectly with CSM's aim to focus on the retail and out-of-home channels, in addition to its established artisan and industry businesses.

Since the acquisition, there has been a period of stabilization and planning for future growth. Already, The Cookie Man's customer portfolio, which includes premier names such as Waitrose, Sainsbury, and Brakes, has served as a platform for growth, whilst its manufacturing capabilities align and complement existing CSM capabilities. In the near future the "fit" with existing capabilities and key customers will be further developed.

Accelerating growth of sales

Promocook focuses on the production and sale of brownies in the French market. As market leader in this segment, it sells to all major retailers and the out-of-home channel. It has a state-of-the-art production facility in Chanteloup en Brie, France.

This acquisition is helping CSM to accelerate growth in the American sweet bakery segment of the bakery products category and in the retail and out-of-home channels.
Together with the product range from CSM's UK factories, including the recently acquired The Cookie Man, it gives CSM the perfect assortment and manufacturing capabilities to develop and enlarge its sales in American-style tray-bake products and concepts in the rest of continental Europe.

Purac

Purac is a leading player in natural food preservation, bio-based chemicals, and bio-plastics produced from lactic acid, lactic acid derivatives, and other fermentation-based materials. It creates niche positions by offering solutions based on natural fermentation capabilities, replacing in most cases fossil-oil-based materials.

Our markets

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

Preservation

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

Fortification

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

Bio-based chemicals and bio-plastics

The large chemicals market offers many opportunities for more sustainable solutions replacing traditional fossil-oil-based chemicals. With our technology based on renewable resources, we are well positioned to benefit from this trend.
We have developed a number of successful products based on lactide monomers, derived from lactic acid. Using these materials we enable our customers to produce bio-plastics components and products with a heat resistance to at least 120°C, thereby opening up a wide range of potential applications. Bio-plastics are already being used in a variety of applications, such as in packaging materials.

In addition to lactic acid, a new bio-based building block is fermentation-based succinic acid, a renewable building block we are developing in partnership. This demonstrates our global leading position in fermentation technology and capabilities.

Main market trends

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

Sustainability

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

Safe, healthy, and natural food

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

Purac's position

Purac plays a leading role in providing healthy, natural, and bio-based products within its markets. Its continued investments in research and development and close cooperation with customers have given it a strong and preferential market position.

While focused on developing new and innovative products, Purac has not lost sight of its competitive cost position. It maintains its competitive position with efficient manufacturing facilities on three continents at locations where its main raw materials are abundantly available using the latest technologies. Continuous investments in more efficient and more sustainable production techniques will warrant a continued competitive offering.

Purac's strategy

With the announcement on 7 May 2012 of the new CSM bio-based ingredients focus, the strategic direction of Purac is clearly an integral part of the total CSM strategy.

The strategic direction of CSM is to become a leading player in a few selective markets where our bio-based offerings and high service levels will give us a competitive advantage. The selective markets we will continue to focus on are the markets for food ingredients, bio-based building blocks, and bio-plastics.

CSM's strategy is geared towards achieving or maintaining leadership in our markets and ensuring sustainable and profitable growth with returns above market average.

In the market for food ingredients we will more specifically be directing our efforts towards food safety, shelf life extension, and fortification.

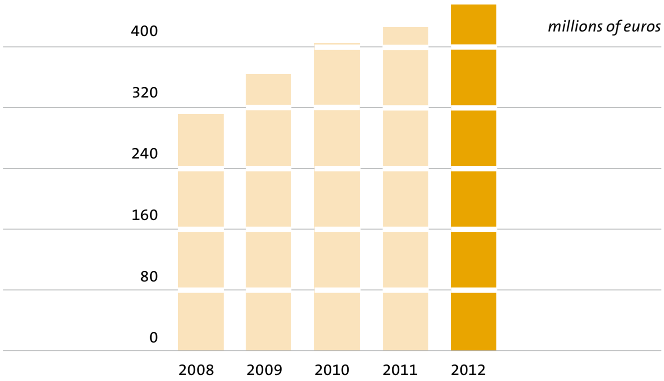
On the market of bio-based building blocks we will continue to develop new fermentation-based organic acids replacing fossil-oil-based products. The production of succinic acid, in the context of our joint venture with BASF, is an important first new fermentation-based building block, we are delivering, in addition to lactic acid.

The market for plastics is one of the largest markets in the world, in which we will focus on creating a niche with our ingredients for Poly Lactic Acid (PLA), a lactic acid based plastic. We have created the required production capabilities and are working closely with many partners in developing new applications for PLA.

Our long-term strategy is to drive growth by continued investment in the creation of new products and related production capacity. We will increase our investment in fermentation technology, the development of new fermentation-based organic acids, and specific industry applications in the coming years. Due to the nature of the products and applications that Purac develops, innovations are likely to take a number of years before starting to deliver significant sales.

These investments will warrant the long-term prosperity and growth of our company but may limit the growth of our net income in the years to come. The divestment of our Bakery Supplies businesses will generate the funds required to make the necessary investments to drive our strategy.

Net sales Purac



Next to our innovation focus, intimate cooperation with and high professional service to our main customers are vital to a successful execution of our strategy. It will increase the success rate of our innovations and the speed with which these are absorbed by the market. Application research is often done in close cooperation with our customers. Delivering professional services means that we have deep knowledge of the industries we are operating in, being able to talk the language of the customer and understanding its opportunities and challenges give us the possibility to show true partnership. We believe that only through real partnership we can deliver mutual value creation.

Developments and results 2012

In its Food ingredients segment Purac experienced a small volume decrease in 2012, mainly as a result of the underlying end consumers economizing on their food purchases as well as substitution in Purac's important US meat preservation market by chemically derived preservation ingredients. The bio-chemical building blocks we develop and sell in the Chemicals and Pharma markets continued to grow. Our global presence compensated for difficult market environments in the European and US markets. In PLA, 2012 did not yet see the commercial breakthrough in closing sizeable contracts. Nevertheless we made major strides forward in our bio-plastics activities in 2012, and going forward we see strong signs that the PLA market is developing in line with our ambitions. We are in close contact with many leading Fast Moving Consumer Goods (FMCG) companies that would like to substitute fossil-oil-based packaging materials with products made from renewable resources like PLA. We have invested heavily in the organization and the capabilities necessary to develop and monetize these opportunities.

Results 2012

Sales of Purac increased from € 407.2 million to € 416.8 million, due to higher sales within the Chemicals and Pharma segment and lower sales in our Food ingredients segment. Volumes sold were stable overall, with demand-led growth in Asia cancelled out by the adverse impact of the recessionary environments of Europe and North America. Price levels on average were stable, price pressure in our more mature markets, driven by the recessionary environment and increased competition was compensated by the sale of more premium priced specialty products.

Our margins benefited from slightly lower raw material costs and cost control in our manufacturing environment. The latter however was not enough to offset the expenses related to our new lactide factory that opened late 2011. Selling, general, and administrative expenses increased substantially reflecting investment in our organization to develop new organic acids, alternative raw materials, and new production technologies. Also, the bio-plastics organization was expanded to better serve potential customers and jointly develop new applications. As a result EBITA before one-off costs decreased by € 5.8 million to € 40.3 million (2011: € 46.1 million), and as a percentage of net sales to 9.7% (2011: 11.3%).

After the large investments in lactides manufacturing in 2011, capital expenditures in 2012 were with € 33.8 million close to the annual depreciation charge of € 30 million. Included in the € 33.8 million were the first expenses for the expansion of our Biomaterials activity in the US. Intangible fixed assets increased by € 17.7 million due to the acquisition of trademarks and licenses (FiberLiveTM). Working capital came down compared to 2011, mainly as a result of good inventory management and decreased by € 8.2 million to € 70.8 million, at year-end. Our average cash conversion cycle ended at 68.1 days, from 83.7 days in 2011. Capital employed at year-end increased to € 360.5 million from € 342.2 million. ROCE before one-off costs decreased from 13.3% in 2011 to 11.6% in 2012 mainly as a result of the investments made in our organization.

Our people

In 2012 we have invested a significant amount of time and resources in developing tools, processes, and forward-looking initiatives to create a compelling and competitive company environment. Offering career development opportunities and an appealing place to work not only attract the best talent, it also helps to retain and develop people by giving them a solid base to perform.

The announcement of the transformation into a bio-based ingredients company has had a major impact on our employees. In order to maintain motivation and prevent attrition rates to increase, management devoted a lot of attention to proper communication and incentivizing our employees. Since the announcement in May 2012 we have kept our employees informed through regular updates on the progress of the intended divestment of the Bakery Supplies businesses as well as on our progress in building Future CSM. In addition we have held town hall meetings to inform our employees. We have not seen changes in attrition rates due to this transformation process.

Our values

Our deeply embedded corporate values, Passion, Partnership, and Performance, are the cornerstones of our strategy. They guide us every day to deliver the best products, technologies and services to our customers. Our values inspire and connect, uniting us into one culture across divisions and countries.

The CSM leadership behaviors

In 2012 we focused on implementing a set of Leadership Behaviors across our company which is now part of our performance management cycle and process.
We see our values as an "entrance ticket" and "condition for progress" within the organization. The CSM leadership behaviors describe the behavior we expect from our leaders so they can deliver on our strategy. Each of the leadership behaviors holds up a bar of excellence against which we assess our talent and structure development plans.

Our people strategy

The aim of our people strategy is to drive continuous development and improvement, through nurturing a company culture and helping individuals and teams to grow. The HR function ensures that CSM has the tools, structure, and culture needed to deliver on our aspirations as a company.

Talent management and a high performance culture

In 2012 we continued to leverage our globally aligned talent development processes to attract and retain talent. Career planning and progression, succession planning, talent review,

and performance management are all executed with one cohesive, global process that ensures objectivity, transparency, growth, and mobility. Talent management is a core element in our people strategy which is designed to facilitate the execution of our business strategy. A set of tools has been implemented and is now part of our talent management process.

Learning and development

Our two Leadership Development Programs (LDP) target high potentials at key junctures in their development within the company. The first brings together high-potential managers who will likely grow into a senior management role within the next 5 to 7 years. This program is a regional, cross-divisional curriculum consisting of four distinct modules which are executed throughout the year. The focus is on improving personal and managerial skills as well as stakeholder management, operating more effectively in an international environment, gaining in-depth knowledge of the company, and creating a peer group from which participants can seek advice and a sense of community.

The second LDP targets high-potential senior managers who are expected to become the successors of our executive leadership team in 5 to 7 years. The aim of this program is to improve strategic insights, change management and managerial skills, enhance influencing abilities, learn how to leverage the cultural differences within the company, and share best practices.

In 2012 the current LDP programs have been finalized. The transformation of CSM will require an overhaul of our Leadership Development Curriculum, which will be developed in the course of 2013.

Leveraging our global scale

As a global company with operations in 28 countries, we understand the importance of providing our people with the broadest possible experiences. Our company structure requires a diverse management team that is well connected and takes an international approach to growing the business. That is why we provide our employees with opportunities to work on large-scale and complex projects, sometimes abroad, to further develop and challenge their unique skills and capabilities where we need them most.

Our operating framework seeks to combine the strength of our global scale and capabilities with local operations. Getting that balance right is essential for delivering on our strategy.

Our workforce

In 2012, the average workforce slightly decreased from 9,900 to 9,857 (FTE).

Bakery Supplies Europe employs most people (4,392), followed by Bakery Supplies North America (4,359) and Purac (1,050 people worldwide).

We have expanded into new regions and invested in staffing our strategic initiatives. We also acquired Promocook and The Cookie Man. The resulting workforce increase was, however, partly offset by redundancies related to the global restructuring program Relevance initiated in October 2011 and the closure of two plants in the US following the integration of Best Brands.

See the Sustainability section - Trends in social KPI's for statistics on number of employees, diversity, and training.

Safety

We are committed to high environmental, health, and safety (EHS) standards. To meet this commitment, we maintain management systems that are designed to ensure continued compliance, while working towards ongoing improvement. CSM implements EHS management systems, such as ISO 14001 or comparable standards at its operating companies to minimize environmental impact. Purac has implemented the OSHAS 18001 health and safety management system at its plants and Bakery Supplies Europe is implementing similar systems. We conduct regular audits to monitor EHS compliance and performance of our businesses worldwide. In 2012, all Purac sites have been third-party audited, based on the Sedex SMETA audit procedure which consists of a thorough formal examination of the labor practices of a particular workplace. It is a verifiable process to understand, measure, report on, and help improve an organization's social and environmental performance. All of our Bakery Supplies North America sites have been third-party audited, based on the Safety Performance Evaluation and Reporting (SPEAR) system. Similarly, safety audits have been carried out at our BakeMark sites and employees were recognized for their adherence to safe work practices.

We have two basic safety rules: 1) we want people to go home the same way they came to work, and 2) no job is so urgent or important that it cannot be done safely. Safety starts with senior management commitment and is driven across our organization with the support of safety steering teams, who set the safety agenda and stimulate initiatives at each plant. We truly believe that zero is possible and hence strive to create a Zero Accident Culture. By laying a firm foundation through OSHAS 18001 and practicing the 4 P's – Practices = Policies + Procedures + Processes – we try to move our culture towards zero accidents. In 2012, Purac implemented DuPont™ STOP™, a behavioral safety program, since behavior, and not conditions, is often the root cause of accidents. We also work with our partners, like DuPont, towards sustainable and responsible EHS practices among suppliers, contractors, and customers. We strive for open communication and dialogue at the workplace and with our stakeholders so we can respond to any concerns and suggestions.

CSM in society

Living and working in partnership with the community is an important part of the CSM culture. In North America, CSM provides partnership support to the March of Dimes, Feeding America, American Cancer Society, Salvation Army, Wounded Warriors, and the Los Angeles County Sheriff Youth Foundation STAR Program. Employees also volunteered in Junior Achievement, an education program delivering an inspirational curriculum while sharing their experiences with local middle school students.

In Thailand, Purac supports the development of children and students around the manufacturing plant in Rayong. The Purac employees are personally involved in tree planting initiatives in the local community.

Purac also acts as a sponsor of the Eco-Citizen project aimed at cleaning the city of Macaé, Brazil, that has been severely hit by pollution as a result of the oil industry. Key elements in the program are removal of trash from the streets, rivers, and beaches. In Blair, Nebraska, Purac participates in the Community Enrichment Campaign. During a two-week period our employees are involved in activities to raise funds for local charity programs and services.

Clean labels for food products: a trend to be reckoned with

Today's consumers want prepared foods to be authentic, tasty, and fresh, and are turning away from unfamiliar or chemical-sounding additives. They want fewer ingredients in the foods they purchase, and they want to recognize the ingredients on the product label. They are looking for names they can pronounce and processes they are familiar with. Clean label is a consumer trend to be reckoned with.

What clean means

In the absence of a regulatory definition we have defined clean label, based on consumer and market research, as: made with ingredients that consumers understand and recognize and that generate a perception of authenticity, transparency, premium taste/quality, enhanced healthiness, and trust. For example, clean labels contain words like flour, yeast, and salt, rather than a long list of barely pronounceable additives.

Keeping the balance

The increasing consumer demand for clean label products is creating additional challenges for the industry in terms of ensuring the overall quality and shelf life of products as well as the performance of ingredients in applications. Consumers realize that some foods do need additives in order to be wholesome and safe for consumption, but they are likely to opt for a product with natural and familiar ingredients. So besides meeting the demand for clean labels, food manufacturers have to extend shelf life, guarantee safety, and maintain oral texture, flavor, and taste, whilst ensuring convenience and affordability. Every ingredient plays a role in balancing the product stability with the eating experience, which is what makes a food product recognizable to consumers. The removal of all artificial ingredients generally undermines product stability and quality and will probably influence the flavor and destabilize the delicate balance required for an optimal taste and oral texture.

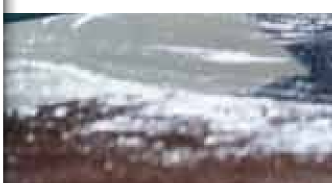
Meeting the need

Clearly, the development of high-quality clean label products constitutes a big consumer opportunity that food manufacturers and retailers must respond to. At CSM we provide innovative ingredients, product solutions and marketing concepts to help our customers to exploit this opportunity.

Caravan Ingredients markets Pristine™, a line of products which provides convenience and performance for bread bases plus a minimized list of ingredients, all natural and additive-free. From hot dog and hamburger buns, sponge and dough pan breads, to whole grain bakery products, Pristine™ offers solutions for removing "label-unfriendly" additives, improving crumb structure, and reducing gluten, where applicable. With no process changes required, Pristine™ products allow bakers to capitalize on consumer demand by combining superior machineability and uniformity with a cleaner label.

Purac's Verdad® portfolio of fermentation-based ingredients has been specifically developed for food processors striving for the very highest standards of quality maintenance during shelf life and allows food producers to meet the consumer demand for cleaner labeling. Fermentation is an age-old process that imparts multiple benefits to a finished food product, including enhanced flavor, improved texture, and greater microbiological stability. The addition of ferments to food products yields all of these advantages without fermenting the product itself. Verdad® minimizes the need for heavy processing (e.g. sterilization) and contains components that enhance savory notes, such as tomato, spices, and herbs. The product enables the food industry to meet the consumer-friendly label demands, while maintaining sensory properties and product quality during shelf life. Verdad® is the perfect solution for today's clean label challenges.

With no standard definition of clean label, it is difficult for consumers to recognize the clean label aspects of a product. Clean label means different things for different products and target groups. Bakery Supplies Europe has developed a system to highlight cleaner labels, which – in line with our definition – is flexible and clearly indicates which aspect of a cleaner label is addressed. Rather than creating a commercial clean label logo, with criteria unknown to the customer, we opted for full transparency on what qualifies our products for a cleaner label. To consumers, clean label is a reason-to-believe. It's about benefits, such as honesty, transparency, and authenticity, what food should be about. It could even signal premium taste and eating experience. Clean label can be a point of differentiation for retailers and consumers.



Innovation

Innovation is at the heart of CSM. It is a key differentiator in our strategic positioning and fundamental to maintaining and strengthening our leading position. The changing environment in which CSM operates today has further demonstrated its importance. Innovation is crucial for deepening our relationships with customers and helping them to succeed in an ever evolving marketplace. Our commitment to innovation is deeply embedded in our strategy and culture. We have the resources in place to secure our position, today and in the future, and remain the prime innovator in our industries.

Innovation at Bakery Supplies

Innovation continues to drive and deliver CSM's strategic initiatives. To generate new ideas, we implemented a state-of-the-art front-end innovation model to help identify on-trend solutions for our customers. Innovation is not only about great ideas and up-to-date technology. It also involves identifying market trends and opportunities, and customer intimacy. That is why innovation at CSM is supported by the following research and development infrastructure:

1. Product Development Centers close to our markets and securing swift responses to a wide variety of customer demands;
2. Innovation Centers focused on long-term technology development and product development linked to current and emerging market trends.

Close cooperation between these two innovation enterprises drives our unique "from global to local" positioning in the market. It enables us to convert global trends and developments into initiatives that work in local markets while at the same time, leveraging local bakery technology across the globe.

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

Marketing, research, and development specialists work together with our customers in developing their products and strategies, supported by our market insights. The Product Development Centers play an important role in addressing and mitigating high raw material costs for our customers by redesigning products. For some customers it is key to maintain price levels for some categories, which we can accommodate by applying alternative ingredient technologies or adapting composition or weight. Servicing our customers by addressing their specific needs and challenges truly nurtures partnerships.

Our Innovation Centers focus primarily on anticipating global and regional trends and merging these with our consumer insights and input from the Product Development Centers. Our researchers at the Innovation Centers translate scientific insights into commercially appealing and viable technologies. The innovation centers target step-change solutions which meet consumer and customer needs better than available alternatives. They help us devise an innovation strategy that is in line with the overall CSM strategy, by developing original solutions through a portfolio of projects. These help to meet the challenges that arise from changing consumer and customer demands, market developments, new technologies, and emerging legislation and regulations. The centers collaborate extensively, exchanging ideas, products and processing technologies, knowledge of raw materials, and best practices.

Our innovation network, comprising six Innovation Centers and twenty Product Development Centers underscores our global reach. Our Product Development network and Innovation Centers are organized by technology (Bakery Ingredients, Sweet Ingredients, Bakery Fats, Emulsifiers, and Bakery Products), both in Europe and the United States.

Focus areas

We have multi-disciplinary category teams in place, with people from marketing, product development centers, innovation centers, and supply chain to secure all interfaces. These category teams develop our product group strategies.

The product group strategies drive our innovation program which addresses global market trends most significant to CSM: health and wellness, indulgence, convenience, changing customer needs, and consumer behavior. In addition, we anticipate the impact of greater environmental awareness, sustainability, and globalization.

Health and wellness

Health and wellness is generally acknowledged as a leading theme in the food industry. Primary focus points are offering smart alternatives for treats and indulgence products and more appealing healthier foods. This is especially relevant considering that overweight and obesity and the lack of certain essential nutrients are health threats and a daily reality for the majority of consumers. As our products play a pivotal role in achieving a balanced diet, we will increasingly expand our offering of alternative, more balanced product options. All innovations have to be achieved without compromising on taste or eating experience. Our innovation strategy for health and wellness is aligned with the important role bakery products have in our daily diets.

Convenience

One of the trends determining the changing landscape in which CSM operates, is the (structural) shift towards in-store bakeries and out-of-home. Customers in these sales channels do not normally deploy full-scale bakery equipment nor do they have a skilled bakery workforce. Particularly these customers look for solutions that minimize operational handling and maximize consumers' experience of freshly baked goods. For artisan bakers, on the other hand, the focus is on solutions that enable them to focus on activities, where they can add the best value.

The innovation strategy for convenience comprises "easy to prepare" and "de-skilling" solutions that allow our customers to optimize their operations, offering robust convenience formats that can deliver a genuine bakery experience without requiring in-depth bakery skills. On the consumer side, our convenience innovations are focusing on product formats that allow a freshly prepared bakery product experience at anytime, anywhere.

Indulgence/experience

A growing number of consumers are becoming more adventurous in their eating habits and like to try new products and new flavors from different parts of the world. At the same time, there is a strong tendency towards authenticity and heritage. We see a growing awareness about indulgent products today; these should have the highest premium quality, and are often presented in smaller portions.
The innovation strategy for indulgence/experience is combining these trends. By sharing knowledge, expertise, and consumer insights from around the world, we are able to tweak product winners to the requirements of markets or product formats.

Developments 2012

In 2012, a number of successful innovations were launched, including:

- Ancient Cereals – demonstrating excellent consumer appeal, our Ancient Cereals concept experienced strong growth;
- Sunfry Baking® donut – established remarkable sales growth with a better tasting, low fat product and recruited new shoppers to the donut category;
- Sensibly Indulgent® – using breakthrough ingredient technology we launched new low calorie sweet treats under the brand name Sensibly Indulgent® in the US;
- Rainbow Blast cake – our buttercrème-topped cake bursting with bright and colorful cake layers truly brought excitement to the bakery.

Innovation at Purac

Purac has a centrally managed Innovation and Competence Center and four regional application laboratories. The knowledge generated by the Innovation and Competence Center is used to develop new products and applications that meet the needs of Purac's specific markets: natural food preservation, bio-based chemicals, and bio-plastics.

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

Focus areas

Purac responds to global food trends by exploring innovations based on natural food preservation solutions. Its focus areas are food safety and the extension of shelf life. The challenge is to develop solutions that reduce the number of ingredients on product labels and achieve cleaner labels.

New product development also focuses on lowering costs for our customers. Many of Purac's solutions are formulations based on lactic acid and lactic acid derivatives, although other solutions have been developed and launched successfully as well.

Sustainability is a key theme in Purac's portfolio. As a leading player in bio-based chemicals made from renewable resources, such as beet and cane sugar, corn and tapioca starch, Purac also aims to contribute to the global industry's search for solutions that reduce CO2 emissions and decrease dependency on fossil fuels.

Purac is well positioned to contribute to a new generation of bio-based building blocks in which lactic acid and lactides can become important platform chemicals. Purac operates at the forefront of the development of products, technology, and applications for bio-based Poly Lactic Acid (PLA).
Alongside lactic-acid-related products, Purac is also developing bio-based succinic acid in partnership with BASF. Succinic acid is a platform molecule which can be used as a building block for the production of many chemicals and various applications.

Developments 2012

Consumers are increasingly seeking clean label food products, yet want foods to have a long shelf life and still be safe to eat. In 2012, Purac launched a number of new products which improve the shelf life and/or safety of food products and meet the needs of the food industry for cleaner labeling. We see a high demand for products fitting this description, especially in the United States. The food industry is also demanding safety solutions to control pathogenic bacteria such as Listeria, which can cause severe illnesses. The need for preservation solutions is growing with the increasing number of fresh food products on the market.

Another important trend in the food industry is salt reduction. In the past years, Purac has launched new products that enable food manufacturers to meet this need. One of these new products, PuraQ Arome NA4, was awarded the Food Ingredients South America Award 2012 in the category "Most Innovative Food Ingredient".

Research by Purac has demonstrated the effectiveness of PURAC® FIT Plus, a purified lactic acid, for natural color stabilization in acidified foods and drinks. The study showed that PURAC® FIT Plus can reduce the fading of anthocyanins (natural red-purple colors) in acidified finished products. As color fading is perceived as a quality defect by consumers, the ability to retain fresh and vibrant colors throughout a product's shelf life is a valuable benefit for formulators and brand owners. Natural colors are inherently unstable and factors including pH, temperature, oxidation, light, and the presence of sugar or salt can all affect stability in the end product. This latest research opens up new opportunities for formulators to stabilize colors more efficiently in acidified applications such as beverages.
In 2012, Purac made further progress with the development of products, technology, and applications for bio-based Poly Lactic Acid (PLA).

Purac's new lactide plant in Thailand, at its existing site in Rayong, was completed on time and within budget at the end of 2011. The plant produces lactide monomers for bio-plastics. The investment has been driven by CSM's commitment to lead the market in developing lactic acid based bio-plastics (PLA). This market is highly attractive as PLA contributes, with commercially viable products, to a significantly lower carbon dioxide footprint than traditional fossil-oil-based plastics. The investment in this new lactide plant with a capacity of 75,000 tons was approximately € 45 million. It has started production early 2012 to meet Purac's current level of demand and to accelerate market development. Aimed at a broad segment of today's plastics market the products enable Purac's partners to produce bio-plastics products with high heat resistance up to 120° Celsius (HDT B test). The new plant is designed to produce both L-Lactides and D-Lactides, made out of lactic acid sourced from the existing Purac plants.

In 2012, Purac continued to extend customer development for PLA and entered into new relationships and pilots to further develop application capabilities.

In the report year, Purac also launched its PURALACT® Lactide innovations. These innovations open up new opportunities for producers seeking high-performance plastics solutions. Purac's solutions for improved heat resistant PLA for the injection molding, thermoforming, extrusion, foam, and fiber industries unlock potential for bio-plastics-based durable applications in a range of high-end markets such as automotive, carpet, clothing, and consumer electronics and appliances. PLA now offers the possibility to replace PS, PP, and ABS in applications where heat resistance is a key requirement. PURALACT® L&D-based homo polymers – known as PLLA and PDLA – are the key to this improved heat performance and are now commercially available. Purac's technology makes it possible to increase the heat stability of PLA up to 120° Celsius. This new technology has recently been demonstrated in thin wall thermoformed hot beverage cups which are able to resist the high temperatures that are associated with hot beverages like tea or coffee.

Purac also launched its new range of PURALACT® special-grade lactides in 2012, that offers several benefits for enhanced coating resins. The key advantage of incorporating PURALACT® is a significantly reduced resin viscosity, which provides the opportunity to formulate coatings with higher solid content, lower volatile organic compounds (VOC) and improved ease-of-use. PURALACT® is thoroughly tested in various coating formulations. Depending on the type of coating and its specific use, the new products enhance coating performance by improving properties such as stiffness, adhesion, impact resistance, balance between hardness and flexibility, chemical resistance, gloss and gloss retention, and tuning of drying time. Produced on a large industrial scale by Purac, the new range is commercially available worldwide.

Produced from bio-based lactic acid, PURALACT® has a significantly lower CO_2 footprint than the fossil-oil-based building blocks which are used most of the time to produce coating resins. Replacing these traditional products with PURALACT® reduces the carbon dioxide footprint of both coating resin and final coating.

Mid-2012 Purac launched a new version of its predictive Listeria Control Model (LCM) software. The control of Listeria monocytogenes, a well-known pathogen, is critically important in ready meals and meat products. Combining a wide range of food parameters with more than 2,500 Listeria growth curves, the software is the only online predictive modeling tool dedicated to Listeria control in today's market. The software tool – which is intended for use by Purac's customers – is designed to accelerate time-to-market by cutting the cost and duration of research and development. The new software has been updated to maximize user friendliness and to provide a new freely-available web interface and PDF report generator. A report is generated at each stage of calculation, providing detailed final growth predictions as well as recommendations on Listeria control solutions from Purac.

Innovation begins and ends with the consumer

Understanding the driver of consumer consumption is half the battle in achieving success and growth. At CSM the innovation process begins and ends with the consumer in mind. We understand the latest trends and want to provide our customers with leveraging ideas and solutions.

During 2012 Caravan Ingredients demonstrated that they are the industry experts for the commercial and in-store bakery bread categories for their key bakery customers by understanding the drivers of consumer consumption behavior and recommending solutions for increased usage.

Who should we target and how?

Bread sales have been declining steadily in both commercial and in-store bakeries over the last two years. Caravan Ingredients wanted to identify some actionable insights to address these declining purchases. Two bread category studies were commissioned to understand both what's happening and why it's happening.

What's happening

Though the actual purchasing habits of an estimated 18% of consumers point to a decline in the purchase of commercial bread, there is no reason to assume that they are consciously leaving the bread category. Ninety percent believes that their purchasing behavior is the same as the previous year. This could be attributed to a decrease in the frequency of visits rather than the actual amount purchased at one time.

Why it's happening

Research to uncover why this is happening, revealed that the decline in bread purchases and consumption is centered around a desire for a healthier lifestyle and products to aid weight loss. Caravan Ingredients found, through this study, that the best opportunities for combating the decline in the purchase of bread were strongest in the areas of flavor, fortification, and new variants. Examples could include better tasting whole wheat and whole grain breads, more satisfying low-carb options, and variants that deliver more convenient and portable options for sandwiches.

What do we offer?

Caravan Ingredients' partnership with the Whole Grains Council allows it to offer 27 different products approved for the Whole Grain Stamp. In addition to the stamped products, Caravan Ingredients offers conditioners and strengtheners for dough's that are often weakened by the use of whole grains. Because white flour products have a longer shelf life than whole grain alternatives, Caravan Ingredients also offers a line of enzyme products that can be added to extend shelf life from seven to 28 days.
And, whether your customer wants that distinct whole grain flavor, or the added benefits of whole grain with the classic taste of white flour products, Caravan Ingredients' staff can help to formulate what's right for you and your shoppers.

LOOK FOR WHOLE GRAIN™ WholeGrainsCouncil.org

Procurement

Managing the volatility of raw material prices and optimizing sourcing costs provide CSM with a significant competitive advantage. Procurement activities are coordinated globally to capitalize on combined volumes and joint expertise across divisions, enabling us to control our procurement process and to mitigate risks.

2012 was yet again a year of high price volatility for many of the raw materials we use. The severe hot and dry weather in the US Midwest during July and August had a major impact on the size of the corn, wheat, and soybean crops. This has caused those markets to rally to near-record highs. Better than expected global production of palm oil and sugar caused prices for those important commodities for CSM to drop significantly during the second half of the year. We expect price volatility to remain for the foreseeable future, so it is vital that we continue to develop and invest in our risk management capabilities.

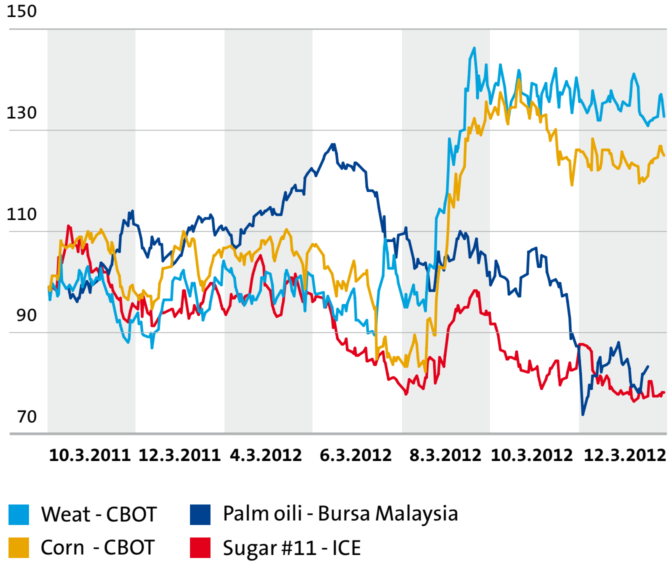
Organization and structure

Procurement is run as a global function at CSM, geared towards supporting the specific business strategies of our Bakery Supplies North America, Bakery Supplies Europe, and Purac divisions. Value is delivered by contributing to sales growth initiatives in the divisions, as well as cost reductions of raw materials and services, including a strong focus on risk management.

Our procurement staff is organized into four regional teams, which operate under our group-wide procurement framework. This centrally led structure has demonstrated its value by further driving economies of scale, increasing transparency, lowering risks, and deepening our market insights.

A deep-seated understanding of the supply markets is a prerequisite to minimize supply risks, and to create a level playing field in our interactions with suppliers. Through our centralized procurement approach we have developed in-depth expertise of our key materials, for all of which we have detailed sourcing strategies in place.

Price index, second future contract
From October 2011 to December 2012



Expert commodity buyers are responsible for our key commodities such as cocoa, sugar, wheat, vegetable oils, chemicals, and corn. This network of global commodity experts focuses on risk management, and on providing market intelligence to our key customers.

Managing risk

Our global approach to procurement, combined with execution by the regional teams, improves our market insights, and helps us mitigate risks by securing raw material supplies that meet our needs more effectively. With better market intelligence and risk-management skills and tools, we align our material positions to the requirements of our customers and manage price developments, and product availability throughout the year.

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

Supporting innovation

An effective sourcing strategy in combination with solid supplier relationships is often critical to the success of new product development. In support of our product innovation process we therefore aim to partner with our key suppliers. This way we leverage our procurement expertise to support product innovation in each division, via close collaboration with a select group of suppliers. This leads to an increase in the success rate of our development projects.

Developments 2012

In Europe we completed implementation of our Pioneer transformation program. The main output of this initiative is a much closer collaboration between procurement and other business functions within CSM, entering strategic partnerships with suppliers and enhancing our risk-management skills further. We conducted for the second time an external benchmarking of the procurement capabilities of our European team against best-in-class organizations. The study identified excellent progress in the efforts we have been making to lift our capabilities, and it also highlighted some additional opportunities to further leverage our skills.

In 2011 we have started to put sustainable sourcing high on our agenda, and have developed a roadmap and implementation plan towards sustainable sourcing objectives. During 2012 we have implemented initiatives to source sustainable cocoa, palm oil, and sugar. Read more about sustainable sourcing in our Sustainability section.

In May 2012 it was announced that a large part of the bakery activities will be divested. Much preparatory work has been undertaken, which will allow us to disentangle the procurement organization and processes smoothly when required.

In 2012 CSM has outsourced its procurement of indirect materials and services in Europe to a specialized third-party service provider, and we will be investigating if we can benefit from extending this approach to our US operations.

Chocolate uncovered

After years of sustained growth, the US economy lost momentum and ultimately went into recession in 2009, remaining sluggish through 2012. Despite the downturn, the demand for chocolate continued to grow.

This growth was driven by underlying consumer trends including new indulgence – consumers experimenting with new products and tastes, and enjoyment moments; and health and wellness – consumers looking for healthier options in the food they eat. Cocoa contains powerful antioxidants which reportedly improve eye and brain function, and which have mood- and energy-enhancing properties. These health benefits are associated with dark chocolate and underscore the growth of this important category. Another supporting trend garnered from market research shows that consumers are looking for quality; anytime, anywhere people are looking for high-quality bakery products, whenever they want it, and wherever they might be.

BakeMark has responded to this trend with its gourmet chocolate initiative. The goal is to almost double category sales over a five-year period. Key strategies were developed to extend and optimize the product portfolio, develop a new brand, drive sales through marketing and sales support, and put new supply chain features in place.

While chocolate has long been a staple of the BakeMark product offering as a bakery ingredient, the range initially covered only inclusions, also known as chips and chunks. The category was poised for expansion into the gourmet arena with a robust product offering in chocolate, plus ancillary gourmet categories such as pastry shells and fruit purees.

A new brand is born

The gourmet chocolate initiative was officially introduced to the industry with the launch of the C'est Vivant brand in the second half of 2011. The BakeMark chocolate product portfolio was transformed from a limited product offering to an extended portfolio of products under C'est Vivant and other brands across all key segments of the category including couverture (premium chocolate with high cocoa butter content), chocolate coating/compounds, chocolate decorations, pastry shells, and confectionery. C'est Vivant, meaning "it's alive" or "it is life", rings true for many chocolate aficionados. The brand promises the finest range of imported and domestic chocolate and ingredients available, backed up by BakeMark's knowledge and capabilities in chocolate, pastries, and baking.

How to sell chocolate

BakeMark conducted an extensive marketing and sales support program to drive industry-wide brand awareness. Advertising support included industry-leading printed and digital advertising in trade magazines, online customer training videos, and featured magazine articles. A technical chocolate training program was conducted in multiple US markets to develop BakeMark's expertise in chocolate and to establish key selling techniques.

Efficient and low-cost modifications were made for the special handling of chocolate throughout the supply chain, including additional warehousing space, temperature control, and handling to enable deliveries of top-quality product to customers. Special storage was built for chocolate to maintain ideal conditions. The BakeMark distribution network of warehouses and trucks accommodated additional chocolate volume and delivered direct to customers.

Thanks to all this effort the 2015 gourmet chocolate initiative has become a successful pillar of growth and C'est Vivant is very much alive.

Corporate governance

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

Compliance with the Code

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

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

Deviations from the Code

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

Regarding its composition, the Supervisory Board always tries to strike the right balance between expertise and experience. A certain degree of age and gender variation may be instrumental in achieving the desired balance in the composition of the Board. In this respect, the profile of CSM's Supervisory Board deviates from best practice provision III.3.1 of the Code. The required expertise and experience, as well as the availability of the right candidates, are decisive when proposing candidates for (re)appointment.

Therefore although CSM pays close attention to gender diversity in the profiles of new Board of Management and Supervisory Board members in accordance with article 2:166 section 2 of the Dutch Civil Code, CSM does not strictly follow the recommendation for an explicit target on gender diversity and has not formulated concrete targets in this respect.

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

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

Corporate governance statement

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

Structure

CSM nv is an international holding company as described by Section 153, subsection 3 paragraph b, of Book 2 of the Dutch Civil Code. The "large company" regime therefore does not apply to CSM nv. Corporate governance relates to the management and supervision of the company, accountability, and the influence of stakeholders on decision-making.

The Board of Management is responsible for developing objectives and strategy, determining the risk profile and implementing strategic and operational policies. The independent Supervisory Board oversees and advises the Board of Management. From among its members, the Supervisory Board has appointed an Audit Committee, a Nomination Committee, and a Remuneration Committee.

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

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

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

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

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

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

Risk management

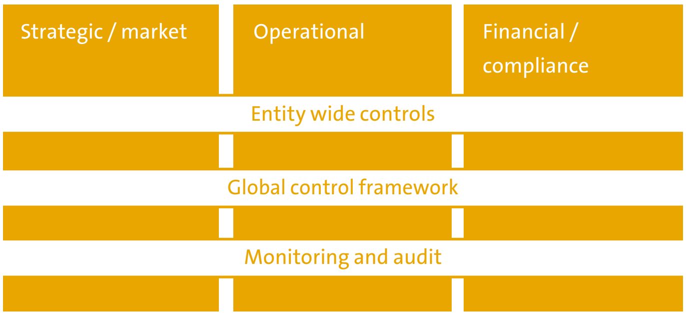
Risk management and internal control

In a world that becomes increasingly volatile and where events are more interlinked than ever before, CSM, with its worldwide operations in various markets and jurisdictions, needs to ensure a timely identification and effective management of all significant risks inherent to the execution of its strategy and realization of its objectives. The Board of Management is responsible for the design, implementation, and operation of CSM's risk management and internal control system.

We have defined a governance model that identifies clear reporting and accountability structures in line with the Dutch corporate governance code (see the Corporate governance section).

Risk management approach

Our approach to risk management aims to achieve a reasonable level of assurance, in line with the Enterprise Risk Management framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO – ERM). Our approach aims to embed risk awareness and risk management at all levels of CSM to ensure risk decisions are taken and evaluated consciously and properly. Our risk management approach covers strategic/market, operational and financial/compliance risks, and can be illustrated as follows:



To embed risk awareness, constant attention and communication of management coupled with risk management workshops are essential to identify critical risks for all our Business Units. Awareness, identification of risks, and action plans to mitigate the risks are at the heart of our risk management program. In the quarterly meetings between the Business Units and the Board of Management the progress in risk mitigation is discussed on an ongoing basis.

Insurance

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

Key risk areas

The following table summarizes the main risks that have been identified, the possible impact and the mitigation measures taken to address them. Next to more general and inherent risks of our business activities we have specifically addressed the risks we see related to the strategic transformation and the corresponding divestment of the Bakery Supplies businesses that we have started in 2012.

Type of risk	Possible impact	Mitigation
Risks related to the strategic transformation		
The divestment of the Bakery Supplies businesses is a large undertaking and could pose risks to the organization if not executed properly.	The decision taken in May 2012 to divest our Bakery Supplies businesses poses besides opportunities various risks to the company. We face the risk of less motivated employees and/or employees who may be looking for job opportunities outside of CSM. Due to the magnitude of the divestment activities a risk of too much internal focus exists. There is also a risk of Bakery Supplies customers selecting alternative suppliers as a result of uncertainty towards the new direction of the company.	We have tried to mitigate the risk of demotivated employees amongst others by frequent and open communication, by incentivizing our employees for the extra burden placed upon them and by retention packages to stimulate on-going labor relationships. In addition clear project goal-directed management plans with adequate support of the divestment work by good experienced advisors enables a good balance between internal and external focus. By running the business as usual, and continued well serving of our customers with high quality products and services, we mitigate the risk of a potentially reduced focus to our customers.
Not being successful in divesting our Bakery Supplies businesses.	In the event we would not be successful in executing the divestment of our Bakery Supplies businesses at the terms and conditions aimed for, we run the risk of not having sufficient funds to execute the growth strategy of both our Bakery Supplies businesses and our bio-based activities.	We have hired experienced professional consultants to support us in the divestment process based on a concise and detailed project plan and we have made employees fully dedicated to execute the divestment process. This approach should limit the risk of an unsatisfactory outcome of the divestment process. The sound financial position of CSM does not trigger any financial issues in the short term and provides sufficient cushion to explore other strategic alternatives if considered necessary. Before starting the divestment process we thoroughly investigated the possibilities of selling our Bakery Supplies businesses. The outcome gave us confidence to start the process. Professional support and a thorough process should further enhance the chances of a successful execution.

Type of risk	*Possible impact*	*Mitigation*
Execution of our bio-based strategy.	With our choice to focus on bio-based activities we become dependent on the success of this single activity. The further roll-out of the growth strategy is likely to lead to large capital expenditures and acquisitions whereby financial returns might only be visible on the longer term.	In taking the strategic decision to focus on our bio-based activities, many years of success in this activity have shown that we have a strong position in a promising segment of the market. With the new focus and the future funds coming available to further strengthen our position we should be able to continue and broaden this success. A fully aligned management team and effective professional support in the further execution of our strategy should mitigate the risk of wrong choices in the allocation of capital while enhancing the opportunity of realizing attractive returns on our investments.
Following the decision to transform CSM into a bio-based ingredients company, internal legal and fiscal reorganizations have taken place.	In case of an internal reorganization whereby legal ownership and/or assets are being transferred between operating companies and sometimes across national tax borders the risk of a claim by a tax authority is always a possibility.	In executing the reorganizations in the US and Europe we have taken utmost care to avoid potential legal and tax issues. Where necessary, we have obtained sufficient extra comfort by means of subject-matter expert advice from respectable legal and tax advisors.
A disentanglement process of our integrated IT systems is taking place.	As a result of the divestment process of Bakery Supplies we are in a process to disentangle the IT systems of Bakery Supplies from the rest of CSM. This could pose a threat to the continuity of information supply to both the Bakery Supplies businesses and our other activities.	Careful planning and using proven methodologies for the successful disentanglement of the IT systems of the companies that will be divested should mitigate the risk of serious distortion of information supply. Where possible and relevant additional measures are being taken to run extensive tests and perform a phased disentanglement and implementations.
Consequences of changing employee and pension entitlements could affect employees motivation.	If employees are not informed well, potentially a labor conflict could arise in those companies (Western-Europe) where a defined benefit arrangement is in place.	Transparent communication and insightful balanced discussions are held with trustee board members and parties involved reducing the risk of misunderstanding which could potentially result in a conflict. Knowledgeable and experienced subject-matter expert advisors are supporting the changes contemplated.

Type of risk	*Possible impact*	*Mitigation*
Strategic and market risks	This area can also be affected by legal and regulatory changes made by authorities, which could severely impact our business but cannot be influenced by us.	
Impact of the economic environment.	Global economic conditions impact our Bakery Supplies businesses as demand for our products fluctuates in line with the GDP growth rate. At the same time, demand for lactic acid products is impacted by the cyclical market conditions that affect some of our customers.	We address part of the impact of the economic downturn by reducing costs and adjusting our product offering to meet changing demand. We have built a degree of flexibility into our production costs by hiring temporary staff. We are also able to adjust our product offering with relative ease because of our extensive research and development and procurement experience.
PLA bio-plastic developments not meeting customer needs.	Lactic acid is one of the sources for manufacturing bio-plastics. However, to target this promising market we also have to develop other technologies. The attractiveness of the bio-plastics market is driven by growing consumer demand for bio-degradable plastics made from renewable sources. Demand may increase or decrease with its relative cost compared to conventional fossil-oil-based plastics.	We keep a close eye on competing technologies and are maintaining our competitiveness by continuously refining our offering in terms of product specification and cost. We have continued to professionalize our organization to better meet the needs of our customers.
Losing our competitive position.	We operate in a highly competitive market in which it is essential to keep cost and service levels at least on par with those of our competitors. Failure to achieve this could lead to market-share erosion by competitors or customers substituting our products with alternatives.	Our focus on a single activity, bio-based ingredients, will enhance our competitiveness. All investments will support our competitive position in this area.

Type of risk	*Possible impact*	*Mitigation*
Operational risks		
Business continuity.	Serious disruption of our supply chain as a result of calamities such as fire, floods, 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 focus on the bio-based activities and the resulting smaller base of operation will enhance this risk.	Our risk management approach aims to detect and prioritize the most serious risk areas which might cause a discontinuation of our supply chain. We are working on developing appropriate back-up measures, and where possible, these measures are tested for effectiveness. Based on best practices and experiences, we continuously review and improve manuals and guidelines at our operations to support employees in preventing and limiting risk calamities and mitigating their effects.
Raw material and energy price volatility and availability.	As we have seen in 2012 and previous years, sudden increases or decreases in the price of raw materials can seriously impact the margins of our products sold. Scarcity of raw materials due to excessive demand or production interruption at suppliers can also impact our results because of sales declines and due to the additional costs incurred to meet our raw materials needs.	We continuously invest in the relationship with our customers, advising on changes in product assortment, technology, and changes in consumer behavior. It is our believe that a relationship based on transparency and trust, in which true value is added, supports our ability to (partly) pass on increased costs via price increases or redevelop products with lower-cost ingredients in collaboration with our customers. Our Procurement department, globally organized with dedicated finance support, has developed adequate measures to secure contract positions and to obtain financial instruments to minimize or delay exposure to cost fluctuations in raw materials that could negatively impact our margins. These measures include early warnings of possible impact to our organization and our customers. Furthermore, we have implemented a multiple-supplier sourcing policy for our most critical raw materials.

Type of risk	*Possible impact*	*Mitigation*
IT risks.	IT systems are at the heart of our supply chain and customer fulfillment processes. Major disruptions to IT systems can have a serious impact; one of the most critical moments is the implementation of new systems.	We run a continuous IT program supporting our strategic and operational business objectives. In recent years we have implemented various new systems. We are confident we have a good understanding of how to execute implementations and take the necessary safety measures to avoid failures. Where possible, we try to limit the potential impact of system failures by avoiding "big bang" implementations. However, these cannot be avoided in every situation.
Loss of large customers.	The loss of a large customer could have a disproportionate impact on the profitability of the company due to the effect on the utilization of factories. CSM has a large customer base in which the five largest customers account for approximately 10% of our sales. The announcement of the divestment of the Bakery Supplies businesses could lead to a loss of customers.	Intimate relationships based on a profound knowledge of customers' needs and those of their end consumers; continuous development of new products, where possible developed jointly with our customers; and excellent service and cost levels should limit the risk of large customers leaving. CSM's strategy is very much focused on improving these fundamental elements in the relationship with customers. Substantial investments have been and will continue to be made towards further improvements.
Financial and compliance risks		
Legal and regulatory compliance.	The company's business is subject to regulations by international, national, and local governmental authorities. Non-compliance with local laws, food safety regulations, human health, safety, and many other regulations could pose a serious threat. CSM could be exposed to substantial claims from various parties or permits might be cancelled.	Our corporate Code of Conduct, policies, and procedures are properly maintained and made available to all staff via the CSM intranet and are frequently communicated. Compliance is enforced by the local companies supported by the group.

Type of risk	*Possible impact*	*Mitigation*
Volatility in the exchange rate of various currencies.	As CSM operates in various non-euro countries we have to deal with volatility in the 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 in foreign exchange rates. Hedging the impact of the foreign currency translation risk is partly and indirectly effectuated through matching CSM's foreign currencies with liabilities. Of the total external debt of CSM approximately 80% is denominated in US dollars, which partly offsets the large equity translation exposure CSM has against the US dollar. The exposure of transaction risks is relatively limited and partly hedged by offsetting the long- or short-term currency position through a system of gradually selling and/or buying this currency to mitigate the impact of sudden movements in currencies. A sensitivity analysis on movements in the exchange rate of the US dollar to the euro can be found in Note 25 of the financial statements.
Insufficient liquidity to finance operations.	As CSM is financed through a mix of equity and interest-bearing loans, a sudden increase in its liquidity needs or a decrease in available credit might pose a threat to the continuity of the financing of the company.	In order to avoid unexpected increases in its liquidity needs, CSM has a planning and control system in place that manages the working capital needs of the company and gives an early warning in case of a sudden increase taking place. In the event of an increase in its liquidity needs CSM has sufficient committed loan facilities of around € 575 million at its disposal. At the end of 2012 CSM had used approximately € 375 million of these facilities. The facilities can be used up to a maximum allowable net debt to EBITDA ratio of 3.5x. At the end of 2012 this ratio was 2.0x.

Type of risk	*Possible impact*	*Mitigation*
Financial reporting.	Non-compliance with International Financial Reporting Standards (IFRS) can pose a serious threat. Not informing our shareholders and other stakeholders in conformity with IFRS 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.	CSM operates in many countries and has to manage compliance with a wide variety of tax laws.	We have an adequate quarterly reporting system in place, hold regular tax meetings, and visit our operating companies to monitor compliance. In addition, our global tax control framework should also warrant compliance. Transfer pricing policy and documentation are in place as well. Furthermore, we work with external tax experts who support our tax planning and returns and advise us in compliance matters.

Control measures

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

Entity-wide controls

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

Legal and regulatory review

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

Fraud prevention and Code of Conduct

CSM has a continuous focus on fraud prevention, our Code of Conduct is regularly updated and made available via the intranet to all its employees.

Whistleblower procedure

A Whistleblower policy and reporting system are in place to enable our employees to report potential integrity issues or violations of our Code of Conduct. In 2012, one case was reported. This case has been followed up by CIAS (Corporate Internal Audit Services). Where necessary, appropriate measures and/or actions have been taken by management. The whistleblower case, including follow-up actions taken, was reported to the Audit Committee.

Letter of representation

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

Financial control framework

As CSM operates worldwide, it is committed to maintaining high-quality, reliable financial reporting and a sound control environment.

All reporting entities assess operational effectiveness of their financial closing and reporting processes, at mid-year and end-of-year, confirming compliance with the relevant guidelines and IFRS. Together with the Letters of Representation, this ensures the integrity of our financial reporting. During 2012 our main entities performed an assessment of the operational effectiveness of their key financial process controls. The assessments have been audited by the internal auditors and used by external auditors. The scope of our Information Security policy is fully aligned with the ISO 27002 standard and also meets our financial reporting requirements. All entities performed assessments with the guidance to prioritize their improvement actions on nine key risk areas ranging from information system continuity to disaster recovery, and from user management to adequate design of roles and responsibilities in our application systems. In 2012, we have further improved our control framework by introducing a risk-based scoping approach enabling a more focused and dedicated set of controls for each reporting entity.

Monitoring and audits

Business planning, budgeting, and management review

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

Operational management meets at least once a month to discuss the strategy and related risks, the actual performance versus budget, and other significant matters. The Board of Management has frequent contacts with divisions and operating companies. The Board of Management reviews the divisional businesses on a quarterly basis. Next to this, members of the Board of Management regularly visit our main local business operations.

Internal audit

Internal audit supports the organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of internal control and governance processes.

The objective of CIAS is to provide a broad range of audit services designed to assist the Board of Management in controlling the group's business operations. It provides independent, objective assurance, and consulting services designed to add value to the organization's operations. CIAS evaluates risks and ensures that the controls in place are adequate to mitigate those risks. Next to the assurance role, an important role of CIAS is to provide value to the business through tailor-made operational audits, identifying best practices and indicating improvement opportunities to management.

The focus of CIAS is evenly spread over the following areas:
- Compliance of the operating companies with the Financial control framework;
- Value-adding audits (focusing on key business processes);
- Special projects (due diligence, post mortems, fraud prevention, review of business cases, quality assurance projects).

Internal audit at CSM is based on co-sourcing: a small department, together with external parties, provides specialized knowledge and flexibility. In 2012, 24 audits were performed and reported.

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

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

Management representation
CSM's risk management and internal control systems 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 described above. Risk management and actions taken in the year under review were reported to and discussed by the Supervisory Board and Audit Committee. Internal representations received from management, regular management reviews, evaluations of the design and implementation of our risk management and internal control systems, and business and Audit Committee reviews 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 that they can prevent all misstatements, inaccuracies, errors, fraud, and non-compliance with laws and regulations. On the basis thereof, the Board of Management believes to the best of its knowledge that the internal risk management and control systems provide a reasonable level of security against inaccuracies of material importance in the financial reporting.

These systems operated adequately in the year under review; and there are no indications that the systems would not be adequate in 2013.

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

Diemen, the Netherlands, 12 March 2013

Board of Management CSM nv
Gerard Hoetmer, CEO
Koos Kramer, CFO

Health and wellness: a balanced proposition

Consumers are becoming increasingly knowledgeable about healthier eating habits and more discerning in their choices. At the same time, food is meant to be enjoyed and the last thing consumers want is to be lectured to. Our approach to health and wellness responds to this need. It's straightforward: we make treats better and more acceptable, and we make healthier foods more appealing. We believe you can enjoy what you eat and still have a healthy lifestyle. Rather than preaching health, we use visual cues (images and colors) and concepts such as "ancient grains" to market propositions that balance taste and health. This approach runs through our health and wellness strategy, helping our customers and consumers make healthy choices.

CSM has expanded its portfolio and now offers a broad range of bakery ingredients and products with improved nutritional profiles, without compromising on taste and quality. Our efforts are aligned with government policies and supported by scientific and medical opinion leaders.

Sensibly sweet treats

We launched our new Sensibly Indulgent® products in the US, using breakthrough ingredient technology. Our new retail line of ready-filled brownies, baked cookies, and whoopie pies allows consumers to indulge themselves for less than 150 calories per serving. With at least 25% fewer calories than standard bakery treats, consumers can now indulge sensibly. Product development and brand positioning were driven by consumer research, which indicates that consumers want indulgent treats that don't leave them feeling guilty. Sensibly Indulgent® brownies, cookies, and whoopie pies were launched with select retailers in late 2012 along with a sampling program and a merchandising display unit designed to create a visual "speed bump" in the bakery section. The merchandising program aimed specifically to draw attention, create distinction from other fresh bakery products, and encourage shoppers to sample the great taste of Sensibly Indulgent® products. The launch was expanded in January 2013, a time of year when many consumers resolve to eat healthier, and included more displays and additional placement in the freezer section of fresh bakery.

More pleasure, less fat

The year 2012 marked a breakthrough for our Sunfry Baking® donut. It featured as finalist in the Nestlé Wellness Award, part of the UK Institute Grocery Distribution (IGD) Food Industry Awards 2012, in recognition of its ability to make it easier for people to eat healthier foods. We have seen convincing evidence that the Sunfry Baking® donut creates market value for our retail and out-of-home partners. The leveraging of CSM's unique patented technologies and a consumer-research-based communication strategy, emphasizing a mix of superior taste and reduced fat, led to remarkable sales growth and new shoppers were recruited to the donut category. The Sunfry Baking® donut, with at least 40% less fat and significantly fewer calories than conventional donuts, is well on its way to success.

Ancient but new

Consumer attitudes towards white flour have changed. People know it doesn't provide the same level of nutrients as less refined flour, or flour mixes that contain seeds and kernels, or wholegrain flour. Demonstrating excellent consumer appeal, our "ancient cereals" concepts are showing strong growth. Consumers perceive "ancient cereals" as authentic and trusted ingredients, a perfect fit for a more health-conscious lifestyle. The availability of these – often difficult to produce crops – is becoming increasingly important to customers who are keen to capitalize on this growing trend for application in specialty breads. Only six years ago seeds were still scarce, but CSM's pioneering relationships with growers of einkorn, emmer and wild rye crops led to the first significant harvests in 2007. Harvests have increased since then, contributing to greater crop biodiversity – and we have seen clear commercial benefits from our progressive strategy to develop "ancient cereals".

Report of the Supervisory Board

Financial statements, 1 January 2012 - 31 December 2012

The financial statements prepared by the Board of Management for the financial year 2012 have been audited and certified by Deloitte Accountants bv. 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 members of the Supervisory Board have signed the financial statements pursuant to their statutory obligation under Article 2:101(2) of the Dutch Civil Code.

Strategic transformation

The report year saw the announcement of a major transformation of the company. On 7 May 2012 CSM announced its intention to transform into a bio-based ingredients company focusing on the Caravan Ingredients and Purac businesses. This entailed the start of a major divestment process for the North American and European Bakery Supplies businesses.
The Extraordinary General Shareholders' Meeting held on 3 July 2012 approved the proposed strategic transformation into a bio-based ingredients company and the intended divestment of the Bakery Supplies businesses.

Meetings of the Supervisory Board

The proposed strategic transformation of CSM and the intended divestment of Bakery Supplies had a strong impact on the frequency and the content of the Supervisory Board meetings in 2012.

During the report year the Supervisory Board held seven regular meetings with the Board of Management. The discussions at these meetings covered frequently recurring topics, such as strategy updates, the CSM portfolio, developments in results, business developments in the divisions and operating companies, trends in the markets where CSM operates, key investments, group risks, internal risk management and control systems, the outcome of the Board of Management's evaluation of the set-up and operation of these systems, corporate governance, corporate social responsibility, the organizational structure, management development, acquisitions and divestments, the financial statements, and the annual report. In addition to these regular meetings, three separate in-person and five conference-call meetings were held to discuss in great detail the proposed strategic transformation and intended divestment of the Bakery Supplies businesses. The Supervisory Board has engaged external advisors to support them in the tasks and monitoring activities.
The Supervisory Board visited the production facilities of Purac in Gorinchem, the Netherlands. Prior to its regular meetings with the Board of Management the Supervisory Board also meets in the absence of the Board of Management to discuss, amongst others, developments in the results, and the profile, composition, and performance of the Board of Management.
The Supervisory Board also evaluates its own performance, the performance of its committees and that of its members. Focus points include expertise, independence, integrity, critical ability, and a balanced composition of the Supervisory Board. This past year a more formal self-assessment process was set up. The Chairman of the Supervisory Board together with the Company Secretary prepared an extensive questionnaire. All Supervisory Board members completed the questionnaire. The answers were anonymized and compiled by the Company Secretary. The outcome of this self-assessment will be discussed in more detail in the course of 2013. One of the outcomes was that with the changing nature of the business in light of the transformation process, more specific expertise may be required to strengthen the composition of the Supervisory Board.
Attendance at the in-person meetings held in 2012 was 100%. In two instances one Supervisory Board member was not able to attend a conference-call meeting. In those situations the member concerned had given his input prior to the call. The Chairman and Vice Chairman of the Supervisory Board regularly meet with the Board of Management, either in person or by phone. Also in this very intensive and important year for CSM, all Supervisory Board members were able to make themselves sufficiently available to give adequate attention to the needs of CSM.
Members of the Supervisory Board regularly meet with the business leaders and other members of the corporate staff.

Composition of the Supervisory Board

Mr. R.H.P. Markham assumed the position of Chairman of the Supervisory Board following the General Shareholders' Meeting in May 2012, with Mr. M.P.M. de Raad assuming the position of Vice Chairman of the Supervisory Board. Mr. M.P.M. de Raad and Mr. R. Pieterse were reappointed as members of the Supervisory Board. Regarding its composition the Supervisory Board always tries to strike the right balance between expertise and experience. A certain degree of age and gender variation may be instrumental in achieving the desired balance in the composition of the Board. Required expertise and experience as well as the availability of the right candidates will be decisive when proposing candidates for (re)appointment.

In the judgement of the Supervisory Board all its members are independent as required by the corporate governance code.

The Supervisory Board highly appreciates and respects the continued efforts and commitment of CSM management and all employees to the success of CSM in this transformation process.

Committees of the Supervisory Board

Audit Committee

The members of the Audit Committee are Mr. R. Pieterse (Chairman), Mr. W. Spinner, and Mr. J.P. de Kreij. In 2012 the Audit Committee met seven times in the presence of the CFO, the external auditor, the Director Financial Accounting and Internal Control, the Director Management Accounting, and the Director Internal Audit Services. The agenda at these meetings covered, amongst others, the proposed strategic transformation of CSM and the intended divestment of Bakery Supplies, the annual and half-year figures, the interim management statements, accounting issues such as held for sale, the operation of the internal risk management and control systems, tax matters, the financing plan, treasury, information technology developments and organization, and the reports of the internal and external auditors.

The Audit Committee also evaluated its own performance and that of its members. Deloitte Accountants bv prepared a questionnaire which was completed by the members of the Audit Committee. The answers were anonymized and compiled by the Company Secretary. The outcome of this self-assessment was discussed at the December meeting of the Audit Committee. Points of attention included were the need for a more specific introduction program for new members and a better understanding of developments in the field of IT.

The Audit Committee closely monitors the independency of the external auditor. It evaluates on a yearly basis the performance of the external auditor and where appropriate recommends the replacement of the external auditor. Furthermore, approval by the Audit Committee is required with respect to the fees for all audit services to be performed by the external auditor as requested by the Board of Management. The Audit Committee also considers whether the provision of non-audit services by the external auditor is compatible with maintaining external auditor independence. The Audit Committee will act as the principal contact for the external auditor in case of irregularities in the content of financial reports.

In the report year the external auditor was engaged in disentanglement matters relating to the intended divestment of the Bakery Supplies businesses.

Nomination Committee

The Nomination Committee consists of Messrs. R.H.P. Markham (Chairman) and M.P.M. de Raad (member). The Nomination Committee met four times in 2012. It discussed among other subjects the composition of and changes in the Supervisory Board. Together with the Board of Management it paid attention to the functioning of the CSM executive and other senior managers. It also discussed the impact of the transformation of CSM into a bio-based ingredients company on the organizational structure and the extension of the Board of Management with a CTO-role.

Remuneration Committee

The Remuneration Committee consists of Messrs. M.P.M. de Raad (Chairman) and R.H.P. Markham (member). The Remuneration Committee met four times in 2012 and discussed among other subjects the level of achievement of the 2011 Short-Term Incentive Plan (STIP) targets for the members of the Board of Management, the progress of the STIP 2012 targets, and the target setting for STIP 2013. It confirmed the vesting at par level of the Long-Term Incentive Plan (LTIP) 2009. Given the transformation of CSM into a bio-based ingredients company it was decided to adjust the CSM peer group.

Strong business partnerships with customers

CSM's key account management approach really paid off in 2012. Teaming up with our key customers led to new strategies and great successes.

At CSM we value strong business partnerships with our customers. We accomplish that through a cross-functional key account management approach with representatives from sales, marketing, research and development, and the technical leadership team. This approach begins with the development of an in-depth collaborative strategic account plan to give us a full understanding of our customer's business model, goals, and challenges. We use this knowledge to develop programs and products that better service the current and future needs of our customers.

Bringing new life to frozen bread dough

The value of this key account management approach is exemplified by the close collaboration between Caravan Ingredients and Safeway to help improve the performance of the in-store bakery bread category. Safeway is one of North America's top supermarket chains, with sales of over $ 45 billion in 2012. Caravan Ingredients has had a long-standing relationship with Safeway for over 15 years.

In 2012, working closely with Safeway's category-management team, Caravan Ingredients analyzed internal and external market data and formulated recommendations to revitalize the supermarket's bread category. This led to the development of multiple new frozen bread dough products with on-trend flavors. These new products, developed specifically for Safeway, delivered significant profitable category growth for Safeway and reinforced its market leadership position in the bread category. In 2012, Caravan Ingredients experienced growth in assorted frozen dough items, all created with a combination of customer input, knowledge of market trends, and internal capabilities. Mark Hadley, Vice President of In Store Bakery at Safeway said: "I don't buy from Caravan strictly because of my relationship with my key account manager, I buy because Caravan gets the job done and sells Safeway quality products at a fair price".

Somewhere over the rainbow

Walmart's bakery strategy is focused on being the market leader in cake. As part of an ongoing effort to achieve this goal, Walmart is continually looking for new and innovative ways to bring excitement to the bakery and lift the category. CSM Bakery Products partnered with Walmart in the development of an eye-catchingly decorated cake that would entice mothers to choose Walmart as their store-of-choice for celebration cakes. A cross-functional team worked closely to bring this great idea to life. The end-result was the Rainbow Blast cake, a buttercrème-topped creation bursting with bright and colorful layers. With a great consumer response and initial success at store level, Walmart praised the Rainbow Blast cake and was especially pleased with CSM's speed to market (from concept ideation to commercialization) and its ability to develop and promote a new product that truly brought excitement to the bakery.

Remuneration policy

The aim of the remuneration policy for the Board of Management is to create a remuneration package and employment conditions which are competitive and linked to the strategy, with a strong emphasis on performance-related pay. This policy has been approved by the Annual General Shareholders' Meeting in 2010. Since then no changes have been presented or executed.

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

The base salary is set at the median level of similar management positions and adjusted annually on 1 May on the basis of the consumer price index for family expenditure as published by Statistics Netherlands (CBS). The adjustment as at 1 May 2012 amounted to 2.5%.

STIP (short-term employee benefits according to IAS 24.17)

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

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

As a result of the fact that the financial targets for 2012 for the larger part have been achieved and the personal targets have been overachieved, the total short-term incentive is higher than the "at-target" level. In 2011 the short-term incentive payment was nil.

LTIP (long-term employee benefits and share-based payments according to IAS 24.17)

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

Each year members of the Board of Management are entitled to an at-target conditional grant of CSM shares. The CEO is entitled to a conditional share grant value of 60% of his base salary. The CFO is entitled to a conditional share grant value of 50% of his base salary. The performance criterion for the LTIP is Total Shareholder Return over a three-year performance period. After vesting and share delivery, the Board members according to the plan rules, are required to keep the shares in a blocked account for another two years. The total lock-up period therefore is five years.

CSM's TSR is benchmarked against a peer group of ten comparable companies. Based on independent analysis the performance of CSM versus this peer group is assessed at the end of the three-year performance period. According to the remuneration policy effective as of 2010, target performance has been set at position 5 in the peer group based on detailed analysis. If CSM delivers an outstanding performance (first or second in the peer group) over the period 2012-2015 the LTIP will amount to 175% of the at-target grant. If the performance is below the threshold (below position 6 in the peer group) the shares do not vest. The total number of shares to be delivered upon vesting can vary between zero and 175% of the initial grant, depending on the TSR performance.

The Remuneration Committee evaluates the performance of CSM in relation to the peer group, using data supplied by a leading bank in the Netherlands. Upon vesting the members of the Board of Management will receive a number of additional CSM shares to cover the dividend value, which is equal to the gross dividend which would have been paid on the shares in the period of conditional allocation. At the time of vesting the members of the Board of Management may sell as many shares as necessary to pay the related income tax. The vested shares will be blocked for two more years.

The Supervisory Board periodically determines the peer group. If, for whatever reason, companies in the peer group change, the Supervisory Board may decide to make one or more adjustments to the composition of the group.

In light of the transformation of CSM into a bio-based ingredients company, the Supervisory Board has approved an adjusted peer group consisting of the following companies: Balchem (US), Chr. Hansen (DK), DSM (NL), DuPont (US), Kerry Group (IR), Nutreco (NL), Novozymes (DK), Sensient (US), Solazyme (US), and Tate & Lyle (UK). The TSR performance versus the previous peer group still applies to the 2010 and 2011 non-vested LTIP.

The number of performance shares conditionally granted to Mr. G.J. Hoetmer in 2012 (vesting in 2015) is 26,627 representing a value of € 361,860. The number of performance shares conditionally granted to Mr. N.J.M. Kramer in 2012 (vesting in 2015) is 16,755 representing a value of € 227,700. These shares will be delivered into a blocked account upon vesting. The lock-up period will end per May 2017. The performance against the new peer group will be measured to determine the percentage of shares that will actually vest for the members of the Board of Management.

The shares conditionally granted in 2009 vested in 2012. As CSM ranked fifth in the peer group consisting of Aryzta (CH), Flower Food (US), General Mills (US), Greencore (US), Grupo Bimbo (MEX), Kerry Group (IR), Novozymes (DK), Nutreco (NL), Ralcorp (US), and Wessanen (NL), 100% of the conditionally granted shares have vested in accordance with then applicable LTIP-criteria (2011: 100%). The value of these shares at vesting was € 372,805.35 for Mr. Hoetmer and € 254,771.95 for Mr. Kramer. In 2012, as in previous years, the Board members did not use the option of selling any shares to compensate for income tax.

Commitment Award (long-term employee benefits and share-based payments according to IAS 24.17)

The members of the Board of Management are entitled to an annual Commitment Award in the form of CSM shares amounting to 10% of their respective base salaries. The shares are blocked until the end of their employment with CSM, with the understanding that as many shares as necessary may be sold to pay the related income tax. In 2012, as in previous years, the Board members did not use this option. An overview of the Commitment Award shares can be found in Note 30 to the financial statements.

Pension (post-employment benefits according to IAS 24.17)

The pension plan for the members of the Board of Management is a defined contribution plan, the contributions being paid by CSM. The plan is within the fiscal boundaries (Table 2, Witteveen franchise) using 65 as the retirement age. The members of the Board of Management are also insured for a disability pension and death-in-service. In 2012 the total payment for these benefits amounted to € 180,304.54 for Mr. G.J. Hoetmer and € 118,455.36 for Mr. N.J.M. Kramer.

Other benefits and entitlements

Members of the Board of Management are provided with benefits in line with those applicable to other senior managers at CSM (e.g. company car, expense allowance). These benefits amounted to € 37,548 for Mr. G.J. Hoetmer and € 29,548 for Mr. N.J.M. Kramer. CSM does not grant loans to members of the Board of Management. Hence, there are no outstanding loans.

Employment contract

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

Messrs. G.J. Hoetmer and N.J.M. Kramer have an employment contract for an indefinite period of time which expires at the retirement age or earlier if terminated by either party. The notice period for 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. The severance pay deviates from provision II.2.8 of the Dutch Corporate Governance Code. This deviation originated at the time of appointment of Mr. G.J. Hoetmer in 2005, enabling CSM to offer him a competitive package of employment conditions. The same severance pay arrangement was offered to the members of the Board of Management appointed shortly after Mr. G.J. Hoetmer. The agreed severance pay can amount to a maximum of 1.5 times the sum of the annual base salary and the most recently determined short-term incentive. In addition, contributions to the base pension plan and the Commitment Award will be continued for a further two years.

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

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

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

Remuneration for the Board of Management

Total annual remuneration for the CSM Board of Management amounted to € 3.1 million in 2012 including STIP (2011: € 2.0 million). The higher balance is due to the higher STIP payment following better business results.

Breakdown remuneration Board of Management

	G.J. Hoetmer		N.J.M. Kramer	
thousands of euros	2012	2011	2012	2011
Short-term benefits*	1,215	605	851	459
Post-employment benefits	180	158	118	118
Share-based payments	435	411	301	284
Total	**1,830**	**1,174**	**1,270**	**861**

* Included in short-term benefits 2012 is a govermental crisis levy of € 121 thousand for Mr. G.J. Hoetmer and € 79 thousand for Mr. N.J.M. Kramer.

Remuneration for the Supervisory Board

Total remuneration for members (and former members) of the Supervisory Board in 2012 amounted to € 0.3 million (2011: € 0.3 million). The table below provides details on the various committees.

	2012	2011
R.H.P. Markham, Chairman (Chairman Nomination Committee/member Remuneration Committee)	65	51
M.P.M. de Raad, Vice Chairman (Chairman Remuneration Committee/member Nomination Committee)	62	65
R. Pieterse (Chairman Audit Committee)	56	56
W. Spinner (member Audit Committee)	51	51
J.P. de Kreij (member Audit Committee)	51	34
P. Bouw, resigned per May 2011		23
Total	**285**	**280**

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 12 March 2013).

Diemen, the Netherlands, 12 March 2013
On behalf of the Supervisory Board

R.H.P. Markham

Sustainability

Key figures sustainability

People

	2012	2011	2010	2009	2008
Number of employees					
CSM overall	**9,857**	**9,900**	**9,456**	**8,430**	**8,433**
Bakery Supplies Europe	4,392	4,231	4,023	3,965	4,101
Bakery Supplies North America	4,359	4,589	4,409	3,451	3,311
Purac	1,050	1,022	970	965	972
Holding	56	58	53	49	49
Employees per region/country					
Netherlands	9.4%	6.1%	5.2%	9.4%	7,4%
Rest of Europe	40.8%	41.8%	44.2%	46.0%	47.5%
North America	45.5%	47.9%	47.5%	40.9%	41.0%
Rest of the world	4.3%	4.2%	3.1%	3.7%	4.1%

	2012		2011		2010		2009		2008	
Female/male ratio	female	male	female	male	female	male	female	male	female	male
	34.2%	65.8%	33.1%	66.9%	33.9%	66.1%	31.7%	68.3%	30.8%	69.2%
Average age	female	male	female	male	female	male	female	male	female	male
	41.8	43.1	41.3	42.9	41.4	42.7	40.6	42.4	39.7	41.8

	2012	2011	2010	2009	2008
Average investment in training/education in euros per employee (excluding corporate management training program)	€ 375	€ 395	€ 441	€ 486	€ 326

Profit

	2012	2011	2010	2009	2008
Net sales	3,316	3,113	2,990	2,556	2,599
Net sales by division					
Bakery Supplies Europe	1,118	1,078	1,023	1,013	1,181
Bakery Supplies North America	1,781	1,628	1,567	1,187	1,092
Purac	417	407	400	355	326
Net sales by region					
Netherlands	142	152	149	100	154
Rest of Europe	1,107	1,061	1,006	1,018	1,066
North America	1,937	1,781	1,719	1,299	1,294
EBITA before one-off costs	171	151	215	151	133
EBITA	124	130	194	151	113
Operating result	-73	-150	158	143	107
Result after taxes from continuing operations	27				
Result after taxes	-64	-174	99	87	90
Equity	859	948	1,117	998	942
Market capitalization (as at 31 December)	1,136	816	1,725	1,192	711

Planet

	2012	2011	2010	2009	2007
OpCos per division					
CSM overall	**46**	**46**	**44**	**39**	**40**
BSEU + headquarters	21	19	16	17	17
BSNA	20	22	22	16	16
PURAC	5	5	6	7	7
Production					
Production volume in tons (x1000)	1,689	1,660	1,746	1,364	1,481
Environmental management					
Certified environmental management systems	ISO 6, other 4	ISO 5, other 6	ISO 4, other 4	ISO 3, other 4	ISO 3, other 3
Environmental nuisance complaints	noise 6, smell 3, traffic 0	noise 6, smell 9, traffic 0	noise 7, smell 15, traffic 0	noise 9, smell 23, traffic 0	noise 6, smell 5, traffic 0
Energy use (G-joulesx10⁶)	3.84	3.88	4.12	3.10	3.94
Energy index (G-joules/ton product) relative figure	2.28	2.34	2.36	2.27	2.66
Emissions					
Total CO_2-equivalents in (ktons)	299	308	307	255	304
Total scope I CO_2-equiv (ktons)	155	122	135		
Total scope II CO_2-equiv (ktons)	144	186	174		
Other air emissions (tons). absolute figure	NOx 1.5, SOx 0.1, dust 16, other 30	NOx 8.5, SOx 0.05, dust 30.1, other 34.5	NOx 56, SOx 0, dust 32, other 25	NOx 75, SOx 0, dust 18, other 31	NOx 114, SOx 2, dust 29, other 46
Waste and by-products					
Used water					
Absolute (1000 m³)	11,984	13,090	24,483	24,187	29,637
Relative (m³ / ton production)	7.1	7.9	14.0	18.0	20.0
Returned water treated					
Absolute (1000 m³)	2,440	2,935	3,922	2,600	3,167
Relative (m³ / ton production)	1.4	1.8	2.2	2.0	2.1
Returned water untreated/ cooling water					
Absolute (1000 m³)	8,673	9,704	19,227	20,762	25,344
Relative (m³ / ton production)	5.1	5.8	11.0	15.3	17.1
Waste					
Hazardous waste (tons)	323	277	317	331	422
Non-hazardous waste (tons)	47,469	51,996	61,678	44,721	84,699
Non-hazardous waste index	2.8%	3.1%	3.5%	3.3%	5.7%
By-products					
Useful by-products (tons)	355,082	375,525	358,457	287,414	293,965

Explanation of abbreviations:
BSEU: Bakery Supplies Europe
BSNA: Bakery Supplies North America
CO_2: Carbon dioxide
FTE: Full Time Equivalent
ISO: International Standards Organization; develops and publishes internationally accepted standards
NOx: Nitrogen oxide
SOx: Sulfur oxide

Sustainability

Sustainability statement

"Doing business in a sustainable way is a priority for CSM and is embedded in our long-term strategy. Sustainability is driven at CSM through leadership commitment and a strategic approach. It is based on understanding the most relevant sustainability issues for our business and our stakeholders and balancing the elements of People, Planet, and Profit. Our innovative and sustainable solutions offered by Bakery Supplies and Purac have both consumer and societal needs in mind. For us, implementing sustainability means embedding it in our organization, setting and working towards our objectives, and engaging with partners across our entire value chain."

Gerard Hoetmer, CEO

The CSM sustainability vision

It is our vision to provide for a healthier, more sustainable world with ample food. Through the smarter use of natural resources, our innovative solutions have both consumer and societal needs in mind. In Bakery Supplies, healthier options and new solutions that make better use of resources and result in the more efficient use of consumer food products. Purac's bio-based products from renewable raw materials provide the building blocks of the future. Guided by the vision of a world with ample food, Purac is developing processes which do not interfere with the main products in the food value chain.

Aligning our businesses to meet future needs in consideration of health, the best use of natural resources, and a growing population supports not only our long-term success, but also that of our partners and stakeholders. Our vision of a sustainable future is driven by our shared values of Passion, Partnership, and Performance and by balancing the elements of People, Planet, and Profit in all that we do. We are delivering tomorrow's products today.

Our approach

For us sustainability means balancing the elements of People, Planet, and Profit in all that we do.

People: Trust through engagement

We believe that by engaging with stakeholders and understanding their needs and expectations, we are better able to align our actions with them and anticipate future developments. We consider employees, customers, investors, suppliers, the community, NGO's, and society as a whole, important stakeholders. Building trust with our stakeholders is based on transparent actions and communication.

Planet: Responsibility and reduction

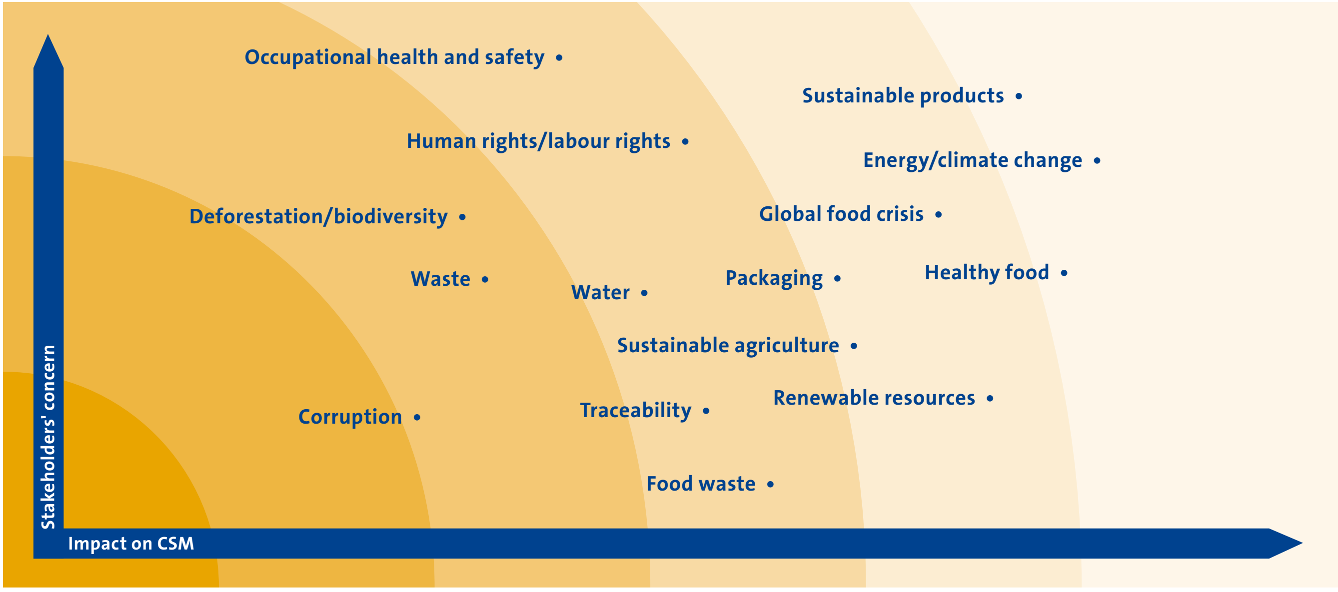
Our responsibility toward the environment includes not only monitoring and reporting environmental impact and resource use, but also setting and working towards reduction targets. That is why we are working towards our ambitious reduction objectives in the areas of energy, water, waste (raw material loss), and packaging.

Profit: Creating shared value

We believe that by embedding sustainability in our business, we can create shared value together with our stakeholders. Creating shared value ensures that our goals are aligned with our stakeholders and that our partnerships are intended to create value for all parties involved. Sustainability is aimed at securing our long-term profitability and license to operate. We also target cost reductions and efficiencies through our sustainability efforts and implement sustainability to mitigate risk. By providing innovative and more sustainable products and services to our customers, we secure our preferred position with customers, investors, and (new) employees.

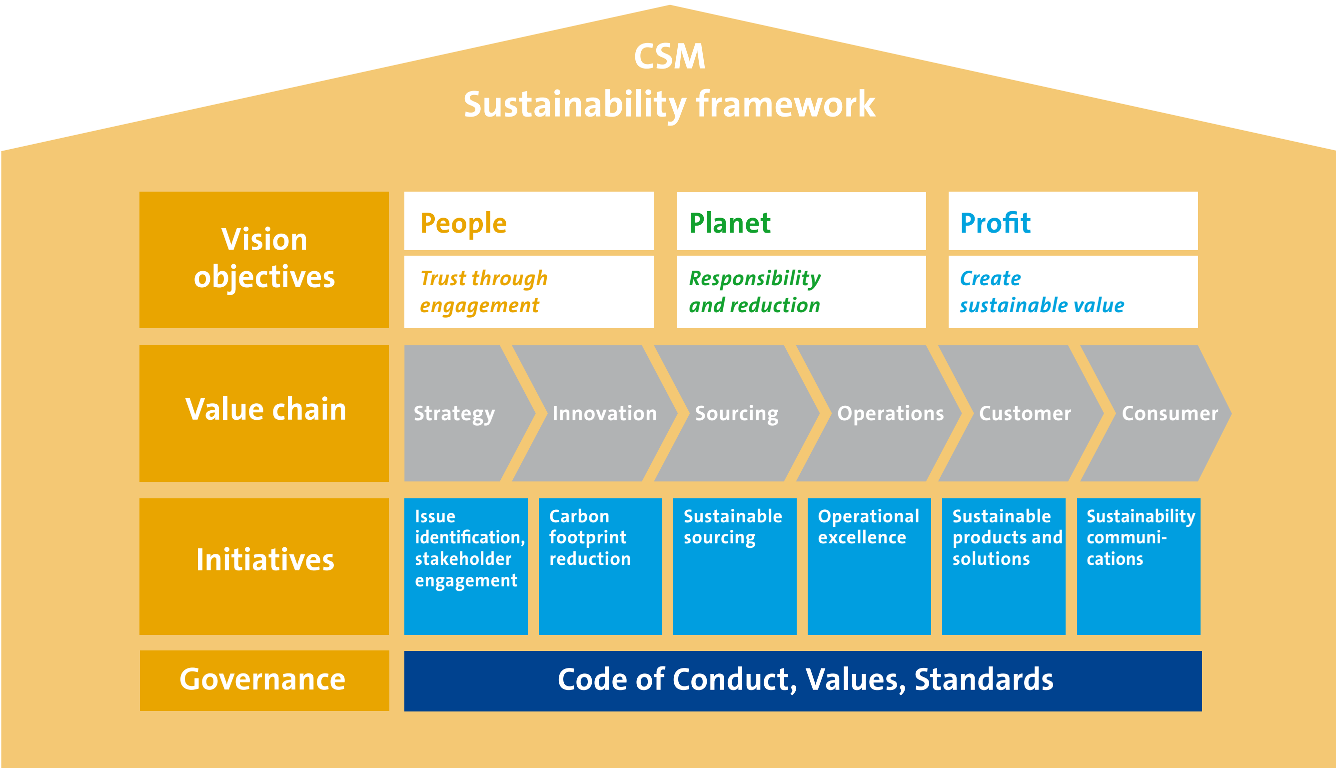
The most relevant sustainability issues for CSM

Identifying and managing the most relevant sustainability issues for CSM is a core element of our sustainability approach. CSM conducted an extensive issue evaluation in order to determine which sustainability issues have the highest impact on our business and which are the most important to our stakeholders along our value chain. This process involved conducting internal workshops with our business and corporate divisions and carrying out an extensive review of our external stakeholders with the support of an external consultant. The resulting materiality matrix compares the importance of each issue relative to its impact on CSM. Issues found in the upper right corner of the matrix are the most relevant. Understanding these key issues and addressing them through management systems ensures that CSM is prepared for future developments. This approach enables us to minimize risks early and identify new opportunities. Therefore, we ensure that these key issues are reflected as themes in our activities and strategic approach. We continue to monitor and evaluate sustainability issues on an ongoing basis.



Sustainability framework

Our holistic approach is illustrated through our sustainability framework, which acts as a strategic umbrella to define sustainability through the elements of People, Planet, and Profit and guide its implementation, from its basis in governance to highlighting key initiatives along our value chain. Our approach underscores the business case for sustainability and is driven by the prospects to create value by capturing opportunities on the one hand, and mitigate risks, on the other.



Sustainability along our value chain

Our sustainability initiatives are aligned with our most relevant sustainability themes and can be found along our value chain. These range from collaborating in multi-stakeholder organizations, such as those focusing on the bio-based economy and alternative substrates, to sustainable sourcing, to making our own operations more sustainable, to providing our customers with sustainable products.
This way, our sustainability approach makes the link between identifying the most important sustainability issues and focusing on these as key themes. This means developing objectives for these themes and driving action plans and performance. Furthermore, our sustainability initiatives involve engagement with stakeholders from different parts of our value chain. Working together on these initiatives in a transparent way is a key priority for us.
The illustration below shows how we address sustainability themes through initiatives along our value chain.

Driving a sustainable supply chain

- Sustainable sourcing
- Bio-based raw materials
- Innovating to use alternative substrates

Optimizing and innovating own operations

- Reducing energy, water, packaging, waste
- EHS programs and third-party auditing

Sustainable solutions for customers

- Healthier products
- Bio-based solutions
- Reduced-CO_2 solutions
- Reducing food waste

Integral to our business

In our fields of business, we see a number of issues and concerns that impact the environment and society. We play our part in a way that is closely aligned with our strategy, our business model, and our spheres of influence. That is why we are actively pursuing initiatives in key areas along our value chain:

- Sustainable sourcing
- Carbon footprint reduction
- Operational excellence
- Sustainable products and solutions

Sustainable sourcing

As a sustainable company, we set and measure our performance goals not only for economic achievements, but also for environmental protection and social well-being. We expect our suppliers to uphold similar standards. We therefore aim to build and maintain long-term and mutually beneficial relationships with our suppliers and move forward together to create long-term sustainable value. Together with our suppliers we must ensure that we:

- contribute to the sustainability of the earth's resources and the protection of the environment;
- comply with the laws and regulations of the countries where we operate, and respect local norms and values;
- are a responsible member of the communities in which we operate;
- respect the rights and safety of our employees as responsible employers.

Our Sustainable Sourcing Program will help us to uphold these standards in our value chain. In order to provide clarity on our sustainability expectations for suppliers, we have developed our CSM Supplier Code. This Code describes the minimum sustainability requirements for suppliers, as well as the underlying principles which apply to our relationship, to ensure that our suppliers operate in an ethical manner.

Our Sustainable Sourcing Program drives sustainable sourcing practices for our most critical raw materials, including palm oil, sugar, and cocoa. This involves ongoing engagement with the suppliers of these agricultural raw materials through either self-assessment or certification via recognized multi-stakeholder initiatives, such as Sedex, RSPO, Bonsucro, and UTZ CERTIFIED.

We continue to support Sedex, the Supplier Ethical Data Exchange as an AB member. This not-for-profit membership organization for businesses is committed to continuous improvement of ethical and responsible practices in supply chains. We are encouraging our suppliers to use this secure Web-based platform for sharing information on four key pillars: health and safety, labor standards, business integrity, and the environment. This will support our efforts in assessing social and environmental credentials of our suppliers. Also, this approach helps to reduce duplication and enhance cooperation and transparency along the supply chain.

Palm oil has been our first priority in working towards a sustainable supply base. We embarked on our journey towards sustainable sourcing in 2005 by becoming a member of the RSPO, the Roundtable on Sustainable Palm Oil. It is our objective to switch to fully sustainable palm oil for all products by 2015 in regions where available. We have an ongoing commitment to use sustainable palm oil in all of our frozen bakery products in Europe. CSM is a strong supporter of the RSPO trademark and implements its use in a range of products. We believe the RSPO trademark increases transparency for our customers and will accelerate the transition to sustainable palm oil.

We are a committed member of Bonsucro. The Bonsucro standard is the first ever metric-based standard which measures the impact of the sustainable production of sugar cane. Having developed a sustainability standard and certification system, this multi-stakeholder initiative aims to reduce the environmental and social impacts of sugar cane.

Sustainable cocoa and chocolate are part of our focus as well. CSM is a member of UTZ CERTIFIED, one of the largest sustainability programs for coffee, cocoa, and tea in the world. This means that we are able to provide our customers with UTZ CERTIFIED cocoa and chocolate upon request. UTZ CERTIFIED provides a certification and traceability program for socially and environmentally responsible cocoa production that meets the needsof both producers and markets.

Carbon footprint reduction

We understand that investigating and reducing environmental impact means looking at all stages of the life cycle of a product or process. That is why we use Life Cycle Assessment (LCA) to assess environmental impacts, including the carbon footprint of products and processes. Amongst others, we assess the impact of raw material extraction, processing, manufacture, distribution, use, and disposal or recycling. We believe that by quantifying sustainability information, we better understand our resource use and impact, and introduce sustainability parameters to support our decision-making process.

At Bakery Supplies we are working on carbon footprint reduction in two ways. First, we are developing new processes to make smarter use of natural resources. For example, innovative baking processes which enable longer shelf life, reduce impact in several ways – less bread is wasted both by customers and consumers, and distribution channels are optimized. Second, our operational excellence programs lead to improvements and efficiencies that promote sustainability, such as the reduction of energy usage, waste, and water. We are also lowering our carbon footprint by migrating to more sustainable packaging materials and developing smarter packaging solutions.

For Purac, driving carbon footprint reduction is deeply linked to the business strategy. Purac's products help to reduce CO_2 emissions by making society less dependent on fossil fuels. Purac's innovation program includes the development of new bio-based building blocks and the use of lactic acid and succinic acid as key platform chemicals to replace fossil-oil-based chemicals. At Purac, our aim is to deliver a reduction in CO_2 emissions through both our Poly Lactic Acid (PLA) proposition as well as through our gypsum-free technology.

Purac is at the forefront in the development of products, technologies and applications for bio-based and bio-degradable PLA. We have expanded our capacity through a new 75,000-ton lactides plant in Thailand. As lactide is a precursor for PLA-based polymers, this product delivers a more favorable CO_2 footprint compared to traditional fossil-oil-based polymers. For example, bio-plastics based on lactides from this plant alone deliver a CO_2 reduction of more than 125,000 tons compared to plastics based on Low Density Poly Ethylene (LDPE). Purac also continues to advance its lactic acid production technology through its gypsum-free process. By investing in this new process we will be able to produce on a substantial scale. This translates into a reduction in CO_2 emissions of 12,000 tons and represents a substantial reduction in raw material usage and co-product generation.

Operational excellence

We have defined various 5-year operational excellence objectives to be achieved by 2015:

- 20% reduction in energy consumption and 20-30% enhancement of energy from sustainable sources;
- 20% reduction in losses of raw material resources;
- 20% reduction in packaging weight and when changing packaging, convert to recycled/sustainable materials (like PLA);
- 20% reduction in clean water use (surface and groundwater).

In 2012, we made strong progress towards meeting these objectives. Our ongoing operational excellence programs aim to make improvements that support our sustainability objectives. This is achieved through the use of better technology, operational efficiencies, and greater awareness. These programs are embedded in our CSM strategy and are part of our overall ambitions. Our main focus areas are energy efficiency, water reduction, waste reduction, and more sustainable packaging. To meet our objectives in these areas, working groups with members from each division worked closely with the plant managers of all our operations. Our plant managers played an instrumental role in identifying how each facility could meet these targets. Hundreds of projects was identified and evaluated on the basis of technical feasibility and priority. Overall, 330 validated concepts for energy reduction were identified, many of which show good potential and are entering the planning process. A total of 60 validated concepts were identified for the reduction of water use, of which 10 have already been implemented. Furthermore, all concepts were shared among the plant managers in order to share best practices and ensure all plants are working at their optimum. Both short- and long-term project plans have been established to meet our 2015 objectives. Various improvement measures were implemented over the past year, which are described below.

Energy

We aim to improve our energy efficiency for the period 2005-2020 in accordance with the Multi-Year Agreements on Energy Efficiency (European policy). To improve the energy balance of our facilities, we will strive to take measures according to the BATNEEC principle (Best Available Techniques Not Entailing Excessive Cost). In addition, we are committed to increasing our share of renewable sources by 30% as part of our procurement plan and have already achieved this goal for our European facilities in 2012.

Energy reductions at Bakery Supplies

We successfully implemented several energy reduction projects during 2012 in order to work towards our long-term energy reduction objectives. For example, approximately 450 MWh were saved at our Crema production site through pre-heating water with waste condensate. Also, we optimized our hot water preparation, reducing energy use by almost 1,400 MWh. At our Goes site, more than 300 MWh were saved through the installation of a heat exchanger to recover hot water and steam from flushing our boiler. At our Delmenhorst site, improved hot water pump insulation and a modification of our ammonia temperature control system resulted in savings of 280 MWh. At our Kansas Avenue site, we optimized the use of our boiler to reduce our energy use by 70 MWh. At our East Rutherford site, a 40% production increase was realized while decreasing electricity use by 14% on a product volume basis. This was achieved through energy-efficient tools, machines, and equipment, and by implementing behavioral improvements related to greater energy efficiency. At our Atlanta site, electricity consumption was reduced through various technical measures, such as the replacement of air filters. At our Wirral site, a switch to LED lighting resulted in power savings of 70%. These are only examples of many projects implemented across our bakery production facilities. We continue to focus strongly on the planning of the numerous validated concepts to be implemented up to 2015 in order to achieve our overall energy reduction objective.

Energy reductions at Purac
Purac has successfully identified and implemented energy-saving concepts in 2012, which support our sustainability efforts and either reduce costs or bear no additional costs. In 2012, two anaerobic waste water treatment plants for our Purac lactic acid plants in Brazil and Thailand went into operation. Not only do these state-of-the-art water treatment systems clean waste water in an efficient way, they also generate an interesting by-product: biogas. Bacteria in these anaerobic waste water treatment systems convert the organic material in the waste water into methane gas. This gas is collected and sent to Purac's steam boilers, replacing up to 10% of the natural gas required to run the plant, representing savings of over € 500,000 a year. At our Purac site in Brazil, we are in the process of renewing the boiler house. The latest technology to be installed has a 10% higher thermo efficiency compared to the current one. This technical improvement, combined with the savings from the co-firing of biogas from the new anaerobic waste water treatment plant, in which we convert organic waste to energy, represents CO_2 savings of 1,750 tons per year.

We also realized a process innovation which drives energy reduction. Typically, calcium hydroxide is used in our Brazil facility to neutralize lactic acid produced by fermentation. By replacing the calcium hydroxide with calcium oxide, we managed to skip an energy-intensive process step, reducing CO_2 emissions by 223 tons per year. Finally, Purac has made further strides in the development of a gypsum-free lactic acid process. With this innovative new process, we produce lactic acid with less raw materials and less co-products, which will reduce the carbon footprint of our lactic acid production process significantly.

Water
We have been successful in further decreasing our water use, going beyond the outstanding achievements made in water reduction over the past two years. Our total water consumption decreased from 13 million m³ in 2011 to 12 million m³ in 2012, an 8% decrease. Compared with 2010, our water use in 2012 has been reduced by over 50%, meaning that we have well exceeded our targeted 20% reduction for 2015. A large part of

CASE PURAC

From organic waste to energy

The Purac plants convert large amounts of carbohydrates into lactic acid, derivatives and other products. Although our processes are highly efficient, some carbohydrates and other organic materials still end up in the waste water, which is then treated in waste water plants. However, organic material is also a potential source of energy. Purac uses its anaerobic waste water treatment to convert organic waste into biogas, consisting mainly of methane. The biogas is incinerated in a boiler to produce steam. Two plants are already making use of this technology and we are preparing another two. At our Purac Netherlands site, energy has been successfully produced from biogas for several years now. The same technology was implemented at our Thailand site and became operational in early 2012. In Thailand, 348 m³ of biogas with a methane content of 75% is incinerated per hour. The biogas passes over a scrubber to remove hydrogen sulfide before being sent to the boiler. Using this biogas means that we avoid the petroleum fuel equivalent of 2,286 mtons per year, which represents annual savings of 4,573 mtons of CO_2.

this success is due to the implementation of closed-loop cooling technology at our Purac sites. We aim to continue our focus on water management and maintain this level in the coming years.

Water reductions at Bakery Supplies

In our European facilities, in 2012 we have been able to maintain the significant water reductions achieved between 2007 and 2011, representing as much as 50% at some of our production sites. This success can be attributed to both technical measures, such as improved maintenance of pipes and condensers, installation of automatic valves, pumps, and controllers, and the switch from water to air cooling. For example, a modification of our hot water preparation at our Crema site saved 23,000 m^3/a of well water, while at our Goes site, the recovery of flushing water reduced drinking water use by almost 2,400 m^3/a. Further reductions were realized in Bischheim through an optimization of our bleaching process and in Merksem through a new water cooling system. Behavior changes through training and increased employee awareness of water use also contributed to these improvements. In our North American facilities, we successfully reduced water use in a different ways. First, allergen washes were optimized in order to reduce wash times from 3-4 hours to 2.5 hours and less while maintaining our high level of food safety integrity. This resulted in a reduction in water consumption of 15% in some facilities. Further, through specific water use monitoring, our plant improvement program helped to reduce the water needed for production by 7% on a per production volume basis.

Water reductions at Purac

Purac plants across the globe have historically been state of the art with respect to the efficient use and reuse of water and energy, implementing industry best practices with regard to evaporation and energy use. The reuse of vapors increases the efficiency of our evaporators and reduces our steam requirements to a fraction of what is needed from a straight energy balance perspective. In addition, Purac designs its facilities to maximize heat recovery and minimize the total energy needed to convert sugar or dextrose to lactic acid. Reclaiming the heat from various streams means also reclaiming the water containing this heat, which is recovered and reused at other locations in the facility, such as in fermentation. This means that Purac manages to use its water multiple times before it is disposed, reducing the amount of fresh water used by 60%.

Packaging improvements

Packaging is a key focus area in our sustainability efforts. Packaging fulfills many roles. It provides protection and preserves product quality over the supply chain. It may serve a communication role, must be convenient at the usage level, and enable responsible disposal. Our work on more sustainable packaging not only involves packaging weight, it also takes account of packaging material and packaging design. Packaging design is an important aspect, as avoiding food waste typically has a greater environmental impact than the packaging itself. On the other hand, reduced packaging weight should not affect the protection and preservation roles of the packaging.

Over the past years, we have reviewed our packaging solutions in terms of functional fit for purpose and identified optimization projects to reduce packaging weight and increase cost efficiency. One key aspect in our sustainable-packaging efforts was to ensure that our product packaging is aligned with our customers' sustainability expectations. We engaged with our customers and jointly addressed issues such as reducing packaging weight and using more recycled materials and materials from renewable sources.

To achieve our target of packaging weight reduction and conversion to recycled/sustainable materials, a total of 20 projects were identified across all CSM operations to be executed in 2012 and 2013. All of the projects save costs are or will be implemented jointly by our research and development, and operations teams. Already 70% of these have been realized ahead of schedule resulting in considerable material savings and a lower carbon footprint. For example, in Bakery Supplies Europe, a reduction of over 10% in our plastic packaging has been realized, which equals a plastics reduction of 128 tons. Another example of more sustainable packaging is the switch to recycled polyester for our cakes, cookies, and mini bites in clamshells and trays. Being perfectly recyclable, the material is further recycled in a well-established waste management loop. We changed the packaging solution for donuts, muffins, and laminated dough type products from fossil-oil-based plastics to paper-based packaging solutions to further reduce our CO_2 footprint. Also, the paper-based corrugated materials used in our secondary packaging in Europe are now FSC-certified, ensuring that these materials are sourced from suppliers who can guarantee sustainable forest management practices. In Bakery Supplies North America, we finalized a key project to reduce the weight of pails by more than 25%. This was achieved without impacting pail performance or the protection of our products throughout their lifetime.

One example of how a new sustainable packaging solution benefits both our customers and our own sustainability efforts is the switch from traditional metal baking trays to recyclable cardboard trays at our Wirral site. This solution is more consistent with our customers' sustainability policies and has added advantages in our own production process. It has resulted in energy savings due to increased efficiencies during the baking and freezing steps, as well as reduced water use associated with tray cleaning.

At Purac, we identified viscotainers as a more sustainable packaging solution. This bag-in-box packaging for liquid products will replace some of our intermediate bulk containers. This involves a change in material, from polyethylene to corrugated material, as well as a packaging weight reduction and improved logistics in terms of shipment loading. Further, we identified a more sustainable option for our lactide packaging with a shift from a corrugated box with liner to big bags. This replacement reduces packaging weight and also improves efficiency for transport and warehousing.

Waste reduction

Our waste reduction program focuses on both minimizing process waste and increasing recycling. In North America, multiple sites were able to increase the amount of paper, cardboard, and plastic that was recycled instead of being sent to the local landfills. Many sites have started to implement recycling programs in order to separate waste by type or by working with partners who accept mixed wastes for recycling, reducing our waste to landfills at some plants by 50%. For example, our Dallas site has increased its corrugated recycling by 25% through educating employees on the benefits of recycling. Also, food wastes have been reduced with programs aimed at "first time right" production. Further, improvements in the inventory management of consumables have led to a reduction in stales losses. Our Dolton plant implemented technical measures to recover a waste by-product, glycerin, and recycle it back into the process, avoiding 200 tons of waste residue fat.

Bakery Supplies Europe continued its focus on material losses and reduced its total obsoletes and overall waste during conversion through a Zero-Based Waste program. A 6% reduction in total obsolete materials was achieved through improved new product introductions and the implementation of quality-assurance systems such as prevention and root-cause analysis. According to the Zero-Based Waste principle, material waste during conversion was improved by 12% with a significant achievement of a 20% reduction specifically in our Bakery Ingredients category. Material waste was improved by focusing on process capability and developing improved systems to eliminate physical waste. Notable contributions include our Bischheim and Manchester sites with improvements of 50% on focused lines.

CASE BAKERY SUPPLIES

Sustainable palm oil

During recent years, CSM Europe has established an RSPO supply chain and certified 11 factories. Customers may choose from the three RSPO sourcing models for sustainable palm oil: segregated, mass balance, or book and claim. Since 2011, we have used sustainable palm oil for all of our frozen bakery products in Europe. We plan to increase our commitment by sourcing only sustainable palm oil, where market conditions allow, by the end of 2015. CSM was recognized in WWF's 2011 Sustainable Palm Oil Scorecard for its commitment and purchase volume of sustainable palm oil.

In 2012, we began to implement the RSPO trademark for a range of products. We support the use of this trademark, as we believe it gives our customers more transparency and will accelerate the transition to sustainable palm oil. We now use RSPO palm oil for more than 250 frozen bakery items and 100 bakery fats items. Our customers, particularly in the Benelux, the UK, Germany, and France, are also increasingly demanding sustainable palm oil in their products. Our Goldfrost Berliner is an excellent example of a product in which we successfully switched to sustainable palm oil and communicated this to our customers. Our Berliners are produced at our site in Delmenhorst, Germany, on the basis of RSPO's mass balance supply chain model.

In order to qualify for the RSPO label, 95% of the palm oil components must be certified. This is achieved by purchasing all palm oil and derivatives (more than 75%) as either segregated or mass balance. A small component consists of palm kernel oil and is covered by green palm certificates. We believe that by communicating our RSPO commitment through the RSPO trademark on packaging and sales brochures, we will encourage more customers to make more sustainable choices.

Sustainable products and solutions

Sustainable products are those which support our sustainability themes – our most important sustainability issues – including: healthy food, renewable resources, energy, and climate. Sustainable products linked with the "healthy food" theme are included under our "health and wellness" initiative mentioned below. Other examples are our products which help to reduce salt intake. Our natural food preservation products are based on renewable resources. These products and our sustainable solutions support our customers' efforts in reducing the impact over the value chain.

Poly lactic acid (PLA)

Millions of tons of plastics are used every year. Today's world is increasingly conscious of the need to protect our environment, address resource scarcity, and reduce waste. These concerns are leading the plastics industry to find ways to reduce oil dependence and minimize the impact that plastics currently have on our environment. As a result, the use of renewable resources in industrial products, including plastics, has increased over the past few years due to an increase in oil prices combined with fast developments in fermentation-based industrial production technology and biotechnology. This has created an influx of bio-plastics products into the market, which are either bio-based, bio-degradable, or both and so provide a sustainable, environmentally-friendly answer for the plastics industry.

Purac provides building blocks for PLA plastics produced from renewable resources which are fully compostable at the end of their useful life. Our solutions for PLA bio-plastics have been created to allow producers to develop the polymers that have the best performance for their particular application. Based on discussions and collaboration with our partners, Purac has developed new products and new fermentation and purification processes. A new PLA polymerization process has been developed with lactides as a starting material. By making use of the already existing economies of scale for lactic acid production, these solutions greatly reduce technology hurdles and financial risks for our partners, while allowing value-added applications to be developed.

Our proposition of bio-based plastics becomes even more compelling when the raw materials to produce these building blocks (lactides) are no longer derived from crops which may also be used for the production of food, as explained below.

Alternative substrates

Society is becoming increasingly concerned about our dependence on fossil fuels for the production of chemicals and materials. Meanwhile, innovative solutions based on renewable raw materials, or bio-based products, offer an alternative to fossil-oil-based products. However, renewable raw materials are also not endlessly available, since the land available for farming is also limited and required for food production for a rapidly growing world population. Therefore, bio-based solutions must not compromise food security for a growing population.

Purac is investing heavily in advanced technology for the next generation of lactic acid production in order to resolve the conflict between limited land availability for food production and the biomass needs for chemicals. Several years ago, Purac started a research program to develop processes to replace starch substrates derived from sugar and tapioca with alternative substrates for the production of lactic acid and lactides. Alternative substrates represent existing biomass which is not used in the production of food products, such as the agricultural by-product corn stover and paper waste. In this way, Purac is developing even more sustainable products which do not interfere with the food supply chain.

A driver for this research is that the demand for lactic acid will grow largely as a result of the rising demand for poly lactic acid. However, the use of alternative substrates for the production of chemicals such as lactic acid is quite a challenge, since biomass needs to be fragmented before it can be used for further processing. Such processes also need to be sustainable and highly efficient to be viable. Collaboration between industry and the public domain is accelerating progress in jointly addressing these challenges. Purac is partnering with universities, institutes and private industry as a research member in the public-private partnership BE-Basic. Apart from the knowledge network within BE-Basic, Purac participates as a joint-venture partner in the Bioprocess Pilot Facility (BPF) in Delft, the Netherlands. Equipped to pre-treat biomass, BPF is needed to test and scale up these new biotechnology processes.

Purac's development program for alternative substrates is on schedule. Once the most suitable alternative substrate has been chosen, further considerations with regard to technology and location for an investment will be finalized.

Lactic acid production with less co-products

Purac's current lactic acid process is highly efficient from an energy and water use perspective and has been optimized over the last decades. However, this process has some drawbacks related to the large amounts of raw materials required as well as the production of co-products. To address this, research projects were initiated several years ago and a new lactic acid production process has been developed which makes use of internal recycle streams to reduce the net input of raw materials and the production of co-products. The new process requires fewer raw materials, such as sulfuric acid, as well as materials from natural sources, such as lime obtained through mining. Further, the co-product gypsum is avoided. Our new lactic acid process has been successfully tested on an industrial scale and represents the next generation of our lactic acid production plants.

In addition to the development of this new lactic acid process, Purac has also successfully identified sustainable solutions for the use of gypsum from our current production sites. The gypsum produced at our site in Spain is now used to restore a quarry. In other cases, the gypsum is used for industrial purposes, such as in the production of plaster board for the construction industry. These examples demonstrate how sustainability considerations drive innovation and efficiency in our operations.

Health and wellness

It is our objective to double the number of products with a calorie reduction of 15-50+%, including ingredients that enable our customers to manufacture products with a similar calorie reduction by 2014. In 2012 we have made good progress towards achieving this ambition, bringing many new products to the market.

Suboptimal diets are a serious health and wellness threat for the majority of the world's population, including industrialized affluent markets. This is illustrated by the widespread prevalence of overweight, obesity, and the insufficient intakes of key nutrients such as vitamins and minerals. Both Bakery Supplies and Purac are well positioned to contribute to a more balanced, sustainable, and safe food supply.

Consumers are increasingly looking for Better-for-you and Good-for-you options. Continuing to respond to this need, in 2012 CSM extended its unique range of products proven to match taste expectations and offering meaningful health and wellness benefits. Using state-of-the-art technologies, we have introduced products which are reduced in fat, saturated fat, sugar, salt, or calories. Some of our innovations provide more fruit, nuts, vitamins, minerals, fiber, or whole grains. And we have developed attractive marketing concepts which make the purchase of healthier foods more appealing. Notable examples are Sunfry Baking® donuts, low carb-high protein breads, our ancient cereal product range, and portion controlled cakes and mini bites. CSM now offers a maturing range of products to its customers targeted at helping consumers achieve healthier diets in a tasty way.

Food preservation

Food safety and shelf life are at the heart of our preservation activities at Purac, as producers and consumers seek to reduce waste and the risk of deteriorating food quality. Natural preservation solutions are the perfect response to consumers' preference for natural, healthy, and clean label products. In our product portfolio of Bakery Supplies we provide natural solutions to extend shelf life, based on enzyme technology, helping our customers and consumers to reduce waste.

Salt reduction

Salt in our diet is a major contributor to hypertension which is causally associated with coronary heart disease. Studies suggest that at least one in four people suffers from hypertension and that this statistic will increase. We provide natural flavoring solutions for sodium reduction. Our PuraQ solution helps food manufacturers to retain a salty, savory taste, while lowering sodium content. In 2012, PuraQ Arome NA4 won the "most innovative food ingredient" award at the 16th Food Ingredients South America exhibition. As health authorities continue to highlight the dangers of excess sodium for public health, these awards highlight that reducing salt is not only achievable, but can actually improve end products. Purac's multifunctional solution allows food producers to reduce sodium by up to 40% without compromising on original quality, offering a salty taste, improved texture, and water activity control. Food producers can even boost flavors while cutting back on salt levels thanks to the savory and salty taste of PuraQ Arome NA4. With this product, we contribute to a healthier society.

Flour fortification

CSM provides flour enrichment to millers throughout North America and various other parts of the world. Although regulations and practices vary widely, flour is often enriched with four B vitamins (thiamin, riboflavin, niacin, and folic acid) and iron. Some countries also add vitamin A and zinc depending on the needs of the population. The implementation of vitamin enrichment has played a major role in making the occurrence of diseases such as beriberi and pellagra very uncommon in regions where flour is enriched. Further, neural tube defects, such as spina bifida may be prevented through folic acid. Flour fortification also plays a role in optimizing micronutrient intakes relative to the dietary recommendations. A typical cost of providing the benefits of enrichment through flour fortification is € 0.10 per person per year (B vitamins and iron, 70 kg flour). CSM is proud to provide flour enrichment and to play a role in improving public health in countries around the world.

How we manage it

At CSM, we are aware of the environmental impact of our business operations and require all of our operating companies to comply with national, local, regional, and all other applicable laws. We are committed to protecting the present and future needs of our stakeholders by conducting our business in a safe and sustainable manner. We work on the development of sustainable products and technologies and embed sustainability criteria in our management processes. By engaging with stakeholders and partners, we aim to increase sustainability over our value chain.

Sustainability organization

Sustainability has the full attention of our organization and is embedded in our management structure. This starts with the strategic commitment and sponsorship of our Board of Management and Executive. CSM's Sustainability Steering Committee is formed by our Global Head of Sustainability, together with members of our business and corporate divisions. The Steering Committee monitors our progress in driving CSM's sustainability initiatives on a monthly basis. Our initiatives are managed through dedicated working groups focusing on specific areas of social and environmental performance. Further, all employees are made aware of CSM's commitment and ambitions related to sustainability and corporate governance and encouraged to play their part.

Code of Conduct

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

Further, we have recently become a signatory to the United Nations Global Compact, an initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment, and anti-corruption.

Sustainability reporting

Since 2004, we report according to the Global Reporting Initiative (GRI) and are included in GRI's Sustainability Disclosure Database, reporting according to the GRI 3.1 standard, level C. We provide a balanced presentation of our sustainability performance related to all operations under our control and under shared responsibility. This report refers to the period between 1 January 2012 and 31 December 2012. The reporting criteria and the presentation of information are consistent with previous reports. This report includes performance data of CSM operations, excluding joint ventures.

CSM has a management process to collect its performance indicators based on the key indicators which are most relevant to our business. These Key Performance Indicators (KPI's) measure the impact of our actions, are used to measure the effectiveness of our reduction efforts, and are validated by our senior management. Our KPI reporting supports our efforts in working towards our operational excellence objectives, in particular our performance indicators for energy and water. Our sustainability reporting systems are supported by a data collection system that allows us to track and manage issues and projects as part of the standard management agenda.

Environment, health, and safety standards

We are committed to high environmental, health, and safety (EHS) standards. To meet this commitment, we have management systems in place that are designed to ensure continued compliance, while working towards ongoing improvement. CSM has implemented EHS management systems, such as ISO 14001 or comparable standards for operating companies to minimize environmental impact. Purac has implemented the OSHAS 18001 health and safety management system at its plants, and similar systems are being implemented at Bakery Supplies Europe. We conduct regular audits to monitor the EHS compliance and performance of our businesses worldwide. In 2012, all Purac sites have been third-party audited, based on the Sedex SMETA audit procedure, which consists of a thorough formal examination of the labor practices of a particular workplace. It is a verifiable process to understand, measure, report on, and help improve an organization's social and environmental performance. All sites of Bakery Supplies North America have been third-party audited based on the Safety Performance Evaluation and Reporting (SPEAR) system. Similarly, safety audits have been carried out at our BakeMark sites, and employees were recognized for their adherence to safe work practices.

We have two basic safety rules: 1) we want people to go home the same way they came to work, and 2) no job is so urgent or important that it cannot be done safely. Safety starts with senior management commitment and is driven across our organization with the support of safety steering teams, who set the safety agenda and stimulate initiatives at each plant. We truly believe that zero is possible and hence strive to create a zero accident culture. By laying a firm foundation through OSHAS 18001 and practicing the 4 P's – Practices = Policies + Procedures + Processes – we try to move our culture toward zero accidents. In 2012, Purac implemented DuPont™ STOP™, a behavioral safety program, since behavior, and not conditions, is often the root cause of accidents. We also work with our partners, like DuPont, towards sustainable and responsible EHS practices among suppliers, contractors, and customers. We strive for open communication and dialogue in the workplace and with our stakeholders so we can respond to any concerns and suggestions.

CSM has a framework in place for quality assurance, Good Manufacturing Practices (GMP), food safety (HACCP), safety, and the environment. Together with our policies on ethics and the use of genetically modified materials, these represent the standard to which CSM adheres and which we also expect from our suppliers.

Stakeholder engagement

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

Investors

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

Employees

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

CASE PURAC


Before restoration


After restoration

Restoring a quarry with gypsum

The current Purac process for the production of lactic acid delivers large quantities of the harmless by-product calcium sulfate or gypsum. In fact, between 1.3 and 1.6 tons of gypsum are produced for every ton of sugar consumed as a raw material. This material has a purity of more than 99%. We have a couple of outlets for the gypsum while continuing at the same time to explore and identify potential new applications for this by-product.
At our factory in Spain we have found a sustainable solution in collaboration with the Catalan authorities. The gypsum from our lactic-acid process is used to re-fill a natural, exhausted gypsum quarry. Purac played a key role in the restoration of this area and, as a follow-up, participates periodically in the control and inspection of the zone. In 2012, a total of 19,000 tons of gypsum was used to restore the quarry. Not only does this restore the beauty of the landscape and enable the regrowth of vegetation, savings of € 425,000 were realized compared with alternative methods of disposal. Purac will continue to manage this quarry and investigate further ways of disposing of our gypsum in the most sustainable manner.

At Purac, in 2012, we launched our employee engagement program on sustainability. The aim of the program was to embed our sustainability program in the hearts and minds of all employees. By creating a common understanding of sustainability and developing a greater personal commitment to our vision, we will be better able to achieve our objectives. Employees were invited to follow a Web-based learning program on sustainability. Our employees are now better equipped to drive sustainability in their roles and act as our sustainability ambassadors. This initiative, together with our ongoing sustainability workshops, help employees to better understand sustainability in general as well as how sustainability adds value to our company, our external stakeholders, our customers, and society.

Partnerships

Living and working in partnership with the community is an important part of the CSM culture. In North America, CSM provides partnership support to the March of Dimes, Feeding America, American Cancer Society, Salvation Army, Wounded Warriors, and the Los Angeles County Sheriff Youth Foundation STAR Program. Employees also volunteered in Junior Achievement, an education program delivering an inspirational curriculum while sharing their experiences with local middle school students. In Thailand, Purac supports the development of children and students around the manufacturing plant in Rayong. The Purac employees are personally involved in tree planting initiatives in the local community. Purac also acts as a sponsor of the Eco-Citizen project aimed at cleaning the city of Macaé, Brazil, that has been severely hit by pollution as a result of the oil industry. Key elements in the program are removal of trash from the streets, rivers, and beaches. In Blair, Nebraska, Purac participates in the Community Enrichment Campaign. During a two-week period our employees are involved in activities to raise funds for local charity programs and services.

CSM participates in Top Institute Food & Nutrition, TIFN, a joint initiative of the Dutch government, the food industry, universities, and research institutes. It is part of the "Food Valley" initiative to strengthen the innovative and competitive capabilities of the food industry. It conducts long-term strategic and fundamental research into the development of innovative, new healthy food. Other industry partners include DSM, Unilever, Vion, and FrieslandCampina. Research is organized on a project basis and performed at various locations of the participating organizations.

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

Purac is a partner of BE-Basic, a public-private partnership coordinated by Delft University of Technology in the Netherlands. This organization supports the development of clean, robust and competitive bio-based chemicals, materials and energy industries, including the responsible monitoring and control of healthy soil and water environments, based on advanced genomics technologies and bioprocess engineering. BE-Basic unites the capabilities of Dutch and foreign world-class universities, institutes, and advanced industries of various sizes. CSM actively participates in two BE-Basic working groups. The first develops processes to produce fermentable sugars from lignocellulosic substrates for the production of organic acids while the second addresses the embedding of a bio-based society.

In 2012, Purac, in partnership with BE-Basic, constructed a bio-based Kids' House at the Floriade Exhibition in Venlo in the Netherlands. The house, created entirely from innovative, bio-based building materials, aimed to demonstrate to the visitors how bio-based construction can reduce dependency on fossil fuels and contribute to a more sustainable future. The bio-based applications included wall switches and cable ducts made from bio-plastics and roof insulation panels made from expanded PLA foam.

In 2012, Purac participated in a study for TEEB (The Economics of Ecosystems Service and Biodiversity), a major international initiative to draw attention to the global economic benefits of biodiversity and highlight the growing costs of biodiversity loss and ecosystem degradation. In the "TEEB for the Netherlands" project, the Dutch government analyzed, in cooperation with Purac, the economic value of biodiversity and ecosystem services for the chemical sector by looking at various alternatives for the production of PLA. The comparison concerns PLA production from traditional food-grade substrates versus alternative substrates. Purac is cited as an example in the economic top sector Chemistry, as defined by the Dutch Ministry of Economy, Agriculture, and Innovation.

Further, we encourage debate on the use of food crops for the production of bio-based chemicals. For example, in November 2012, we organized a panel discussion in association with the Dutch Institute of Societal Innovation on the sustainability of bio-based chemicals, which included Purac, the Dutch Chemical Industry Association, Greenpeace, and WWF with the intention of exchanging views and developing a better understanding of the different stakeholder positions.

Fedima, the Federation of the European Union Manufacturers and Suppliers of Ingredients to the Bakery, Confectionery, and Patisserie Industries, runs working groups on sustainability which are co-chaired by CSM. It is Fedima's task to provide its member organizations and other companies with active guidance and support in sustainability matters. In 2012, CSM participated in a new working group focusing on more sustainable packaging.

CSM has been a member of the RSPO (Roundtable on Sustainable Palm Oil) since 2005. The RSPO is a multi-stakeholder initiative dedicated to promoting the sustainable production of palm oil worldwide. The RSPO has more than 700 members including palm growers, oil processors, traders, consumer goods manufacturers, retailers, investors, and social and environmental NGO's. The RSPO promotes the growth and use of sustainable palm oil through cooperation in the supply chain and open dialogue with its stakeholders. Its mission is to advance the production, procurement and use of sustainable palm oil products through the development, implementation and verification of credible global standards and stakeholder engagement across the supply chain.

In 2012, CSM became a member of Bonsucro, a global multi-stakeholder, non-profit initiative dedicated to reducing the environmental and societal impacts of sugar cane production. It aims to achieve this by applying a standard that measures these impacts accurately, and by developing a system to certify that sustainable practices are being adhered to.

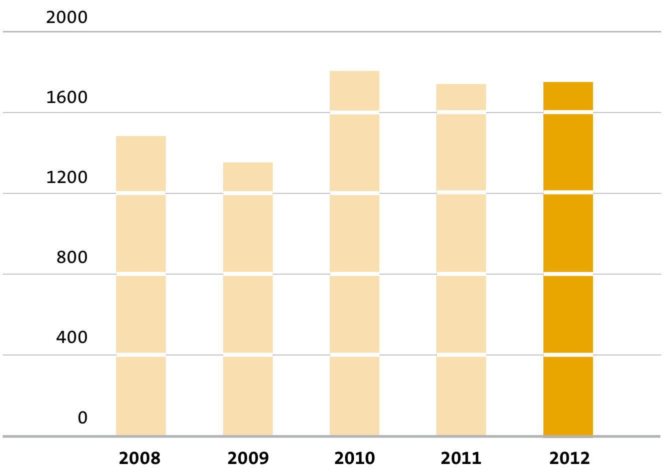
Bakery Supplies North America provides partnership support for the United States Compliance Corporation, which develops site-specific hazard and risk assessments to avoid internal and external safety threats.

Sustainability statistics

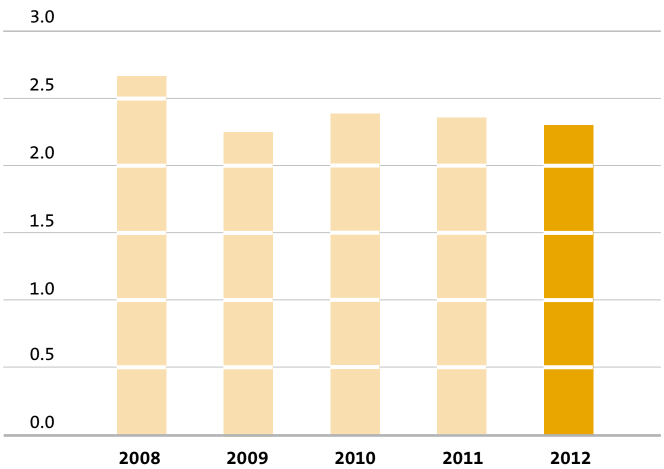
Trends in environmental KPI's

Production volume and energy consumption

Total production volume (1000 tons)



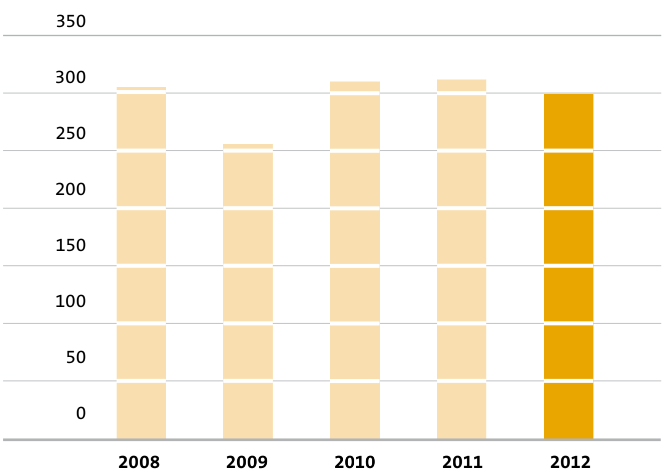
Energy index (GJ/ton product)



In 2012, our total production volume, at 1,689 thousand tons, remained more or less consistent with the previous year. Overall, we experienced a change in the balance of our bakery mix in Europe and North America, increasing our volume in bakery products and decreasing our volume in bakery ingredients. Despite a shift towards more energy-intensive processes, we were able to reduce our overall energy consumption through the implementation of technical measures and careful energy management. Reducing our energy consumption is a key objective in our sustainability efforts. Having identified 330 validated concepts for energy reduction in 2012, many of which are entering the planning process, we are working towards our objective for 2015.

Greenhouse gas emissions

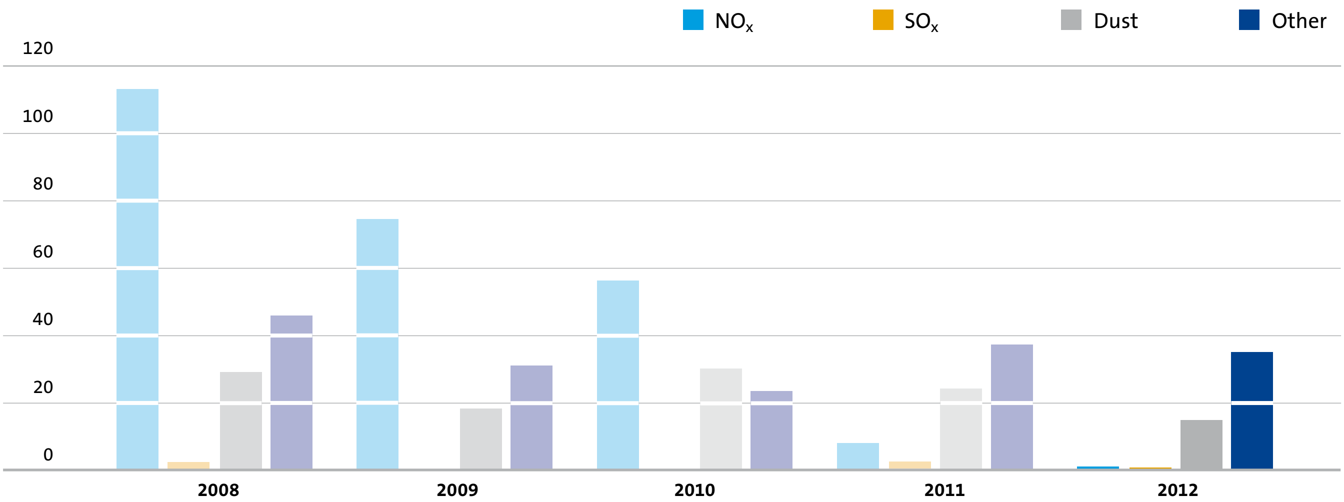
Total greenhouse gas emissions (tons CO_2 equivalent)



CSM reports CO_2 emissions in accordance with the Green House Gas Protocol's definition of scope I and scope II. Our total greenhouse gas emissions in terms of CO_2 equivalents fell in 2012 compared with 2011 (from 308,000 tons CO_{2equiv} in 2011 to 299,000 tons CO_{2equiv} in 2012). Our scope I emissions amounted to 155,000 tons CO_{2equiv} and consisted of the production-based consumption of natural gas. Our scope II emissions from electricity and purchased steam amounted to 144,000 tons $CO_{2equiv.}$ Thanks to several measures to reduce electricity that were implemented in 2012, the CO_{2equiv} from electricity consumption decreased by 25% (from 161,000 tons CO_{2equiv} in 2011 to 121,000 tons CO_{2equiv} in 2012).

Air emissions

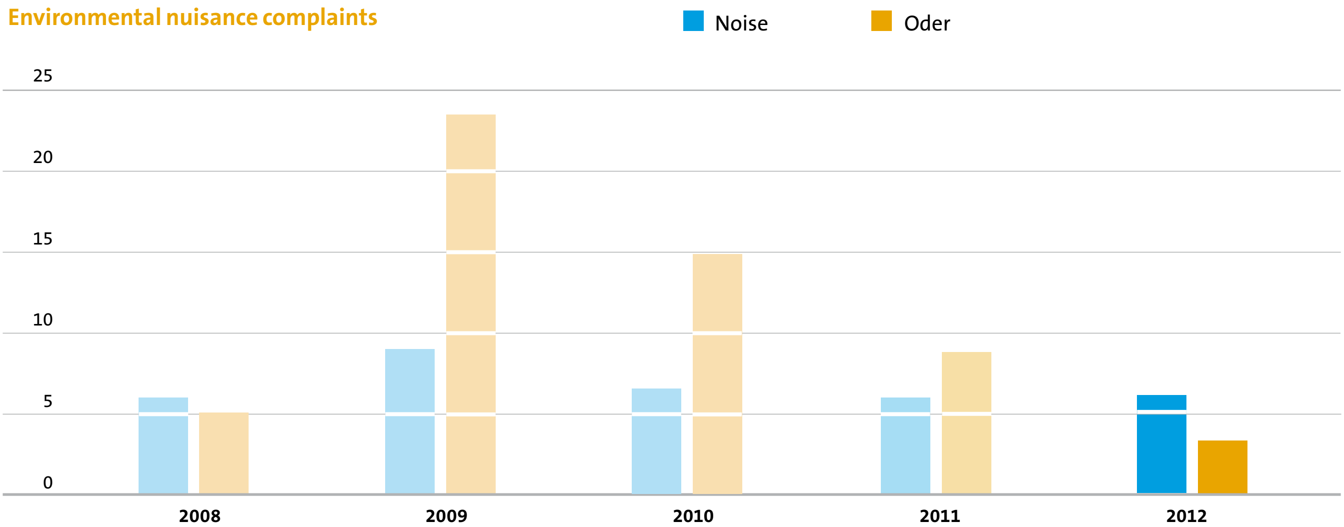
Air emissions (tons)



We achieved an 82% reduction in NO_x by improving boiler efficiency. Dust was also significantly reduced by 47% through various technical measures. We also reduced other emissions by 14%, which consisted of ethanol produced during Purac's fermentation process, carbon monoxide emissions and volatile organic compounds in small amounts.

Environmental nuisance complaints

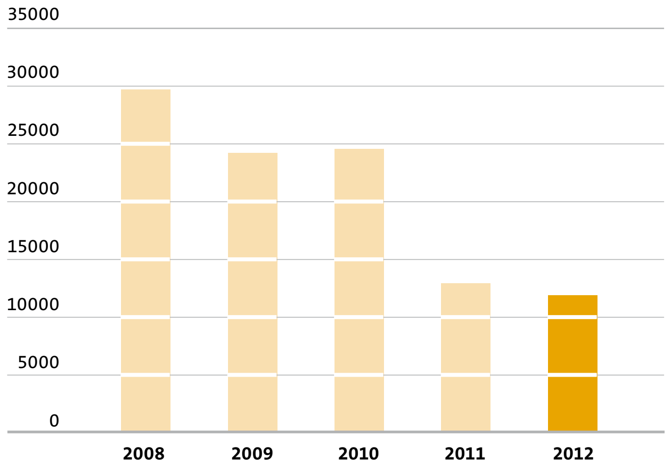
Environmental nuisance complaints



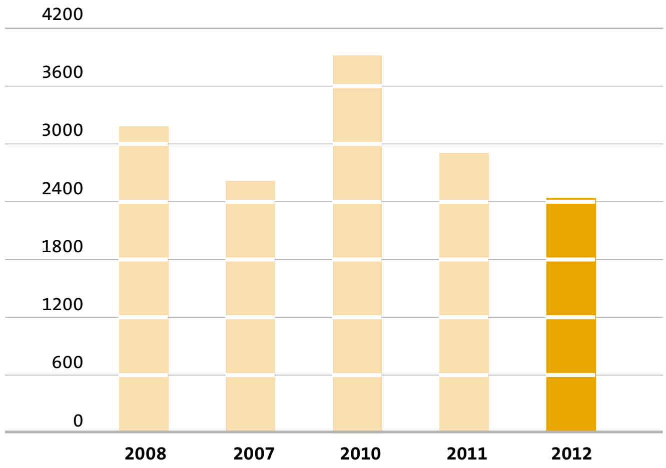
We have consistently reduced odor complaints over recent years, receiving only three complaints in 2012. This is a great achievement and the lowest level in five years. An important role was played by improvements in our Thailand facility, which included the implementation of a new water treatment installation. Also, the level of noise complaints was low in 2012, consistent with 2011.

Water

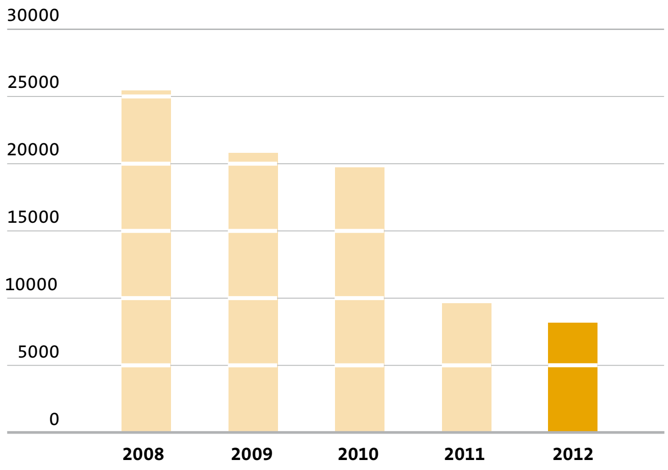
Used water (1000m³)



Returned water treated (1000m³)



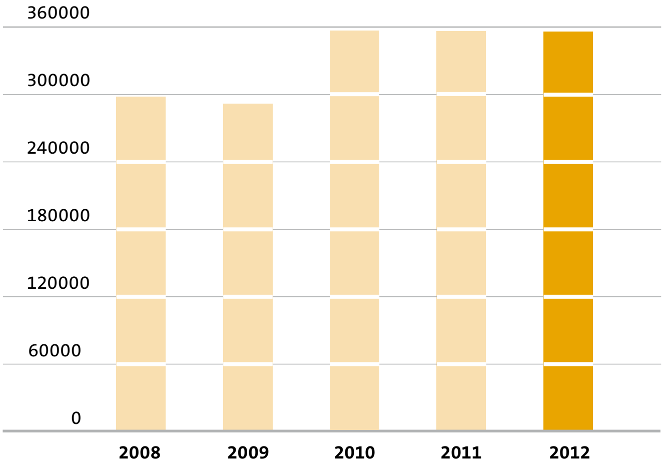
Returned water non treated (1000m³)



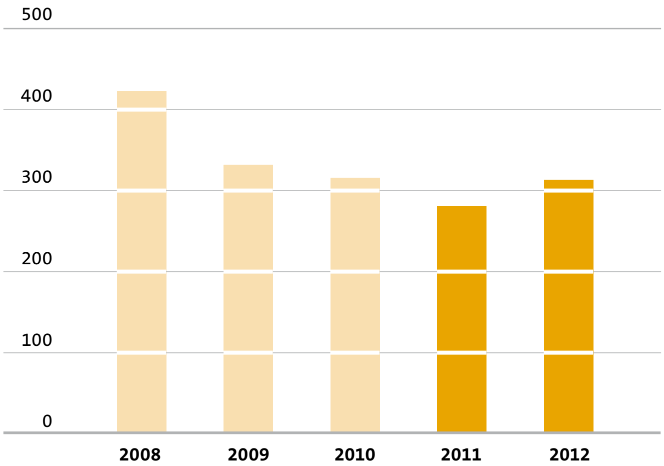
We have been successful in further decreasing our water use, outstripping the outstanding performance of the past two years. Our total water consumption fell from 13 million m³ in 2011 to 12 million m³ in 2012, an 8% decrease. Compared with 2010, our 2012 water consumption has been lowered by over 50%, meaning that we have far exceeded the targeted 20% for 2015. Much of this success is due to the implementation of closed-loop cooling technology at our Purac sites. We will continue to focus on water management and maintain this level in the coming years.

Useful by-products, hazardous, and non-hazardous waste

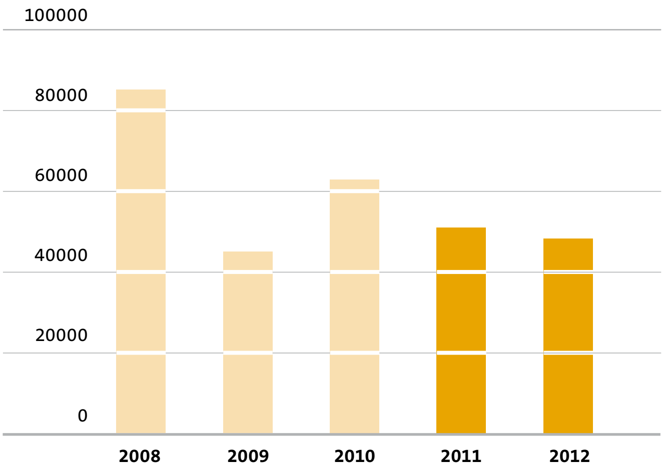
Useful by-products (tons)



Hazardous waste (tons)



Non-hazardous waste (tons)

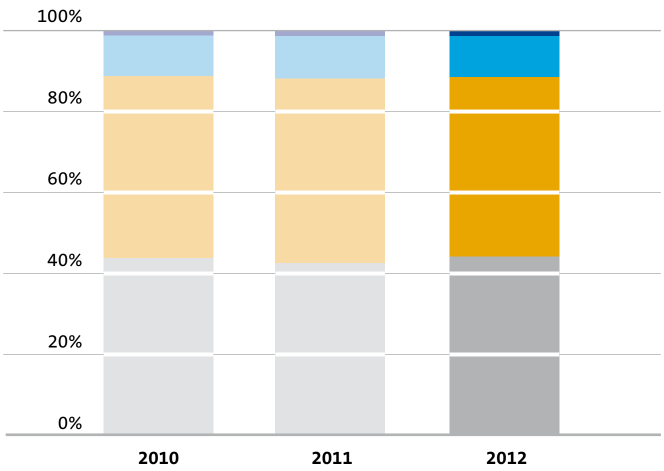


We achieved a reduction of 9% in our non-hazardous waste volume from 2011 to 2012. Efforts such as redirecting materials from the landfill to recycling processes, our zero-based waste approach and improved systems for production and inventory management have contributed to this. Our levels of useful by-products and hazardous waste were consistent with previous years.

Trends in social KPI's

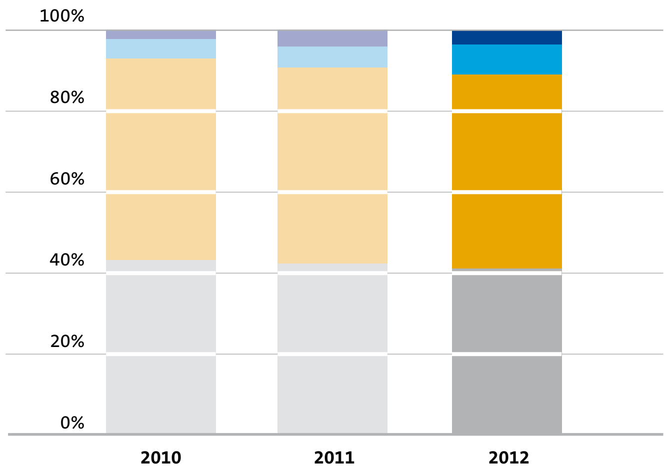
Number of employees

Total population per division



Bakery Supplies Europe
Bakery Supplies North America
Purac
Corporate

Number of employees per region/country



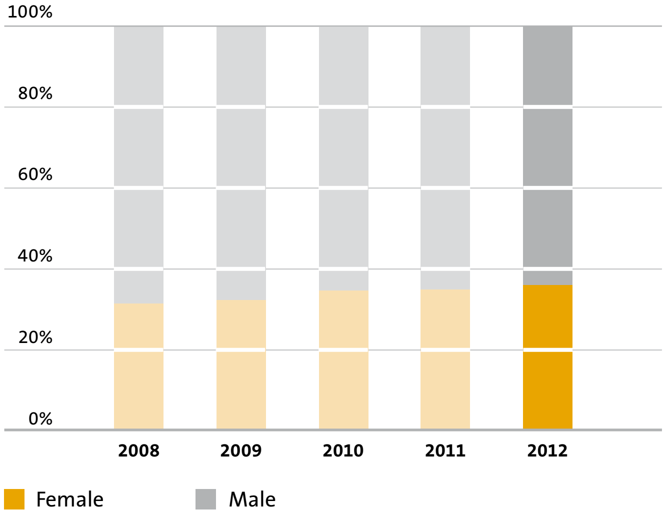
Rest of Europe
North America
Netherlands
Rest of the world

In 2012, the total workforce slightly decreased from 9,900 employees in 2011, to 9,857. Bakery Supplies Europe employs the largest number of people (4,392), followed by Bakery Supplies North America (4,359), Purac (1,050), and Corporate (56). The overall decrease in total workforce can be explained by redundancies related to the global restructuring program Relevance, initiated in October 2011 across the organization. The impact of Relevance on total number of employees in Bakery Supplies Europe and Purac was largely offset due to the acquisition of Promocook and The Cookie Man (Europe) and staffing investments in strategic initiatives (Purac). Bakery Supplies North America, in contrast, saw an overall decrease in employees, due to the closure of two plants in the US following the integration of Best Brands, on top of Relevance-related redundancies.

Although North America (45.5%) and the rest of Europe (40.8%) comprise the greatest proportion of the workforce in 2012, an emerging trend across the 2010-2012 period indicates that the proportion of employees in these regions has gradually declined, whereas the composition of employees in the Netherlands and the rest of the world has increased. In 2012 the Netherlands makes up 9.4% of the workforce and the rest of the world 4.3%.

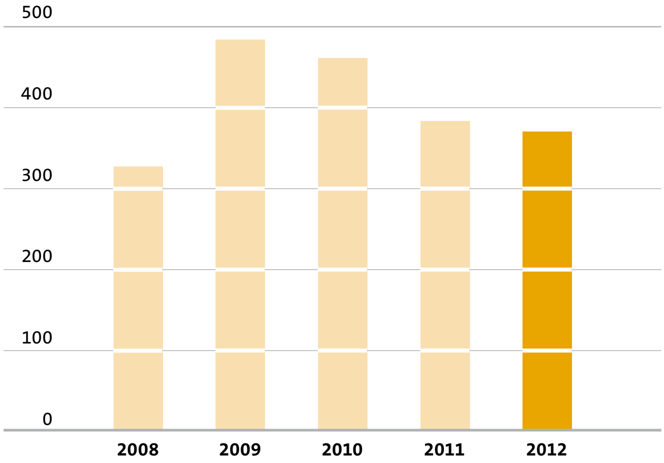
Diversity

Female/male ratio



Training

Average investment in training and education *in € per employee*



The proportion of female workers to male workers shows a slight increase in 2012, with the female population representing 34.2% of the total, and males representing 65.8%. This parallels the overall increasing presence of female workers throughout the 2008-2012 period.

An average of € 375 was invested per employee in 2012, a reduction of € 20 per head compared with 2011. It is important, nevertheless, to emphasize the continued investment in training and education across the organization, despite global restructuring efforts in 2012. In addition to local/site-specific trainings, divisional and global training programs focused on such topics as sales and key account management, project management, change management, and working in a matrix organization.

CSM GRI checklist

1. Strategy and analysis

		Section
1.1	Statement from the most senior decision-maker of the organization	Sustainability
1.2	Description of key impacts, risks, and opportunities	Risk management, Key risk areas, Sustainability - Our approach

2. Organizational profile

2.1	Name of the organization	CSM at a glance
2.2	Primary brands, products, and/or services	CSM at a glance
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	Group structure
2.4	Location of organization's headquarters	Group structure
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Group structure
2.6	Nature of ownership and legal form	Corporate governance
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Financial highlights
2.8	Scale of the reporting organization	Sustainability - How we manage it
2.9	Significant changes during the reporting period regarding size, structure or ownership	Notes to the consolidated financial statements

3. Report parameters

3.1	Reporting period (e.g. fiscal/calendar year) for information provided	Financial commentary
3.2	Date of most recent previous report (if any)	Financial commentary
3.3	Reporting cycle (annual, biennial, etc.)	Financial commentary
3.4	Contact point for questions regarding the report or its contents	communications@csmglobal.com
3.5	Process for defining report content	Sustainability - Our approach, Stakeholder engagement
3.6	Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	
3.7	State any specific limitations on the scope or boundary of the report	Sustainability - How we manage it
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	Sustainability - How we manage it
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	Sustainability - How we manage it
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	Sustainability statistics
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Not applicable
3.12	Table identifying the location of the Standard Disclosures in the report	GRI checklist
3.13	Policy and current practice with regard to seeking external assurance for the report	Independent auditor's report on financial statements

4. Governance, commitments and engagement

		Section
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	Corporate governance
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Corporate governance
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members	Brief resumés of the members of the Board of Management
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Sustainability - Stakeholder engagement
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	Remuneration policy
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Corporate governance
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity	Not reported
4.8	Internally-developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Sustainability, Corporate governance
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally-agreed standards, codes of conduct, and principles	Corporate governance
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	Corporate governance
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	Risk management, Key risk areas, Sustainability - Our approach
4.12	Externally-developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Sustainability - How we manage it
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: has positions in governance bodies; participates in projects or committees; provides substantive funding beyond routine membership dues; or views membership as strategic	Sustainability - Stakeholder engagement
4.14	List of stakeholder groups engaged by the organization	Sustainability - Stakeholder engagement
4.15	Basis for identification and selection of stakeholders with whom to engage	Sustainability - Stakeholder engagement
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Sustainability - Stakeholder engagement
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	Sustainability - Stakeholder engagement

Economic

EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Financial statements

Environmental

EN3	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Key figures sustainability
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Sustainability – Integral to our business
EN8	Total water withdrawal by source	Key figures sustainability
EN16	Total direct and indirect greenhouse gas emissions by weight	Key figures sustainability
EN20	NO_x, SO_x, and other significant air emissions by type and weight	Key figures sustainability
EN21	Total water discharge by quality and destination	Key figures sustainability
EN22	Total weight of waste by type and disposal method	Key figures sustainability

Social: Labor practices and decent work

LA1	Total workforce by employment type, employment contract, and region, broken down by gender	Key figures sustainability

Social: Product responsibility

PR1	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Innovation, Sustainability – Integral to our business

Financial statements 2012

Contents

Consolidated financial statements

Consolidated income statement

millions of euros	Note	2012	2011
Continuing operations			
Net sales	**4/9.**	753.7	714.3
Costs of raw materials and consumables		-389.6	-365.8
Production costs		-124.2	-117.3
Warehousing and distribution costs		-41.7	-40.8
Gross profit		**198.2**	**190.4**
Selling expenses		-55.0	-52.8
Research and development costs		-17.5	-17.8
General and administrative expenses		-85.9	-70.1
Operating result		**39.8**	**49.7**
Financial income	**7.**	1.4	1.8
Financial charges	**7.**	-25.9	-31.3
Results from joint ventures and associates	**14.**	-0.1	-0.2
Result before taxes from continuing operations		**15.2**	**20.0**
Taxes	**8.**	12.0	10.9
Result after taxes from continuing operations		**27.2**	**30.9**
Discontinued operations			
Result after taxes from discontinued operations	**9.**	**-90.9**	**-205.2**
Result after taxes		**-63.7**	**-174.3**
Per common share in euros	**10.**		
Basic earnings from continuing operations		0.34	0.38
Diluted earnings		0.34	0.38
Basic earnings from continuing and discontinued operations		-0.96	-2.56
Diluted earnings		-0.96	-2.55

Consolidated statement of comprehensive income

millions of euros	Note	2012	2011
Result after taxes		**-63.7**	**-174.3**
Other comprehensive results to be recycled			
Translation reserve	**18.**	-7.6	24.2
Hedge reserve	**18.**	5.1	6.6
Taxes relating to other comprehensive results to be recycled	**18.**	-2.3	-3.1
Total other comprehensive results to be recycled		**-4.8**	**27.7**
Total comprehensive result after taxes		**-68.5**	**-146.6**

Consolidated statement of financial position

before profit appropriation, millions of euros	Note	As at 31.12.2012	As at 31.12.2011
Assets			
Property, plant, and equipment	**11.**	303.0	583.0
Intangible fixed assets	**12.**	93.4	912.4
Loans, receivables, and other	**13.**	3.6	9.9
Joint ventures and associates	**14.**	6.4	9.1
Pension assets	**19.**	7.1	
Deferred tax assets	**21.**	14.6	44.5
Total non-current assets		**428.1**	**1,558.9**
Inventories	**15.**	104.6	337.9
Receivables	**16.**	94.4	376.5
Tax assets		20.0	26.0
Cash and cash equivalents	**17.**	60.2	116.0
Assets held for sale	**9.**	1,478.0	
Total current assets		**1,757.2**	**856.4**
Total assets		**2,185.3**	**2,415.3**
Equity and liabilities			
Equity	**18.**	**858.7**	**948.3**
Provisions	**19.**	1.5	89.4
Deferred tax liabilities	**21.**	21.2	144.0
Non-current liabilities	**22.**	614.0	726.9
Total non-current liabilities		**636.7**	**960.3**
Interest-bearing current liabilities	**23.**	2.4	4.7
Trade payables		60.4	311.9
Other non-interest-bearing current liabilities		60.5	144.6
Provisions	**19.**	13.6	23.5
Tax liabilities		5.1	22.0
Liabilities directly associated with assets held for sale	**9.**	547.9	
Total current liabilities		**689.9**	**506.7**
Total equity and liabilities		**2,185.3**	**2,415.3**

Consolidated statement of changes in equity

before profit appropriation, millions of euros	Share capital	Share premium reserve	Other reserves	Retained earnings	Total
As at 1 January 2011	**17.2**	**74.5**	**27.4**	**998.1**	**1,117.2**
Result after taxes 2011				-174.3	-174.3
Other comprehensive result after tax 2011			27.7		27.7
Transfers to/from Other reserves			-1.1	1.1	
Total comprehensive result after tax 2011			**26.6**	**-173.2**	**-146.6**
Cash dividend				-23.2	-23.2
Stock dividend	0.4	-0.4			
Share-based remuneration transfers			-1.0	1.0	
Share-based remuneration charged to result			0.9		0.9
Total transactions with shareholders	**0.4**	**-0.4**	**-0.1**	**-22.2**	**-22.3**
As at 31 December 2011	**17.6**	**74.1**	**53.9**	**802.7**	**948.3**
Result after taxes 2012				-63.7	-63.7
Other comprehensive result after tax 2012			-4.8		-4.8
Transfers to/from Other reserves			1.2	-1.2	
Total comprehensive result after tax 2012			**-3.6**	**-64.9**	**-68.5**
Cash dividend				-21.6	-21.6
Stock dividend	0.6	-0.6			
Acquired company shares				-0.4	-0.4
Share-based remuneration transfers			-1.3	1.3	
Share-based remuneration charged to result			0.9		0.9
Total transactions with shareholders	**0.6**	**-0.6**	**-0.4**	**-20.7**	**-21.1**
As at 31 December 2012	**18.2**	**73.5**	**49.9**	**717.1**	**858.7**

For more information on equity see Note 18.

Consolidated statement of cash flows

millions of euros	Note	2012	2011
Cash flow from continuing operating activities			
Result after taxes		27.2	30.9
Adjusted for:			
• Depreciation/amortization of fixed assets	**6.**	43.2	36.5
• Impairment of fixed assets	**11/12.**	7.9	3.1
• Result from divestments of fixed assets		-0.9	-0.1
• Share-based remuneration		0.9	0.9
• Interest income	**7.**	-0.1	-1.1
• Interest expense	**7.**	25.3	30.1
• Exchange rate differences	**7.**	-0.3	0.9
• Fluctuations in fair value of derivatives	**7.**	-0.6	-0.6
• Other financial income and charges	**7.**	0.2	0.2
• Results from joint ventures and associates	**14.**	0.1	0.2
• Taxes	**8.**	-12.0	-10.9
Cash flow from continuing operating activities before movements in working capital		**90.9**	**90.1**
Movement in provisions		0.9	-1.1
Movements in working capital:			
• Receivables		1.7	-0.8
• Inventories		7.8	-1.6
• Non-interest-bearing current liabilities		-3.9	-2.7
Cash flow from continuing business operations		**97.4**	**83.9**
Interest received		0.1	1.2
Interest paid		-26.2	-30.4
Tax paid on profit		1.5	7.2
Cash flow from continuing operating activities		**72.8**	**61.9**
Cash flow from discontinued operating activities		**124.6**	**86.1**
Cash flow from operating activities		**197.4**	**148.0**
Cash flow from continuing investment activities			
Acquisition of group companies	**24.**	-8.0	
Investment joint ventures and associates	**14.**	-5.0	-0.7
Investment other financial assets		-0.9	-0.7
Repayment other financial assets		10.5	11.6
Capital expenditure on (in)tangible fixed assets		-53.1	-50.5
Divestment of (in)tangible fixed assets		1.3	1.4
Cash flow from continuing investment activities		**-55.2**	**-38.9**
Cash flow from discontinued investment activities		**-25.6**	**-64.0**
Cash flow from investment activities		**-80.8**	**-102.9**
Cash flow from financing activities			
Proceeds from interest-bearing debts			2.6
Repayment of interest-bearing debts		-101.4	-28.8
Acquisition of company shares	**18.**	-0.4	
Paid-out dividend		-21.6	-23.2
Cash flow from financing activities		**-123.4**	**-49.4**
Net cash flow		**-6.8**	**-4.3**
Effects of exchange rate differences on cash and cash equivalents		-2.6	1.6
Increase/decrease cash and cash equivalents		**-9.4**	**-2.7**
Cash and cash equivalents at start of financial year		116.0	118.7
Cash and cash equivalents at close of financial year		106.6	116.0

For more information on the cash flow statement see Note 29.

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. It also develops, produces, and sells a variety of lactic acid applications for the food, chemical and pharmaceutical industries. CSM operates in business-to-business markets mainly in Europe and North America, but also has offices in Asia and South America.
CSM is based in Amsterdam and listed on NYSE Euronext Amsterdam.
The consolidated financial statements drawn up by the Board of Management have been discussed by the Supervisory Board on 12 March 2013. They will be presented to the General Shareholders' Meeting for adoption on 6 May 2013.
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.

Discontinued operations

On 7 May 2012 CSM announced that it intends to transform into a bio-based ingredients company focusing on the Purac and Caravan Ingredients businesses, and divest its North American and European Bakery Supplies businesses.

For more information on discontinued operations see Note 9.

Acquisitions

The following acquisitions influenced the 2012 consolidation:

The Cookie Man

On 20 January 2012 CSM acquired the UK-based business of The Cookie Man Ltd. The Cookie Man had filed for administration on 16 January 2012. The Cookie Man produces a high quality range of premium bakery products, servicing the retail and out-of-home markets. The business including its facilities is based in Esher (Surrey, UK), has annual sales of £ 19 million and employs around 340 people. This transaction complements CSM's operations in the UK, both in terms of portfolio and customers. The transaction will not have a material impact on CSM's financials.

Promocook

On 13 April 2012 CSM acquired all outstanding shares in the French company Lame Investissements SAS, which holds all the outstanding shares in the company Promocook SA.
Promocook focuses on the production and sale of brownies in the French market. As the market leader in this segment, it sells to all major retailers and the out-of-home channel. They have a production facility in Chanteloup en Brie (France). Promocook has annual sales of € 9.5 million and employs around 30 people.

FiberLive™

On 6 July 2012 CSM acquired the FiberLive™ technology from Vivoxid Ltd., Finland.
The acquisition which includes the intellectual property of the FiberLive™ technology and key personnel, complements the activities of Purac Biomaterials, which develops, manufactures, and markets resorbable polymers and monomers for medical applications under the PURASORB® brand.
FiberLive™ is a unique composite consisting of resorbable glass fibers and resorbable polymers, forming the strongest fully resorbable material available today. With the acquired technology Purac Biomaterials will reinforce its position in the resorbable biomedical market, enabling it to develop, manufacture, and market new materials with load bearing properties.

For more information on acquisitions see Note 24.

Reported amounts

Unless stated otherwise all amounts in the financial statements are reported in millions of euros.

Exchange rates of main currencies in euros

	Average exchange rate 2012	Average exchange rate 2011	Exchange rate 31.12.2012	Exchange rate 31.12.2011
US dollar	1.28	1.39	1.32	1.29
GB pound	0.81	0.87	0.82	0.84
Japanese yen	102.45	110.88	113.50	100.10
Brazilian real	2.51	2.32	2.70	2.41
Thai baht	39.86	42.29	40.25	40.75

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.

The comparative income statement and cash flow statement are presented as if an operation which was discontinued during the financial year had been discontinued from the start of the comparative years (see Note 9, Discontinued operations).

In 2012, CSM applied all the new and amended standards and interpretations published by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), if and insofar as these applied to CSM and were effective as at 1 January 2012.

None of the new and amended IFRS and IFRIC interpretations not yet effective, have been applied by CSM.

The main changes effective after 1 January 2012 are:

- IAS 19: Employee benefits revised

CSM adopted IAS 19: 'Employee benefits revised' in the group's consolidated financial statements for the year starting 1 January 2013. The application of this revised standard will have a significant impact on amounts reported in respect of the group's results and equity. The revised standard will have a negative effect (excluding tax effects) of € 88 million on equity of which € 25 million related to continuing operations and will lead to an increase in the pension provision by the same amount.
If the standard would have been applied as per 2012, the total pension costs including discontinued operations would have increased by € 2 million.

- IFRS 9: Financial instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. The standard is effective for annual periods beginning on or after 1 January 2013. CSM anticipates that the new standard does not have a significant impact on amounts reported in the consolidated financial statements.

- New and revised standards on consolidation, joint arrangements, associates, and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates, and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards together with the amendments regarding the transition guidance are effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. CSM currently anticipates that none of the standards will have a significant impact on amounts reported in the consolidated financial statements.

- IFRS 13: Fair value measurement

IFRS 13, effective for annual periods beginning on or after 1 January 2013, establishes a single source of guidance for fair value measurement and disclosures about fair value measurement. CSM anticipates that the application of the new standard may result in more extensive disclosures in the financial statements.

CSM also anticipates that the application of all other new and amended IFRS and IFRIC interpretations currently known for future periods will have no significant impact on the CSM financial statements.

Consolidation
The consolidation includes the financial data of CSM nv and its group companies (together "CSM"). All inter-company receivables, debts, and transactions have been eliminated. Group companies are companies in which CSM nv exercises control. 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 or deferred in equity in case of hedge accounting.
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, and equipment

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

Intangible fixed assets

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquiror's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.
Goodwill is valued at cost less impairment. Goodwill is tested for impairment annually – or more often if there are 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 cost to sell. The value in use is the present value of the cash flows which the unit is expected to generate. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. If impairment is incurred, the impairment is charged to the income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods.

When an entity or activity is sold or closed down the goodwill allocated to the entity is included in the calculations for the result of the sale.

Customer base

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

Research and development costs

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

Non-compete agreements

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

Favorable purchase contracts

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

Other intangible fixed assets

Other intangible fixed assets consist primarily of capitalized or acquired third-party software and licenses.

Other intangible fixed assets are valued at historical cost if capitalized or at fair value if acquired and amortized on a straight line basis over the estimated economic life. Software and licenses amortization charges are recognized in general and administrative expenses. Emission rights are not recognized in the balance sheet as cost is zero. The value of the other intangible fixed assets is tested for impairment whenever there is an indication that the assets may be impaired.

Financial fixed assets

Loans, receivables, and other

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

Derivatives

Derivatives are valued at fair value.

Joint ventures and associates

Joint ventures and associates are accounted for using the equity method.

Deferred taxes

Deferred taxes concern tax loss carry forward 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 if and insofar it is probable that future taxable profit will be available against which the temporary difference and tax loss carry forward can be utilized.
Tax assets and liabilities are netted when there is a legal right and the intention to offset. Deferred tax assets and liabilities with the same term and relating to the same fiscal unities are offset against each other.

Inventories

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

Receivables

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

Cash and cash equivalents

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

Equity

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

Provisions

Pension and early retirement schemes

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 either by the company or by external parties, such as industry wide pension schemes and insurance companies, as the case may be.

The pension commitments arising from defined benefit plans are calculated using the projected unit credit method. Actuarial gains and losses are recognized using the "corridor" method, whereby the actuarial results are only recognized in the income statement for the financial year if the total of the unrecognized actuarial results as at the start of the financial year exceeds the bandwidth of 10% of the greater of the pension plan commitments and the fair value of the plan assets (the "corridor"). The excess is spread to income over the employee's expected average remaining working life, starting in the financial year following the balance sheet date of exceeding the bandwidth.
Movements in commitments due to changes to defined benefit plans, as far as past service costs are concerned, are amortized on a straight-line basis over the vesting period. If and insofar as commitments have vested upon the introduction of or after a possible change to the defined benefit plan the relevant movements are charged immediately to the result. The result arising from the curtailment or settlement of a defined benefit pension plan is recognized as soon as the curtailment or settlement 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.

Reorganization, restructuring, and other

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

Liabilities

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

Leases

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

Net sales

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

Costs of raw materials, packaging, and consumables

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

Production costs

Production costs are the costs relating to production operations.

Warehousing and distribution costs

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

Selling expenses

Selling expenses relate to the costs of marketing and sales.

General and administrative expenses

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

Taxes

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

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

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

The fair value of derivative financial instruments which are used as hedging instruments and movements in the hedge reserve in equity are explained in Note 25, Financial instruments.

Cash flow hedge

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

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

Discontinued operations and non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition and the sale must be highly probable. A discontinued operation is a component of the company that either has been disposed of, or that is classified as held for sale, and: (i) represents a separate major line of business or geographical area of operations or (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. Discontinued operations are stated on the basis of the lower of carrying amount and fair value less cost to sell. Discontinued operations are presented separately in the income statement and cash flow statement.

In accordance with IFRS 5 fixed assets related to discontinued operations will no longer be depreciated and amortized after the classification as held for sale.
For more information on discontinued operations see Note 9.

Critical accounting estimates and judgments

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

Acquisitions

CSM undertakes a process to identify all assets and liabilities acquired, including intangible fixed assets. The judgments made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lifes, can materially impact results of operations. Estimated fair values are based on information available around the acquisition date and on expectations and assumptions of anticipated discounted cash flows that have been assessed as reasonable by CSM. For more information on acquisitions see Note 24.

Goodwill impairment

Every year, CSM tests the goodwill based on the higher of fair value less cost to sell and the value-in-use method. The value in use is calculated on the basis of estimates and judgments 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 12.

(In)tangible fixed assets

(In)tangible fixed assets are tested for sustained impairment if there is an indication of possible impairment. A key factor is the recoverable amount which is calculated on the basis of estimates and assumptions of anticipated discounted cash flows, on the one hand, and an estimate of the fair value less cost to sell, on the other.

Pension and early retirement schemes

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 20.

Taxes

CSM is subject to various tax systems across the world. Estimates and judgments are used to determine the tax items in the financial statements. Interpretation differences in tax liabilities are also taken into account. For more information on taxes see Note 21.

Discontinued operations and non-current assets held for sale

Non-current assets or disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. The estimation of the fair value less costs to sell requires significant estimation and judgment as the negotiations on the transaction price of the Bakery Supplies businesses were still ongoing at the date of this annual report.
As of year-end 2012, the Bakery Supplies businesses qualified as held for sale and discontinued operations.

3. Consolidated income statement before one-off costs

The consolidated income statement for financial years 2012 and 2011 from continuing operations before one-off costs (non-IFRS financial measures) can be presented as follows.

	2012			2011		
	Before one-off costs	One-off costs	Total	Before one-off costs	One-off costs	Total
Net sales	753.7		753.7	714.3		714.3
Costs of raw materials and consumables	-389.6		-389.6	-365.8		-365.8
Production costs	-123.3	-0.9	-124.2	-113.6	-3.7	-117.3
Warehousing and distribution costs	-41.6	-0.1	-41.7	-40.8		-40.8
Gross profit	**199.2**	**-1.0**	**198.2**	**194.1**	**-3.7**	**190.4**
Selling expenses	-54.8	-0.2	-55.0	-52.2	-0.6	-52.8
Research and development costs	-17.4	-0.1	-17.5	-17.6	-0.2	-17.8
General and administrative expenses	-69.0	-16.9	-85.9	-66.0	-4.1	-70.1
Operating result	**58.0**	**-18.2**	**39.8**	**58.3**	**-8.6**	**49.7**
Financial income	1.4		1.4	1.8		1.8
Financial charges	-25.9		-25.9	-31.3		-31.3
Results from joint ventures and associates	-0.1		-0.1	-0.2		-0.2
Result before taxes from continuing operations	**33.4**	**-18.2**	**15.2**	**28.6**	**-8.6**	**20.0**
Taxes	7.4	4.6	12.0	9.5	1.4	10.9
Result after taxes from continuing operations	**40.8**	**-13.6**	**27.2**	**38.1**	**-7.2**	**30.9**

One-off cost items may occur up to and including the Operating result item. The one-off item Taxes relates to taxes on these one-off costs only. It does not include incidental tax gains and losses.

One-off costs are considered whenever the operating performance is impacted by an incidental cause outside the normal course of business. In 2012, one-off costs were recorded for head-office restructuring (€ 16.7 million) and for the Relevance restructuring program (€ 1.5 million). In 2011, one-off costs were recorded for the Relevance restructuring program (€ 5.5 million) and impairment of tangible fixed assets (pilot plant Spain) at Purac (€ 3.1 million).

4. Segment information

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

The bakery supplies operations comprise the development, production, and sale of bakery ingredients and products. The lactic acid operations involve the development, production and sale 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.

Segment information no longer aligns with the income statement, as the classification of business as discontinued operations did not change the assessment of the chief operating decision maker, while the income statement was subject to IFRS reclassifications for discontinued operations.

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

Segment information by business area

	CSM Bakery Supplies Europe		CSM Bakery Supplies North America		Purac	
	2012	2011	2012	2011	2012	2011
Income statement information						
Net sales	1,118.2	1,077.8	1,780.7	1,627.6	416.8	407.2
EBITA including one-off costs	16.9	35.8	117.7	85.1	39.2	41.9
One-off costs	184.4	251.6	5.9	9.8	1.1	4.2
Operating result	-157.7	-216.9	100.5	63.0	35.1	37.3
Balance sheet information						
Total assets	589.7	737.3	997.2	1,062.3	421.8	424.6
Investment in associates and joint ventures	0.3	0.3			4.5	
Total liabilities	286.8	310.4	273.4	287.5	72.7	79.1
Capital employed year-end	862.2	842.2	966.8	1,018.4	360.5	342.2
Average capital employed	863.7	832.4	1,019.6	982.2	346.0	345.4
Depreciation of property, plant, and equipment	22.5	22.4	26.9	23.9	30.0	25.5
Amortization of intangible fixed assets	6.4	3.7	17.2	22.1	4.1	4.6
Other information						
Capital expenditure on property, plant, and equipment	7.7	18.9	14.2	21.0	28.8	38.3
Capital expenditure on intangible fixed assets	3.1	8.7			5.0	2.0
Impairment of tangible fixed assets			1.3			3.1
Impairment of intangible fixed assets	168.2	249.0				
Average number of employees	4,392	4,231	4,359	4,589	1,050	1,022
Alternative non-IFRS performance measures						
EBITA margin %	1.5	3.3	6.6	5.2	9.4	10.3
ROCE %	2.0	4.3	11.5	8.7	11.3	12.1
Alternative non-IFRS performance measures excluding one-off costs						
EBITA	33.1	38.4	123.6	94.9	40.3	46.1
EBITA margin %	3.0	3.6	6.9	5.8	9.7	11.3
ROCE %	3.8	4.6	12.1	9.7	11.6	13.3

As non-current assets are not easily available they are not disclosed in the segment overview.
For more information on the impairment of tangible fixed assets see Note 11 and on impairment of goodwill see Note 12.

Information on the use of alternative non-IFRS performance measures

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

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

Goodwill included in capital employed relates to management goodwill, being the historical cost of goodwill capitalized and the goodwill charged directly to equity. The goodwill charged directly to equity amounts to € 317.2 million.

Segment information by business area (continued from previous page)

	Corporate		CSM total operations	
	2012	2011	2012	2011
Income statement information				
Net sales			3,315.7	3,112.6
EBITA including one-off costs	-49.9	-32.6	123.9	130.2
One-off costs	23.7	4.0	215.1	269.6
Operating result	-50.6	-32.9	-72.7	-149.5
Balance sheet information				
Total assets	176.6	191.1	2,185.3	2,415.3
Investment in associates and joint ventures	9.0	8.8	13.8	9.1
Total liabilities	693.7	790.0	1,326.6	1,467.0
Capital employed year-end	17.3	37.1	2,206.8	2,239.9
Average capital employed	25.2	51.2	2,254.5	2,211.2
Depreciation of property, plant, and equipment	1.8	0.2	81.2	72.0
Amortization of intangible fixed assets	0.7	0.3	28.4	30.7
Other information				
Capital expenditure on property, plant, and equipment	16.2	1.3	66.9	79.5
Capital expenditure on intangible fixed assets	1.2	1.5	9.3	12.2
Impairment of tangible fixed assets	7.8		9.1	3.1
Impairment of intangible fixed assets			168.2	249.0
Average number of employees	56	58	9,857	9,900
Alternative non-IFRS performance measures				
EBITA margin %			3.7	4.2
ROCE %			5.5	5.9
Alternative non-IFRS performance measures excluding one-off costs				
EBITA	-26.2	-28.6	170.8	150.8
EBITA margin %			5.2	4.8
ROCE %			7.6	6.8

Segment information by geographical region

	The Netherlands 2012	The Netherlands 2011	Rest of Europe 2012	Rest of Europe 2011	North America 2012	North America 2011
Net sales	141.9	152.1	1,107.3	1,061.3	1,937.1	1,780.9
Average capital employed	157.3	171.6	851.3	825.2	1,066.6	1,041.3
Capital expenditure on fixed assets	36.1	21.7	10.9	20.2	20.4	23.8
Depreciation and amortization of fixed assets	16.6	12.3	26.7	26.8	51.7	52.8
Average number of employees	930	910	4,019	3,888	4,486	4,717

	Other countries 2012	Other countries 2011	CSM total operations 2012	CSM total operations 2011
Net sales	129.4	118.3	3,315.7	3,112.6
Average capital employed	179.3	173.1	2,254.5	2,211.2
Capital expenditure on fixed assets	8.8	26.0	76.2	91.7
Depreciation and amortization of fixed assets	14.6	10.8	109.6	102.7
Average number of employees	422	385	9,857	9,900

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 are shown in the table below

	2012	2011
The Netherlands	124.1	103.3
Rest of Europe	1,073.9	1,069.0
North America	1,897.7	1,739.3
Other countries	220.0	201.0
Total	**3,315.7**	**3,112.6**

5. Payroll and social insurance

	2012	2011
Payroll	104.1	95.9
Pension premiums – defined benefit pension plans	4.5	5.0
Pension premiums – defined contribution pension plans	3.8	4.3
Other social insurance	11.0	11.6
Share-based remuneration	0.9	0.9
Total	**124.3**	**117.7**

6. Depreciation/amortization of (in)tangible fixed assets

	2012	2011
Depreciation of property, plant, and equipment	37.2	30.6
Amortization of intangible fixed assets	6.0	5.9
Total	**43.2**	**36.5**

7. Financial income and charges

	2012	2011
Interest income	-0.1	-1.1
Interest charges	25.3	30.1
Exchange rate differences	-0.3	0.9
Fluctuations in fair value of derivatives	-0.6	-0.6
Other	0.2	0.2
Total	**24.5**	**29.5**

Net financial charges decreased by € 5.0 million to € 24.5 million. The lower expenses compared to last year are mainly due to the termination at the end of 2011 of interest swaps in the amount of € 115.0 million and the associated fixed interest rate.

8. Taxes

	Continuing operations		Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
Current tax	-8.3	-12.6	19.1	7.0	10.8	-5.6
Deferred tax	-3.7	1.7	-40.7	-1.1	-44.4	0.6
Tax charge (income)	**-12.0**	**-10.9**	**-21.6**	**5.9**	**-33.6**	**-5.0**

For calculation of taxes on discontinued operations see Note 9.

Reconciliation of result before taxes and tax charge

	Continuing operations		Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
Result before taxes	**15.2**	**20.0**	**-112.5**	**-199.3**	**-97.3**	**-179.3**
Applicable tax charge at average statutory tax rate	5.3	5.1	-27.4	-46.6	-22.1	-41.5
Income not subject to tax	-10.1	-8.7	-1.1	-0.9	-11.2	-9.6
Expenses not deductible for tax purposes	3.5	0.8	1.7	2.2	5.2	3.0
Additions/releases of the valuation allowance	2.0	4.1	0.7	12.2	2.7	16.3
Additions/releases of tax provision	-2.3	-10.5	-0.4	-0.3	-2.7	-10.8
Prior years effects	-10.4	-1.7	-4.6	3.7	-15.0	2.0
Effects of goodwill impairment			9.5	35.6	9.5	35.6
Tax charge (income)	**-12.0**	**-10.9**	**-21.6**	**5.9**	**-33.6**	**-5.0**
Average tax rate on operations	**-78.9%**	**-54.5%**	**19.2%**	**-3.0%**	**34.5%**	**2.8%**

The average statutory tax rate is the average of the statutory tax rates in the countries where CSM operates, weighted on the basis of the result from ordinary activities before taxes in each of these countries.
The realization of deferred tax assets depends on the expected future profitability. Based on management's expectations the valuation allowance has been increased.

The adjustment in respect of the effects of goodwill impairment reflects the effect of impairing goodwill which is not deductible for tax purposes.
The adjustment in respect of prior years reflects the effects of changes to relevant regulations, facts or other factors compared to those used in establishing the current tax position or deferred tax balance in previous years.

Breakdown of the tax charge recognized in equity

	Continuing operations		Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
Tax liability due to loan-related exchange rate differences	-0.3		1.1	1.7	0.8	1.7
Tax liability due to hedge results of financial instruments	1.3	1.6	0.2	-0.2	1.5	1.4
Tax charge (income) recognized in equity	**1.0**	**1.6**	**1.3**	**1.5**	**2.3**	**3.1**

9. Discontinued operations

Intended divestment of the Bakery Supplies businesses

On 7 May 2012 CSM announced its intention to transform into a bio-based ingredients company focusing on the Purac and Caravan Ingredients businesses and to divest its North American and European Bakery Supplies businesses.

The Bakery Supplies businesses have strong market positions in Europe and North America. However, in the current environment of expected continuation of volatility in raw material costs and pressure on consumer spending, further market consolidation in the bakery segment is essential for a prosperous future. The high-growth opportunities CSM has identified for its bio-based product activities require significant investments as well. In the longer term CSM does not have sufficient financial resources to exploit both opportunities. It is expected, given the current market environment and the requirement to maximize shareholder value, that our Bakery Supplies businesses will be of greater value to another owner, and as such better positioned to participate in this consolidation. The strategic transformation of CSM is progressing in line with original expectations and timetable.

CSM Bakery Supplies offers a full line of the finest ingredients and bakery products available, and all the benefits of our extensive global expertise and technology. The bakery product portfolio ranges from bakery margarines, bread improvers, mixes and fruit fillings, to frozen dough, and part and fully baked products. The customer base typically comprises traditional artisan bakeries, industrial bakeries, and supermarkets that offer in-store finishing of bakery products.

These activities have strong market positions in Europe and North America, excellent management, and well filled innovation pipelines. The activities to be divested are part of the Bakery Supplies Europe and Bakery Products North America segments.

Breakdown of comprehensive result from discontinued operations

	2012	2011
Net sales	2,562.0	2,398.3
Costs of raw materials and consumables	-1,588.9	-1,485.5
Production costs	-328.7	-310.2
Warehousing and distribution costs	-207.5	-204.7
Gross profit	**436.9**	**397.9**
Selling expenses	-208.3	-195.8
Research and development costs	-22.2	-25.6
General and administrative expenses	-154.2	-126.7
Impairment of goodwill	-165.0	-249.0
Other proceeds	0.3	
Operating result	**-112.5**	**-199.2**
Financial income	0.1	0.2
Financial charges	-0.3	-0.4
Results from joint ventures and associates	0.2	0.1
Result before taxes	**-112.5**	**-199.3**
Taxes	21.6	-5.9
Result after taxes	**-90.9**	**-205.2**
Other comprehensive results to be recycled		
Translation reserve	-3.0	21.0
Hedge reserve	0.9	-0.7
Taxes relating to other comprehensive results to be recycled	-1.3	-1.5
Total other comprehensive results to be recycled	**-3.4**	**18.8**
Total comprehensive result after taxes	**-94.3**	**-186.4**

The income statement is based on a stand-alone situation of the discontinued operations adjusted for elimination of intercompany transactions and reallocation of other incremental expenses directly associated with the discontinued operations. Net effects are opposite presented in continuing operations. Taxes on these adjustments are adjusted as well and are calculated on the basis of the applicable nominal tax rate. Also changes in overall deferred tax liabilities and assets positions as well as current income tax positions due to the classification as discontinued operations per year-end and the associated legal restructuring are taken into account in taxes in the income statement.

When the transaction is closed and the associated balance sheet positions are transferred, the related currency translation differences and cash flow hedges will be recognized in the income statement. Both being part of the Other reserves within Shareholders' equity, the amount as at 31 December 2012 is € -0.1 million before taxes and € 6.5 million after taxes.

Cash flows from discontinued operations

	2012	2011
Cash flow from operating activities	**124.6**	**86.1**
Cash flow from investment activities	**-25.6**	**-64.0**

The cash flow statement is also based on a stand-alone situation of the discontinued operations with the following adjustments; the adjustments in the income statement are considered to be cashed immediately and the intercompany cash flows are eliminated.

Breakdown of the balance sheet of discontinued operations

	As at 31.12.2012
Property, plant, and equipment	258.2
Intangible fixed assets	646.9
Loans, receivables, and other	0.4
Joint ventures and associates	7.4
Pension assets	0.4
Deferred tax assets	32.9
Inventories	219.6
Receivables	264.9
Tax assets	0.9
Cash and cash equivalents	46.4
Total assets held for sale	**1,478.0**
Long-term provisions	90.2
Deferred tax liabilities	82.6
Non-current liabilities	1.0
Interest-bearing current liabilities	0.1
Trade payables	240.8
Other non-interest-bearing current liabilities	105.1
Short-term provisions	10.4
Tax liabilities	17.7
Liabilities directly associated with assets held for sale	**547.9**

Segment information discontinued operations (supplementary non-IFRS information)

	2012	2011
Income statement information		
Net sales	2,562.0	2,398.3
EBITA including one-off costs	78.1	74.6
One-off costs	196.9	261.0
Operating result	-112.5	-199.2
Balance sheet information		
Capital employed year-end	1,640.6	1,699.5
Average capital employed	1,708.3	1,682.3
Depreciation of property, plant, and equipment	44.0	41.4
Amortization of intangible fixed assets	22.4	24.8
Other information		
Capital expenditure on property, plant, and equipment	17.3	35.1
Capital expenditure on intangible fixed assets	3.1	8.7
Impairment of tangible fixed assets	1.2	
Impairment of intangible fixed assets	168.2	249.0
Average number of employees	8,050	8,109
Alternative non-IFRS performance measures		
EBITA margin %	3.0	3.1
ROCE %	4.6	4.4
Alternative non-IFRS performance measures excluding one-off costs		
EBITA	106.8	86.6
EBITA margin %	4.2	3.6
ROCE %	6.3	5.1

10. Earnings per common share

Earnings per common share and earnings per common share from continuing and discontinued operations are calculated by dividing the profit available for holders of common shares by the weighted average number of outstanding common shares in CSM nv.

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

	2012	2011
Result after taxes	**-63.7**	**-174.3**
Minus: dividend cumulative financing preference shares	3.7	4.3
Total profit available for holders of common shares (A)	**-67.4**	**-178.6**
Minus: loss discontinued operations (B)	-90.9	-205.2
Continuing operations profit available for holders of common shares (C)	**23.5**	**26.6**
Weighted average number of outstanding common shares (D)	**69.9**	**69.8**
Plus: common shares related to share rights	0.1	0.2
Weighted average number of outstanding common shares after dilution (E)	**70.0**	**70.0**
Per common share in euros		
Basic earnings from continuing operations (C/D)	0.34	0.38
Basic earnings from discontinued operations (B/D)	-1.30	-2.94
Basic earnings (A/D)	-0.96	-2.56
Diluted earnings from continuing operations (C/E)	0.34	0.38
Diluted earnings from discontinued operations (B/E)	-1.30	-2.93
Diluted earnings (A/E)	-0.96	-2.55

11. Property, plant, and equipment

	Land	Buildings	Machinery and equipment	Other fixed assets	Under construction	Not employed in operations	Total
1 January 2011							
Acquisition prices	45.3	293.1	887.4	69.8	65.4	0.3	1,361.3
Cumulative depreciation		-119.3	-610.3	-53.2	-3.9		-786.7
Book value	**45.3**	**173.8**	**277.1**	**16.6**	**61.5**	**0.3**	**574.6**
Movements							
Capital expenditure	1.1	4.1	26.4	7.4	40.5		79.5
Divestments		-0.1	-0.4	-0.1	-1.1	-0.3	-2.0
Exchange rate differences	0.3	1.4	1.3	0.2	0.7		3.9
Acquisition of group companies		1.3	0.8				2.1
Depreciation		-10.6	-53.9	-7.5			-72.0
Impairment			-3.1				-3.1
Other	-0.2	4.0	15.6	4.3	-23.7		
Net movement in book value	**1.2**	**0.1**	**-13.3**	**4.3**	**16.4**	**-0.3**	**8.4**
31 December 2011							
Acquisition prices	46.5	303.5	916.4	80.9	77.9		1,425.2
Cumulative depreciation		-129.6	-652.6	-60.0			-842.2
Book value	**46.5**	**173.9**	**263.8**	**20.9**	**77.9**		**583.0**
Movements							
Capital expenditure	3.3	14.4	18.1	4.1	27.0		66.9
Divestments		-0.1	-1.1	-0.5			-1.7
Exchange rate differences	-0.2	-0.8		-0.2	0.8		-0.4
Acquisition of group companies		0.2	3.5				3.7
Depreciation		-11.9	-59.7	-9.6			-81.2
Impairment		-6.8		-2.3			-9.1
Other	0.3	12.0	51.8	7.2	-71.3		
Reclassification as assets held for sale	-31.2	-85.0	-125.2	-9.4	-7.4		-258.2
Net movement in book value	**-27.8**	**-78.0**	**-112.6**	**-10.7**	**-50.9**		**-280.0**
31 December 2012							
Acquisition prices	18.7	164.8	499.1	42.8	27.0		752.4
Cumulative depreciation		-68.9	-347.9	-32.6			-449.4
Book value	**18.7**	**95.9**	**151.2**	**10.2**	**27.0**		**303.0**
Depreciation rates		2.5 - 4%	6.7-12.5%	20-50%		6.7-12.5%	

The Property, plant, and equipment item includes fixed assets with a book value of € 0.4 million (31 December 2011: € 1.6 million) which are financed through a financial lease. The impairment recorded for buildings relates to a lower fair value for office premises which are partly vacant. The impairment of other fixed assets relates to assets which became obsolete as a result of the strategic transformation.
Impairment expenses are recorded in general and administrative expenses (partly discontinued operations).

12. Intangible fixed assets

	Goodwill	Customer base	Brands and licenses	Research and development costs	Non-compete agreements	Favorable purchase contracts	Other intangible fixed assets	Total
1 January 2011								
Acquisition prices	1,017.8	180.2	38.5	31.2	16.3	15.0	14.5	1,313.5
Cumulative amortization	-106.1	-23.4	-5.9	-7.3	-5.3	-11.3	-7.4	-166.7
Book value	**911.7**	**156.8**	**32.6**	**23.9**	**11.0**	**3.7**	**7.1**	**1,146.8**
Movements								
Capital expenditure				1.8			10.4	12.2
Acquisition of group companies	4.3	8.2						12.5
Exchange rate differences	14.5	4.8	0.9	0.5		-0.1		20.6
Amortization		-11.3	-3.4	-3.6	-6.7	-3.6	-2.1	-30.7
Impairment	-249.0							-249.0
Net movement in book value	**-230.2**	**1.7**	**-2.5**	**-1.3**	**-6.7**	**-3.7**	**8.3**	**-234.4**
31 December 2011								
Acquisition prices	1,036.8	194.8	39.8	32.7	16.9		25.6	1,346.6
Cumulative amortization	-355.3	-36.3	-9.7	-10.1	-12.6		-10.2	-434.2
Book value	**681.5**	**158.5**	**30.1**	**22.6**	**4.3**		**15.4**	**912.4**
Movements								
Capital expenditure			0.2	4.8			4.3	9.3
Acquisition of group companies	5.4	0.5	17.7					23.6
Exchange rate differences	-6.2	-1.5	-0.2	-0.3			-0.2	-8.4
Amortization		-12.3	-4.5	-3.5	-2.9		-5.2	-28.4
Impairment	-165.0						-3.2	-168.2
Reclassification as assets held for sale	-462.0	-137.9	-19.5	-17.2			-10.3	-646.9
Net movement in book value	**-627.8**	**-151.2**	**-6.3**	**-16.2**	**-2.9**		**-14.6**	**-819.0**
31 December 2012								
Acquisition prices	56.6	13.7	26.2	13.2	7.9		3.0	120.6
Cumulative amortization	-2.9	-6.4	-2.4	-6.8	-6.5		-2.2	-27.2
Book value	**53.7**	**7.3**	**23.8**	**6.4**	**1.4**		**0.8**	**93.4**
Amortization rate	0%	7 - 10%	5 - 10%	33.3%	20-60%	50.0%	33.3%	

Goodwill impairment test

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

Main reasons for this approach are:

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

The goodwill related to the Bakery Supplies businesses has been reclassified as assets held for sale as per year end. As IFRS requires impairment testing based on the goodwill of the operating segments immediately before reclassification as held for sale, this section describes the goodwill impairment testing based on the goodwill including any assets held for sale.

Breakdown of the book value of the goodwill by segment

	As at 31.12.2012	As at 31.12.2011
CSM Bakery Supplies Europe*	108	268
CSM Bakery Supplies North America	402	410
Purac	6	4
Total operations	**516**	**682**
Discontinued operations	462	
Continuing operations	**54**	

* At the end of 2012 the CSM Bakery Supplies Europe goodwill was decreased with an impairment of € 165 million and during the fourth quarter 2011 with € 249 million.

The recoverable amount of Purac is determined using a value-in-use method. The main assumptions used are derived from the financial and business plan for 2013 which have been approved by the Board of Management. Cash flows in 2014 and beyond are based on an estimated net sales growth rate of 1%. From 2017 onwards a stable growth of 1% is taken into account in combination with a relatively constant cost structure.

For the Purac segment, the future cash flows are discounted on the basis of WACC before tax.

Overview of the WACC used

	As at 31.12.2012		As at 31.12.2011	
	pre-tax	post-tax	pre-tax	post-tax
Purac	12.6%	9.7%	9.8%	7.6%

In 2012, the WACC for Purac has been calculated based on peers specifically related to the Purac business. This resulted in a higher percentage compared to the 2011 WACC which was based on an overall CSM peer group.

The Board of Management believes that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Goodwill impairment test CSM Bakery Supplies

As required, the higher of the value in use and fair value less costs to sell is compared to the carrying value of the CGU. Given the intended divestment of the Bakery Supplies businesses in the near future, the net selling price of the operations is expected to be the value in use. The value in use usually consists of the net proceeds to be received for the operations held for sale.

The total fair value less costs to sell of the combined Bakery Supplies businesses has been allocated over the European and

North American Bakery Supplies businesses using a multiple approach.

Given the above approach and the outcome of analyses, the Board of Management has concluded that the recoverable amount of the segment Bakery Supplies North America is not lower than the book value of the segment including goodwill. The CSM Bakery Supplies North America segment showed significant headroom, also when using more pessimistic assumptions.

The Board of Management believes that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.
The carrying amount of the European Bakery Supplies business was valued at € 519 million of which the largest part (€ 273 million) is goodwill. Following the approach above, the European Bakery Supplies segment showed an impairment of € 165 million.

This goodwill impairment loss has been considered as a one-off cost and is included in operating result of discontinued operations.

The impairment in other intangible assets relates to assets which became obsolete as a result of the strategic transformation.

13. Loans, receivables, and other

	Long-term receivables and other
As at 1 January 2011	**9.2**
Investment	0.9
Repayments	-0.2
As at 31 December 2011	**9.9**
Investment	0.8
Income statement	-0.1
Repayments	-6.6
Reclassification as assets held for sale	-0.4
As at 31 December 2012	**3.6**

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 € 2.0 million (interest rate 0%) to partially finance the beet growers joining Cosun following the sale of CSM Sugar in 2007.

14. Joint ventures and associates

	Joint ventures	Associates	Total
As at 1 January 2011		**1.3**	**1.3**
Investment	7.2	0.7	7.9
Income statement	0.1	-0.2	-0.1
As at 31 December 2011	**7.3**	**1.8**	**9.1**
Investment	4.5	0.5	5.0
Income statement	0.3	-0.2	0.1
Exchange rate differences	-0.4		-0.4
Reclassification as assets held for sale	-7.2	-0.2	-7.4
As at 31 December 2012	**4.5**	**1.9**	**6.4**

The group's share in the results of its principle joint ventures and associates, all of which are unlisted, and their aggregated assets (including goodwill) and liabilities, is as follows:

	Assets including goodwill	Liabilities	Net sales	Income statement	Interest % held
Bioprocess Pilot Facility bv	21.9	17.4		0.3	31%
Total joint ventures	**21.9**	**17.4**		**0.3**	
Dutch Technology Fund I bv	2.3	1.1		-0.1	33%
Icos Cleantech Fund II bv	1.0	0.3		-0.1	24%
Total associates	**3.3**	**1.4**		**-0.2**	
Total joint ventures and associates	**25.2**	**18.8**		**0.1**	

15. Inventories

	As at 31.12.2012	As at 31.12.2011
Raw materials, consumables, technical materials, and packaging	30.3	109.0
Work in progress	10.5	14.1
Finished product	66.0	225.9
Impairment provision	-2.2	-11.1
Total	**104.6**	**337.9**

Movements in inventories impairment provision

	2012	2011
As at 1 January	**-11.1**	**-9.5**
Additions/releases	-0.4	-4.2
Use	1.7	2.9
Exchange rate differences		-0.3
Reclassification as assets held for sale	7.6	
As at 31 December	**-2.2**	**-11.1**

16. Receivables

	As at 31.12.2012	As at 31.12.2011
Trade receivables	83.6	358.9
Impairment provision	-2.1	-12.6
Other receivables	4.9	9.1
Derivatives	1.7	5.6
Prepayments and accrued income	6.3	15.5
Total	**94.4**	**376.5**

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 managers. 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 excluding assets held for sale is € 83.6 million (2011 including assets held for sale € 358.9 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 and defined individually. The trade receivables item includes an amount of € 8.9 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
CSM Bakery Supplies North America	0.6	0.4	0.1		0.1
Purac	8.3	7.0	1.0	0.1	0.2
Total	**8.9**	**7.4**	**1.1**	**0.1**	**0.3**

Movements in trade receivables impairment provision

	2012	2011
As at 1 January	**-12.6**	**-10.9**
Additions/releases	-4.0	-2.5
Use	3.6	1.0
Exchange rate differences		-0.2
Reclassification as assets held for sale	10.9	
As at 31 December	**-2.1**	**-12.6**

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

17. Cash and cash equivalents

No short-term deposits are included in the cash and cash equivalents (31 December 2011: € 0 million). The cash and cash equivalents are readily available and payable without notice.

18. Equity

Share capital

As at 31 December 2012 the authorized share capital totaled € 50 million, consisting of 182 million common shares with a nominal value of € 0.25 each and 18 million cumulative financing preference shares with a nominal value of € 0.25 each, divided into three series of six million named FPA, FPB and FPC.
The series of cumulative financing preference shares have the following dividend percentages and dividend review dates.

Finprefs	Dividend	First dividend review date	Review interval
FPA series	2.67%	1 August 2017	five years
FPB series	2.67%	1 August 2017	five years
FPC series	6.40%	1 August 2017	five years

Holders of cumulative financing preference shares have priority over holders of common shares regarding dividend payments and liquidation proceeds.
On 1 August 2012 the dividend of the FPA and FPB series has been reviewed: before 1 August 2012 the dividend for FPA series was 5.77% and for FPB series 6.07%.
The average dividend until the first dividend review date on outstanding cumulative financing preference shares is 4.27% as at 31 December 2012.

Movements in number of issued shares

	Common	FPA	FPB	FPC
As at 1 January 2012	**67,658,699**	**852,512**	**852,512**	**1,278,770**
Stock dividend	2,256,012			
As at 31 December 2012	**69,914,711**	**852,512**	**852,512**	**1,278,770**

Movements in number of shares with dividend rights

	Common	FPA	FPB	FPC
As at 1 January 2012	**67,580,372**	**852,512**	**852,512**	**1,278,770**
Acquired shares	-25,308			
Share-based remuneration	98,800			
Stock dividend	2,256,012			
As at 31 December 2012	**69,909,876**	**852,512**	**852,512**	**1,278,770**

Movements in treasury stock common shares

	Number	Nominal amount (in euros)
As at 1 January 2012	**78,327**	**19,582**
Acquired shares	25,308	6,327
Share-based remuneration	-98,800	-24,700
As at 31 December 2012	**4,835**	**1,209**

As at 31 December 2012, CSM has a treasury stock of 4,835 common shares at its disposal with a nominal value of € 0.25 each (representing 0.0% of the total share capital issued) at an average acquisition price of € 14.98.
Treasury stock shares have no dividend rights.

Share movement: acquired shares

During the report year the company acquired a total of 25,308 shares with a nominal value of € 0.25 each at a total acquisition price of € 370,884.71.
The costs of € 370,884.71 (2011: € 0) arising from the acquired shares during the report year, have been charged to the reserves.

Share movement: stock dividend

During the report year the company placed at the common shareholders' disposal a stock dividend totaling 2,256,012 shares (2011: 1,660,565) with a nominal value of € 0.25 each. The total nominal value of € 564,003 (2011: € 415,141) arising from the stock dividend during the report year has been charged to the share premium reserve.

Share movement: share-based remuneration

During the report year the company transferred a total of 98,800 shares (2011: 46,004) with a nominal value of € 0.25 each pursuant to share-based remuneration arrangements.

Share-based remuneration arrangements: Board of Management

A share plan is in place for the Board of Management. The two current members of the Board of Management have a total of 160,517 unvested share rights in the company as at 31 December 2012 (2011: 194,331). The nominal amount of the shares which are claimable under unvested share rights equals € 40,129 per that date.

Share-based remuneration arrangements: management

Reward plans ("Phantom plan") are available for certain members of management. Participants in these plans are awarded a provisional cash payment. Depending on the Total Shareholder Return (TSR) of CSM compared with the peer group and/or continued employment after a period of three to four years, the actual gross amount if any is determined and paid.

A share buying program is in place for managers who also participate in the "Phantom plan". On 1 October of the year following the calendar year in which participants have acquired shares, a gross cash payment worth 30% of the fair value on this date of the shares acquired is made to the participants.

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

Movements in number of unvested shares: Board of Management

Year of allocation	Total as at 31.12.2011	Allocated in 2012	Vested and expired in 2012	Total as at 31.12.2012
2009	109,732		109,732	
2010	44,048			44,048
2011	40,551			40,551
2012		75,918		75,918
Total	**194,331**	**75,918**	**109,732**	**160,517**

Valuation allocated unvested shares 2012: Board of Management

The fair value of the above-mentioned performance-related shares allocated in 2012 was € 15.91 per share (2011: € 31.94). The fair value is estimated by using the Black & Scholes model and the assumptions set forth below.

	2012	2011
Risk-free interest rate	0.98%	2.59%
Expected dividend gains	0	0
Expected volatility in share price	32%	36%
Term	3 years	3 years

Movements in number of blocked commitment award shares: total management

	Total as at 31.12.2011	Allocated in 2012	Released in 2012	Total as at 31.12.2012
Total	**62,960**	**15,165**	**5,041**	**73,084**

Other reserves

	Movements in legal reserves				
	Translation reserve	Hedge reserve	Develop-ment costs	Share plan reserve	Total
As at 1 January 2011	**15.7**	**-13.5**	**23.9**	**1.3**	**27.4**
• Net investment hedge					
Exchange rate differences foreign currency loan	6.1				6.1
Tax effect	-1.5				-1.5
• Translation difference					
Foreign group companies	18.1				18.1
Tax effect	-0.2				-0.2
• Cash flow hedge					
Fluctuations in fair value derivatives		6.6			6.6
Tax effect		-1.3			-1.3
• Share-based remuneration charged to result				0.9	0.9
• Share-based remuneration transfers				-1.0	-1.0
• Movement in capitalization of development costs			-1.3		-1.3
• Other transfers				0.1	0.1
As at 31 December 2011	**38.2**	**-8.2**	**22.6**	**1.3**	**53.9**
• Net investment hedge					
Exchange rate differences foreign currency loan	7.8				7.8
Tax effect	-1.9				-1.9
• Translation difference					
Foreign group companies	-15.4				-15.4
Tax effect	1.2				1.2
• Cash flow hedge					
Fluctuations in fair value derivatives		5.1			5.1
Tax effect		-1.6			-1.6
• Share-based remuneration charged to result				0.9	0.9
• Share-based remuneration transfers				-1.3	-1.3
• Movement in capitalization of development costs			1.0		1.0
• Other transfers				0.2	0.2
As at 31 December 2012	**29.9**	**-4.7**	**23.6**	**1.1**	**49.9**

In specific circumstances legal reserves must be created in accordance with Part 9, Book 2 of the Dutch Civil Code. The legal reserves comprise the translation reserve, hedge reserve, and development costs reserve. In case a legal reserve has a negative value no payments can be made from the retained earnings up to the level of the negative value(s).
The positive legal reserves as at 31 December 2012 amount to € 53.5 million.

A reserve for non-transferable profits is not applicable as CSM has no restrictions to transfer profits from its operations in the different countries.

The effective portion of foreign exchange rate differences on loans is 100% and booked in the translation reserve.

19. Provisions

	As at 31.12.2012	As at 31.12.2011
Pension and early retirement schemes	-7.1	70.5
Other long-term employee benefit commitments	1.5	10.9
Reorganization and restructuring	13.6	21.8
Other		9.7
Total	**8.0**	**112.9**

Movements in provisions

	Pension and early retirement schemes	Other long-term personnel commitments	Reorganization and restructuring	Other	Total
As at 1 January 2012	**70.5**	**10.9**	**21.8**	**9.7**	**112.9**
Addition charged to result	16.1	2.3	21.9	1.3	41.6
Release credited to result		-0.9	-2.1	-1.7	-4.7
Withdrawal for intended purpose	-19.5	-2.2	-19.2	-1.1	-42.0
Exchange rate differences	0.1			-0.1	
Acquisition/divestments		0.1		0.3	0.4
Liabilities directly associated with assets held for sale	-74.3	-8.7	-8.8	-8.4	-100.2
As at 31 December 2012	**-7.1**	**1.5**	**13.6**		**8.0**
Short-term part included in provisions					
As at 31 December 2012			**13.6**		**13.6**

Pensions and early retirement schemes

Pension and early retirement schemes relate to post-employment defined benefit arrangements. For more information on pensions see Note 20.

As at 31 December 2012 all pension and early retirement schemes showed a net asset and are recorded as such.

Other long-term employee benefit commitments

Other long-term employee benefit commitments relate mainly to anniversary commitments, past-service commitments, conditional incentive plans, and health insurance.

Reorganization and restructuring

This provision relates mainly to the Relevance restructuring program and the divestment project.

Other

The other provisions relate mainly to loss-making contracts, legal disputes, and other litigation risks.

20. Pensions and early retirement schemes

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

	As at 31.12.2012	As at 31.12.2011	As at 31.12.2010	As at 31.12.2009	As at 31.12.2008
Present value of pension commitments	435.7	581.7	610.1	567.4	526.1
Fair value of plan assets	-432.8	-498.3	-511.7	-463.5	-435.7
Balance	**2.9**	**83.4**	**98.4**	**103.9**	**90.4**
Unrecognized actuarial gains/losses current year	-23.8	-36.9	-48.1	-47.1	-33.4
Unrecognized past-service pension costs	-1.4	-1.5	-1.7	-1.9	-2.1
Off-balance-sheet assets	15.2	25.5	22.2	16.8	19.8
Net liability (-asset)	**-7.1**	**70.5**	**70.8**	**71.7**	**74.7**

The unrecognized actuarial losses and gains are due to the level of the "corridor", which is a bandwidth of 10% of the greater of the pension plan commitments and the fair value of the plan assets, within which unrecognized actuarial results are recognized. One pension scheme shows a total surplus of € 15.2 million as at 31 December 2012. 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

	2012	2011
Current-service costs	14.1	13.8
Interest charges	26.2	27.6
Expected return on plan assets	-27.2	-28.0
Actuarial gains/losses	14.0	-1.3
Past-service costs	0.2	0.2
Contribution by employees	-0.9	-0.9
Movement in unrecognized asset	-10.3	3.3
Total pension costs	**16.1**	**14.7**

The pension costs are recognized in the income statement as follows

	2012	2011
Production costs	1.7	0.8
Warehousing and distribution costs	0.1	0.1
Selling expenses	1.1	1.1
Research and development	0.2	0.3
General and administrative expenses	13.0	12.4
Total	**16.1**	**14.7**

Movements in pension commitments

	Funded plans 2012	Unfunded plans 2012	Total 2012	Total 2011
As at 1 January	**577.0**	**4.7**	**581.7**	**610.1**
Current-service costs	14.1		14.1	13.8
Interest charges	26.1	0.1	26.2	27.6
Pension payments	-30.7	-0.4	-31.1	-29.0
Actuarial gains/losses	98.8	0.5	99.3	-43.6
Exchange rate differences	1.4		1.4	2.8
Liabilities directly associated with assets held for sale	-251.6	-4.3	-255.9	
As at 31 December	**435.1**	**0.6**	**435.7**	**581.7**

The main reason for the actuarial loss in 2012 is the significant decrease in the discount rate. The main reason for the actuarial gain in 2011 is the lower indexation for pensioners in the Dutch pension funds.

Breakdown of the actuarial experience adjustments gains/losses included in pension commitments

	2012	2011	2010	2009	2008
Experience adjustments gains/losses(-)	-0.7	6.1	5.2	8.2	2.4

Movements in fair value of plan assets

	2012	2011
As at 1 January	**498.3**	**511.7**
Expected return on plan assets	27.2	28.0
Pension payments	-26.6	-24.9
Employer/employee contribution	15.8	11.8
Actuarial gains/losses	35.3	-30.7
Exchange rate differences	1.3	2.4
Liabilities directly associated with assets held for sale	-118.5	
As at 31 December	**432.8**	**498.3**

The expected contributions (excluding held for sale) to the defined benefit pension plans in the coming year amount to € 10.4 million.

The actual return on plan assets was € 62.5 million positive (2011: € 2.7 million negative), which explains the actuarial gain in 2012.

Breakdown of the actuarial experience adjustments gains/losses included in plan assets

	2012	2011	2010	2009	2008
Actuarial gains/losses(-)	35.3	-30.7	33.1	15.6	-107.2

The main weighted average actuarial assumptions

	2012	2011
Discount rate	3.6%	4.6%
Expected return on plan assets	5.4%	5.5%
Future salary increases	2.7%	2.7%
Inflation	2.7%	2.6%

In the previous year, the discount rate for the Eurozone was based on the return of the "iBoxx Corporates AA 10+". Due to the downgrade of AA corporate bonds in recent months and years, the iBoxx AA corporate 10+ term index now only contains 8 bonds. Therefore, the methodology did no longer lead to a representative discount rate and CSM decided to change the methodology. In 2012, the discount rate is based on information on euro-denominated AA corporate bonds from the source Bloomberg with an outstanding amount of at least € 50 million. In order to ensure bond yields are set in a liquid market, bonds with a bid-ask spread exceeding 5% are excluded from the bond universe. Furthermore, only bonds with a fixed coupon payment are taken into account while bonds with options are excluded. A yield curve is constructed from the underlying yield using the bonds within the 5%-95% confidence interval. As from 25 years, the yield curve is extrapolated assuming a constant spot rate.

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 strategy is based on the composition of the obligations of the pension schemes. Based on asset liability management models analyses have been performed on a regular basis to define the investment portfolio. At year-end the asset allocation was as follows:

Asset categories of plan assets

	2012	2011
Equity securities	97.1	138.7
Debt securities	323.5	307.6
Real estate		25.6
Other	12.2	26.4
Total assets	**432.8**	**498.3**

21. Deferred tax

Breakdown of deferred tax assets and liabilities

	2012	2011
Deferred tax liabilities	144.0	154.5
Deferred tax assets	-44.5	-59.2
As at start of financial year	**99.5**	**95.3**
Tax charge in income statement	-44.4	0.6
Translation differences foreign group companies	-0.3	3.2
Acquisition/sale of group companies	0.2	2.2
Tax charge movements in equity	1.3	-1.8
Liabilities directly associated with assets held for sale	-82.6	
Assets held for sale	32.9	
As at close of financial year	**6.6**	**99.5**
Deferred tax liabilities	21.2	144.0
Deferred tax assets	-14.6	-44.5
As at close of financial year	**6.6**	**99.5**

Breakdown of deferred tax assets and liabilities by type

	As at 31.12.2012		As at 31.12.2011	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Property, plant, and equipment	-15.7	20.5	-13.9	47.1
Intangible fixed assets	-10.1	5.9	-6.5	107.6
Current assets/liabilities	-0.7	6.3	-20.0	5.3
Tax loss carry forward	-0.2		-16.8	
Provisions	-2.2	2.4	-6.0	3.3
Other		0.4	-0.7	0.1
	-28.9	**35.5**	**-63.9**	**163.4**
Netting	14.3	-14.3	19.4	-19.4
Total	**-14.6**	**21.2**	**-44.5**	**144.0**

The short-term part of deferred tax assets, after write-down and netting with the short-term part of deferred tax liabilities, amounts to € 1.5 million (2011: € 18.9 million).
Depending on the term of anticipated realization of deferred tax assets and liabilities, these are netted. This may be the case for a legal entity or for a group of legal entities which are considered as one fiscal unity. After netting, deferred tax assets and liabilities are assessed and the possibilities of future realization analyzed. CSM has considered tax planning opportunities which provide convincing evidence to record the deferred tax assets. This may result in a full or partial write-down of the relevant tax asset or liability.

Breakdown of deferred taxes due to tax loss carry forward

	2012	2011
Total tax loss carry forward	88.1	269.5
Tax loss carry forward not qualified as deferred tax asset	-87.5	-184.6
Tax loss carry forward qualified as deferred tax asset	**0.6**	**84.9**
Average tax rate	33.3%	19.8%
Deferred tax asset	**0.2**	**16.8**

Expiry date of tax losses carry forward not qualified as deferred tax asset

	2012	2011
Within 5 years	3.6	5.3
Between 5 and 10 years	3.0	7.2
10 years or longer	52.8	38.0
No expiry date	28.1	134.1
Tax loss carry forward not qualified as deferred tax asset	**87.5**	**184.6**

Breakdown of the tax charge arising from deferred tax assets and liabilities in the income statement by type

	2012	2011
Property, plant, and equipment	-9.4	3.4
Intangible fixed assets	-38.1	-25.0
Current assets/liabilities	8.2	-5.2
Tax loss carry forward	-4.5	16.1
Provisions	0.7	8.2
Exchange rate differences loans	-0.8	2.6
Financial instruments	-0.5	-0.8
Other		1.3
Total	**-44.4**	**0.6**

The deferred tax charge related to property, plant, and equipment is mainly caused by a previous year adjustment of the recorded temporary difference.
The deferred tax charge related to intangible fixed assets is mainly caused by the goodwill impairment.

22. Non-current liabilities

	As at 31.12.2012	As at 31.12.2011	Effective interest % As at 31.12.2012	Effective interest % As at 31.12.2011	Average term in years As at 31.12.2012	Average term in years As at 31.12.2011
Private placement 2010	227.7	232.0	3.93	3.93	5.3	6.3
Owed to credit institutions	375.4	476.8	0.63	2.92	1.5	2.5
Financial lease commitments	1.3	2.4	6.98	7.00	7.3	6.7
Derivatives	9.6	15.7	2.73	3.23	1.1	1.8
Total	**614.0**	**726.9**				
Weighted average			**3.31**	**3.48**	**2.9**	**4.0**

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

Repayments on the above amounts are due within five years for € 554.7 million and after five years for € 59.3 million.

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

	Balance sheet value as at 31.12.2012	Fair value as at 31.12.2012	Balance sheet value as at 31.12.2011	Fair value as at 31.12.2011
Private placement 2010	227.7	254.4	232.0	255.3
Owed to credit institutions	375.4	375.7	476.8	477.7

Private placement 2010

On 28 October 2010 CSM placed a private loan of US$ 300 million with US institutional investors divided in the following tranches:

- Tranche A: US$ 125 million, term 5 years, fixed interest rate 3.31%
- Tranche B: US$ 75 million, term 7 years, fixed interest rate 4.01%
- Tranche C: US$ 100 million, term 10 years, fixed interest rate 4.64%

The total loan is earmarked 100% during 2012 as a net investment hedge for all US dollar companies. Hence, exchange rate differences in respect of this liability are charged to the translation reserve in equity in 2012.

Owed to credit institutions

All debts owed to credit institutions are expressed partly in euros, partly in US dollars, and are subject to variable interest rates. As at 31 December 2012 € 375.4 million of the credit facilities were drawn (31 December 2011: € 476.8 million), of which € 136.3 million in euros and € 239.1 million in US dollars (=US$ 315 million). The net investment hedge of the US dollar liability moved from US$ 0 million at year-end 2011 to US$ 125 million at year-end 2012 and the net investment hedge of the GB pound liability moved from £ 12 million at year-end 2011 to £ 0 million at year-end 2012. Hence, exchange rate differences in respect of this liability earmarked as a net investment hedge are charged to the translation reserve in equity.

Derivatives

In respect of debts owed to credit institutions US$ 195 million (31 December 2011: US$ 230 million) and € 35 million (31 December 2011: € 35 million) of the liability have been converted from a variable to a fixed interest rate using interest rate swaps. The fair value of these interest rate swaps amounts to a liability of € 8.2 million (31 December 2011: € 13.6 million liability). CSM also has cancellable interest rate swaps with a nominal value of US$ 180 million (31 December 2011: US$ 240 million) where the cancellation date is optional for the bank. The fair value of these cancellable interest rate swaps amounts to a liability of € 1.4 million (31 December 2011: € 2.1 million liability).

23. Interest-bearing current liabilities

	As at 31.12.2012	As at 31.12.2011	Effective interest % As at 31.12.2012	Effective interest % As at 31.12.2011
Financial lease commitments	0.1	0.2	1.24	5.38
Other debts	2.3	4.5	0.11	1.15
Total	**2.4**	**4.7**		
Weighted average			**0.14**	**1.30**

24. Acquisitions

The Cookie Man

On 20 January 2012 CSM acquired the UK-based business of The Cookie Man Ltd. The Cookie Man had filed for administration on 16 January 2012. The Cookie Man produces a high quality range of premium bakery products, servicing the retail and out-of-home markets. The business including its facilities is based in Esher (Surrey, UK), has annual sales of £ 19 million and employs around 340 people. This transaction complements CSM's operations in the UK, both in terms of portfolio and customers. The transaction will not have a material impact on CSM's financials.

Promocook

On 13 April 2012 CSM acquired all outstanding shares in the French company Lame Investissements SAS, which holds all the outstanding shares in the company Promocook SA.
Promocook focuses on the production and sale of brownies in the French market. As the market leader in this segment, it sells to all major retailers and the out-of-home channel. They have a production facility in Chanteloup en Brie (France). Promocook has annual sales of € 9.5 million and employs around 30 people.

FiberLive™

On 6 July 2012 CSM acquired the FiberLive™ technology from Vivoxid Ltd., Finland.
The acquisition which includes the intellectual property of the FiberLive™ technology and key personnel, complements the activities of Purac Biomaterials, which develops, manufactures, and markets resorbable polymers and monomers for medical applications under the PURASORB® brand.
FiberLive™ is a unique composite consisting of resorbable glass fibers and resorbable polymers, forming the strongest fully resorbable material available today. With the acquired technology Purac Biomaterials will reinforce its position in the resorbable biomedical market, enabling it to develop, manufacture, and market new materials with load bearing properties.
Under the contingent consideration arrangement, CSM is required to pay the vendors an additional total amount of € 14.5 million payable in five installments. The payments are contingent upon, amongst others, approval of the First End Product in Europe ("CE mark") and FDA approval of the First End Product in the United States (either PMA or 510(k) approval).
The table below summarizes the amounts in respect of identified assets acquired and liabilities assumed as at the acquisition date by local book value, fair value adjustment, and resulting fair value.

Breakdown of acquired assets and liabilities recognized at the date of acquisition, consideration transferred, and net cash outflow

	The Cookie Man	Promocook	FiberLive™	Total
Property, plant, and equipment	0.8	1.9	1.0	3.7
Intangible fixed assets		0.5	17.7	18.2
Inventories	1.1	0.7		1.8
Receivables		1.8		1.8
Interest-bearing liabilities		-1.4		-1.4
Trade payables and other non-interest-bearing current liabilities	-0.8	-2.5		-3.3
Provisions		-0.4		-0.4
Deferred tax liabilities		-0.2		-0.2
Identifiable assets minus liabilities	**1.1**	**0.4**	**18.7**	**20.2**
Consideration transferred				
Payment in cash	0.8	3.9	8.0	12.7
Contingent consideration			12.6	12.6
Total consideration	**0.8**	**3.9**	**20.6**	**25.3**
Less: fair value of identifiable net assets acquired	1.1	0.4	18.7	20.2
(Badwill)/goodwill arising from acquisition	**-0.3**	**3.5**	**1.9**	**5.1**
Net cash outflow acquisitions				
Payment in cash	0.8	3.9	8.0	12.7
Net cash outflow	**0.8**	**3.9**	**8.0**	**12.7**

The goodwill generated as part of the transaction is attributable to the workforce of the acquired business and the synergies expected to arise after the acquisitions.
The goodwill/badwill is expected to be deductible/additional for tax purposes for The Cookie Man and FiberLive™ acquisitions; this is not the case for the Promocook acquisition.

The fair value of the assets acquired includes trade receivables of € 1.8 million. The gross amount due under contracts is € 1.8 million, of which nothing is expected to be uncollectable. CSM did not acquire any other class of receivable as a result of the acquisitions.

The table below shows the pro-forma result of CSM if the acquisition had been made as at 1 January 2012

Continuing operations	CSM	Pro forma adjustment full-year effect FiberLive™	Pro forma CSM
Net sales	753.7		753.7
Operating result	39.8	-0.2	39.6
Result after taxes	27.2	-0.5	26.7
Earnings per share	0.34	-0.01	0.33

Continuing operations and discontinued operations	CSM	Pro forma adjustment full-year effect The Cookie Man	Pro forma adjustment full-year effect Promocook	Pro forma adjustment full-year effect FiberLive™	Pro forma CSM
Net sales	3,315.7	1.2	2.7		3,319.6
Operating result	-72.7	-0.1	-0.3	-0.2	-73.3
Result after taxes	-63.7	-0.1	-0.2	-0.5	-64.5
Earnings per share	-0.96	0.00	-0.01	-0.01	-0.98

The above amounts are the result of applying the group's accounting policies and adjusting the results of the acquisition to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant, and equipment and intangible fixed assets and the usual allocated interest on the investment had been applied from 1 January 2012 onwards, together with the resulting tax effects.

25. Financial instruments

General

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

Capital risk management

CSM manages its capital to ensure that entities in the CSM group will be able to continue as going concerns while maximizing return to stakeholders through the optimization of the debt and equity balance. The group's overall strategy remains unchanged from 2011.

The capital structure of CSM consists of net debt (interest-bearing debts as detailed in Notes 22 and 23 offset by cash and cash equivalents as detailed in Note 17) and equity.
The CSM risk management committee reviews the capital structure of CSM on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The main conditions for CSM's credit facility are as follows: the net debt/EBITDA ratio may not exceed the factor 3.5 and the interest cover ratio may not be lower than 3.5. CSM internally sets these ratios at 3.0 for net debt divided by EBITDA and 4.0 for interest cover. These external conditions and internal targets were met in 2012 as well as in 2011.

The table below shows the ratios at year-end

	2012	2011
Net debt position/EBITDA	2.0	2.8
Interest cover	10.1	7.6

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. CSM does not hedge translation risks in respect of operating 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 operating result are partially hedged by the interest paid on the US dollar loan.

Breakdown of the net amount of unhedged translation risk for each currency as at 31 December 2012

millions of euros	Net risk position	
Currency	2012	2011
• US dollar	398.4	542.5
• GB pound	90.6	73.5
• Brazilian real	23.5	33.1
• Thai baht	139.0	143.5

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 31.12.2012	As at 31.12.2011
Receivables	1.7	1.0
Current liabilities		-2.8
Total	**1.7**	**-1.8**

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

The results of Purac (transaction and translation effects) and CSM Bakery Supplies North America (translation effect) are relatively 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 € 0.5 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 (4.2% on average) for 69% of CSM long-term debt (approximately € 424 million) for a period of on average 3.5 years, the interest risk is limited.

CSM entered into interest rate swaps for US$ 195 million and € 35 million to hedge the variable interest risk of part of the US$ 315 million and € 135 million debt owed to credit institutions. The fair value of those swaps was € 8.2 million negative as at 31 December 2012 (31 December 2011: € 13.6 million negative) and is recognized in non-current liabilities. Except for the cancellable interest rate swaps hedge accounting is applied to these interest rate swaps. Further analysis can be found in the section on hedge transactions.

Sensitivity analysis

If the interest rate would increase by 50 basis points the net result would decrease by € 0.4 million and equity would increase by € 1.6 million. This sensitivity analysis takes into account the change in the fair value of the interest rate swaps and the effect of the variable interest loans and receivables on cash flows.

Purchase risk management

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

CSM entered into commodity derivative contracts to hedge the variable price risk of the main commodities used. The fair value of these contracts was nil as at 31 December 2012 (31 December 2011: € 2.1 million). Hedge accounting is applied for the major part of these commodity derivative contracts. Further analysis can be found in the section on hedge transactions.

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

	As at 31.12.2012	As at 31.12.2011
Receivables		2.1
Total		**2.1**

All commodity derivative contracts expire within a year.

Sensitivity analysis

If the purchase price of the involved commodities would increase by 10% the result would increase by € 0.9 million and the hedge reserve would increase by € 6.2 million.

Valuation of financial instruments

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

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

Breakdown valuation of financial instruments

31 December 2012	Level 1	Level 2	Level 3	Total
Derivatives				
• Foreign exchange contracts		1.7		1.7
• Interest rate swaps (cash flow hedges)		-8.2		-8.2
• Cancellable interest rate swap		-1.4		-1.4
Total liability		**-7.9**		**-7.9**

Breakdown fair values financial instruments

31 December 2012	Balance sheet value	Reallocation assets/ liabilities held for sale	Reallocated balance sheet value	Fair value
Financial fixed assets				
• Loans	1.6	0.4	2.0	2.0
• Loans non-interest-bearing	2.0		2.0	2.0
Receivables				
• Trade receivables	81.5	255.9	337.4	337.4
• Other receivables	4.9	5.7	10.6	10.6
• Accruals and deferred income	6.3	3.3	9.6	9.6
Cash				
• Cash other	60.2	46.6	106.6	106.6
Interest-bearing liabilities				
• Private placement 2010 (net investment hedge)	-227.7		-227.7	-254.4
• Owed to credit institutions	-280.5		-280.5	-280.8
• Owed to credit institutions (net investment hedge)	-94.9		-94.9	-94.9
• Financial lease commitments	-1.4	-1.0	-2.4	-2.4
• Other debts	-2.3	-0.1	-2.4	-2.4
Non-interest-bearing liabilities				
• Trade payables	-60.4	-240.4	-301.2	-301.2
• Other payables	-60.5	-105.1	-165.6	-165.6
Derivatives				
• Foreign exchange contracts	1.7		1.7	1.7
• Interest rate swaps (cash flow hedges)	-8.2		-8.2	-8.2
• Cancellable interest rate swap	-1.4		-1.4	-1.4
Assets/liabilities held for sale	**-35.3**	**35.3**		
Total	**-614.4**		**-614.4**	**-641.4**

Fair values are determined as follows

- The fair value of financial fixed assets does not significantly deviate from the book value.
- The fair value of receivables equals the book value because of their short-term character.
- Cash and cash equivalents are measured at nominal value which, given the short-term and risk-free character, corresponds to the fair value.
- Market quotations are used to determine the fair value of debt owed to private parties, credit institutions and other debts. As there are no market quotations for most of the loans the fair value of short- and long-term loans is 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 non-interest-bearing liabilities equals the book value.
- Currency and interest derivatives are measured on the basis of the present value of future cash flows over the remaining

term of the contracts, using the bank interest rate (such as Euribor) as at the reporting date for the remaining term of the contracts. The present value in foreign currencies is converted using the exchange rate applicable as at the reporting date.

- Commodity derivatives are measured on the basis of the present value of future cash flows, using market quotations or own variable market price estimations of the involved commodity as at the reporting date.

Hedge transactions

The amount of € 4.7 million negative in hedge reserve (see Note 18) relates to hedging of risks arising from future purchase and sales deals and/or commitments from current purchase and sales contracts amounting to € 127.7 million. € 5.4 million negative 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. The remaining € 0.7 million positive, relating to foreign exchange and commodity contracts, will materialize within the current year.

The amount of € 29.9 million in translation reserve (see Note 18) relates to currency fluctuations in respect of the net investments in foreign operations less the currency fluctuations of the corresponding net investment hedges. In case of divestment of a net investment in a foreign operation, the corresponding net impact of the currency fluctuations is moved 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	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Derivatives receivables used as hedge instrument in cash flow hedge relations:				
Foreign exchange contracts	1.7	1.0		
Commodity swaps/collars		2.1		
Derivatives receivables used as hedge instrument in net investment hedge relations:				
Foreign exchange contracts		2.5		
Derivatives liabilities used as hedge instrument in cash flow hedge relations:				
Foreign exchange contracts		-2.8		
Interest rate swaps	-3.9	-1.3	-4.3	-12.3
Total derivatives in hedge relation	**-2.2**	**1.5**	**-4.3**	**-12.3**
Derivatives liabilities not used in a hedge relation with value change through income statement:				
Cancellable currency interest swap	-0.4	-1.0	-1.0	-1.1
Total derivatives through income statement	**-0.4**	**-1.0**	**-1.0**	**-1.1**
Total derivatives	**-2.6**	**0.5**	**-5.3**	**-13.4**

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. The committed credit facilities at CSM's long-term disposal amounted to € 577 million as at 31 December 2012. As at 31 December 2012 € 375.4 million had been drawn.
CSM also has a private loan of US$ 300 million with US institutional investors.
The main conditions for the credit facility and the private loan are:

- The ratio of net debt position divided by EBITDA ("Earnings Before Interest, Taxes, Depreciation, Amortization and impairment of intangible fixed assets and one-off costs") may not exceed the factor 3.5.
- A minimum interest cover of 3.5.

These conditions were met during 2012 and as at 31 December 2012. As at 31 December 2011 the conditions were also met.

To provide insight into the liquidity risk the table below shows the contractual terms of the financial obligations (converted at balance sheet date), 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
As at 31 December 2012					
Private placement 2010	3.93	8.9	203.7	63.9	276.5
Owed to credit institutions	0.63	2.4	376.6		379.0
Financial lease commitments	6.57	0.2	1.8	1.2	3.2
Derivatives	2.73	7.5	2.6		10.1
Other debts	0.11	2.3			2.3
Trade payables		301.2			301.2
Other non-interest-bearing current liabilities		165.6			165.6
Liabilities directly associated with assets held for sale		347.0			347.0
Total		**835.1**	**584.7**	**65.1**	**1,484.9**
As at 31 December 2011					
Private placement 2010	3.93	9.1	130.0	152.0	291.1
Owed to credit institutions	2.92	5.3	484.7		490.0
Financial lease commitments	6.88	0.3	1.7	1.5	3.5
Derivatives	3.23	10.7	8.4		19.1
Other debts	1.15	4.6			4.6
Trade payables		311.9			311.9
Other non-interest-bearing current liabilities		144.6			144.6
Total		**486.5**	**624.8**	**153.5**	**1,264.8**

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 13, 16 and 17). 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. Based on today's insights, the actual credit risk is virtually nil.

26. Off-balance sheet financial rights and commitments

Financial commitments

As at 31 December 2012 the nominal value of future commitments from operational lease contracts for property, plant, and equipment was € 109.3 million (2011: € 120.5 million), of which € 30.6 million expires within one year, € 43.5 million between 1 and 5 years, and € 35.2 million after 5 years.

Short-term commitments

The purchase and sales commitments from current orders amounted to € 523.4 million as at 31 December 2012 (2011: € 532.1 million).
The capital expenditure commitments not yet incurred amounted to € 4.6 million for (in)tangibles as at 31 December 2012 (2011: € 15.2 million).

Contingent commitments

Guarantees

Third-party guarantees amounted to € 21.0 million as at 31 December 2012 (2011: € 23.3 million). No significant future losses are expected from these guarantees.
Furthermore, CSM nv has guaranteed a dormant closed UK pension scheme to duly perform all the financial obligations. As of 31 December 2012 the scheme was not in deficit.

Other

In connection with the effect of significant transactions such as CSM's divestment of the North American and European Bakery Supplies businesses, CSM could eventually be exposed to liabilities or contingent liabilities in areas such as but not limited to commercial agreements, regulatory matters, personnel, financing, taxation and others. In preparing its financial statements, the effects of such potential exposures have been analyzed; where necessary, CSM has provided for those liabilities or made disclosures, as the case may be.

27. Related party transactions

On 2 January 2012 CSM Nederland bv bought assets (real estate) for an amount of € 14.5 million from Stichting CSM Suiker Pensioenfonds, a pension fund in which CSM nv is the sole sponsor. The amount has been based on future discounted cash flows of the contractual lease payments. Together with this transaction a disbursed loan of € 6.3 million was settled.

28. Events after balance sheet date

On 18 February 2013, the trustee board of Pensionfund CSM Nederland agreed to transfer retroactively as of 1 January 2013 all historical pension rights accrued until 31 December 2012 to an industry-wide pension scheme (Pensioenfonds voor de Grafische Bedrijven).

29. Cash flow statement

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

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.

Cash flows from discontinued operations are shown separately in the cash flow statement presenting a single amount for cash flows from operating activities and cash flows from investment activities.

30. Additional information

Remuneration policy Board of Management

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

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

	Granted in	'At target' number outstanding as at 31.12.2012	Maximum number outstanding as at 31.12.2012	Year of vesting
G.J. Hoetmer	2010	16,040	28,070	2013
	2011	14,222	24,889	2014
	2012	26,627	46,597	2015
N.J.M. Kramer	2010	9,130	15,978	2013
	2011	8,950	15,662	2014
	2012	16,755	29,321	2015
Total as at 31 December 2012		**91,724**	**160,517**	

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

	Maximum number outstanding as at 31.12.2011	Maximum number granted in 2012	Expired in 2012	Vested in 2012	Maximum number outstanding as at 31.12.2012
G.J. Hoetmer	99,323	46,597	11,027	35,337	99,556
N.J.M. Kramer	63,324	29,321	7,535	24,149	60,961
R.P. Plantenberg	31,684		7,535	24,149	
Total	**194,331**	**75,918**	**26,097**	**83,635**	**160,517**

Breakdown of the number of commitment award shares, which are blocked until the end of the employment of the member concerned

	Number as at 31.12. 2011	Awarded in 2012	Released in 2012	Number as at 31.12. 2012
G.J. Hoetmer	17,847	4,369		22,216
N.J.M. Kramer	12,480	3,299		15,779
Total	**30,327**	**7,668**		**37,995**

Breakdown remuneration Board of Management

thousands of euros	G.J. Hoetmer 2012	G.J. Hoetmer 2011	N.J.M. Kramer 2012	N.J.M. Kramer 2011
Short-term benefits*	1,215	605	851	459
Post-employment benefits	180	158	118	118
Other long-term benefits				
Termination benefits				
Share-based payments	435	411	301	284
Total	**1,830**	**1,174**	**1,270**	**861**

* Included in short term benefits 2012 is a governmental crisis levy of € 121 thousand for Mr. Hoetmer and € 79 thousand for Mr. Kramer.

Breakdown remuneration Supervisory Board

Total remuneration (only short-term benefits) for members of the Supervisory Board in 2012 was € 0.3 million (2011: € 0.3 million), specified as follows

thousands of euros	2012	2011
R.H.P Markham, Chairman (Chairman Remuneration Committee/member Nomination Committee)	65	51
M.P.M. de Raad, Vice Chairman (Chairman Nomination Committee/member Remuneration Committee)	62	65
R. Pieterse (Chairman Audit Committee)	56	56
W. Spinner (member Audit Committee)	51	51
J.P. de Kreij (member Audit Committee)	51	34
P. Bouw, resigned		23
Total	**285**	**280**

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 12 March 2013).

Fees auditors

Total fees charged by the auditor can be specified as follows

thousands of euros	Deloitte Accountants bv 2012	Deloitte Other 2012	Total 2012	Total 2011
Audit services	394	1,026	1,420	1,604
Audit related services	33		33	56
Non audit services		282	282	573
Total audit services	**427**	**1,308**	**1,735**	**2,233**

Company financial statements

Company balance sheet

before profit appropriation, millions of euros	Note	As at 31.12.2012	As at 31.12.2011
Assets			
Financial fixed assets	**31.**	1,238.9	1,313,1
Total non-current assets		**1,238.9**	**1,313.1**
Receivables	**32.**	2.1	7.4
Tax assets		0.1	0.9
Cash and cash equivalents	**33.**	25.0	14.0
Total current assets		**27.2**	**22.3**
Total assets		**1,266.1**	**1,335.4**
Equity and liabilities			
Common share capital		18.2	17.6
Share premium reserve		73.5	74.1
Other reserves		49.1	53.9
Retained earnings		717.1	802.7
Equity	**34.**	**858.7**	**948.3**
Non-current liabilities	**35.**	397.1	366.9
Total non-current liabilities		**397.1**	**366.9**
Interest-bearing current liabilities	**36.**	2.3	12.9
Non-interest-bearing current liabilities	**37.**	8.0	7.3
Total current liabilities		**10.3**	**20.2**
Total equity and liabilities		**1,266.1**	**1,335.4**

Company income statement

millions of euros	2012	2011
Result from group companies after taxes	-69.1	-217.0
Other income and charges after taxes*	5.4	42.7
Result after taxes	**-63.7**	**-174.3**

* Social security included in the income statement is rounded zero for 2012 and for 2011.

Notes to the company financial statements

General

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

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

Certain reclassifications have been made to prior-year amounts in order to conform to current year presentations.

31. Financial fixed assets

	As at 31.12.2012	As at 31.12.2011
Participations in group companies	426.2	512.7
Loans to group companies	781.9	792.7
Joint ventures and associates	1.9	8.8
Owed to/by group companies	28.9	-1.1
Total	**1,238.9**	**1,313.1**

The balance of 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. For more information on joint ventures and associates see Note 14.

	2012	2011
Movements in participations in group companies:		
As at start of financial year	512.7	696.5
Paid-in capital	25.1	145.4
Capital repayment	-4.7	-95.2
Result of group companies	-69.1	-217.0
Dividend group companies	-9.4	-29.3
Exchange rate differences	-0.2	12.2
Other	-28.2	0.1
As at close of financial year	**426.2**	**512.7**
Movements in loans to group companies:		
As at start of financial year	792.7	770.8
Exchange rate differences	-10.2	17.0
Disbursements	26.9	154.4
Repayments	-27.5	-149.5
As at close of financial year	**781.9**	**792.7**

32. Receivables

The receivables relate to commodity and foreign exchange derivatives and prepaid costs.

33. Cash and cash equivalents

The cash and cash equivalents were available and payable without notice in 2012.

34. Equity

See Consolidated statement of changes in equity and Note 18 to the consolidated financial statements.

35. Non-current liabilities

	As at 31.12.2012	As at 31.12.2011
Owed to credit institutions	387.6	351.2
Derivatives	9.5	15.7
Total	**397.1**	**366.9**

See Note 22 to the consolidated financial statements.

36. Interest-bearing current liabilities

	As at 31.12.2012	As at 31.12.2011
Owed to credit institutions		12.9
Other debts	2.3	
Total	**2.3**	**12.9**

37. Non-interest-bearing current liabilities

	As at 31.12.2012	As at 31.12.2011
Taxes and social insurance premiums	2.6	0.1
Other debts and accruals and deferred income	5.4	7.2
Total	**8.0**	**7.3**

38. 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 relevant trade register.

The company guarantees external loans of US$ 190 million and € 70 million drawn by group companies on the credit facility of the company.

Fiscal unity

CSM nv and a number of subsidiaries in the Netherlands are part of fiscal unities for corporate income tax and value added tax. During the period the companies are part of a fiscal unity for whose liabilities they are jointly and severally liable.

39. Personnel

On average, 2 personnel were employed by CSM nv and were working in the Netherlands during 2012 (2011: 2 personnel). For more information on remuneration see Note 30.

Diemen, the Netherlands, 12 March 2013

Supervisory Board

R.H.P. Markham, Chairman
M.P.M. de Raad, Vice Chairman
J.P. de Kreij
R. Pieterse
W. Spinner

Board of Management

G.J. Hoetmer, CEO
N.J.M. Kramer, CFO

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	2012	2011
Result after taxes	-63.7	-174.3
Available for dividend payment to holders of cumulative financing preference shares	3.7	4.3
Proposed addition to the reserves	-116.3	-195.9
Available for cash dividend to holders of common shares	48.9	17.3
Dividend of € 0.70* per common share with a nominal value of € 0.25	48.9	17.3

* 2012: at the choice of the shareholders in cash or in stock.
2011: at the choice of the shareholders in cash or in stock.

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

Independent auditor's report To: The General Meeting of CSM N.V.

Report on the financial statements

We have audited the accompanying financial statements 2012 of CSM N.V., Amsterdam. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as per December 31, 2012, the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information presented on pages 93 up to and including 140 of this report. The company financial statements comprise the company balance sheet as per December 31, 2012, the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information presented on pages 141 up to and including 144 of this report.

Management's responsibility

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall 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 per December 31, 2012 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of CSM N.V. as per December 31, 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Board of Management, presented on pages 11 up to and including 64, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Report of the Board of Management, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Rotterdam, March 12, 2013
Deloitte Accountants B.V.

Already signed: **G.M. Dekker**

Brief resumés of the members of the Supervisory Board

As at 31.12.2012

R.H.P. Markham (1946, m), Chairman

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

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

Nationality	Dutch
Previous positions	Member Board of Management Koninklijke Ahold nv
	Member Board of Management Metro AG
	Chairman Board SHV Makro nv
	Member Board SHV Holdings nv
Supervisory directorships	HAL Holding nv
	Metro AG Düsseldorf
	Vion Holding nv
	Vollenhoven Olie Groep bv
Additional positions	TiasNimbas Business School, University of Tilburg
	Chairman of the Board of Jeroen Bosch Hospital
First appointed in	2004
Current term of office	2012 - 2016

J.P. de Kreij (1959, m)

Nationality	Dutch
Position	Vice Chairman Executive Board and Chief Financial Officer of Royal Vopak nv
Supervisory directorship	Vice Chairman Supervisory Board Evides nv
Additional position	Member Advisory Council of the Listed Companies of NYSE Euronext
First appointed in	2011
Current term of office	2011 – 2015

R. Pieterse (1942, m)

Nationality	Dutch
Previous position	Chairman Board of Management Wolters Kluwer nv
Supervisory directorships	Chairman Koninklijke Grolsch nv
	Chairman Mercurius Groep bv
Additional positions	Board member of various foundations
First appointed in	2004
Current term of office	2012 - 2016

W. Spinner (1948, m)

Nationality	German
Previous position	Member Board of Management Bayer AG
Supervisory directorships	Member Altana AG, Wesel (Germany)
	Chairman ROESER GmbH, Bochum (Germany)
	Member The Zuellig Group International Hong Kong
First appointed in	2004
Current term of office	2011 - 2015

Brief resumés of the members of the Board of Management

As at 31.12.2012

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

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

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

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

Company Secretary

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

Nationality	Dutch
Employed since	August 1986

Group structure

As at 12.03.2013

CSM nv		
CSM Bakery Supplies Europe	CSM Bakery Supplies North America	Purac

Main Product Groups		
Bakery ingredients and products	Bakery ingredients and products	Lactic acid and lactic acid derivatives

Operating Companies		
CSM Austria	BakeMark Ingredients Canada	Purac America
CSM Benelux	BakeMark USA	Purac Argentina
CSM China	Caravan Ingredients	Purac Asia Pacific
CSM Deutschland	CSM Bakery Products NA	Purac Biochem
CSM France	CSM Bakery Supplies Latin America	Purac Bioquímica
CSM Hellas		Purac China
CSM Ibéria		Purac France
CSM International		Purac India
CSM Italia		Purac Japan
CSM Japan		Purac Korea
CSM Magyarország		Purac Mexico
CSM Nordic		Purac Polska
CSM Polska		Purac Russia
CSM Russia		Purac Sínteses
CSM Tunisia		Purac Thailand
CSM Turkey		
CSM UK		
Kate's Cakes		
MARGO CSM Schweiz		

Five years in figures

millions of euros	2012	2011	2010	2009	2008
Continuing operations *					
Net sales	754	3,113	2,990	2,556	2,599
EBITA excluding exceptional items/one-off costs	64	151	215	151	133
EBITA	46	130	194	151	113
Operating result	40	-150	158	143	107
EBITDA excluding exceptional items/one-off costs	101	223	287	212	193
Result after taxes	27	-174	99	87	90
Earnings per common share in euros [1]	0.34	-2.56	1.41	1.25	1.32
Diluted earnings per common share in euros [1]	0.34	-2.55	1.40	1.25	1.32
Cash flow from operating activities	73	148	189	277	99
Cash flow from operating activities per common share, in euros [1]**	0.99	2.06	2.73	4.15	1.48
Depreciation/amortization fixed assets	43	103	107	69	66
Capital expenditure on fixed assets	56	92	83	47	64
EBITA margin % [2]	6.1	4.2	6.5	5.9	4.4
Result after taxes / net sales %	3.6	-5.6	3.3	3.4	3.5
ROCE % [3]	8.4	5.9	9.1	8.2	6.2
Number of employees at closing date	1,795	9,843	9,664	8,430	8,433
Total operations					
Income statement					
Result after taxes	-64	-174	99	87	90
Balance sheet					
Non-current assets	1,374	1,559	1,791	1,330	1,361
Current assets	704	740	718	554	662
Non-interest-bearing current liabilities	490	479	483	386	381
Net debt position [4]	511	616	631	328	528
Provisions	220	257	277	171	172
Equity	859	948	1,117	998	942
Key data per common share					
Number of issued common shares	69,914,711	67,658,699	65,998,134	64,977,416	62,031,279
Number of common shares with dividend rights	69,909,876	67,580,372	65,873,803	64,828,082	61,868,026
Weighted average number of outstanding common shares **	69,877,362	69,813,766	67,515,917	65,837,383	64,795,388
Price as at 31 December	16.25	12.08	26.19	18.38	11.50
Highest price in calendar year	16.48	26.88	26.27	18.68	25.90
Lowest price in calendar year	10.49	9.25	18.55	7.97	9.43
Market capitalization as at 31 December	1,136	816	1,725	1,192	711
Earnings in euros **	-0.96	-2.56	1.41	1.25	1.32
Diluted earnings in euros **	-0.96	-2.55	1.40	1.25	1.32

millions of euros	2012	2011	2010	2009	2008
Other key data					
Number of employees at closing date	9,650	9,843	9,664	8,430	8,433
Number of issued cumulative preference shares	2,983,794	2,983,794	2,983,794	2,983,794	2,983,794
Equity per share in euros [5]	11.78	13.44	16.22	14.71	14.52
Ratio's					
Net debt position/EBITDA [6]	2.0	2.8	2.1	1.6	2.8
Interest cover [7]	10.1	7.6	9.7	8.0	7.1
Balance sheet total : equity	1:0.4	1:0.4	1:0.4	1:0.5	1:0.4
Net debt position : equity	1:1.7	1:1.5	1:1.8	1:3.0	1:1.8
Current assets : current liabilities	1:0.4	1:0.6	1:0.6	1:0.6	1:0.5

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

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

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

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

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

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

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

6 EBITDA is "Earnings Before Interest, Taxes, Depreciation, Amortization and impairment of intangible fixed assets", here including acquisition and divestment effects recalculated for the full year and excluding exceptional items/one-off costs.

7 Interest cover is EBITDA as defined in Note 6 divided by net interest income and charges.

Information on the CSM share

Share capital
CSM is listed on NYSE Euronext Amsterdam nv.
As at 31 December 2012 69,914,711 common shares of € 0.25 each and 2,983,794 financing preference shares of € 0.25 each had been issued, including 4,835 common 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 2012 have been reported:

- ASR Nederland nv 6.68%
- ING Groep nv 10.59%
- Lansdowne Partners Limited 10.15%

N.B.: As at 12 March 2013 CSM nv has a capital interest of 0.01 %.

Other information

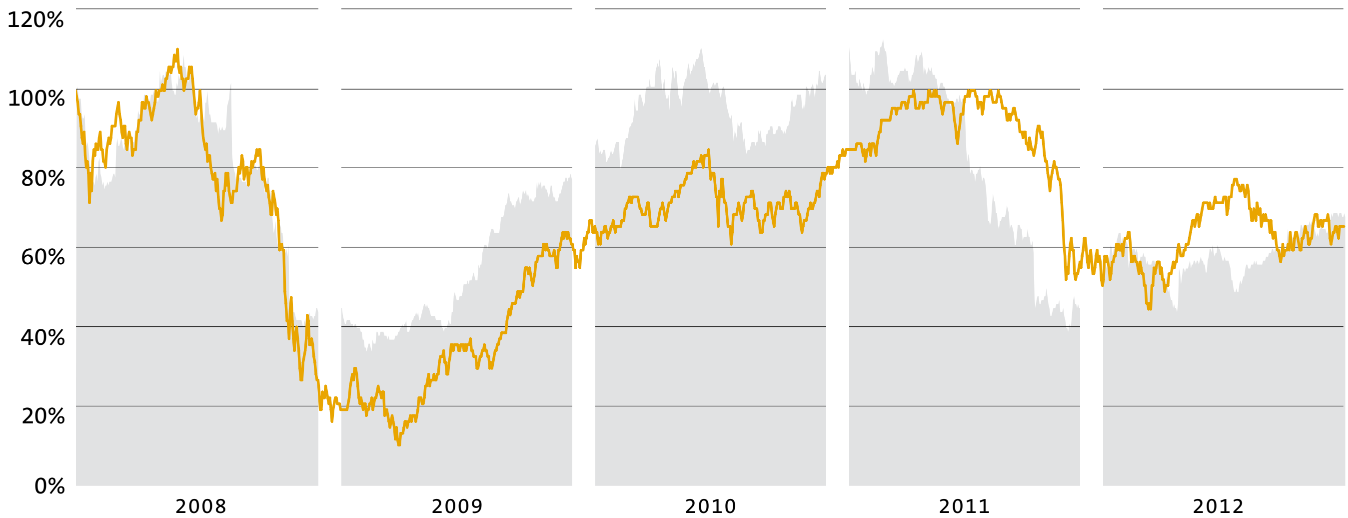
	2012	2011	2010	2009	2008
Number of common shares with dividend rights x 1,000 as at 31 December	69,910	67,580	65,874	64,828	61,868
Market capitalization in millions of euros as at 31 December	1,136	816	1,725	1,192	711
Highest share price	16.48	26.88	26.27	18.68	25.90
Lowest share price	10.49	9.25	18.55	7.97	9.43
Share price as at 31 December	16.25	12.08	26.19	18.38	11.5
Average daily turnover of shares	373,949	414,275	320,656	288,791	372,167

Important dates *

23 April 2013	Publication of the interim management statement first quarter 2013
6 May 2013	General Shareholders' Meeting
8 May 2013	Ex date
10 May 2013	Record date
29 May 2013	Dividend payable for 2012
7 August 2013	Publication of half-year figures 2013
23 October 2013	Publication of the interim management statement third quarter 2013
5 May 2014	General Shareholders' Meeting

* subject to change

Trend in the share price



Movement in price of CSM shares from 2 January 2008 to 31 December 2012 (per share of € 0.25; 2 January 2008 = 100%)
Midkap index (2 January 2008 = 100%)

Colophon

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