Building an organic future

Annual Report 2009

Royal Wessanen nv

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

Company vision[1]

Wessanen's vision is to become the Organic+ food champion in chosen countries in Europe.

Contents

[1] See pages 8 to 9 for more details.

Key financial and business highlights

Revenue	Revenue continuing operations
€1,585.4m	€702.5m
2008: €1,597.3m	2008: €725.4m

Operating result (EBIT)	Operating result (EBIT) continuing operations
-€41.5m	-€44.4m
2008: €50.6m	2008: €37.1m

Key business highlights

- Focus on European organic food market
  - Divestment of North American distribution and branded operations Tree of Life and Liberty Richter
  - Restructuring of Wessanen Germany and Wessanen Benelux
  - Frozen Foods established as separate division; Karl Kemper GmbH (Germany) and Righi SrL (Italy) divested
- Establishment of Wessanen Europe under management of Executive Management Group
- Slowdown in consumer demand and competitive pressure from private label in Europe; health food store channel generally developed well
- Reporting irregularities at American Beverage Corporation (ABC) led to restatement of 2008 year-end equity; recovery programme at ABC in progress
- Executive and Supervisory Board changes
  - Interim CEO Frans Koffrie replaced Ad Veenhof
  - Richard Lane stepped down following divestment of Tree of Life Inc.
  - Frank van Oers appointed as a member of Supervisory Board; Marie-Christine Lombard stepped down as a member of Supervisory Board

In EUR millions, unless stated otherwise	**2009**	2008 (restated)
Continuing operations		
Income statement		
Revenue	702.5	725.4
Operating result (EBIT)	(44.4)	37.1
Profit for the period attributable to equity holders of Wessanen	(131.4)	19.0
Cash flow		
Cash flow from operating activities	11.9	25.9
Cash flow from investing activities	(10.6)	(44.4)
Cash flow from financing activities	(34.1)	(15.3)
Ratios		
Operating result (EBIT) as a % of revenue	(6.3)%	5.1%
Return on average capital employed (ROCE)	(14.3)%	11.2%
Total Wessanen		
Balance sheet		
Total assets	637.9	906.5
Shareholders' equity	149.9	349.2
Net debt	175.0	214.6
Average capital employed[1]	309.4	331.9
Ratios		
Net debt/EBITDAE at year end	4.3	2.9
Financial information per share (in EUR)		
Equity attributable to equity holders of Wessanen	2.22	5.17
Profit for the period attributable to equity holders of Wessanen[1]	(1.94)	0.28
Dividend for the year	–	0.20
Highest share price	5.20	10.97
Lowest share price	2.35	4.30
Share price at year end	4.19	4.65
Other key data		
Average number of outstanding shares (in thousands)	67,609	67,585
Number of shares outstanding at year end (in thousands)	67,616	67,601
Average number of employees for continuing operations (in FTE)	2,261	2,383
Number of employees for continuing operations at year end (in FTE)	2,139	2,341

[1] Continuing operations only.

Letter from the CEO

After a year of transformation, a more compact Wessanen is fully focusing on the new strategy of becoming the Organic+ champion.

2009 was a year of transformation for Wessanen.

While global markets were coping with the impact of recession, the management team at Wessanen was shaping a new direction for the Company.

It was apparent that our operations, spread across Europe and North America, had become too complex. The main goal was to re-establish focus. Earlier, we identified two distinct businesses in Europe: frozen foods and organic foods. While we continue to develop the frozen business, the strategic focus is on the latter, Wessanen Europe, a business with about EUR 500 million in revenue with good growth potential.

The first step towards achieving focus was the decision to sell off our US businesses, leaving us free to concentrate on our European markets. In January 2010, Tree of Life, our largest US unit, was sold to the US company Kehe Food Distributors. Liberty Richter was sold in November. We expect PANOS Brands to find a buyer in the near future.

In the fourth quarter, we divested our Italian subsidiary Righi and our German subsidiary Karl Kemper.

The sale of American Beverage Corporation was delayed after the discovery of accounting irregularities. Subsequently, a new management team was appointed. They are working on a recovery programme and we expect the company to be ready for sale in 2011.

During the summer we undertook a far-reaching project. The purpose was to gain a detailed, fact-based understanding of the European organic food market. By involving specialists from each of our four country units, we were able to significantly enhance our knowledge of this niche market.

Most importantly, the research helped to shape our new strategy – to become the Organic+ champion in the European organic food market. The logic behind our decision is straightforward. Firstly, we already have a reputation, a track record and an established customer base in the sector. Secondly, because the sector is relatively small, we can become an influential player within it. Thirdly, the organic sector has already demonstrated that it can deliver faster growth than mainstream grocery.

In the fourth quarter we set up a new Executive Management Group. It involves the CEO, CFO, the heads of key corporate staff functions and the managing directors of the four largest European country operations. We believe that this will support the Company as a whole in sharing knowledge, opportunities and ideas far more effectively in the future.

It will also be instrumental to achieving two new operational goals. Firstly, we intend to harmonise our brands. This involves looking for opportunities to standardise recipes and ingredients and reduce the overall product range. We will, however, in most cases, maintain local brand names.

Secondly, we are centralising our sourcing functions. This will enable us to buy in larger volumes, gain economies of scale and lower process costs.

Our investment priorities will focus on enhancing business and brand support. We are currently rolling out a SAP system which will be the standard business software for all our units. We are earmarking funds to increase visibility of our products and brands to consumers in local markets. The primary intention is to accelerate top-line growth.

The new strategy will take time to show results, and early revenues will largely be converted into brand support investment. At the same time, we will look for appropriate add-on acquisitions to strengthen our portfolio.

The short-term goal for Wessanen is to simplify and streamline our operations. The sale of the US businesses is already helping to reduce debt and is giving the management team time and resources to drive forward the new strategy. The decision to concentrate on the European organic market has enabled our people to understand the scale and potential of the task that lies ahead.

I recognise that it has been a difficult and demanding year for Wessanen and I would like to express my appreciation to all constituents for their commitment to the Company and for their understanding. In particular, I would like to thank all of our employees for their hard work and patience while we developed the new strategy and set it in motion.

> *The decision to concentrate on the European organic market has enabled our people to understand the scale and potential of the task that lies ahead.*

In June 2010, a new CEO will take over the reins of Wessanen. His appointment will not change the strategic direction of the Company, but he will no doubt bring his own ideas to the table. I fully believe he is the right man for the job.

Wessanen has a real opportunity to become a compact, focused company with a clear, attainable vision. As European markets recover from recession, the organic food market offers the prospect of strong growth within a sector where we have the right people, expertise and resources.

Frans Koffrie
Interim Chief Executive Officer

Looking forward

Aims 2010

- Wessanen Europe: investments, increased marketing and IT spending
- Frozen Foods: revitalisation of the Beckers brand and continued focus on production costs
- American Beverage Corporation: completion business process redesign and cost reduction, with the intention to divest ABC in 2011
- PANOS Brands: expected to be divested during 2010

European Executive Management Group

Following the organisational changes and the strategic focus on organic food in Europe, as at the end of 2009, the Executive Management Group (EMG) was operational, consisting of the Executive Board members, four corporate staff directors and the managing directors of the four key European country organisations.

The key task of the EMG is to coordinate and promote the development of Wessanen Europe as a strong European player in the organic markets.

Frans Koffrie, Interim CEO

1 Frans Koffrie (1952)
Interim Chief Executive Officer
Nationality: Dutch
CEO (ad interim) and President of the Executive Board.

2 Frans Eelkman Rooda (1952)
Chief Financial Officer
Nationality: Dutch
CFO and Member of the Executive Board.

3 Fred Alkemade (1961)
Executive Vice President Strategy, Sourcing and New Business Development
Nationality: Dutch
Responsible for all matters relating to strategy, new business development and sourcing.

4 Henk van den Bogaart (1958)
Executive Vice President Human Resources
Nationality: Dutch
Responsible for all matters relating to human resources management, compensation and benefits.

5 Heidi van der Kooij (1962)
General Counsel and Company Secretary
Nationality: Dutch
Responsible for all legal matters, compliance, corporate governance, and Company Secretary.

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6 **Fons de Vries (1953)**
Senior Vice President Supply Chain and ICT
Nationality: Dutch
Responsible for supply chain management. This includes logistics, manufacturing, engineering and ICT.

7 **Christophe Barnouin (1968)**
Managing Director Distriborg SA
Nationality: French
Responsible for Wessanen's organic food activities in France.
Based in Lyon, France.

8 **Frank von Glan (1962)**
Managing Director Wessanen Germany
Nationality: German
Responsible for Wessanen's organic food activities in Germany.
Based in Bremen, Germany.

9 **Xander Meijer (1966)**
Managing Director Wessanen Benelux
Nationality: Dutch
Responsible for Wessanen's organic food activities in the Netherlands and Belgium.
Based in Harderwijk, the Netherlands.

10 **Paul Yeates (1958)**
Managing Director Wessanen UK & Ireland
Nationality: British
Responsible for Wessanen's organic food activities in the UK and Ireland.
Based in Godalming, Surrey, UK.

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Strategy – Becoming the Organic+ food champion

In 2010, our focus will be on strengthening the core business. Next to focusing on growing revenue, we are creating solid platforms across countries, harmonising brands and centralising our supply chain. From 2011 onwards, we aim to utilise in full the healthy prospects for the organic food markets and to grow at least in line with the market growth. Our long-term ambition is to increase revenue to above EUR 1 billion, both through autonomous growth and add-on acquisitions.

Ambition level

Revenue

>€1bn

Our vision

Our vision is to become the Organic+ food champion in chosen countries in Europe, being our core countries today: France, the Benelux, the UK and Germany.

Organic+ is defined as organic food that delivers clear consumer benefits related to natural nutrition, real taste and social and ethical values. It goes beyond organic certified products and organic copies of conventional products.

We are already acknowledged as a specialist natural and organic food company, so we have a track record and a reputation in this area. This will make it significantly easier for us to achieve our strategic goal of becoming the Organic+ food champion (see panel). Within this specialised market, we will use our multi-channel, multi-category knowledge to address mainstream grocery stores, independent health food stores and franchise chains. We will deliver the right combination of brands and products backed by promotional support that communicates individual consumer benefits effectively to the target audience.

Growth pillars and new operating model

The growth potential of organic markets is significant, driven by strong fundamentals, such as continuously increasing engagement of mainstream consumers, health benefits and rich taste. Wessanen Europe's strategic focus is on four growth pillars, which have been identified to capture the ample opportunities within the grocery and health food store channels and to take full advantage of the strategic focus.

Four growth pillars to becoming the Organic+ food champion

Objectives	Scope
Expand category captain role with our leading brands on the dedicated organic grocery shelves	• France: Bjorg • Benelux: Zonnatura • Germany: assess organic shelf opportunities with selected retailers
Grow existing No.1 wholesale positions in HFS[1] channel through leading retail franchise concepts, while protecting existing independent customer base	• France: Bonneterre, Kalisterra, Bio Distrifrais • Benelux: Natudis – Natuurwinkel retail franchise • Europe: potential international partnerships retail franchise concepts and distributors
Expand/acquire prominent organic brands and leverage these through HFS, grocery and (at a later stage) other specialty channels in own and export countries	• Core and export countries: leverage Allos, Tartex, Bonneterre, Evernat and Ekoland • Europe: acquisitions of leading category-specific organic brands
Offer leading single-category organic brands on mainstream shelf in selected categories and in selected countries	• Continental Europe: develop category-specific organic brands • UK: Kallo, Whole Earth, So Good

[1] Health Food Store.

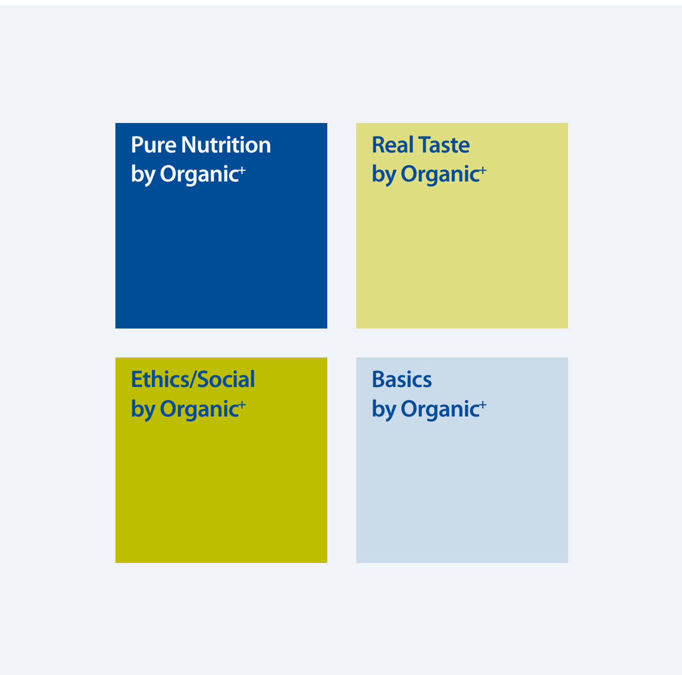
> *Organic foods contain pure ingredients that are cultivated in an environmentally clean and sustainable manner.*

Firstly, the Company wants to capture this growing group of organic mainstream consumers, while continue to nurture its existing niche consumer base. Its focus is also on building organic leadership positions on the dedicated shelf and in heath food store channels, thereby excluding a 'pure play' role on the mainstream shelf in grocery. Thirdly, focus is on building, acquiring and leveraging leading organic brands, like Bjorg, Zonnatura and Ekoland. Lastly, Wessanen Europe aims to become the authority regarding organic for its stakeholders, such as consumers, trade partners and suppliers.

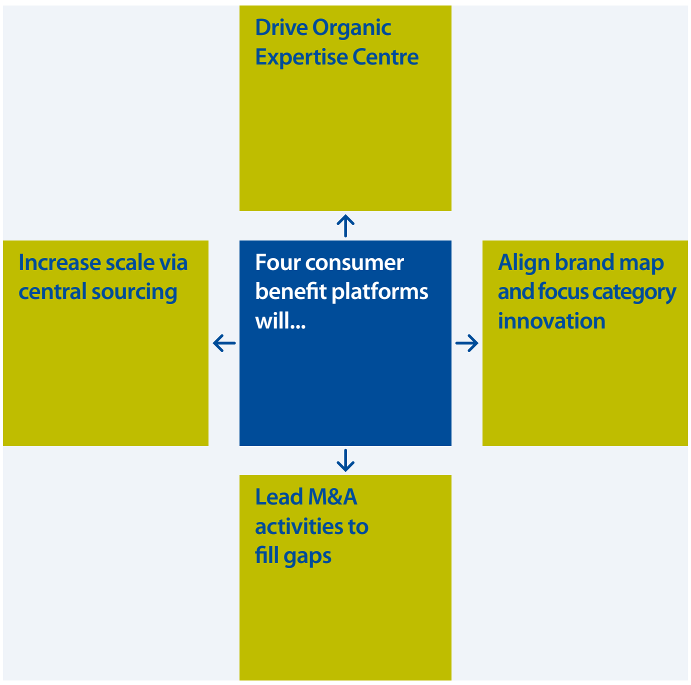
To be successful in executing these four growth pillars, a new operating model is being deployed. Four consumer benefit platforms have been created and are the Company's DNA. These platforms dictate the deployment of the model, including the alignment of the brand map and the focus on category management, central sourcing and the building of an Organic Expertise Centre. To manage this operating model effectively and successfully, a new organisation structure has been implemented, led by the Executive Management Group.

We have developed four separate consumer benefit platforms: Nutrition, Real Taste, Ethical Products, and Basic Organic. We are now in the process of aligning our products to ensure that each complies with at least one of these consumer benefit platforms. Our marketing task will then be to promote our brands and products according to the benefits that they embody, making it easier for consumers to recognise the advantages of organic.

Four consumer benefit platforms



Benefit platforms are the Company's DNA



Strategy – Strategic transition

Wessanen will pursue a clear course of action to transform itself into a lean organisation focused on securing a dominant position in the European organic food market.

Four steps to a more focused business

Objectives	Status
1 Rebalance and restructure to focus on organic food in Europe	Completed
2 Establish separate Frozen Food business	Completed
3 Divest North American operations	To be completed in 2010, except divestment ABC (2011)
4 Change the way the organisation operates	Ongoing

Evidence

- ‘Portfolio approach’ replaced by ‘Focus on the core’
- Clear strategy and vision
- Restructured German organisation
- Restructured Benelux organisation

- Established Beckers Benelux organisation
- Divested Karl Kemper and Righi as a result of limited strategic fit

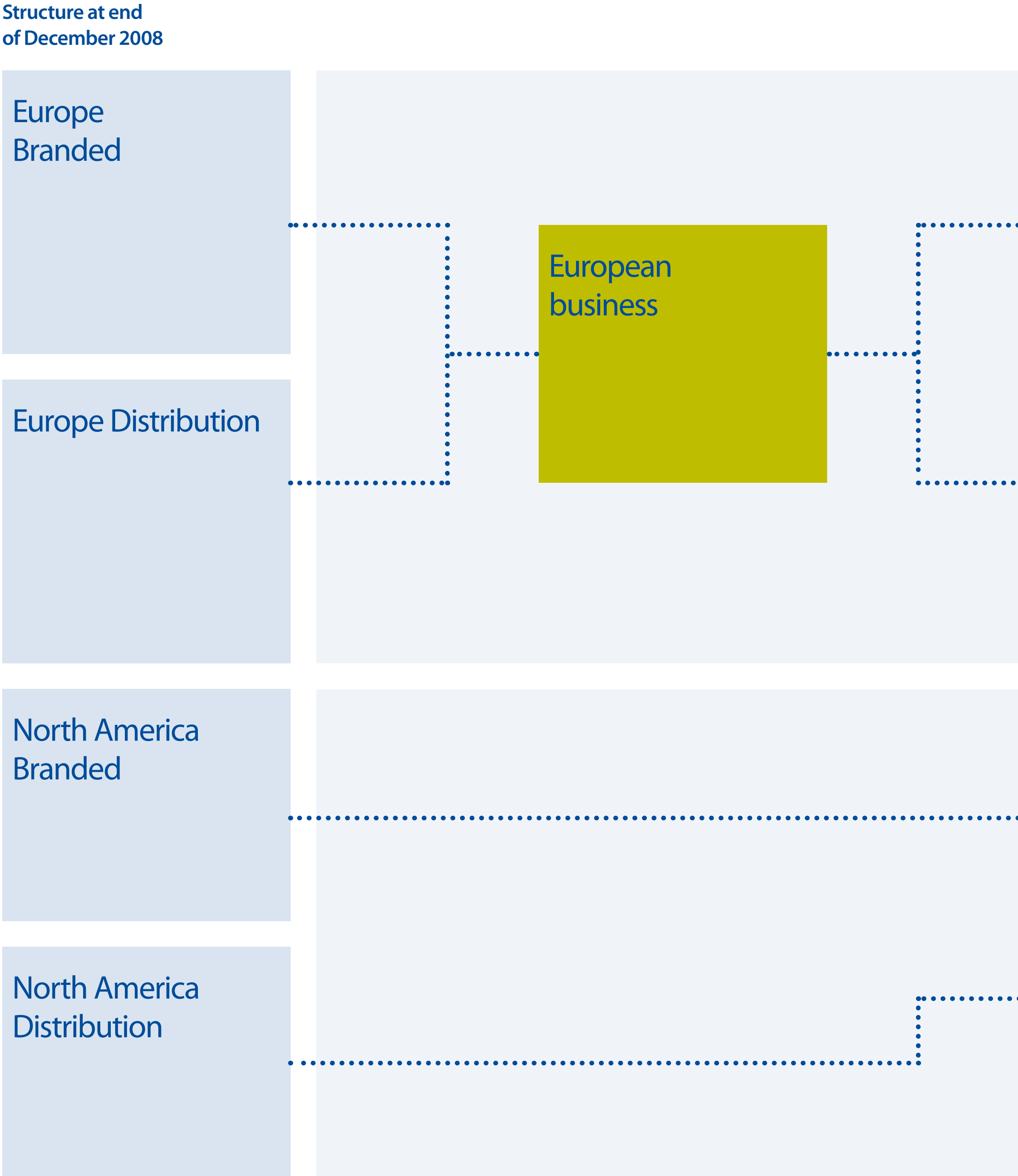
- Tree of Life Inc. sold to Kehe Food Distributors in January 2010
- Liberty Richter sold to World Finer Foods
- Preparation for divestment of PANOS Brands
- Financial irregularities at ABC discovered in summer 2009; adjusted year-end 2008 equity
- New management team ABC making headway with back-to-basics recovery plan; operating efficiency improved

- Established Wessanen Europe
- Established country-based approach for managing Wessanen Europe
- Supply chain and sourcing activities to be centralised
- Decentralised innovation by assigning responsibilities to local experts
- Established Executive Management Group to coordinate and promote development of Wessanen Europe

Strategy – Overview of changes

Wessanen's transition has been carefully planned and executed. It involves phasing out most of the North American operations and non-core European subsidiaries, while simultaneously building up the key European country units.

The evolution to our new structure



Structure at end of December 2009

in EUR millions

Continuing

Wessanen Europe (Organic+ food)
- France
- Benelux
- UK
- Germany
- Italy

Frozen Foods
- Favory Convenience Food Group
- Beckers
- Karl Kemper
- Righi

	Revenue 2009	Revenue 2008	EBIT 2009	EBIT 2008
Wessanen Europe	493.2	500.7	(2.7)	41.1
Frozen Foods	119.6	122.8	2.7	1.7
American Beverage Corporation	89.7	101.9	(30.4)	1.8
Non-allocated			(14.0)	(7.5)
Total	702.5	725.4	(44.4)	37.1

Discontinued

North America Branded
- American Beverage Corporation
- PANOS Brands*
- Liberty Richter

North America Distribution
- Tree of Life

	Revenue 2009	Revenue 2008	EBIT 2009	EBIT 2008
Frozen Foods	29.9	34.7	(1.5)	(0.6)
PANOS Brands	35.8	35.3	3.0	3.3
North America Distribution	817.2	801.9	1.4	10.8
Total	882.9	871.9	2.9	13.5

	Revenue 2009	Revenue 2008	EBIT 2009	EBIT 2008
Total Royal Wessanen	1,585.4	1,597.3	(41.5)	50.6

* The intention is to divest PANOS Brands in 2010, therefore it remains part of 'discontinued operations'.

Group at a glance

2009 saw major changes in the Group's structure. Going forward, the main commercial focus lies with Wessanen Europe. The Frozen Foods division is active only in the Benelux, while in North America PANOS Brands is up for sale, and American Beverage Corporation is being prepared for disposal in 2011.

Wessanen Europe

The European organic food business includes the operations in France, the Benelux, the UK, Germany and Italy. These companies manufacture, market and distribute a wide range of organic brands, which are marketed via supermarkets, independent grocers, health food stores and other food and catering outlets.

Grocery channel		Key countries
BJORG, Gayelord Hauser	Bjorg sources and distributes a wide range of chilled and ambient organic health foods, including soy drinks, fruit drinks, biscuits and cereals.	France
Zonnatura, whole earth, MERZA	Zonnatura is a leading Dutch organic/natural brand with a wide range of products including herbal teas, biscuits, rice cakes, cereals, fruit juices and healthy children's snacks.	Benelux
kallo, whole earth, So Good	Kallo specialises in organic food products. Its range includes rice cakes, stock cubes, bread sticks and cereals, which are sold in supermarkets in the UK.	UK
whole earth	Whole Earth is a long-established brand specialising in organic foods. Its range includes cereals, spreads, snacks and drinks, which are sold in supermarkets in the UK, the Netherlands and Germany.	Germany

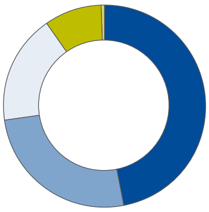
Revenue

€493.2m

(2008: €500.7m)

Revenue by country

France	€231.8m
Benelux	€128.5m
UK	€86.3m
Germany	€44.4m
Italy	€2.2m



Health food store channel

Bonneterre, Evernat	The gourmet brand Bonneterre (the best from the earth) stands for pure and authentic products, true to their organic origins. The brand offers a fine selection of soups, vegetable ragouts, spreads, mustard and rice.
De Rit Organics, ekoland, Molenaartje	De Rit carries a product portfolio of organic products with a special touch: local flavours and original and authentic recipes. The product range varies from biscuits to Mediterranean specialties, as well as culinary ingredients for home cooking.
Allos	Over the past 35 years, Allos has actively developed the natural food sector as a result of successful product innovations. Its all natural and organic product range includes honeys, fruit spreads, breakfast cereals, healthy bars and biscuits.
Tartex	The German-based Tartex range includes vegetarian spreads and ready meals, sauces, mustards and soups.

Frozen Foods

The European frozen foods business comprises the activities of Beckers Benelux and Favory Convenience Food Group. These companies manufacture and market a wide variety of convenience food products, ranging from the traditional Dutch frikandel to spring rolls. The snacks are available at supermarkets and in the out-of-home channel in the Netherlands and Belgium.

Revenue

€119.6m

(2008: €122.8m)

BECKERS

American Beverage Corporation

American Beverage Corporation (ABC) is one of the leading producers of non-carbonated bottled fruit drinks and cocktails in North America. The company manufactures and markets leading brands of juice drinks and cocktails within both the on- and off-premise channels, including supermarkets, mass merchandisers, convenience stores, liquor stores, bars and restaurants.

Revenue

€89.7m

(2009: €101.9m)

DAILY'S, little HUG

Market review – the world around us

The European organic food market is an attractive and growing market. Growth potential for this market is significant. Today, most consumers are aware of the relevance of organic and its sustainable production methods. Consumption per capita is still low, but rising. Strong fundamentals, such as continuously increasing engagement of mainstream consumers, health benefits and rich taste are expected to drive continued growth of the organic markets in Europe.

Consumer demand for organic food has been rising consistently over the past decade. From being a niche market largely confined to specialist health food stores, it is now a common feature in grocery stores and supermarkets.

Today's consumers perceive organic food as an attractive proposition, but in many cases they do not act on that perception. Our research shows that there is a significant gap between what consumers say and what they actually do. In other words, there is a pent-up demand for organic. Research also shows that consumers perceive organic food as being healthy, of better quality and contributing to environmental sustainability.

What is stopping them? The largest single barrier is awareness. Many consumers simply do not understand the organic proposition. They are confused by the terminology used to describe so-called 'green' products – natural, Fair Trade, sustainable, organic. These descriptors are supposed to differentiate products, but they are perceived to overlap.

Other barriers include lack of choice, low availability and high prices relative to non-green options.

The antidote to all these barriers lies in demonstrating that organic has clear benefits for consumers.

Organic+: a differentiating factor

We define Organic+ as organic food that: goes beyond the minimum requirements for certification; is more than merely an organic copy of a conventional product; and that delivers clear consumer benefits in terms of either nutrition, real taste or the social/ethical values that govern its production.

Our intention is to use this differentiating factor to strengthen our brands and achieve growth in each of our chosen markets.

Our strategic focus has four main thrusts. In the mainstream, we will build organic leadership positions on the dedicated shelf for organic products. We will nurture and expand our core consumer base in health food channels. We will build, acquire and leverage market-leading organic brands. We will become the authority on organic food.

To help consolidate our leading positions in local Organic+ markets, we will create an Organic Expertise Centre. Its role will be to gather knowledge and expertise about all aspects of organic food, from sourcing, distribution and marketing to food safety, sustainability and consumer insights. We will work with consumers, trade partners and suppliers, government, NGOs, and all other relevant stakeholders to create an unrivalled knowledge base that will support our efforts to become the Organic+ champion in our chosen markets.

Past beliefs on organic		Future playing field organic
1. Organic certification is a differentiator	→	Organic certification is just table stake
2. Local certifications	→	One single European certification
3. Organic only for core consumer	→	Organic has hit mainstream consumers
4. Organic products are copies of mainstream products	→	Next generation organic products have to deliver clear consumer benefits
5. Consumer pricing based on cost mark-up in the chain	→	Consumer price based on perceived value and consumer benefits
6. Low price sensitivity	→	Private label is price reference point
7. Organic is niche in store	→	Organic+ is image builder for grocery

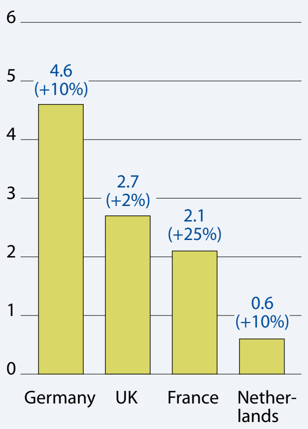
> *We will use our multi-channel, multi-category knowledge to address mainstream grocery stores, independent health food stores and franchise chains.*

Fred Alkemade, EVP Strategy, Sourcing and New Business Development

Market size and growth in organic food

Organic market size in €bn in 2008

(Growth 2008 in %)



Consumption per capita

(EUR/year)

Germany	56
UK	45
France	33
Netherlands	35

Leading positions in chosen countries

Germany
- No. 1 brand positions in specific organic categories in HFS channel (Allos, Tartex)

The Netherlands
- No. 1 position with Zonnatura in grocery channel
- No. 1 position as wholesaler with a retail franchise chain in HFS

UK
- No. 1 brand positions in specific organic categories in grocery (Whole Earth, Kallo)

France
- No. 1 organic brand position with Bjorg in grocery
- No. 1 position as organic brand/distributor in HFS

Marketing perspective

Of the total food and beverages markets, organic represent only a fraction. But it is a well-defined fraction. In July 2010, organic will even be more clearly defined with the introduction of a single European certification system for organic products. This includes the obligation to use the organic logo of the EU on all pre-packaged organic products that have been produced in any of the EU member states.

Organic is a growth market. The combined market size of the top-10 European countries was over EUR 15 billion in 2008. Historical growth has been running around 10%, whereas in 2009 growth was an estimated 0-5%, impacted by the economic recession.

A large driving force behind this growth has been private label. Grocery retailers have used their own organic private label products to promote their image as companies which are good for their consumers and good for the environment. Our brands benefit from this increased exposure and can ride on the back of this atmosphere of goodwill towards organic food.

Scale is an important factor in our growth equation. For mainstream grocery retailers, organic is a small but important market as an image and margin builder. It is sufficiently large to provide opportunities for a company of Wessanen's size, and it is growing. This leaves the way clear for us to become a major player – a big fish in a small, growing pond.

Report of the Executive Board

The year 2009 may well be described as an eventful year for Wessanen. In the midst of a challenging economic climate, the Company underwent a far-reaching strategic and organisational transition. Despite the fact that we foresee the year 2010 as being a year of investment, Wessanen made clear choices and is well placed to become a focused, strong and profitable business.

"We have made good progress in addressing a number of major strategic challenges."

Frans Koffrie, Interim CEO

In a tough economic climate, Wessanen's top line was under pressure at almost all of its activities in Europe and the US. In Europe, competition primarily came from private labels in the grocery channel. The performance in the health food store channel was relatively stable. All in all, the Company's bottom-line performance over the whole year was disappointing, mainly affected by impairment charges, some gross margin pressure and increased marketing spending for the continuing operations, next to impairment losses for discontinued operations.

Organisational development

Focusing the business portfolio

Following the departure of Ad Veenhof as CEO of the Company, new Interim CEO Frans Koffrie led Wessanen's mission to rebalance and refocus the Company's business portfolio to become a focused, strong and profitable business. The decision to focus on the European market for organic food triggered the decision to divest all of Wessanen's North American operations. At the same time, the Dutch and Belgian activities were reorganised, combining the distribution and marketing activities for organic food into a Wessanen Benelux operation, as well as building a separate Frozen Foods division. As the activities of Karl Kemper and Righi demonstrated limited synergies with the frozen snack activities in the Benelux, these companies were divested during 2009.

Early summer 2009, reporting irregularities were discovered at American Beverage Corporation (ABC). Further investigation led to a restatement of the Group's 2008 income statement and year-end balance sheet as well as quarterly revenues and operating results for the North America Branded division. Senior management changes were made and a recovery plan was initiated to return to profitability. In light of these developments, the divestment process was put on hold and is expected to be resumed in the course of 2011.

Divestments

In the autumn of 2009, Karl Kemper was sold to local management and an investment company. A month later, North American branded operation Liberty Richter was sold to World Finer Foods. In December 2009, the divestment of Tree of Life Inc. to Kehe Food Distributors was announced. Shareholders approved this sale in an Extraordinary Shareholders Meeting in January 2010 and the divestment process was completed that same month. The year 2009 was concluded with the sale of Righi to local management and an investment company. The divestment of PANOS Brands, the remaining North American branded operation that is held for sale, is expected to take place in 2010.

Operational development

Local responsibilities and collective power

Towards the end of 2009 we established a country-based approach for managing Wessanen Europe. Wessanen's four key country organisations are headed by Managing Directors who are also part of the newly established Executive Management Group.

To speed up and focus innovation, new product development and innovation responsibilities are now assigned to local experts. In support of local innovation and product development, Wessanen Europe's supply chain and sourcing activities are centralised, combining purchasing power and exercising authority in the Organic+ supply chain.

Management changes

Executive Board

In February 2009 Ad Veenhof stepped down as CEO and Chairman of the Executive Board. He was immediately succeeded by Frans Koffrie, former member of the Supervisory Board, who took on the new responsibilities on an interim basis. The subsequent search for a new CEO was finalised in January 2010, when the appointment of Piet Hein Merckens was announced, who is proposed for appointment as CEO and Executive Board member at the next Annual General Meeting of Shareholders (AGM).

With the divestment of Tree of Life, Inc., Richard Lane, CEO of Tree of Life, stepped down as a member of the Executive Board effective immediately at the time of the announcement of the sale.

Executive Management Group

Following the organisational changes and the strategic focus on organic food in Europe, an Executive Management Group was formed consisting of the Executive Board members, four key corporate staff directors and the managing directors of the four key European country organisations. For more details, see pages 6 to 7 in this Report.

Frans Koffrie (1952)
Interim Chief Executive Officer
Dutch nationality

Interim CEO since 24 February 2009; appointed Chairman of the Executive Board on 22 April 2009 until 14 April 2010. Eligible for reappointment until 1 June 2010. Former member of the Supervisory Board. Prior positions include Chairman and CEO of the Executive Board of Corporate Express NV. Additional positions include Chairman of the Supervisory Board of Nyenrode Business University.

Frans Eelkman Rooda (1952)
Chief Financial Officer
Dutch nationality

Appointed CFO in June 2008; appointed member of the Executive Board on 22 April 2009. Prior positions include CFO at OPG Groep N.V. (1997-2008) and partner at McKinsey & Company. Additional positions include member of the Supervisory Boards of De Lage Landen International B.V. and OctoPlus N.V.

Financial achievements 2009

In 2009, revenue of continuing operations amounted to EUR 702.5 million, 3.2% below last year's comparable revenue of EUR 725.4 million. Autonomous growth was (2.9)%. Excluding negative foreign exchange effects of EUR 4.3 million (0.6)%, revenue for the year decreased by 2.6%. The effect of acquisitions made in 2008 amounted to EUR 3.1 million (0.3)%.

Wessanen Europe reported revenue of EUR 493.2 million, a decline of (1.5)%. Autonomous growth was (0.2)%, of which 1.0% was attributable to price and (1.2)% to volume. The foreign exchange effects amounted to (1.9)% as a result of the weakening of the British pound. The effect of the acquisition of So Good (2008) was 0.6%. Revenue at Frozen Foods was EUR 119.6 million, a decline of (2.5)%. Autonomous growth was (2.5)%, of which 1.3% was attributable to price and (3.8)% to volume. In North America, American Beverage Corporation (ABC) witnessed a revenue decline of 12% resulting in 2009 revenue of EUR 89.7 million. Adjusted for a weaker US dollar, revenue declined by 16.5%.

Operating result (EBIT) of continuing operations decreased by EUR 81.5 million to EUR (44.4) million (2008: EUR 37.1 million), mainly due to impairment losses incurred at Wessanen Europe (EUR 28.0 million), Frozen Foods (EUR 0.8 million) and ABC (EUR 17.3 million), restructuring (Wessanen Benelux and Wessanen Germany) and severance costs incurred (EUR 5.2 million), additional losses incurred at ABC following revised management estimates and costs of the forensic investigation (EUR 4.2 million), the reversal of a real estate gain at Wessanen Europe (EUR 1.0 million) and other non-recurring transactions (EUR 1.2 million) in 2009. Excluding non-recurring transactions, operating profit decreased by EUR 23.8 million to EUR 13.3 million in 2009.

Wessanen Europe reported an operating result of EUR (2.7) million (2008: EUR 41.1 million). Excluding non-recurring costs, EBIT amounted to EUR 28.5 million, representing an EBIT margin of 5.8%. The year-on-year decline is largely attributable to lower revenue, lower gross margin and increased marketing and advertising spending.

Operating result at Frozen Foods was EUR 2.7 million, an increase of EUR 1.0 million compared to 2008 (2008: EUR 1.7 million). Excluding non-recurring items

Report of the Executive Board
continued

operating result amounted to EUR 4.3 million, representing an EBIT margin of 3.6%. The year-on-year increase is mainly caused by gross margin improvements and lower overhead expenses, partly offset by increased marketing and advertising spending.

ABC reported an operating result of EUR (30.4) million, compared to EUR 1.8 million in 2008, including EUR (8.2) million for the restatement of 2008 results. The 2009 operating loss is mainly the result of impairment losses recognised and additional losses incurred following revised management estimates.

Operating result of non-allocated was EUR (14.0) million versus EUR (7.5) million in 2008. This mainly resulted from severance costs incurred, partly caused by the departure of Mr Veenhof, and increased advisory costs in relation to the forensic investigation at ABC and the strategic review in the summer of 2009.

Net financing costs of continuing operations increased by EUR 10.1 million to EUR (19.9) million in 2009, mainly as a result of a negative result on an Interest Rate Swap and transaction costs incurred for the amendments to our credit facility, partly offset by lower interest costs incurred related to our interest-bearing loans and borrowings.

Income tax expense of continuing operations increased to EUR 69.0 million in 2009, mainly as a result of the write-off of deferred tax assets relating to tax losses carried forward and temporary differences. Excluding these, the effective tax rate for the Group was 20.1%, compared with 33.2% for 2008.

The result from discontinued operations decreased by EUR 98.7 million, from EUR 10.4 million in 2008 to EUR (88.3) million, due to the write-off of deferred tax assets relating to tax losses carried forward and impairment losses recognised following measurement to fair value less costs to sell.

As a result, net income amounted to EUR (221.6) million in 2009 (2008: EUR 29.5 million). With a 0.04% increase in the average number of outstanding shares, earnings per share from continuing operations decreased from EUR 0.28 in 2008 to EUR (1.94) in 2009.

Working capital of continuing operations at the end of the year amounted to EUR 19.4 million, being 2.5% of revenue (2008: EUR 49.0 million, representing 7.4% of revenue). The positive working capital development, excluding acquisition and foreign exchange effects, is mainly caused by a decrease in inventories and trade receivables.

Net cash from operating activities of continuing operations decreased by EUR 14.0 million to EUR 11.9 million in 2009, from EUR 25.9 million in 2008, mainly as a result of the negative development in operating earnings compared to 2008 (EUR (35.5) million), compensated by positive working capital developments (EUR 19.8 million).

Net debt decreased by EUR 39.6 million from EUR 214.6 million at year-end 2008 to EUR 175.0 million at year-end 2009, mainly as a result of a net cash inflow from operating activities of EUR 64.5 million (continuing operations: EUR 11.9 million; discontinued operations: EUR 52.6 million), offset by net investments of EUR 10.9 million (continuing operations: EUR 10.6 million; discontinued operations: EUR 0.3 million), amendment fees paid for the refinancing of the syndicated credit facility of EUR 4.5 million and negative currency effects of EUR 8.7 million. The year-end 2009 net debt excludes an amount of USD 190 million of proceeds obtained for the divestment of Tree of Life at the end of January 2010, which was used to defray costs related to the transaction and to repay loan financing drawn under the credit facility.

The return on average capital employed declined from 11.2% over 2008 to (14.3)% over 2009 (continuing activities only). This decline stems from a decrease in operating result as explained above.

Dividend
As a policy, Wessanen aims to pay out a dividend of between 35-45% of its net result, excluding major non-recurring effects. No interim dividends will be paid.

In line with this policy, no dividend proposal will be placed before the Annual General Meeting of Shareholders. Wessanen's net result for 2009, excluding non-recurring items such as losses

Financial overview per segment

In EUR millions, unless stated otherwise	Wessanen Europe	Frozen Foods	American Beverage Corporation	Discontinued operations	Non-allocated	Total
2009						
Net revenue	493.2	119.6	89.7	882.9	–	1,585.4
EBITDA	28.5	8.9	(9.7)	8.3	(13.5)	22.5
Operating result (EBIT)	(2.7)	2.7	(30.4)	2.9	(14.0)	(41.5)
EBIT margin (as a % of revenue)	(0.5)%	2.3%	(33.9)%	0.3%	–	(2.6)%
Average capital employed[1]	174.5	71.5	60.3	–	3.1	309.4
ROCE[1]	(1.5)%	3.8%	(49.7)%	–	–	(14.3)%
Cash flow from operating activities	20.8	9.8	3.5	52.6	(22.2)	64.5
2008						
Net revenue	500.7	122.8	101.9	871.9	–	1,597.3
EBITDA	44.8	8.2	3.6	20.4	(7.0)	70.0
Operating result (EBIT)	41.1	1.7	1.8	13.5	(7.5)	50.6
EBIT margin (as a % of revenue)	8.2%	1.4%	1.8%	1.5%	–	3.2%
Average capital employed[1]	178.7	82.9	68.7	–	1.6	331.9
ROCE[1]	22.9%	2.0%	2.7%	–	–	11.2%
Cash flow from operating activities	42.0	5.4	2.9	6.0	(24.4)	31.9

[1] Continuing operations only.

recognised on discontinued operations, impairments of (in)tangible assets and write-downs of deferred tax assets, was negative.

Director's statement

The financial statements in this Annual Report, to the best of our knowledge, give a true and fair view of our assets, liabilities and financial position at 31 December 2009, and of the result of our consolidated operations for the financial year 2009.

The management report in this Annual Report includes a fair review of the development and the performance of the business and the position of Royal Wessanen nv and the undertakings included in the consolidation taken as a whole, and describes the principal risks and uncertainties that we face.

Utrecht, 24 February 2010

Executive Board
Frans Koffrie, Interim CEO
Frans Eelkman Rooda, CFO

Objectives and outlook 2010

For the coming year we expect the economic circumstances to remain challenging, with rising unemployment and low consumer confidence levels, which may impact growth in our markets.

For Wessanen Europe, our priorities for 2010 – which will be a year of investments – are clear. We are strengthening the core business by centralising our sourcing functions, harmonising and supporting our brands, and investing in IT and process improvements. We expect marketing spend to increase in the next few years to support our brands. The establishment of a European Organic Expertise Centre highlights our intention to be the perceived authority regarding organic. From 2011 onwards, we aim to utilise in full the healthy prospects for the organic food markets and to grow at least in line with the market.

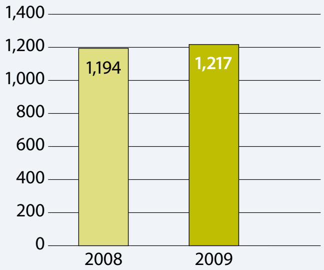
At Frozen Foods, revitalising the Beckers brand is one of main objectives, next to continued focus on production costs. Targets at ABC are to complete the redesign of key business processes and to reduce costs, while we intend to divest ABC in 2011. PANOS Brands is reported as discontinued operations and we expect to divest the company during 2010.

Our financing policy aims to have net debt structurally below 2.5 times EBITDA, allowing for financing flexibility in the case of acquisitions. Considerations in relation to acquisitions are building scale and expanding in countries where we operate. These have to contribute directly to the earnings per share and to be value enhancing from the second year onwards.

Business review per division
Wessanen Europe

Wessanen Europe represents Wessanen's core business. Operating mainly in France, the Benelux, the UK and Germany, the group manages and develops brands and products in the grocery and health food store channels.

Number of employees
in FTE, as at 31 December



Key objectives 2009
- Continue to position Wessanen in Europe as the expert in organic foods
- Continue to align local operations by country
- Manage costs and overheads, specifically reducing transport costs
- Further roll-out the 'renovated stores' concept at Natudis

Key achievements 2009
- Established Wessanen Europe organisation, integrating the branded and distribution activities focused on organic food
- Restructured German and Benelux organisations
- Established country-based approach for managing Wessanen Europe with managing director per country; established Executive Management Group

Key objectives 2010
- Achieve revenue growth
- Create solid platforms across countries
- Invest in/harmonise brands
- Reorganise/centralise supply chain
- Establish European Organic Expertise Centre

Strategic focus
In 2009, Wessanen's European organic foods operations were regrouped into four country organisations. Following a strategic review, innovation and product development activities were decentralised and assigned to local experts, while sourcing and supply chain activities were combined to leverage economies of scale.

Wessanen Europe focuses on capturing the growing organic mainstream consumer, while nurturing the existing niche consumer base. It aims to build leadership positions on dedicated shelves in supermarkets as well as in the specialised health food store channel. The division focuses on building, acquiring and leveraging leading organic brands, either category-specific or multi-category. Wessanen Europe aims to become the organic authority for consumers, trade partners, suppliers and other relevant stakeholders.

For the coming year, the key focus is on strengthening the core business in chosen countries – France, the Benelux, the UK and Germany. The Italian business of Bio Slym will continue to support the other European operations. Revenue growth is top priority. The group will strengthen its country platforms and invest in its brands. The supply chain approach will be reorganised and centralised. Furthermore, a European Organic Expertise Centre will be established.

From 2011 onwards, Wessanen Europe aims to utilise the full market prospects for organic. It aims at profitable revenue growth, which is at least in line with

Key developments

For over 20 years, Bjorg has been developing its expertise in organic nutrition for the whole family. Now the brand has produced Baby Bjorg, its first baby food range, specifically for infants aged from 6 to 36 months. The products answer rising demand from parents for baby food that is both natural and healthy – with excellent taste.

In 2009, Zonnatura introduced 'Volkomen Volkoren' (perfectly wholemeal) bread. The bread is prepared according to traditional methods and is made of 100% natural ingredients: wheat, leaven, water, yeast and salt – nothing else. The bread is baked off at the supermarket every day, so it's guaranteed freshly oven-baked.

Key figures

In EUR millions, unless stated otherwise	**2009**	2008
Revenue	493.2	500.7
Autonomous revenue growth	(0.2)%	
Operating result (EBIT)	(2.7)	41.1
EBITDA	28.5	44.8
EBIT margin (as a % of revenue)	(0.5)%	8.2%

market growth. The group aims to further strengthen the business with add-on acquisitions and will continue to invest in marketing, and advertising and promotion. Strong supply chain and sourcing activities as well as standardised processes and an updated IT platform are key success factors.

Key market developments 2009

During 2009, Wessanen Europe experienced a slowdown in consumer demand and competitive pressure from private label at some of its operating companies, particularly in the grocery channel.

In general, the health food store (HFS) trade developed well, notwithstanding the economic downfall, except for the UK, where smaller health food stores experienced fierce competition from the grocery channel.

Financial development 2009

In 2009, revenue amounted to EUR 493.2 million, a decline of 1.5% compared to 2008. Autonmous growth was (0.2)% with volumes down 1.2%, offset by a positive price effect of 1.0%. A weakening of the British pound had a (1.9)% effect in 2009. The effect of the acquisition of So Good (2008) was 0.6%.

In France, revenue was about stable. Our HFS segment continued to grow with some moderation in growth in the second half of the year. Our grocery segment declined with performance picking up during the year. The Bjorg brand continued to grow, whereas dietetic brand Gayelord Hauser witnessed declining sales. The continued decline of the dietetic market, albeit at a slower pace, continued to weigh on the growth of our grocery segment.

In the Benelux, revenue was about stable with pricing compensating mostly for slightly lower volumes. Grocery as well as HFS formula stores showed growth. Independent HFS and export declined. Our soft franchise formula, Natuurwinkels, continued to grow.

Revenue in the UK dropped due to a weakening of the British pound, while in local currency a modest rise was shown. Pricing and volumes were positive, while the weakness of the UK economy weighed on volumes. Market share in both grocery and HFS increased.

German revenue was up with volume contributing most, although pricing was also positive. The different channels performed well.

Operating result amounted to EUR (2.7) million compared to EUR 41.1 million in 2008. Impairment losses and restructuring costs impacted the result by EUR 31.2 million. The underlying performance was lower as a result of lower gross margins and increased marketing spending.

Cash flow from operating activities was EUR 20.8 million versus EUR 42.0 million in 2008, mainly as a result of the negative earnings development and lower cash flow from working capital. The 2008 cash flow from working capital was positively impacted by the factoring agreement at Distriborg.

Operational review 2009

As the recession impacted European markets, Wessanen Europe responded with innovative product launches, organisational enhancements and cost containment initiatives.

France

Distriborg faced private label competition from mass retailers, but consolidated its dietetic offer by introducing a range of gluten-free products in major grocery stores.

Business review per division
Wessanen Europe continued

Key grocery brand Bjorg restyled its logo and packaging and performed well on the back of a strong innovation pipeline, reinforced by promotional support. Bjorg launched a range of organic baby food items as well as its first organic seafood range.

Bonneterre benefited from good growth based on innovation in all segments as well as strengthened partnership deals with independent organic retailers.

Speciality brands continued to score double-digit growth, helped by the roll-out of the Japanese food brand Tanoshi, and the introduction of Mexicanté, a Tex-Mex cuisine brand.

The implementation of our European SAP platform continued in 2009 and the system was successfully implemented at a number of French locations during the year. Further SAP implementations will follow in 2010.

The public offer followed by a mandatory buy-out of the remaining 0.4% shares of Distriborg Groupe was completed in February 2009. As a result, Wessanen France Holding now holds 100% of the shares of Distriborg Groupe. Following the buy-out, Distriborg Groupe's shares were delisted from Euronext Paris in February 2009.

Benelux

In the Benelux, 2009's main organisational focus was to create a single commercial unit to service the market. Bringing together elements from Wessanen Netherlands, Wessanen Belgium and Natudis, the integration was successfully concluded by year-end.

Overall, Natudis showed moderate revenue growth. The company continued to professionalise its retail services and provided strong support to members of Natuurwinkel, our franchise organisation. A pilot project for a new retail franchise concept was launched with the aim of attracting a new and broader consumer group to the HFS concept, with promising initial results.

The larger health food stores showed strong growth, especially Natuurwinkel outlets that have been restyled.

Zonnatura showed slight growth driven by innovation and increased advertising activity. Individual successes included growth of the Zonnatura Kikker brand and the introduction of Zonnatura bread with exclusive distribution at Albert Heijn, the leading Dutch supermarket chain.

UK

Consumer confidence is at historically low levels, due to the global financial crisis. The market for organic products has suffered, with many retailers rationalising their ranges.

Despite the economy, there has been an increase in the number of consumers claiming to be influenced by ethical factors, such as animal welfare, local sourcing and the Fair Trade concept.

Competition between supermarket chains continued to increase during 2009, forcing widespread price reductions.

Retailers relied more heavily on promotions to deliver value to shoppers. The focus on tactics such as 'meal deals' and 'better than half price' offers has driven innovation at a fast pace.

Challenges during the year included the Euro/Pound exchange rate which raised the cost of purchases from Eurozone countries. Fierce competition made it virtually impossible to pass on these increased costs.

The recession led to a 5% decline in the HFS channel. Independent stores are losing trade to the multiples. The key tactical measures to protect profit were initiatives to build market share to over 30% in a declining market, a cost reduction programme and optimisation of operational efficiency in warehouse and transport. Other initiatives included improving quality of the sales process by concentrating on the top 25 customers, tight credit control and extension of sport nutrition ranges.

Germany

Overall revenue increased by 0.5% during 2009. Although the impact of the economic crisis on consumer confidence in Germany was less harsh than had been initially anticipated, the organic sector experienced slower growth than in previous years.

Throughout the year, the German operations focused on stimulating growth in the grocery business. With a strengthened sales team, the number of distribution points was increased to 3,000 by year-end.

Allos achieved significant growth with its larger trade partners, helped by new store openings. Allos also advanced its product development programme and won significant orders for products such as Bjorg's Agave Syrup and Zonnatura's fruit spreads.

Cost increases for Allos were significant, mostly due to bad harvests in 2008. In view of the economic crisis, these increases could not be passed on through higher prices, but efforts were made to save costs throughout the business.

Tartex concentrated on expanding into organic stores, where it secured the No. 3 share position in its category of savoury spreads. Tartex optimised costs in its supply chain and cut the cost of packaging.

Following the creation of a joint Allos/Tartex sales force, the two businesses were aligned under a joint leadership and with shared functions for finance, marketing and human resources, based in Bremen.

Italy

In Italy, Bio Slym continued to function as the production and R&D centre for all of Wessanen's non-dairy drinks. Its retail brand – Buon Per Te – achieved good growth, a trend that is expected to continue in 2010. In the HFS channel, the brand Sole e Natura also showed good growth. Export activities increased strongly.

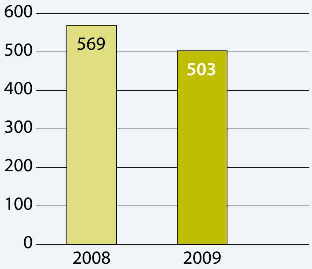
So Good introduced a new and improved recipe of its chilled Original soy drink. The launch was supported with an integrated marketing campaign ('Best Taste Ever'), including free on site sampling, PR and a new website. Apart from introducing the new superior flavour, the aim of the campaign was to recruit new mainstream health conscious consumers.

To increase the brand awareness of Whole Earth a regional offensive was realised in Hamburg in October 2009. The most interesting were a Whole Earth branded bus, a radio format on Radio Hamburg and web ads.

Business review per division
Frozen Foods

Wessanen's Frozen Foods segment comprises the businesses of Beckers Benelux and Favory Convenience Food Group. The group offers strong frozen snack brands and quality private label products in the grocery and out-of-home channels in the Netherlands and Belgium and via export to other European countries.

Number of employees
in FTE, as at 31 December



Key objectives 2009
- Enhance frozen business performance

Key achievements 2009
- Frozen Foods activities focused; established Beckers Benelux organisation
- Karl Kemper and Righi divested

Key objectives 2010
- Revitalise the Beckers brand
- Continued focus on production costs

Strategic focus
In the Benelux, the Beckers business model was changed in 2009. Instead of being integrated into the Wessanen Netherlands/Wessanen Belgium organisation, Beckers has been rebuilt and set up as a stand-alone business model serving the Benelux countries. The new company, known as Beckers Benelux, has moved into offices in Breda which is in the centre of the company's market area. Production facilities at Katwijk and Deurne remain as they were and all other services have been consolidated at the Breda office.

Alongside the structural reorganisation, a new company-wide programme entitled 'Beckers to the Future' was launched. This is designed to strengthen the Beckers brand by building brand preference through a customised approach to each business channel.

The main activities of Favory Convenience Food Group are the production of Beckers' basic snack assortment (skinless sausages, croquettes and hamburgers) and production and sales of private label products for major retailers.

The group's German and Italian subsidiaries were divested to strengthen focus.

Strategy 2010 onwards
With the new group structure in place, the Frozen Foods activities will focus on revitalising and strengthening the Beckers brand. Furthermore,

Key developments

The 'frikandel' (skinless sausage) is the most popular snack in the Netherlands. The snack was invented and made great by the Beckers Brothers and celebrated its 50th anniversary in 2009. The event was supported by an advertising campaign, including a TV commercial featuring the Beckers Brothers, illustrating their passion for making the best traditional snacks in the Benelux.

Over the past few years, Beckers faced a problem with 'fake' Bicky Burgers appearing in the Belgian out-of-home market. A campaign to help people discriminate between the real and fake burgers was backed by a Facebook community of some 28,000 Real Bicky lovers, using the slogan "You're only as real as the Bicky you eat!"

Key figures

In EUR millions, unless stated otherwise	**2009**	2008
Revenue	119.6	122.8
Autonomous revenue growth	(2.5)%	
Operating result (EBIT)	2.7	1.7
EBITDA	8.9	8.2
EBIT margin (as a % of revenue)	2.3%	1.4%

to continue to compete under challenging market conditions, a strong focus on production costs and efficiencies remains a key priority.

Key market developments 2009

The retail markets both in the Netherlands and Belgium were relatively stable while the market share of frozen food declined. In the out-of-home channel, the overall market was under pressure. However, good weather in the summer gave a boost to the market.

Fierce competition, particularly in the private label sector, affected margins in all channels, particularly in the Netherlands.

Financial development 2009

Frozen Foods reported revenue of EUR 119.6 million in 2009, a decrease of 2.5% compared to EUR 122.8 million in 2008. Lower volume was largely compensated for by higher prices. Out-of-home in Belgium continued to grow, helped by Bicky promotional sales, whereas out-of-home in the Netherlands showed a modest decline.

Operating result improved to EUR 2.7 million (2008: EUR 1.7 million) largely as a result of improved operating efficiency, despite a strong increase in advertising and promotional spending.

In the first half of the year, competition in retail and out-of-home channels in the Netherlands continued to have a negative impact on the top line, although this was partly offset by higher like-for-like sales in Belgium and Germany. The improvement in operating profit was due to price increases and the non-recurrence of transition costs at Favory Convenience Food Group. However, the operating result for the total segment was impacted by restructuring costs of EUR 0.8 million.

In the fourth quarter, Wessanen divested Karl Kemper and Righi, two relatively small companies which demonstrated limited synergies with the frozen activities in the Benelux. In the third quarter, impairment charges were taken at both companies, which resulted from anticipated divestment proceeds being lower than book value.

Cash flow from operating activities increased from EUR 5.4 million to EUR 9.8 million, mainly as a result of an increase in EBITDA and lower working capital. Working capital decreased due to positive developments in accounts payable and accounts receivable.

Operational performance 2009

The year 2009 celebrated the 50th anniversary of the 'frikandel' – the skinless sausage that was originally invented by the Beckers Brothers. Later in the year, Beckers introduced a new Partymix concept in three varieties in the supermarket channel. This introduction was supported by a full promotional campaign, including a TV advertising campaign featuring the Beckers Brothers.

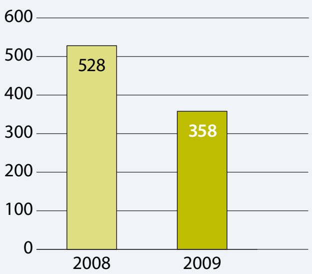
In the Belgian out-of-home channel the Bicky brand was supported by an advertising campaign including a new website and various TV and print ads.

At Favory, the focus was on improving the base processes, such as inventory and cash management, as well as reducing production costs. These measurements led to improved operations and higher profitability.

Business review per division
American Beverage Corporation

American Beverage Corporation (ABC) is one of the leading producers of non-carbonated bottled fruit drinks and cocktails in North America. It operates within both the on- and off-premise channels.

Number of employees
in FTE, as at December 31



Key objectives 2009

- Expand distribution of core brands in new channels, customers and markets
- Increase efficiency and effectiveness of supply chain to manage costs

Key achievements 2009

- Continued to grow core Daily's brand cocktail business via innovation and distribution expansion
- Fully transferred and integrated two production lines acquired in 2007
- Increased supply chain efficiency and significantly reduced working capital

Key objectives 2010

- Complete redesign of business processes
- Reduce operational costs
- Focus on a profitable customer base for two key brands: Daily's and Little Hug

Strategic focus

ABC manufactures and markets leading brands of juice drinks and cocktails within both the on- and off-premise channels, including supermarkets, mass merchandisers, convenience stores, liquor stores, bars and restaurants. The strategy is to build the company's key brands into leadership positions through new product innovation and brand positionings that are ownable and differentiated while leveraging the proposition of quality, value and best taste experience made possible by deep manufacturing and supply chain expertise.

ABC's efforts focus on base brand building behind its two biggest and best known brands: Little Hug Fruit Drinks and Daily's Cocktails and Mixers. As a starting point for both core brands, extensive consumer research has been undertaken to better understand the attributes and needs of key consumers as a foundation for setting strategic direction.

Key market developments 2009

In June 2009, the Company discovered irregularities in the financial reporting, going back to 2006. This resulted in 2008 income and balance sheet restatements. An auditor's investigation and a forensic investigation were conducted. Senior management changes were made and a remediation programme to strengthen the control framework is being implemented. The new management team is making headway with its back-to-basics recovery plan. Focus is on the redesign of key business processes and revitalisation of the two core brands.

Key developments

The Little Hug consumer research is the first undertaken for the brand. Overall brand building efforts under way include first-ever print advertising and further investment in other awareness building vehicles such as promotions, PR and internet marketing. Pricing is also being fully re-evaluated and packaging updated.

ABC will continue building the brand equity of its flagship Daily's cocktail mixer brand via consumer advertising, geographic market expansion, support at point of sale, new products and the use of social media. Daily's 'Ready-To-Drink' cocktails, especially frozen cocktails in a pouch, are expected to be the brand's growth engine.

Key figures

In EUR millions, unless stated otherwise	**2009**	2008
Revenue	89.7	101.9
Autonomous revenue growth	(16.5)%	
Operating result (EBIT)	(30.4)	1.8
EBITDA	(9.7)	3.6
EBIT margin (as a % of revenue)	(33.9)%	1.8%

ABC experienced a challenging year in 2009, with revenue declining for three main reasons: the economic downturn, higher costs creating higher prices, and insufficient supply to meet customer demand during the summer.

These challenges primarily impacted the juice drink business while cocktail sales continued to grow. Adding to the year's challenges, past accounting irregularities were also uncovered, leading to a restatement of earnings and the reporting of a significant loss.

Financial development 2009

Revenue declined 12.0% to EUR 89.7 million compared to EUR 101.9 million in 2008 (in USD (16.5)%). For 2009 an operating result of EUR (30.4) million was reported, to some extent due to a lower gross margin, while largely due to impairment losses recognised in respect of intangible assets and property, plant and equipment as well as various exceptional adjustments made.

Underlying operating performance trended with the seasonability of the business, while cash flow was positive as inventory levels and outstanding receivables were brought down.

Operational performance 2009

Despite the many challenges of 2009, ABC's underlying core business remains solid, as evidenced by the strength of its Daily's brand line of premium cocktails, which grew by 8% versus 2008. The 'Ready-to-Drink' (RTD) variety of the Daily's brand performed especially well and sales nearly doubled over the previous year. In addition to distribution expansion, RTD growth was helped by the launch of two new flavours: Frozen Peach daiquiri and Pomegranate Acai daiquiri. The continued roll-out of new Margarita-flavoured RTD cocktails in single-serve bottles, originally introduced in late 2008, also fuelled continued growth. Finally, ABC continued to expand the presence of its cocktails in key national on-premise accounts as well as in the Caribbean market.

Operationally, ABC ended 2009 with a significantly strengthened supply chain due to the full integration of the Kentucky fruit drink plant, acquired in 2007, into ABC's primary facility in Pennsylvania.

Overall, ABC spent much of 2009 analysing and correcting past accounting irregularities while also optimising its supply chain to meet customer demand in the future. On a positive note, both of these initiatives were fully successful and ABC is now poised for future success.

Discontinued operations

Discontinued operations include the North American distribution business Tree of Life, Inc., the North American branded businesses PANOS Brands and Liberty Richter and the European frozen food businesses Karl Kemper (Germany) and Righi (Italy). All these businesses were classified as held for sale in the course of the third quarter of 2009 and the majority were divested before the close of the financial year.

Tree of Life, Inc. (US & Canada)	
Date of disposal	23 December 2009 *Closed 29 January 2010*
Sold to	Kehe Food Distributors
Transaction price	USD 190 million (EUR 133 million)

Tree of Life, Inc.

Financial development

Revenue at Tree of Life North America (TOL NA) amounted to USD 1,141 million in 2009, a decrease of 3.4% compared to USD 1,180 million in 2008. Overall, market conditions were weak and in the second half of the year the uncertainty around the sale of the company also had its impact. Sales were unfavourable compared to 2008 due to a mixture of some contract losses, some additional volumes at customers and market conditions. Sales to top 10 supermarket customers posted a 2% gain in 2009 versus 2008 and sales to natural food stores also improved compared to the previous year.

The operating result in 2009 was USD 1.9 million versus USD 15.9 million in 2008. The delta was mainly driven by the recognition of bonus liabilities related to the sale of Tree of Life, Inc. as the sale became probable in December 2009. The delta was also driven by lower sales and a lower gross margin, in part from higher priced imports into Canada on account of a weaker Canadian dollar. These effects were partly offset by lower overhead expenses.

Operational performance

The next generation of TOL NA's OAK vendor portal was launched in the fourth quarter. The OAK Resource Center combines the existing OAK and OAK HD portals with new business-to-business tools that enable automated business transactions and improved workflow. Using this tool, vendors can now create, maintain and submit new items for approval online.

TOL NA's hand-held in-store computer system ASPEN was further enhanced with a Customer Survey tool. With this tool, headquarters staff can produce surveys which are accessed, in-store, by a field sales executive. Real-time information is delivered from the shelf to TOL NA's systems where results are tallied immediately. Employee turnover was significantly reduced in 2009 – with total company turnover declining by almost 10 percentage points compared to 2008. The most notable reductions in turnover occurred in Operations, where turnover dropped by 20% versus the previous year and in Transportation, down by 10%.

The state of the economy was a significant factor in helping TOL NA to retain staff, and in opening up a more highly qualified pool of candidates. Additionally, significant strides were made in recruiting and retention processes including: standardisation of interviewing techniques across all functional areas; implementation of a new applicant application and tracking system called Taleo; centralisation of certain recruiting processes; better benchmarking of candidates and a focused effort on key training initiatives.

PANOS Brands and Liberty Richter (US)

	Liberty Richter
Date of disposal	20 November 2009
Sold to	World Finer Foods
Transaction price	undisclosed

Karl Kemper (Germany) and Righi (Italy)

	Karl Kemper	Righi
Date of disposal	30 October 2009	31 December 2009
Sold to	Management & investment company	Management & investment company
Transaction price	undisclosed	undisclosed

PANOS Brands

PANOS Brands is responsible for the manufacturing and marketing of brands to supermarkets, mass merchandisers, supernaturals, and independent natural and specialty food retailers.

During 2009, PANOS Brands continued to build the equity of its branded portfolio with its customers. While total revenue in US dollars declined due to the prior year sale of a non-core brand and the exit of a non-core private label business, most of PANOS Brands' core brands continued to grow, driven by focused sales support and continuous innovation. Primary profit growth came from productivity savings and a strategic focus on priority items.

The PANOS Brands strategy is to focus resources on a key group of authentic, high-potential brands competing in high-growth categories. Core brands once again grew in 2009, led by three key contributors: Sesmark crackers, Amore Italian pastes, and MI-DEL natural and gluten-free cookies. New products successfully launched in 2009 included several additions to the KA-ME brand line of Asian cuisine, a new flavour of Amore paste, and a new version of the Mr Sprinkles brand.

Liberty Richter

In November 2009, Liberty Richter was sold to World Finer Foods.

In 2009, Liberty Richter grew revenue, led by particularly strong growth from third-party brands such as Steaz Green Tea, Kitchens of India and Bar Harbor seafood.

Karl Kemper

In October 2009, Karl Kemper was sold to a company owned by funds managed by BPE Private Equity GmbH and members of the current management. The proceeds were fully paid in cash. Karl Kemper produces frozen meat, poultry and vegetarian meal components for the German out-of-home channel.

The company generated revenues of approximately EUR 23.6 million over the first ten months of 2009, and a break-even operating result.

Righi

In December 2009, Righi S.r.L. was sold to local management and an investment company. The proceeds have been fully paid in cash. Righi specialises in the production of oven-ready frozen products, particularly those typical of the Emilian traditional cuisine.

Righi generated revenues of EUR 6.2 million over 2009.

Sustainability

Wessanen has established a strong reputation for its commitment to the principles of sustainability. We will continue to honour this commitment as we pursue our objectives within Europe's organic marketplace.

For more information
www.wessanen.com/
sustainability

Sustainability is – and will continue to be – an integral part of our business. It informs our policies, our processes and our working practices. It is also a key sales proposition for many of our brands.

We are open, ethical and honest in all our activities and are keen to maintain transparent and constructive dialogue with our internal and external stakeholders. We constantly seek to balance the interests of these stakeholders, and to provide them with information that enables them to judge our performance against economic, social and environmental criteria.

Our commitment to sustainability is important for many of our employees. They feel a sense of pride at working for a company which generates its revenues through a business model that is fundamentally life-affirming.

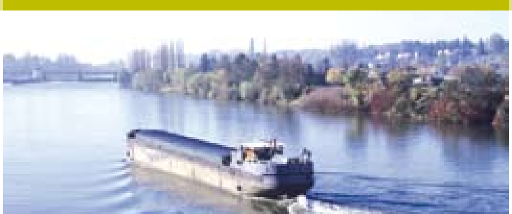
Our customers, many of whom place sustainability high on their business agenda, also expect us to act in accordance with the principles of sustainability. This shared concern for the environment and social justice is a cornerstone of our mutually rewarding relationship.

Over the past four years, we have developed a robust framework, based on the Global Reporting Initiative Guidelines, to measure our performance in the areas of Product (food safety etc), Planet (environment), People (social impact) and Profit (financial). These are all areas under our direct control. We also work with our suppliers and trade partners to enhance social, ethical and environmental performance within our supply chain.

The alteration in strategic direction during 2009 has made a significant difference to the Company's structure. By the end of the year, half of the Group's revenues had been divested, leaving Wessanen Europe to take up its new challenge of focusing on the European organic food market.

In our view, organic food and sustainability are interdependent, because they are based on adherence to many of the same principles. Effectively, this makes sustainability an even more integral part of our business.

Key developments



Distriborg imports 125 containers of food products from overseas every year. Instead of arriving at Le Havre and being trucked to their destination, the goods now land on the Mediterranean coast and are transported via inland waterways to the company's warehouse in Lyon.

Natuurwinkel, the franchised Dutch health food store concept, has been through a radical makeover. It now presents customers with bright, warm, welcoming look, but still adheres to the principles of sustainability.

Employees working in an ISO 14001 certified organisation

96% [1]

Number of FTE at year end 2009

2,139 [1]

Branded products that are organic

47% [1] | **62%** [2]

Female employees

38% [1]

[1] Total continuing operations.
[2] Wessanen Europe only.

For this reason, we see no benefit in publishing a separate Sustainability Report. We are continuing to gather sustainability data about our activities, just as we have done in the past. This information will now be integrated within the reporting process that leads to the publication of the Annual Report. Going forward, our website (www.wessanen.com) will be the primary communication channel for information on our environmental and social performance. This will enable us to update this data on a more regular basis.

The structural changes to the Group mainly occurred at the end of the year, and the sustainability data provided will enable stakeholders to compare the 2009 performance with that of previous years.

As part of the corporate restructuring process, we are evaluating new ways to manage and monitor sustainability. This includes new initiatives to identify focus areas in which we can make a genuine difference to our sustainability performance.

It is important to emphasise that we remain firmly committed to the principles of sustainability.

Tree of Life UK increased its sales-per-distribution-mile from GBP 16.73 in 2008 to GBP 28 in 2009, by better routing, load-sharing and the use of larger vehicles.

Wessanen Deutschland has invested in a combined heat and power plant for the Tartex factory in Freiburg. As well as cutting annual CO_2 emissions by 7%, the plant will trim EUR 14,000 per year from the electricity bill, and will repay itself in under three years.

Employees

Human resource management at Wessanen is shaped both centrally and locally, with individual operating companies pursuing their own HR policy, tailored to the local situation.

The overall focus of our HR strategy is to develop and maintain a highly motivated and skilled executive management team, underpinned by a competitive performance-based remuneration policy, in which individuals can fulfil their career potential. Furthermore, the recruitment and retention of experienced and talented staff is both a priority and a strategic issue.

We focus on quality and continuity. This is reflected in a dedicated management development policy that offers employees scope for personal development. There is also a uniform remuneration policy for managers within each of the operating companies. Bonus systems for senior executives are based not only on the financial targets of the operating company, but also on personal performance and the company's overall results.

Employee surveys

Wessanen attaches great importance to being a good employer. To quantify our performance, we ran three separate annual surveys in 2009, aimed at delivering the following benefits:

- clear insights into the current status of our organisational capabilities, people engagement, leadership competencies and strategy awareness and trust
- engaged employees, partaking in the corporate dialogue, sharing ideas and knowledge and giving input on the engagement drivers and the action agenda
- connected management who are in touch with the organisational capabilities, local engagement levels and their own leadership strengths and weaknesses, and are grounded in the Wessanen competency and behaviour model
- shared, prioritised action agenda on barriers and opportunities for successful strategy execution

In 2009 we initiated a Company Monitor survey for our European Executive Group. The objective was to test whether our organisation, culture and management ethos enable everyone to excel, whether communication and best practice sharing is encouraged, and whether there is sufficient focus. The participation rate was 88%, far higher than any previous survey we have run. A similar survey will be rolled out amongst the top 250 employees in 2010.

The Engagement Monitor, a follow-up to the 2007/08 engagement surveys, will be rolled out amongst all Wessanen Europe employees. This survey will enable us to determine how engaged and committed our people are and what exactly drives their engagement.

Thirdly, we will run the 360˚ Leadership Monitor, which analyses the degree to which our management 'walk the talk' regarding corporate ambitions and values, and if senior management is aware of and acting upon strengths and weaknesses at all levels of our organisation.

Business ethics

We are a responsible employer. We adhere to a Code of Conduct and operate a 'Whistleblower Procedure' (see www.wessanen.com).

Wherever it is a legal requirement, works councils are active in our operating companies. Trade unions are consulted on important issues such as reorganisations, working conditions and health and safety. Wessanen has a European Works Council, which discusses not only the developments and outlook for the Company, but also strategic choices and specific plans.

Employee development

Wessanen's competency model defines behaviour expectations for all employees. The model starts from our ambitions and values, and translates them into behaviour conventions and skill sets. These competencies and functional skills are also the basis for selecting and developing potential candidates for promotion, although experience and track record are equally important.

We operate a variety of training initiatives to support staff development. These include enhancing employee engagement and development, functional training for operations and sales, leadership training, new hire orientation training, etc.

The average number of training hours decreased to 14 per full-time employee (FTE)[1] in 2009 (2008: 19 per FTE[1]). As a result of health and safety training, we reduced the lost time injury frequency by 4% compared to 2008.

[1] Continuing operations only.

Leadership development

Every year our top 100 senior managers conduct an 'upward appraisal' study to receive feedback from their direct reports on their performance against the leadership competencies. The feedback is translated into individual and team improvement targets which are implemented via personal and team development objectives and Balanced Scorecard performance measurement schemes.

Management Development Review

Led by members of the Executive Board, the annual Management Development Review links individual achievement and development to short-term and long-term business challenges. It provides insights into the strengths and weaknesses of our senior management, our talent pool, and prompts the development of action plans to ensure sufficient talent for our future needs.

Performance management

The Wessanen Performance Commitment Cycle now covers nearly 95% of all employees. The Employee Performance Commitment (EPC) is an important element in achieving the goals set by the Executive Board. It provides managers and employees with a methodology for managing and delivering outstanding individual performance.

The EPC supports other key processes within Wessanen, including career planning in the Management Development Reviews, identification of high potential managers, and determination of variable pay, such as the Wessanen Short Term Incentive Plan (STIP) payouts.

Our workforce

As a responsible employer, we seek to maintain a contented and committed workforce. In 2009 we launched two new Company-wide communication initiatives. Three times each year a Wessanen Magazine will be published and distributed to all employees' home addresses. We are also in the process of launching a new Wessanen-wide intranet, which is more dynamic, interactive and accessible than the current intranet.

Employee turnover

Employee turnover remains a key focus area. Our 2009 objective was to improve the employee turnover rate by reducing the number of people who leave on their own initiative by 10%. The number was reduced from 13%[1] in 2008 to 10%[1] in 2009, thereby meeting this challenging target.

[1] Continuing operations only.

Number of employees

In FTE, as at 31 December	Europe	*of which in the Netherlands*	North America	Total
2009*				
Total Group	1,781	*635*	3,490	5,271
Wessanen Europe	1,217	*212*	–	1,217
Frozen Foods	503	*362*	–	503
American Beverage Corporation	–	*–*	358	358
Non-allocated	61	*61*	–	61
Discontinued operations	–	*–*	3,132	3,132
2008*				
Total Group	1,996	*628*	3,765	5,761
Wessanen Europe	1,194	*209*	–	1,194
Frozen Foods	569	*369*	–	569
American Beverage Corporation	–	*–*	528	528
Non-allocated	50	*50*	–	50
Discontinued operations	183	*–*	3,237	3,420

* Also including corporate staff (31 December 2009: 60; 31 December 2008: 50).

Financing

Wessanen's financial strategy is aimed at securing long-term financing of the Group in order to finance growth in the European organic food market through autonomous growth and acquisitions.

Wessanen's financing strategy is built around the following objectives:

- appropriate access to debt and equity markets
- sufficient capacity to fund add-on acquisitions
- optimal weighted average cost of capital
- mitigating financial risks

The capital structure of the Company balances these objectives in order to meet the Company's strategic and day-to-day needs. In the long term, our targeted net debt level is aimed to be below 2.5 times consolidated EBITDAE, but our actual net debt levels can be higher or lower depending on acquisitions and divestments, access to capital markets and the timing of cash flows.

Liquidity and funding

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

The Group maintains ongoing access to the debt markets through its committed EUR 250 million, multi-currency credit facility. In July 2009 Wessanen reached agreement with its four syndicate banks on significant amendments to this credit facility. Under the amended facility, prior to divesting its North American businesses, Wessanen had to ensure that in 2009 total net debt did not exceed 4.0 times consolidated EBITDAE and does not exceed 3.5 times consolidated EBITDAE in the first half of 2010. At year-end 2009, Wessanen exceeded this financial covenant, but received a waiver by the syndicate banks. Wessanen stayed within its financial covenants during the first three quarters of 2009. After divesting the majority of the North American businesses, and in any event no later than July 2010, total net debt is not allowed to exceed 3.0 times consolidated EBITDAE. The first EUR 150 million of proceeds from divestments will be applied to a mandatory redemption of facility loans and a reduction of the credit facility. The remaining EUR 100 million of the credit facility is available until the original maturity in February 2012. The interest margin on the facility has been increased to 150-300 basis points over Euribor/Libor based on a leverage grid (net debt/EBITDAE).

At year-end 2009, Wessanen had drawn approximately USD 136 million and EUR 110 million from this facility (2008: USD 136 million and EUR 128 million respectively).

The facility has various other general and financial covenants in place which are customary for its type, amount and tenor. Wessanen should not declare or pay a dividend exceeding 45% of its net results, excluding major non-recurring items. There are certain restrictions in place in case of acquisition.

The Group has in excess of EUR 50 million of uncommitted credit facilities with various banks throughout the Group. At year-end 2009, we did not draw from these facilities. In addition, Favory Convenience Food Group has a EUR 5.5 million credit facility, of which EUR 4.4 million was drawn at year-end (2008: 8.9 million).

US dollar-denominated net debt consists of US dollar loans drawn under the syndicated credit facility. Last year, we decided to reduce the exposure to US dollar-denominated net debt, in order to align the currency mix of our net debt with that of our operating earnings (as measured in EBITDAE). Based on the currency mix at year-end 2009, a strengthening of the Euro of 10% to the US dollar and other currencies will decrease our net debt by EUR 8.6 million (2008: EUR 7.7 million).

For further information on our financial risks see pages 38 to 39 in the Risk Management and Internal Control section.

Net debt

During 2009, net debt decreased by EUR 39.6 million and was EUR 175.0 million at year-end 2009. Net cash inflows from operating activities of EUR 64.5 million were offset by net payments of EUR 10.9 million arising from investments in property, plant and equipment and the sale of three of our discontinued operations. There were no dividend payments in 2009. The weakening of the US dollar to the Euro, and the impact of other currencies to the Euro, resulted in a net debt decrease of EUR 8.7 million during the year.

Risk Management and Internal Control

Wessanen's Risk Management and Internal Control framework is an integral part of our business management and is designed to protect the Company as much as possible against any undesirable effects as we pursue our overall corporate objectives.

Internal governance and risk management structure

The Executive Board is responsible for setting risk management policies and strategies. Senior management of operating companies conducts risk assessments on which they base action plans to ensure that they remain within the risk management policies and strategies. During Quarterly Business Reviews, senior management of operating companies report to the Executive Board on recent risk developments and progress in the action plans. This process enables the Executive Board to monitor and manage the risk profile.

To enable the Executive Board and senior management of operating companies to direct and control the organisation, Wessanen's internal governance structure is based on a performance framework that consists of strategic and annual business plans. The business plans approved by the Executive Board include clear objectives for operational and financial performance. The actual performance of the Company is measured against these objectives and discussed by local management with the Executive Board during Monthly Business Review meetings (mainly financial performance) and Quarterly Business Review meetings (operational and financial performance).

The Company-wide Framework of Internal Control (FIC) and our Code of Conduct and Authority Limits are other components of our internal governance structure. The FIC provides a clear overview of the control activities applied to the most important process level risks of the main business functions. The purpose of these control activities is to ensure effective and efficient operations, reliable financial reporting and compliance with laws and regulations. The operating companies perform annual Control Self-Assessments based on the FIC. The results are communicated to the Internal Audit Department and the Executive Board. For identified control weaknesses, an action plan is put in place by management.

Our Code of Conduct is aimed to define for all our employees the most important aspects of fulfilling their individual roles and responsibilities towards Wessanen. We also have a set of mandatory policies, which address subjects such as disclosure of Company information, business continuity and the Whistleblower Policy.

Based on a risk-based annual audit plan the Internal Audit department performs operational and financial audits. On an ad hoc basis and approved by the Executive Board the Internal Audit Department executes special engagements. The audit plan going forward is evaluated on a quarterly basis taking into account recent developments.

Management of each operating company each quarter submits an internal Letter of Representation (LOR) to the Executive Board, covering responsibility for the design and effectiveness of internal controls over the execution of financial procedures and for identification of financial reporting risks. This control procedure, amongst others, specifically addresses the responsibilities within the risk management process.

Main risks

On the explicit understanding that this is not an exhaustive overview, Wessanen's main risks are described below. The overview includes the mitigating actions planned and implemented by management and where possible the quantification of the potential impact. The main risks have been discussed with the Audit Committee and the Supervisory Board.

Strategic and market risks

The update of Wessanen's corporate strategy is described in the 'Introduction' section in this Annual Report (pages 8 to 13). Risks arising from the new strategy that might impact the realisation of our objectives include the risk of a recessionary decline of our markets with potential loss of margin and higher financial expense. Other strategic risks relate to timing of divestment activities (e.g. an extended recovery path at American Beverage Corporation) and to the availability, on economically sound grounds, of attractive opportunities for acquisition. Strategic processes and acquisitions are closely monitored by the Executive Board, supported by the newly established Executive Management Group for Wessanen Europe and by corporate departments. Decisions are made based on a set of defined financial and strategic criteria that have been agreed with the Supervisory Board.

Risk Management and Internal Control
continued

Operational risks
Risks emerging from the economic situation, such as changes in competitive dynamics, shifts in customer demand for our products, volatility of cost prices (fuel, raw materials, and packaging materials) and insolvency of major customers or major suppliers have been identified.

To mitigate the potential impact, stricter credit and cost control, sourcing improvements and changes in pricing should enable the Company to achieve its objectives. Moreover, a consistent focus on product innovation, alternative supply sources and process efficiency serve the same purpose.

Wessanen has defined a set of information and communication technology (ICT) policies for all operating companies. These policies are designed to ensure the confidentiality, integrity and availability of electronic information. As Wessanen's operations rely heavily on information systems, audits are performed to ensure adherence to these policies. With the gradual implementation of a new central Enterprise Resource Planning system for our European entities, the vulnerability of the ICT systems will be reduced in the medium term, and control over business processes will be enhanced.

Currency risk
Wessanen conducts business in foreign currencies but publishes its financial statements, and measures its performance, in Euros. Over 2009 the foreign currencies mainly included the US dollar, the Canadian dollar and the Pound sterling. The sale of Tree of Life, Inc., will reduce the US dollar exposure drastically. Going forward, and all other parameters remaining unchanged, a 10% strengthening of the Euro against the USD would result in a decrease in consolidated operating earnings of approximately EUR 11.9 million. A similar change in the Pound sterling would result in a decrease of EUR 0.2 million.

Part of our borrowings (USD 136 million) was in US dollars as a partial hedge against our US dollar-denominated operating earnings. Following the sale of Tree of Life, this US dollar borrowing will be unwound in 2010.

The Group has a foreign exchange policy that mitigates the impact of transactions in foreign currencies to functional currencies, and is based on the following principles:

- Transactions arising from operational and financing activities, in currencies other than the functional currency, are hedged in order to mitigate income statement volatility. All operating companies conduct their hedging transactions internally through the centralised corporate treasury department.
- Transaction results on capital invested in foreign subsidiaries are recorded directly in retained earnings. Capital invested in, and net income from foreign subsidiaries are not hedged to the Euro.

Interest rate risk
The Group aims to contain income statement volatility and, at the same time, minimise its financing costs. This is primarily achieved through borrowing from its multi-currency syndicated credit facility and modifying the interest rate exposure of debt and cash positions through the use of interest rate swaps. To mitigate our US dollar-related interest rate risk, the Group entered into a ten-year Interest Rate Swap (IRS) agreement which fixed the rate of USD 100 million funding until 2015. All other financing is currently at floating rates. As a result of the sale of Tree of Life, in 2010 the related US dollar financing will be repaid and the US dollar interest rate swap neutralised.

An increase of 100 basis points in interest rates at the reporting date would have increased net result by EUR 2.4 million, assuming all other variables (mainly foreign currency rates) remain constant. The major part of this positive effect stems from the IRS, under the assumption that an interest increase impacts future cash flow obligations on the IRS, and thus impacts the market value of the IRS, changes of which are directly accounted for in the income statement.

Commodity risk
The Group uses a wide variety of commodities of which the single largest commodity represented around 2% of the Group's revenues. Given the diversity of commodities, commodity risks are monitored and managed at operating company level.

Liquidity risk
Liquidity risk is the risk that Wessanen will not be able to meet its financial obligations as they fall due. A material and sustained shortfall in our cash flow could undermine overall investor confidence and could restrict the Group's ability to raise funds. Operational cash flow provides the funds to service our financing obligations. For further information on liquidity management, please see page 36 (Financing).

Credit risk
Credit risk is the risk of financial loss to Wessanen if a customer or any other counterparty to a transaction fails to meet its contractual obligations. As the exposure to credit risk is influenced mainly by the individual characteristics of each customer, the spread in Wessanen's customer base reduces the impact of the credit risk. Moreover, a customer's creditworthiness is analysed frequently using benchmarks and external rating information.

The Group manages credit risk on financial institutions by applying limits. The creditworthiness of a financial institution is assessed by their credit rating, which should be a minimum of A (Standard & Poor's).

Tax risk
In 2009 the Group recognised impairments on the larger part of its deferred tax assets. The impairments related to tax losses carried forward in the US and the Netherlands for the amount of approximately EUR 100 million in total. Given the changing circumstances, it was no longer probable that sufficient taxable profits would be available to allow the benefits to be utilised (primarily the divestments and the revised forecasts of the operating entities).

Wessanen generates taxation profits in some jurisdictions, while incurring losses in its tax accounts in others. The Group applies various tax planning strategies aimed at achieving an effective tax rate not above the weighted average of the statutory rates in the countries of operation.

Remaining tax risks are adequately provided for.

Financial reporting and Compliance risks
In June of 2009 we discovered reporting irregularities at our operating company American Beverage Corporation leading to a required restatement of our equity of EUR 14,6 million as at 31 December 2008. The irregularities included systematic management override of internal controls and misrepresentation of internal documents going back to at least 2006. In the course of the following balance sheet and forensic investigations, corrective actions were taken by replacing management and re-establishing or reinforcing internal controls at ABC. In addition, we have initiated an improvement plan of our Company-wide internal governance, risk and control structures to emphasise the importance we put on our business principles, core values and on internal control. This plan includes evaluation and improvement of our policies (e.g. Code of Conduct, Whistleblower Policy), amendment of our compliance programme (e.g. reporting lines, application of reporting policies, incident management) and raising awareness on integrity and transparency requirements. The actions are taken by the Executive Board under close supervision of the Audit Committee and the Supervisory Board.

Over 2008 we reported the need to improve the control systems at our joint venture Favory Convenience Food Group (FCFG) and at Liberty Richter. Enhancements in the risk and control systems were made at FCFG to comply with Wessanen's risk and control requirements, in particular in controls over movements of inventory. As Liberty Richter was divested in November 2009 control improvements no longer relate to Wessanen.

The Executive Board believes that with the substantiation provided above, it is taking adequate steps to improve the risk management and control system.

Statement of Internal Control
Based on the assessment of risks, the design of our risk management activities and the initiated improvements to their effectiveness as discussed above, the Executive Board concludes that the internal risk management and control systems provide reasonable assurance that our financial reporting does not contain any errors of material importance. With the noted exception of ABC during the first half year of 2009, the risk management and control systems worked properly in the year under review.

Corporate governance

This section includes our corporate governance structure and a description of certain of the provisions of our Articles of Association and Dutch law.[1]

The corporate governance principles we employ are documented in the Articles of Association of the Company and policy documents published in the 'Corporate Governance' section of the website of the Company (www.wessanen.com). They will be reviewed and amended when deemed necessary. The Corporate Governance Statement ('Corporate Governance-verklaring') as determined in the Decree of 23 December 2004 regarding the implementation of further accounting standards for the content of annual reports ('Besluit van 23 december 2004 tot vaststelling van nadere voorschriften omtrent de inhoud van de jaarrekening') and as amended on 10 December 2009, can also be found on the Company's website in the section 'Corporate Governance'.

Introduction

Royal Wessanen nv (Wessanen) is a public limited company (naamloze vennootschap), incorporated on 3 July 1913 under Dutch law and is the parent company of the Wessanen Group.

We endorse the importance of good corporate governance, which is understood to include honest and transparent actions on the part of management, correct supervision thereof and the acceptance of responsibility for that supervision.

The Company is required to comply with, inter alia, Dutch law and Dutch corporate governance rules insofar as they are applicable to it. This report addresses the Company's overall corporate governance structure and states to what extent it applies the provisions of the Dutch Corporate Governance Code (the 'Code') of December 2008. The Code can be found on the website of the Dutch Corporate Governance Committee (www.commissiecorporategovernance.nl).

The Executive Board and the Supervisory Board are responsible for the corporate governance structure of the Company and are of the opinion that all of the principles of the Code are endorsed and the vast majority of the best practice provisions are applied. Any best practice provisions of the Code that are not or not fully applied and the reasons for these deviations are set out hereinafter. A summary of best practice provisions that are not (fully) applied by the Company can be found on page 47.

At the Annual General Meeting of Shareholders (AGM) held in April 2004, the Executive Board and the Supervisory Board reported on the corporate governance structure of the Company. At the AGM held in April 2005 and in April 2006, further changes to the corporate governance structure were discussed. Although no formal vote was cast, it appeared that the corporate governance structure was implicitly approved by these meetings.

In 2009 the Company amended the By-Laws of the Supervisory Board, the By-Laws of the Executive Board as well as the Charters for the Audit Committee and the Selection, Appointment and Remuneration Committee (SARC) in order to comply with the best practice provisions of the Corporate Governance Code 2008. The amendments made were not material.

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

Executive Board

General

The executive management of Wessanen is entrusted to its Executive Board under the chairmanship of the Chief Executive Officer (CEO). The Executive Board consists of two members, following the resignation of Richard Lane in December 2009 upon the announcement of the divestment of Tree of Life, Inc., of which Mr Lane is CEO. The members of the Executive Board have collective powers and responsibilities. They share responsibility for managing the Company, determining and deploying its strategy and policies, achieving its objectives and results and developing a sound personnel policy. The Executive Board is accountable for the performance of its assignment to the Supervisory Board and to the General Meeting of Shareholders. In discharging its duty, the Executive Board focuses on the interests of the Company, taking into consideration the interests of its shareholders and other capital providers, employees, customers and suppliers. The Executive Board observes the By-Laws of the Executive Board that are published on the Company's website.

Information about individual Executive Board members is published on page 19.

[1] This description is only a summary and does not purport to be complete and is qualified in its entirety by reference to our Articles of Association and Dutch law.

Risk management approach
The Executive Board is responsible for ensuring compliance with all relevant legislation and regulations. It is responsible for proper financing of the Company and for managing the risks attached to the Company's activities. The Executive Board reports on, and accounts for, internal risk management and control systems to the Supervisory Board and the Audit Committee.

Term of appointment
The current members of the Executive Board have been appointed for a fixed period of time. Mr Koffrie was appointed member of the Executive Board by the General Meeting of Shareholders in April 2009 for a term of 12 months, reflecting the fact that the objective of his appointment was to fulfil the CEO position on an interim basis. Mr Eelkman Rooda was appointed by the same meeting for a term of four years. The composition of the Executive Board, its performance, as well as the performance of individual members of the Executive Board are reviewed annually by the Supervisory Board.

Determination and disclosure of remuneration of the Executive Board
The Remuneration Report compiled by the Supervisory Board explains the Company's remuneration policy for members of the Executive Board for the next financial year and subsequent years and contains an account of the manner in which the remuneration policy has been implemented in the reporting year (see pages 53 to 59 for a summary; the full report is published on the Company website). The remuneration policy presented in the Remuneration Report was adopted by the 2006 AGM and amended by the 2007 AGM. Any material amendments to the remuneration policy will be submitted for adoption to the General Meeting of Shareholders.

Determining the remuneration for individual Executive Board members is a responsibility of the Supervisory Board, who is assisted by the SARC. Remuneration of the individual members of the Executive Board is consistent with the Remuneration Policy. The Supervisory Board has decided not to apply best practice provision II.2.8 of the Code which provides that the maximum remuneration in case of dismissal of a member of the Executive Board shall not exceed one year's salary. As explained in the Remuneration Policy, in cases where the dismissal is a result of a change of control over the Company, the severance pay consists of one year's salary plus payout of the short-term cash incentive 'at target', plus the cash equivalent of the exercise value of all outstanding performance shares.

Supervisory Board
General
The Supervisory Board supervises the policies of the Executive Board and the general course of affairs of Wessanen and advises the Executive Board on these matters. In doing so, the Supervisory Board is guided by the interests of the Company and the relevant interests of the Company's stakeholders. The Supervisory Board supervises and advises the Executive Board in performing its management tasks and setting the direction of the Group's business.

Major decisions and the Group's strategy are discussed with the Supervisory Board. The Supervisory Board reports on the activities of the Supervisory Board and its committees during the financial year and the main items that were discussed in its meetings.

Biographies of the Supervisory Board members are published on page 52.

Independence, expertise, composition and term of appointment
The Supervisory Board, in the two-tier corporate structure applicable under Dutch law, is a separate body that is independent of the Executive Board. The Supervisory Board considers all of its members to be independent as defined in the By-Laws of the Supervisory Board and in the Code.

The By-Laws of the Supervisory Board which are published on the Company's website stipulate the qualification requirements for individual members of the Supervisory Board and the requirements for the composition of the Supervisory Board.

Members of the Supervisory Board are appointed for a period of four years. Supervisory Board members may in principle serve a maximum of three terms of four years each on the Supervisory Board.

Corporate governance
continued

One member of the Supervisory Board has holdings in the Company of 50,000 shares. This position was duly reported to the Dutch Authority of Financial Markets (AFM). Apart from this, members of the Supervisory Board do not own any options or shares in the Company.

Composition and role of the committees of the Supervisory Board

The Supervisory Board, while retaining overall responsibility, has delegated certain tasks to the Audit Committee and the SARC. Specific information about the committees, including the Committee Charters, is published on the Company's website. The main purpose of these committees is to prepare the foundations that support the decision-making processes of the Supervisory Board. In its report, the Supervisory Board describes the duties of the committees that have been carried out in the financial reporting year.

Audit Committee

The Audit Committee consists of at least two members, at least one of whom shall be qualified as a financial expert as defined in the By-Laws of the Supervisory Board and the Audit Committee Charter. The Audit Committee assists the Supervisory Board in fulfilling its oversight responsibilities in relation to:

- the Company's accounting and financial reporting practice, policies and procedures (including judgements and estimates, significant reporting issues material adjustments and the robustness of the processes)
- the quality of the Company's internal control systems and risk assessment (understanding the risks the Company is exposed to and how they are effectively dealt with, and oversight of the internal audit function)
- the quality of the disclosure controls and procedures
- the integrity of the financial statements
- the performance and evaluation (including its independence) of the External Auditor and advice on the appointment, reappointment and replacement of the External Auditor

Selection, Appointment and Remuneration Committee (SARC)

The SARC consists of at least two members and assists the Supervisory Board with the following tasks:

- reviewing the Remuneration Policy for members of the Executive Board
- drafting the Remuneration Report
- making proposals for remuneration of individual members of the Executive Board
- reviewing share-based compensation schemes
- assessing the composition and performance of the Executive Board and the Supervisory Board and advising on selection criteria and appointment procedures
- reviewing selection criteria, appointment procedures and compensation structure of the Company's top management

Given the size of the Supervisory Board, it was decided to combine the tasks in the area of Executive and Supervisory Board nomination and remuneration policy into one Committee.

Remuneration of the Supervisory Board

The General Meeting of Shareholders determines the remuneration of the Supervisory Board members. The remuneration of a Supervisory Board member is not dependent on the results of the Company. The Remuneration Report (see pages 53 to 59) contains information on the level and structure of the remuneration for individual Supervisory Board members.

Conflicts of interests

In compliance with the Code, the Company has formalised strict rules to avoid conflicts of interests between the Company on the one hand and members of the Executive Board and Supervisory Board on the other hand. Decisions to engage in transactions in which interests of Board members play a role, which have a material significance for the Company and/or for the Board member concerned, require approval by the Supervisory Board. The Supervisory Board is responsible for taking decisions on handling conflicts of interest between the Company and members of the Executive Board and Supervisory Board, major shareholders and the External Auditor. No conflicts of interests were reported in 2009.

The General Meeting of Shareholders

General

A General Meeting of Shareholders is held at least once a year. Subject to the provisions in sections 2:110 and 2:111 of the Netherlands Civil Code, meetings may be convened by the Supervisory Board or the Executive Board and must be held if shareholders jointly representing at least 10% of the outstanding share capital make a written request to that effect to the Supervisory Board and the Executive Board, specifying in detail the business to be dealt with.

Shareholder meetings – voting rights

The AGM shall be held no later than six months after the end of our financial year. Extraordinary General Meetings of Shareholders shall be held as often as the Executive Board or the Supervisory Board deem necessary.

General Meetings of Shareholders shall be convened by the Supervisory Board or the Executive Board. The convocation shall take place no later than the fifteenth day prior to the date of the meeting or any other date, provided by law in the future, and shall be carried out by means of a notice on our website. The notice of the meeting shall, inter alia, state the requirement for admission to the meeting and the way in which proxies and voting instructions can be exercised.

Pursuant to the Articles of Association, each share is entitled to one vote in all matters properly brought before the General Meeting of Shareholders of Wessanen. Unless the Articles of Association or mandatory law provides otherwise, all shareholders' resolutions require an absolute majority of the votes cast.

Powers – general

Decisions of the Executive Board on a major change in the identity or the character of the Company are submitted for approval by the General Meeting of Shareholders. For example, Wessanen called an Extraordinary General Meeting of Shareholders which was held in January 2010, to ask for shareholders' approval for the sale of the Tree of Life, Inc.

The most important powers of the General Meeting of Shareholders of Wessanen are:

- adoption of financial statements, including appropriation of the results
- determination of dividend in accordance with the provisions of the Articles of Association
- granting discharge to the Executive Board and the Supervisory Board
- appointment, suspension and dismissal of the members of the Executive Board and the Supervisory Board in accordance with the provisions of the Articles of Association
- adoption of the Remuneration Policy for the Executive Board
- determination of the remuneration for members of the Supervisory Board
- approval of the share-based remuneration plan for members of the Executive Board
- appointment and dismissal of the External Auditor
- designation of the Executive Board for a specified period as authorised body to issue shares and to grant rights to subscribe for shares (option rights)
- amendment of the Articles of Association pursuant to the proposal by the Executive Board and subject to the approval of the Supervisory Board, by absolute majority of the votes cast
- authorisation of the Executive Board for the Company to purchase its own shares

Substantial amendments to the corporate governance structure and amendments to the Dividend Policy will also be presented to the General Meeting of Shareholders.

The right to place an item on the agenda

Shareholders may request the Executive Board or Supervisory Board that certain items be placed on the agenda of the General Meeting of Shareholders. These requests will be granted if they:

(i) are submitted at least 60 days prior to the General Meeting of Shareholders by
(ii) shareholders, who, on their own or together, represent at least 1% of our issued capital or whose shares on the date of the announcement of the meeting have a market value of at least EUR 50,000,000; and
(iii) assuming that there are no important interests of the Company that could prevent them being placed on the agenda.

Corporate governance
continued

A legislative proposal on the right to place an item on the agenda is expected to be submitted shortly. Pursuant to this proposal, the threshold will be raised to 3%. At the same time, the threshold of EUR 50,000,000 will be deleted. The Company is proposing to amend its Articles of Association in order to implement this new threshold.

Appointment of Executive Board and Supervisory Board

The appointment of members of the Executive Board and of the Supervisory Board shall be made following a non-binding nomination by the Supervisory Board. A resolution of the General Meeting of Shareholders to approve an appointment in accordance with a nomination by the Supervisory Board requires an absolute majority of the votes cast. In the event of a candidate nominated by the Supervisory Board not being appointed by the General Meeting of Shareholders, the Supervisory Board will nominate a new candidate. Shareholders who have the right to place an item on the agenda of the General Meeting of Shareholders are also entitled to nominate a candidate. A resolution of the General Meeting to appoint a member of the Executive Board or of the Supervisory Board other than in accordance with a nomination by the Supervisory Board requires an absolute majority of the votes cast representing more than one-third of the issued capital. At a General Meeting of Shareholders, votes can only be cast for candidates named in the agenda or explanatory notes of the Meeting.

The General Meeting of Shareholders may decide to suspend or remove a member of the Executive Board or the Supervisory Board. A resolution of the General Meeting of Shareholders to suspend or remove a Board member that is not in accordance with a proposal of the Supervisory Board requires an absolute majority of the votes cast representing more than one-third of the issued capital.

Dividends

The proposed dividend for a financial year must be approved by the General Meeting of Shareholders, which is usually held in April of the following financial year, and the dividend is paid after this meeting. Dividend proposals shall be made by the Executive Board with approval from the Supervisory Board and should be in line with the dividend policy which may be reviewed from time to time. Dividend payments are only allowed to the extent that the shareholders' equity is in excess of the sum of the paid-up capital and any reserves required under Dutch law. Dividend payments shall be made not later than 14 days after adoption of the dividend.

The Executive Board, with the approval of the Supervisory Board, determines which part of the profit is to be appropriated to the reserves. The remaining profit may be distributed as a dividend to the holders of the shares. The General Meeting of Shareholders may, at the proposal of the Executive Board which has been approved by the Supervisory Board, resolve that a payment of dividend on shares be wholly or partly in shares.

If a loss is sustained in any year, no dividend shall be distributed for that year and for subsequent years until the loss has been defrayed out of the profit. The General Meeting may, however, resolve on a motion of the Executive Board which has been approved by the Supervisory Board, to defray any such loss out of the distributable part of the shareholders' equity or to charge the dividend to the distributable part of the shareholders' equity.

Liquidation

Upon the liquidation or dissolution of Wessanen, any remaining balance after the payment of debts shall be distributed to holders of shares on a pro rata basis with respect to the total amount of shares held.

Description of share capital and Articles of Association

General

The Company's Articles of Association were last amended by a notarial deed dated 4 May 2007. The Company's head office is at Beneluxlaan 9 Utrecht and the Company's registered office in Amsterdam. The Company is registered at the Trade Register of the Chamber of Commerce of Amsterdam under file number 33.14.58.51.

Share capital

As of 31 December 2009, our authorised share capital amounted to EUR 300,000,000 divided into 300,000,000 shares, with a nominal value of EUR 1.00 per share each. All shares are registered shares, and can be included in the deposit system of the Act on Deposit Securities Transactions (Wet giraal effectenverkeer).

As of 31 December 2009, the issued share capital was divided into 68,359,105 shares, all of which have been fully paid up.

Issue of shares – pre-emptive rights

The authority to issue shares has partly been designated by the General Meeting of Shareholders to the Executive Board pursuant to a resolution dated 22 April 2009. The Executive Board is authorised to issue shares up to a maximum of 10% of the issued share capital, which percentage is extended by an additional 10% of the issued share capital in the event that the issue is related to a merger or an acquisition. The authority of the Executive Board to issue shares will terminate on 21 October 2010 unless it is extended by a resolution of the General Meeting of Shareholders. Prior approval of the Supervisory Board will be required for any Executive Board resolution to issue shares.

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

At the AGM held on 22 April 2009 the Executive Board was authorised to restrict or exclude such pre-emptive rights in the event of issuances of or granting of rights to subscribe for shares up to 21 October 2010, subject to the prior approval of the Supervisory Board.

Repurchase of shares

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

A repurchase of shares may be effected by the Executive Board if the Executive Board has been so authorised by the General Meeting of Shareholders, which authorisation may not be granted for a period of more than 18 months. Most recently, the General Meeting of Shareholders granted this authorisation until 21 October 2010 by resolution dated 22 April 2009.

Capital reduction

Upon the proposal of the Executive Board and subject to the approval of the Supervisory Board, the General Meeting of Shareholders may resolve to reduce Wessanen's issued share capital by cancellation of shares or by reducing the nominal value of the shares through amendment of the Articles of Association, subject to certain statutory provisions and the provisions of the Articles of Association.

Restriction of non-Dutch shareholders' rights

Under the Company's Articles of Association, there are no limitations on the rights of non-resident or foreign shareholders to hold or exercise voting rights in respect of securities in the Company, and we are not aware of any such restrictions under Dutch corporate law.

Disclosure of share ownership

Dutch law (The Act of Financial Supervision) requires public disclosure to the (Dutch) Authority Financial Markets (AFM) with respect to the (potential) ownership of and (potential) voting rights on listed shares when the following thresholds are passed: 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%.

On 31 December 2009 the following entities had reported a substantial holding of shares in the capital of the Company:

Aviva plc	(5.30%)
Delta Deelnemingen Fonds N.V.	(5.10%)
Delta Partners, LLC	(5.15%)
Financière de l'Echiquier	(5.19%)
Sparinvest Holding A/S	(5.43%)

Provision of information

In accordance with the Dutch Act of Financial Supervision, Wessanen will ensure that any price-sensitive information – information that is concrete and has not publicly been disclosed and whose disclosure might significantly affect the Company's share price – will be disclosed without delay to the general public in the form of a press release that will be disseminated over two or more major wire services, at least one international and one national daily newspaper, and publication on the Company's website.

Price-sensitive information that has been publicly released by Wessanen or is already in the public domain may be discussed by spokespersons designated by the Company on an individual or selective basis. However, if the provision of such information is regarded by Wessanen to be of interest to the general public – for instance at an Annual General Shareholder's Meeting, quarterly earnings review or presentation to sell-side analysts – Wessanen will make this information available for general dissemination through a conference call, webcast or a presentation which will be broadcast live on a medium that will allow the public, without charge, to receive the information. Following such an event, presentations will be posted on the Wessanen website and, in so far as reasonably possible, provision will be made for an audio replay to be available for a certain period thereafter.

In the ordinary course of business, designated spokespersons regularly communicate with outside parties, such as media or securities industry professionals in one-on-one meetings, group meetings, site visits or industry conferences, etc., to provide them with relevant information to enable them to gain better insight into the Company. Wessanen adheres to the policy that, at such meetings, price-sensitive non-public information should not be discussed or disclosed in any way or form. Wessanen will provide analysts and investors with fair access to Company information and management within the limits of its time and resources. Under no circumstances will Wessanen compromise the independence of analysts or investors in relation to the Company, irrespective of their recommendation on Wessanen shares or a decision to buy or sell Wessanen shares.

To prevent inadvertent disclosure of price-sensitive information, Wessanen, as part of its Disclosure Policy, has imposed upon itself 'silent periods' in the weeks prior to an upcoming results announcement, during which it will not engage in any discussion or participate in any kind of meeting with the general public, media or securities industry professionals in which one could reasonably expect that price-sensitive non-public information could be discussed. The Disclosure Policy as well as silent periods are published on the Company website.

Audit of financial reporting and role of Internal and External Auditors

Financial reporting

The Executive Board is responsible for the quality and completeness of the financial information that is made public. It is the duty of the Supervisory Board to see to it that the Executive Board fulfils this responsibility. Please refer to the section entitled Risk Management and Internal Control on pages 37 to 39.

Role, appointment, remuneration and assessment of External Auditor

The External Auditor is appointed each year by the AGM. The Supervisory Board shall nominate a candidate, based on advice from the Audit Committee and Executive Board. The remuneration for the External Auditor is proposed by the Audit Committee and approved by the Supervisory Board after consultation with the Executive Board. The Supervisory Board has delegated approval for the assignment of services from the External Auditor to the Audit Committee for a period of one year. This delegation can be renewed by the Supervisory Board.

External Auditor Policy

Wessanen has established a policy for the independence of and provision of services by its external auditors. This policy stipulates that external auditors may only provide services which do not conflict with its independence and which are explicitly listed in the policy. These permissible services are audit services (e.g audit of financial statements) and non-audit services (e.g. risk management advisory services, treasury advisory services and tax planning and tax consultation services). The Audit Committee annually reviews the list of permissible services and may add to or subtract services from the list from time to time. The External Auditor Policy is posted on our website.

The audit services and non-audit services require pre-approval of the Audit Committee.

In 2009, all audit services and non-audit services from KPMG Accountants N.V. were pre-approved by the Audit Committee.

Relationship and communication of the External Auditor with the bodies of the Company

The External Auditor attends the meeting of the Supervisory Board in which the financial statements are approved and shall in principle attend all meetings of the Audit Committee. The External Auditor simultaneously reports its findings concerning the audit of the financial statements to the Executive Board, the Supervisory Board and the Audit Committee. The functioning of the External Auditor is assessed annually. In 2010 the Company will conduct a thorough assessment of the External Auditor's functioning, the main conclusions of which will be shared in the following General Meeting of Shareholders.

Internal audit function

The Internal Auditor operates under the responsibility of the Executive Board.

Information pursuant to Decree Clause 10 Take-over Directive

The information specified in both Clause 10 of the Take-over Directive and the Decree, which came into force on 31 December 2006 (Decree Clause 10 Take-over Directive), can be found under 'Change of Control' on page 58.

Compliance with the Dutch Corporate Governance Code

The Company fully complies with the Dutch Corporate Governance Code by either applying its principles and best practice provisions or by explaining why it deviates from the Code. Such principles and best practice provisions are fully applied with the exception of the following provision that is not fully applied for reasons set out above:

- best practice provision II.2.8 (severance payment in change of control situation).

Supervisory Board Report

Activities of the Supervisory Board

During the reporting year, the Supervisory Board met nine times. A very important matter in the year was the strategic review of the Company, which was discussed intensively. Its cornerstone, the strategy for Wessanen was announced by the Company in January 2010.

The outcome of the discussions on strategy was that the best way forward for the Company would be to realign the portfolio of businesses and to focus in full on the European businesses to become the European Organic+ champion. A clear strategy has been presented on how to achieve this by executing four growth pillars and deploying a new operating model. As a consequence of this focus on our European business we decided to divest the US branded and distribution activities, which has in the meanwhile been executed to a large extent.

The Supervisory Board endorsed that the Executive Board should be supported operationally by a European management team in order to deliver the strategic initiatives and to enhance the transformation of the Company to a focused European organic food company.

We are confident that the steps taken will drive significant improvement in operational execution.

In June, reporting irregularities were discovered at American Beverage Corporation (ABC). Investigations were initiated, first by the Company's External Auditor, KPMG, followed by forensic accountants and specialised US lawyers. The Audit Committee followed these investigations closely and regularly reported on the findings to the Supervisory Board, amongst whom preliminary and later final conclusions and remediation were discussed.

The composition of the Executive Board received our attention, following the resignation of Mr Veenhof in February (See 'Composition of the Supervisory Board and Executive Board' on pages 49 to 50).

In April, we approved the proposal from the Executive Board to divest Tree of Life, Inc., as it was concluded that there were no synergies between this company and Wessanen's European business. On 23 December the Company announced that it had reached agreement with Kehe Foods, Inc., a US food distribution company, regarding the sale of Tree of Life and its subsidiaries, with the exception of PANOS Brands LLC, which latter company did not fit with the buyer's strategy. The transaction closed on 29 January 2010. Other divestments in 2009 included Karl Kemper GmbH in October, Liberty Richter in November and Righi S.r.L. in December. The divestment process of ABC was deferred as the Company decided to first implement a recovery plan for the ABC business and improve results and internal controls before divestment is again considered. The implementation of these actions is well under way.

We discussed the most important risks related to the business of the Group as well as the functioning of the Company's risk management and control systems, notably in the light of the reporting irregularities in the US. We agreed with management on actions to be taken to reinforce management and internal control systems.

The course of business and quarterly results were discussed on a regular basis.

We also discussed our own Board's functioning and that of the Board committees, while taking into account our profile, composition and the competencies of each of the members of the Supervisory Board. All Board members were interviewed on their opinion on the functioning of the Board and the Board committees. The main conclusions and recommendations of this exercise were shared in the Board meeting. The Board concluded that the cooperation of the Board in the reporting year was productive and constructive. The meetings of the Board give room to an open discussion which leads to decision-making for which the Board can take collective responsibility. Attendance by members of the Supervisory Board to the meetings of the Board was satisfactory. The Supervisory Board regularly met without management. The composition of the two Board committees was also considered satisfactory and it was decided to continue in 2010 with the same composition of the committees as in 2009.

Regular reports were received from the Audit Committee and the Selection, Appointment and Remuneration Committee (SARC) on matters addressed in their meetings. The independence and performance of the External Auditor was assessed as well as their relationship with management and the Audit Committee. This resulted in the proposal to the AGM in April 2009 to assign the audit of the 2009 financial statements to KPMG. With the External Auditor we discussed their report on the 2008 financial statements. We also reviewed and discussed the Annual Report for 2008.

We reviewed the Remuneration Policy and concluded, based on scenario analyses and after consulting an independent agency, that no material changes were required to the existing policy for 2009.

At the beginning of 2009 we also reviewed the Dividend Policy and approved the proposal of the Executive Board to amend the policy (see 'Dividend policy' on page 20).

We also reviewed the financing of the Company and approved an amendment of the existing credit facility in light of a revised earnings profile following the discovery of irregularities at ABC and the decision to divest of our North American operations.

In October, we reviewed our corporate governance policy as part of a regular review exercise. Amendments were made to address amendments to the Dutch Corporate Governance Code.

At the end of the year, we discussed the functioning of the Executive Board and its individual members in the absence of the Executive Board. We concluded that given all the changes that had been made, the performance of the new team was satisfactory.

Composition of the Supervisory Board and the Executive Board

Supervisory Board

During the reporting year, the composition of the Supervisory Board was as follows:

- Durk Jager (Chairman)
- Jo Hautvast
- Theo de Kool
- Frans Koffrie (until 24 February 2009)
- Frank van Oers (from 22 April 2009)
- Marie Christine Lombard (until 22 April 2009)

All members of the Supervisory Board are qualified as independent under the definition in the Supervisory Board By-Laws. For the biographies of the current members of the Supervisory Board, please refer to page 52.

Mr Koffrie stepped down from the Supervisory Board to take up his appointment as Interim CEO. Mrs Lombard stepped down due to demands related to her principal employment.

Executive Board

During the reporting year, the composition of the Executive Board was as follows:

- Ad Veenhof (Chairman and CEO, until 24 February 2009)
- Frans Koffrie (Chairman and Interim CEO, from 22 April 2009)
- Frans Eelkman Rooda (from 22 April 2009)
- Richard Lane (until 23 December 2009)

In February 2009, the Supervisory Board requested Mr Veenhof to resign as CEO of the Company. He was succeeded by Mr Koffrie on an interim basis. In order to take up this position, Mr Koffrie stepped down from the Supervisory Board, and was appointed by the AGM held in April for a period of 12 months.

Mr Lane resigned on 23 December, in consultation with the Supervisory Board and after the announcement of the sale of Tree of Life, Inc. The Supervisory Board is sincerely thankful to Mr Lane for the contributions he made to the Company over the years, notably with respect to the business of Tree of Life, which he led since April 2006.

On 13 January 2010 the Company announced that it will propose to the AGM to be held in April, the appointment of Piet Hein Merckens to the Executive Board. It is intended that Mr Merckens will succeed Mr Koffrie as CEO on 1 June 2010. It will also be proposed to the AGM in April 2010 to reappoint Mr Koffrie as a member of the Executive Board until 1 June 2010.

Supervisory Board Report
continued

Changes to the Supervisory Board envisaged for 2010

Theo de Kool has indicated that he wishes to retire from the Supervisory Board after the AGM in April 2010, due to personal circumstances relating to his working life. It will be proposed to the AGM that Mr Koffrie be reappointed member of the Supervisory Board as at 1 June 2010.

In 2010, the composition of the Supervisory Board will be reviewed in light of the strategy review and long-term aspirations of the Company. In line with the profile for the Supervisory Board, the composition of the Supervisory Board and the combined experience, expertise and the independence as well as the different ages and gender of its members shall be such that the qualifications mentioned in the Profile for the Supervisory Board shall be represented. The Supervisory Board will continue to strive for international representation on the Supervisory Board, and to seek a female candidate.

Committees of the Supervisory Board

Without prejudice to its own responsibility, the Supervisory Board has formed two committees, i.e. the Audit Committee and the Selection, Appointment and Remuneration Committee, each consisting of members of the Board. The purpose of both committees is described in the Corporate governance section in this Report (page 42).

Audit Committee

The Audit Committee met five times during the reporting year. It reviewed the quarterly and annual results and particular attention was paid to non-recurring items, the classification of specific units as discontinued operations and critical accounting policies. The Audit Committee discussed several reporting issues and general compliance with reporting regulations.

The Audit Committee monitored internal controls over financial reporting and compliance with the requirements of applicable Dutch securities and corporate governance regulations. This included the usual assessment of risks faced by the Company. Certain aspects of the Company's management reporting system were also discussed, such as revised segmentation following the regrouping of our European activities. The Audit Committee closely followed the investigation into the reporting irregularities at ABC and discussed with management lessons learned and actions to be taken. These include a reinforcement of the reporting line of the finance function throughout the Group to the CFO, a revitalisation of compliance procedures at ABC, more extensive audits of operating units and more thorough internal audit reports and risk assessment reports. The Committee also discussed follow-up actions with the Executive Board.

The committee reviewed and discussed the performance of the External Auditor, as well as the audit approach, and discussed with the External Auditor their management letter. The Audit Committee had several sessions with the External Auditor without management present. The Audit Committee discussed the External Auditor's recommendations with the internal audit function on a quarterly basis, as well as the audit planning for 2009.

Attention was paid to legal, tax and pension matters. The Audit Committee also discussed the Company's refinancing. Finally, the Audit Committee discussed its new Charter, incorporating all relevant best practice provisions of the amended Corporate Governance Code.

The composition of the Audit Committee is reflected on page 52. Mr De Kool and Mr Van Oers both qualify as 'financial experts' as defined in the By-Laws of the Supervisory Board and the Audit Committee Charter. The vast majority of the meetings of the Audit Committee during the reporting year was attended by the External Auditor as well as by representatives of management and the finance function. The Audit Committee also had regular discussions with the External Auditor in the absence of management.

Selection, Appointment and Remuneration Committee (SARC)

During the reporting year, the SARC met five times. The SARC proposed the appointment of Frank van Oers to the Supervisory Board. It discussed the profile for the new CEO and actively participated in the search, which led to the announcement on 13 January 2010 of the nomination of Piet Hein Merckens. It also decided to propose to the General Meeting of Shareholders in September to ask the Amsterdam Court to terminate the employment contract of the former

CEO, Ad Veenhof. In December 2009, the Court decided to dissolve the employment contract of Mr Veenhof as of 1 January 2010, awarding him a severance payment of EUR 558,250.

The SARC approved the payout to members of the Executive Board under the Short Term Incentive Plan, set targets for the 2009 STIP and reviewed the Remuneration Policy to which it made a minor amendment, which was reported in the 2008 Annual Report. The Committee approved the proposal for the granting of shares to Executive Board members under the Long Term Incentive Plan (LTIP) 2009 programme.

The SARC reviewed and discussed the contract for Frans Koffrie as Interim CEO. A retention payment for Richard Lane in relation to the divestment of Tree of Life was also approved, as well as an incentive related to the selling price of this company.

It pre-discussed the evaluation of the Board and proposed an enhanced procedure in this respect. It reviewed and agreed to amendments to its Charter with a view to compliance with the amended Dutch Corporate Governance Code.

The composition of the SARC during the reporting year is reflected on page 52.

Corporate governance

The corporate governance structure of Wessanen is described in the 'Corporate governance' section in this Report. We endorse the principles and apply almost all of the best practice provisions of the Dutch Corporate Governance Code (the Code). Any provisions of the Code not applied have been disclosed and explained in the above-mentioned section. The corporate governance structure of the Company was last discussed at the AGM in April 2006 and has not changed since in any material respect.

In December 2008, the Code was amended and during the reporting year we amended the By-Laws of the Executive Board, the By-Laws and Profile of the Supervisory Board, the Audit Committee Charter and the SARC Charter in order to apply the amended best practice provisions of the Code.

Remuneration Report

The Remuneration Report incorporates the principal points of the remuneration policy for members of the Executive Board as well as the full remuneration of the individual members of the Executive Board. The Remuneration Report forms part of, and is incorporated in, the Supervisory Board Report (see pages 53 to 59).

Financial Statements and allocation of results

The Annual Report at hand, which has been prepared by the Executive Board, consists of the Consolidated Financial Statements, the Financial Statements of Royal Wessanen nv and the management report for the past financial year. The Financial Statements have been audited by our External Auditor KPMG Accountants N.V. The statement of the External Auditor can be found on page 112 of this Annual Report. The management report includes a 'true and fair view' statement by the Executive Board which confirms that the Financial Statements in this Annual Report give a true and fair view of the assets and liabilities and financial position as at 31 December 2009, and that the management report includes a fair review of the development and performance of the business of the Company, including its principal risks and uncertainties. The External Auditor's statement includes an attestation to this management assessment.

We have reviewed and endorsed these reports and will recommend that the AGM to be held on 14 April 2010 adopts the Financial Statements for 2009 accordingly.

In view of the negative financial results of the Company over 2009, no dividend will be paid. It will be proposed to the AGM that the net result over 2009 be defrayed against the distributable part of shareholders equity. (page 20).

Discharge

We also propose that the AGM, in accordance with Article 30, Paragraph 2 of the Articles of Association, discharges the Executive Board from management as carried out in the past financial year and the Supervisory Board from its supervision.

Supervisory Board Report
continued

Business considerations

The outcome of our strategic review clearly indicated the viability and attractiveness of the markets we operate in and identified areas where the Company can exercise its business model. Focus will be on four chosen growth pillars. A new organisational structure for Wessanen Europe has been implemented. We believe that Wessanen has taken the right steps to become the Organic+ champion.

We are sincerely grateful to the employees of all businesses for their hard work and continuous contributions to the success of the Company.

Supervisory Board
Utrecht, 24 February 2010

Durk Jager
Jo Hautvast
Theo de Kool
Frank van Oers

Composition Audit Committee
as at 31 December 2009

Theo de Kool (Chairman)
Frank van Oers

Composition SARC
as at 31 December 2009

Jo Hautvast (Chairman)
Durk Jager

Frans Koffrie was a member of the Supervisory Board and the Audit Committee until 24 February 2009. Marie-Christine Lombard was a member of the Supervisory Board and the SARC until 22 April 2009.

Biographies of the Supervisory Board

Durk I. Jager (Chairman)

(Male, American nationality, 1943)
Former Chairman and CEO of Procter & Gamble and Supervisory Director of Chiquita Brands International, Inc., Koninklijke KPN N.V. and Polycom Inc.; first appointed to the Supervisory Board in 2005; current term will expire in 2013.
Mr Jager holds 50,000 shares in the Company.

L.M. (Theo) de Kool

(Male, Dutch nationality, 1953)
Former Executive Vice President and Chief Financial & Administrative Officer of Sara Lee Corporation; first appointed to the Supervisory Board in 2005; current term will expire in 2013.
Mr De Kool does not hold shares in the Company.

G.A.J. (Jo) Hautvast

(Male, Dutch nationality, 1938)
Former Vice President Health Council of the Netherlands, former General-Director Wageningen Centre for Food Sciences. Chairman Advisory Board Risk Assessment Netherlands Food Safety Authority; first appointed to the Supervisory Board in 2004; current term will expire in 2012.
Mr Hautvast does not hold shares in the Company.

F. (Frank) van Oers

(Male, Dutch nationality, 1959)
CEO of Sara Lee International Beverage & Bakery division and Executive Vice President of Sara Lee Corporation; first appointed to the Supervisory Board in 2009; current term will expire in 2013.
Mr Van Oers does not hold shares in the Company.

Remuneration Report

Remuneration Policy regarding the Executive Board and the Supervisory Board

The Supervisory Board, by way of the Selection, Appointment & Remuneration Committee (SARC), implements the Remuneration Policy and determines the remuneration of individual members of the Executive Board and Supervisory Board. The Supervisory Board may, if necessary, deviate from the policy if market circumstances make it necessary or if the application of the policy is considered to be unreasonable. Any deviation from the Remuneration Policy will be accounted for in the Annual Report.

Every year, the SARC assesses whether the Remuneration Policy is still consistent with the objectives of the Company and whether an adjustment of the terms of employment for member of the Executive Board is appropriate. Scenario analyses serve as an input for the review of the Remuneration Policy.

Any material changes to the Remuneration Policy will be submitted to the General Meeting of Shareholders for approval.

The Remuneration Policy in general

The objective of the Remuneration Policy is to attract, motivate and retain experienced directors with an international outlook , and reward them appropriately for their ability to achieve stretched targets for short-term and long-term performance.

The structure of the remuneration package for the Executive Board is designed to balance short-term operational performance with the long-term objective of creating sustainable value within the Company. The Remuneration Policy for the members of the Executive Board is aligned with the remuneration structure of other senior executives of Wessanen.

In setting remuneration levels for the Executive Board, the SARC takes into account the relevant statutory requirements, corporate governance guidelines and best practice in the Netherlands.

Details of remuneration of Executive Board members

The total direct compensation for members of the Executive Board is set at median level relative to the labour market peer group. To ensure the attraction and retention of highly skilled and qualified managers, Wessanen aims for a total remuneration level that is comparable to levels provided by other Dutch multinational corporations that are similar to Wessanen in terms of size and complexity. For that purpose, external reference data are used. These reference data include remuneration data from Dutch companies operating internationally in the same sector (food, food ingredients, distribution, retail), and in the practices of AMX-listed companies which are similar to Wessanen in size and complexity.

If a member of the Executive Board is not Dutch and resides outside the Netherlands then the base salary is set against the reference market of that country.

The main elements of a contract of a member of the Executive Board are made public no later than on the date of the notice calling the General Meeting of Shareholders where the appointment of the member of the Executive Board will be proposed.

Terms of employment

The employment contracts of Executive Board members appointed before 1 January 2010 are for a four-year period. Newly appointed Executive Board members will be offered an employment contract for an indefinite period of time. The employment contract ends on the date of retirement or by notice of either party.

Term of appointment

Executive Board members are appointed for a period of four years and are subject to reappointment by the shareholders after that period.

Notice period

Termination of employment by an Executive Board member is subject to three months' notice. A notice period of six months will be applicable in the case of termination by the Company, with the exception of the following contracts:

- Mr Veenhof's contract provided for a notice period of 12 months in the case of termination by the Company.
- Mr Koffrie's contract provides for a notice period of one month for the Company.

Remuneration Report
continued

The Employment relation with the members of the Executive Board is as follows:

	Employment relation as Board member	Date of appointment as Board member	End of term
F.H.J. Koffrie*	President and CEO	22 April 2009	1 April 2010
F.E. Eelkman Rooda	Member and CFO	22 April 2009	22 April 2013
A.H.A. Veenhof**	President and CEO	30 June 2003 Reappointed at the AGM in 2007 for four years.	N.A. Stepped down as CEO and member of the Executive Board as of 24 February 2009. Contract was dissolved as of 1 January 2010.
K.R. Lane	Member (US)	8 May 2006	N.A. Stepped down as a member of the Executive Board as of 23 December 2009.

* Mr Koffrie was appointed Chairman of the Executive Board of Wessanen at the AGM of 22 April 2009. He was asked to act as Interim CEO after Mr Veenhof was asked to step down as of 24 February 2009.
Mr Koffrie does not participate in the Wessanen Short and Long term Incentive Plans.

** Authorised by the Extraordinary Shareholders' Meeting of 4 September 2009, The Supervisory Board of Royal Wessanen requested the Amsterdam Court to dissolve the employment agreement of Mr Veenhof, who resigned his post as CEO on 24 February 2009. On 22 December 2009 the Amsterdam Court decided to dissolve the employment contract between Royal Wessanen nv and Mr Veenhof as of 1 January 2010. The Court awarded Mr Veenhof a gross dissolution fee of EUR 558,000 – the equivalent of one year's salary.

Remuneration components

The remuneration for Executive Board members comprises the following components:

- Base salary, which is fixed and will be reviewed once a year;
- Short Term Incentive Plan, ranging from 0%-100% of base salary and depending on the achievement of performance targets;
- Long term Incentive Plan, ranging from 0%-50% of base salary at grant date and depending on the achievement of performance hurdles;
- Pension.

The base salary and the related pension arrangements are fixed; all other components are (directly or indirectly) linked to performance.

Information on the individual remuneration of Executive Board members is shown in the tables opposite. Details of the 2009 remuneration may be found in Notes 8 and 9 to the Financial Statements, which Notes form part of and are incorporated in this Remuneration Report.

Remuneration costs

The table on page 55 give an overview of the costs incurred by the Company in the financial year in relation to the remuneration of the Executive Board. Costs related to restricted share rights grants are taken by the Company over a number of years. As a consequence, the costs mentioned in the column 'Restricted share rights' are the aggregate accounting costs of multi-year grants to each Executive Board member during their Board membership.

Remuneration costs Executive Board 2009
(in EUR, unless stated otherwise)

	Base salary	Realised Short Term Incentive[1]	Pension costs	Company car / Car allowance	Fixed costs[3]	Other compensation
A.H.A. Veenhof	558,250	–	111,650	15,000	10,524	558,250[4]
F.H.J. Koffrie	424,242	–	–	–	11,752	–
K.R. Lane	383,747	230,248	–	12,987	28,161	1,283,635[2]
F.E Eelkman Rooda	360,000	125,280	101,741	26,783	14,257	–

1 Annual incentive amount paid relates to performance in the previous year 2009, payable in April 2010.
2 Payment related to the divestment of Tree of Life, Inc.
3 Expenses and employer tax liability.
4 Dissolution fee.

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

Variable compensation
Variable compensation – an important part of Executive Board members' remuneration package – is linked to measurable predetermined targets. Incentive targets and performance conditions reflect the key drivers for value creation and medium to long-term growth in shareholder value. Therefore, a considerable part of the total compensation consists of variable compensation depending on performance.

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

Short Term Incentive Plan
Members of the Executive Board are eligible to participate in the cash incentive program called the Wessanen Short Term Incentive Plan (STIP), which provides an annual variable cash incentive, based on the achievement of specific performance targets. These targets are set at a challenging level, taking into account general trends in the relevant markets, and are linked to the financial results of the Company.

For the member of the Executive Board responsible for North American operations, the financial targets will relate to the financial results for his area of responsibility.

The targets are determined annually at the beginning of the year by the SARC on behalf of the Supervisory Board.

For on-target performance, members of the Executive Board can earn an incentive amounting to 60% of their annual base salary. A maximum payout relative to performance will not exceed 100% of the base salary. The incentive payout in any year relates to achievements in the preceding financial year versus agreed targets. The performance targets are related to operational performance, as measured by EBIT, reflecting short-term financial results, in addition to annual sales growth and primary working capital.

The annual incentive payout in any year relates to the achievements of the preceding financial year in relation to agreed targets. As a result, the Short Term Incentive paid in 2010 relates to the salary levels and the performance in 2009.

Remuneration Report
continued

For the year 2009, the following targets applied:

Performance targets 2009 Executive Board

Position	Short Term Incentive	Performance targets and relative weighting
A.H.A.Veenhof	At target: 50% of base salary	Royal Wessanen nv
	Maximum: 100% of base salary	EBIT (40%)
		Sales growth (20%)
		Primary working capital (40%)
F.E. Eelkman Rooda	At target: 40% of base salary	Royal Wessanen nv
	Maximum: 80 % of base salary	EBIT (40%)
		Sales growth (20%)
		Primary working capital (40%)
K.R. Lane	At target: 60% of base salary	North America
	Maximum: 100% of base salary	EBIT (40%)
		Sales growth (20%)
		Primary working capital (40%)

Based on the 2009 results as published in this Annual Report, the realised Short Term Incentive amounts mentioned in the table below will be paid to members of the Executive Board in May 2010.

Payout in 2010

(in EUR, unless stated otherwise)	Realised annual incentive	As a % of base salary (2009)
A.H.A. Veenhof	–	–
F.H.J. Koffrie	–	–
K.R. Lane*	230,248	60%
F.E. Eelkman Rooda	125,280	35%

For the year 2010 the following targets apply:

Position	Short Term Incentive	Performance targets and relative weighting
CEO*	At target: 50% of base salary	Royal Wessanen nv
	Maximum: 100% of base salary	EBIT (40%)
		Net sales (20%)
		Net working capital (40%)
CFO	At target: 40% of base salary	Royal Wessanen nv
	Maximum: 80% of base salary	EBIT (40%)
		Net sales (20%)
		Net working capital (40%)

* Applicable for the CEO to be appointed as of 1 June 2010.

The Company considers that the combination of EBIT, net sales and working capital adequately reflects the Company's financial performance. Targets will be determined each year by the Supervisory Board, based on, among other things, historical performance, the operational and strategic outlook for the Company in the short term and stakeholder/management expectations.

The Company will not disclose the actual targets, as they qualify as commercially sensitive information.

Long Term Incentive Plan

The Long Term Incentive Plan (LTIP) motivates Executive Board members to focus on long-term sustainable value for shareholders. This Plan aligns the interests of participating employees with the shareholders' interests and aims to attract, motivate and retain participating employees.

Under the LTIP, Executive Board members are awarded with performance shares. The performance share plan has a three-year horizon with a review date at the end of the third year. At the review date, two specific performance targets are measured. The number of shares that become unconditional after three years is determined on the basis of Wessanen's performance against a previously set hurdle.

The actual number of performance shares granted to Executive Board members is determined by the Supervisory Board. The target value at grant is set at a maximum of 50% of the base salary. The awarded performance shares must be retained by Executive Board members for a period of at least five years (including the three-year vesting period, or at least until termination of employment if this period is shorter). During the three-year vesting period, the costs of these shares (determined according to IFRS) will be recognised in the profit and loss statement as personnel costs.

Restricted shares granted in 2009

	Granted shares	To be delivered in
A.H.A. Veenhof	–	–
F. Koffrie	–	–
R. Lane	28,000	2010*
F. Eelkman Rooda	28,000	2012

* 100% vested as at the closing date of the sale of Tree of Life, converted to cash and paid.

Relative Total Shareholder Return (TSR) as performance measure

The actual number of performance shares that will vest for each member of the Executive Board ('vested performance shares') depends on the TSR performance over a three-year period compared to the TSR performance of a selected peer group. TSR measures the returns received by shareholders and includes both the change in a company's share price and the value of dividend income. This measure is used because it reflects the creation of long-term value, benchmarked against a peer group of companies.

Vesting of the performance shares shall occur after three years as set out below:

Ranking	Maximum number of vested performance shares as percentage of granted performance shares
1	150%
2 and 3	125%
4	100%
5 and 6	75%
7 and 8	50%
9	25%
10	0%

The peer group consists of SunOpta Inc., Nestlé, Unilever, CSM, Hain Celestial Group, Kraft, Heinz, Danone, United Natural Foods Inc. and Wessanen.

The peer group is not the same as the one used for determining remuneration levels. The latter is chosen to reflect the relevant labour market. The peer group used for benchmarking TSR performance reflects the relevant market in which the Company competes for shareholder preference. It includes sector-specific competitors which the Supervisory Board and the Executive Board consider to be suitable benchmarks for Wessanen. The peer group is verified by the Supervisory Board each year.

Overall performance hurdle

The development of the share price over the total test period of three years has to be positive. In case the condition with regard to the development of the share price, as described above, has not been met, all performance shares that were conditionally granted during the lifetime of the Long Term Incentive Plan, will lapse.

Clawback provision

The Short and Long Term Incentive Plans contain the provision that a decision to grant incentives and/or performance shares may be corrected should it emerge at a later date that they were wrongly granted (in part) on the basis of incorrect (financial) information. In the event of such correction, the Company shall either provide additional incentives or performance shares or, alternatively, shall be entitled to reclaim the incentives and performance shares to the extent to which these were granted incorrectly (clawback provision).

At all times, the Supervisory Board has the discretionary power to adjust the level of the variable remuneration components to be granted. Any use of this discretionary power is stated in the Remuneration Report.

Pensions

The pension policy for Executive Board members is predicated on a retirement age of 65.

The pension plan is based on a combination of defined benefit (career average) and defined contribution plan. The plan does not require employee contribution. For the Executive Board member with US nationality and residing in the US, the pension provision is based on 401-K defined contribution.

Additional arrangements

A number of additional arrangements apply to Executive Board members, in line with market practice in the Netherlands and the US, and similar to those of other Wessanen executives. These arrangements are:

- contribution to health and medical insurance premium
- the use of company cars
- contribution to telephone costs
- fixed expense allowances for business purposes

Loans

As a matter of policy, the Company does not grant any loans to Executive Board members.

Senior management

For senior management Wessanen adopts a similar approach as for Executive Board members. This helps to stimulate a performance-driven culture, reflecting the Company's ambition and its position in the international market.

The SARC is informed on all major remuneration issues for senior management of the Company, and prepares the allocation of the total number of Restricted Shares for the Executive Board and Performance Incentive Rights for senior management.

Severance arrangements

The employment contracts of Executive Board members include an exit-arrangement provision which is in accordance with best practice provision II.2.8 of the Dutch Corporate Governance Code (i.e. a sum equivalent to the fixed annual salary) except in Change of Control situations (see below) or if this is manifestly unreasonable in the case of dismissal during the first term of office. Agreed termination payments in the contracts of Executive Board members are not to exceed 100% of the base salary.

On the occasion of his re-appointment, at the request of Mr Veenhof, the Supervisory Board decided to make specific arrangements that are of a different nature. Mr Veenhof's contract stated:

"If the employment contract is terminated by the Company or dissolved at the request of the Company, and if said termination is not caused mainly or exclusively by Mr Veenhof's actions or the absence thereof, then Mr Veenhof is entitled to:

- *A gross severance payment amounting to one fixed gross annual salary (as stated in Article 6.1) applicable at the time of termination of the employment contract, increased by the then applicable employer's pension contribution (as stated in Article 9.2) and increased by a bonus equalling the maximum incentive of 100% of the base annual salary (as stated in Article 6.3) (the "Severance arrangement").*
- *The unconditional delivery of all (restricted) shares awarded prior to the termination."*

Change of Control

If the Company discontinues the employment of an Executive Board member following a takeover, merger or any other event in which there is a Change of Control of Royal Wessanen nv, members of the Executive Board are, at the sole discretion of the Supervisory Board, entitled to:

- A severance payment equal to a single multiple of the gross annual base salary on the date of termination.
- The annual Short Term Incentive award (in cash) will be paid in full for the year in which the Change of Control occurs on the fixed assumption of at least an 'on-target' performance.
- The outstanding Performance Shares shall be deemed to be unconditionally and fully vested and exercisable immediately prior to the Change of Control, or the Company shall pay out the fair market value of the outstanding Performance Shares as at the date of the Change of Control.

The Supervisory Board has decided to deviate from best practice provision II.2.8 (providing that the maximum remuneration in case of dismissal shall not exceed one year's salary) in cases where the dismissal is the result of a Change of Control of the Company. The Supervisory Board considers that this provision ensures the Executive Board can fully concentrate on the interests of the Company and its stakeholders when evaluating a possible merger or acquisition of the Company.

Divestment of Tree of Life, Inc.

In view of the divestment of Tree of Life, Inc., the Supervisory Board decided to arrange for continuity in management of the divestment process and to secure the retention of senior management and continued support during the transition process.

The Company entered into an agreement with Richard Lane, whose contribution to the sale of Tree of Life as its CEO was essential to its successful completion. The conditions of this agreement were, inter alia, his continued employment and satisfactory performance of all duties and responsibilities associated with his position with the Company through closing of a transaction that results in a Change of Control or ownership of Tree of Life. This agreement entitled Mr Lane to:

- a cash retention bonus of eighteen (18) months of his base salary
- a purchase price incentive, related to the sale price of Tree of Life

Financial Statements 2009

Consolidated income statement

In EUR millions, unless stated otherwise	Notes	**2009**	2008 (Restated)
Continuing operations			
Revenue		702.5	725.4
Other income	7	0.8	1.8
Raw materials and supplies		(429.8)	(433.3)
Personnel expenses	8, 9	(115.8)	(113.2)
Depreciation, amortisation and impairments	14, 15	(58.6)	(12.6)
Other operating expenses		(143.5)	(131.0)
Operating expenses		(747.7)	(690.1)
Operating result		(44.4)	37.1
Interest income		–	0.2
Interest expense		(8.4)	(10.2)
Other financial income and expense		(11.5)	0.2
Net financing costs	10	(19.9)	(9.8)
Share in results of associates		–	–
Profit/(loss) before income tax		(64.3)	27.3
Income tax expense	11	(69.0)	(8.2)
Profit/(loss) after income tax from continuing operations		(133.3)	19.1
Discontinued operations			
Profit/(loss) from discontinued operations, net of income tax	12	(88.3)	10.4
Profit/(loss) for the period		(221.6)	29.5
Attributable to:			
Equity holders of Wessanen		(219.7)	29.4
Minority interests		(1.9)	0.1
Profit/(loss) for the period		(221.6)	29.5
Earnings per share attributable to equity holders of Wessanen (in EUR)	13		
Basic		(3.25)	0.44
Diluted		(3.23)	0.43
Earnings per share from continuing operations (in EUR)	13		
Basic		(1.94)	0.28
Diluted		(1.93)	0.28
Earnings per share from discontinued operations (in EUR)	13		
Basic		(1.31)	0.16
Diluted		(1.30)	0.15
Weighted average number of ordinary shares (in thousands)	13		
Basic		67,609	67,585
Diluted		67,919	68,210

Consolidated statement of comprehensive income

In EUR millions	**2009**	2008 (Restated)
Profit/(loss) for the period	(221.6)	29.5
Other comprehensive income		
Foreign currency translation differences, net of income tax	12.8	(32.9)
Effective portion of changes in fair value of cash flow hedges, net of income tax	7.2	(7.2)
Other comprehensive income/(loss)	20.0	(40.1)
Total comprehensive income/(loss)	(201.6)	(10.6)
Attributable to:		
Equity holders of Wessanen	(199.7)	(10.7)
Minority interests	(1.9)	0.1
Total comprehensive income/(loss)	(201.6)	(10.6)

Consolidated balance sheet

In EUR millions	Notes	**31 December 2009**	31 December 2008 (Restated)	1 January 2008 (Restated)
Assets				
Property, plant and equipment	14	88.3	122.0	124.8
Intangible assets	15	130.4	187.7	175.5
Investments in associates	16	–	0.6	0.5
Other investments	17	3.2	3.1	6.1
Deferred tax assets	18	4.3	115.4	94.8
Total non-current assets		226.2	428.8	401.7
Inventories	19	68.9	215.7	207.3
Income tax receivables		11.4	0.4	1.3
Trade receivables	20	69.5	168.1	186.7
Other receivables and prepayments	20	19.8	48.7	42.4
Cash and cash equivalents	21	44.3	44.8	69.3
Assets classified as held for sale	12	197.8	–	–
Total current assets		411.7	477.7	507.0
Total assets		637.9	906.5	908.7
Equity				
Share capital		68.4	68.4	72.6
Share premium		93.9	93.9	99.7
Reserves		(43.8)	(61.6)	(71.6)
Retained earnings		31.4	248.5	300.0
Equity attributable to equity holders of Wessanen	22	149.9	349.2	400.7
Minority interests		5.7	7.8	20.0
Total equity		155.6	357.0	420.7
Liabilities				
Interest-bearing loans and borrowings	23	5.8	227.1	188.7
Employee benefits	24	21.6	21.6	22.1
Provisions	25	2.9	3.7	3.5
Deferred tax liabilities	18	2.6	5.3	1.6
Total non-current liabilities		32.9	257.7	215.9
Bank overdrafts	21	24.1	18.8	19.2
Interest-bearing loans and borrowings	23	205.4	13.5	4.4
Provisions	25	5.6	5.1	6.4
Income tax payables		2.3	5.4	7.8
Trade payables	26	78.2	141.8	145.7
Non-trade payables and accrued expenses	26	67.2	107.2	88.6
Liabilities classified as held for sale	12	66.6	–	–
Total current liabilities		449.4	291.8	272.1
Total liabilities		482.3	549.5	488.0
Total equity and liabilities		637.9	906.5	908.7

Consolidated statement of changes in equity

In EUR millions	Issued and paid-up share capital	Share premium	Reserves: Reserve for own shares	Reserves: Translation reserve	Reserves: Hedging reserve	Reserves: Other legal reserves	Retained earnings	Total equity attributable to equity holders of Wessanen	Minority interests	Total equity
2008										
Balance at beginning of year as previously reported	72.6	99.7	(56.6)	(18.2)	(0.5)	2.8	309.9	409.7	20.0	429.7
Adjustments related to previous years	–	–	–	0.9	–	–	(9.9)	(9.0)	–	(9.0)
Balance at beginning of year (restated)	72.6	99.7	(56.6)	(17.3)	(0.5)	2.8	300.0	400.7	20.0	420.7
Total comprehensive income and expense for the period										
Profit/(loss) for the period	–	–	–	–	–	–	29.4	29.4	0.1	29.5
Foreign currency translation differences	–	–	–	(32.9)	–	–	–	(32.9)	–	(32.9)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	(7.2)	–	–	(7.2)	–	(7.2)
Total comprehensive income and expense for the period	–	–	–	(32.9)	(7.2)	–	29.4	(10.7)	0.1	(10.6)
Contributions by and distributions to owners										
Dividends to equity holders	–	–	–	–	–	–	(40.6)	(40.6)	–	(40.6)
Share options exercised/shares delivered	–	–	1.0	–	–	–	(1.0)	–	–	–
Repurchase of own shares	–	–	(0.6)	–	–	–	–	(0.6)	–	(0.6)
Cancellation of own shares	(4.2)	(5.8)	50.0	–	–	–	(40.0)	–	–	–
Share-based payments	–	–	–	–	–	–	0.4	0.4	–	0.4
Transfer to other legal reserves	–	–	–	–	–	(0.3)	0.3	–	–	–
Total contributions by and distributions to owners	(4.2)	(5.8)	50.4	–	–	(0.3)	(80.9)	(40.8)	–	(40.8)
Changes in ownership interest in subsidiaries that do no result in a loss of control										
Change in minority interests	–	–	–	–	–	–	–	–	(12.3)	(12.3)
Balance at year end (restated)	68.4	93.9	(6.2)	(50.2)	(7.7)	2.5	248.5	349.2	7.8	357.0
2009										
Balance at beginning of year as previously reported	68.4	93.9	(6.2)	(50.5)	(7.7)	2.5	263.4	363.8	7.8	371.6
Adjustments related to previous years	–	–	–	0.3	–	–	(14.9)	(14.6)	–	(14.6)
Balance at beginning of year (restated)	68.4	93.9	(6.2)	(50.2)	(7.7)	2.5	248.5	349.2	7.8	357.0
Total comprehensive income and expense for the period										
Profit/(loss) for the period	–	–	–	–	–	–	(219.7)	(219.7)	(1.9)	(221.6)
Foreign currency translation differences	–	–	–	12.8	–	–	–	12.8	–	12.8
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	7.2	–	–	7.2	–	7.2
Total comprehensive income and expense for the period	–	–	–	12.8	7.2	–	(219.7)	(199.7)	(1.9)	(201.6)
Contributions by and distributions to owners										
Share options exercised/shares delivered	–	–	0.2	–	–		(0.2)	–	–	–
Share-based payments	–	–	–	–	–	–	0.4	0.4	–	0.4
Transfer to other legal reserves	–	–	–	–	–	(2.4)	2.4	–	–	–
Total contributions by and distributions to owners	–	–	0.2	–	–	(2.4)	2.6	0.4	–	0.4
Changes in ownership interest in subsidiaries that do no result in a loss of control										
Change in minority interests	–	–	–	–	–	–	–	–	(0.2)	(0.2)
Balance at year end	68.4	93.9	(6.0)	(37.4)	(0.5)	0.1	31.4	149.9	5.7	155.6

Consolidated statement of cash flows

In EUR millions	Notes	2009	2008 (Restated)
Cash flows from operating activities			
Operating result		(44.4)	37.1
Adjustments for:			
Depreciation, amortisation and impairments		58.6	12.6
Provisions created		7.9	0.9
Other non-cash and non-operating items		0.3	0.7
Gain from disposals		–	(0.8)
Cash generated from operations before changes in working capital and provisions		22.4	50.5
Changes in working capital	32	24.0	4.2
Payments from provisions		(1.8)	(1.4)
Changes in employee benefits		(2.2)	(2.4)
Cash generated from operations		42.4	50.9
Income tax paid		(19.2)	(14.7)
Interest paid		(11.3)	(10.3)
Operating cash flow from continuing operations		11.9	25.9
Operating cash flow from discontinued operations		52.6	6.0
Net cash from operating activities		64.5	31.9
Cash flows from investing activities			
Acquisition of property, plant and equipment		(9.5)	(18.3)
Proceeds from sale of property, plant and equipment		1.3	1.0
Acquisition of intangible assets, excluding goodwill		(2.1)	(1.0)
Proceeds from sale of intangible assets		0.6	–
(Investments in)/proceeds from investments		0.1	2.9
Acquisition of subsidiaries and businesses, net of cash acquired	5	(1.0)	(29.0)
Investing cash flow from continuing operations		(10.6)	(44.4)
Investing cash flow from discontinued operations		(0.3)	5.1
Net cash from/(used in) investing activities		(10.9)	(39.3)
Cash flows from financing activities			
(Repayments of)/Proceeds from borrowings		(22.9)	43.7
Net payments of finance lease liabilities		(0.4)	(0.4)
Cash receipts/(payments) derivatives		(6.3)	(17.4)
Cash payments transaction costs interest bearing loans and borrowings		(4.5)	–
Repurchase of own shares		–	(0.6)
Dividends paid		–	(40.6)
Financing cash flow from continuing operations		(34.1)	(15.3)
Financing cash flow from discontinued operations		(3.5)	(1.9)
Net cash from/(used in) financing activities		(37.6)	(17.2)
Net cash flow	32	16.0	(24.6)

Notes to the consolidated financial statements

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

1. The Company and its operations

Royal Wessanen nv ('Wessanen' or 'the Company') is a public limited company domiciled in the Netherlands. It is a leading company in the European organic food market. Operating mainly in France, Benelux, the UK and Germany, Wessanen manages and develops its brands and products in the grocery and health food channels. The consolidated financial statements of Royal Wessanen nv for the year ended 31 December 2009, comprise Wessanen and its subsidiaries (together referred to as 'the Group') and Wessanen's interest in associated companies. Wessanen's subsidiaries and associated companies as at 31 December 2009 are listed in Note 34. The address of the Company's registered office is Beneluxlaan 9, Utrecht, the Netherlands.

2. Basis of preparation

Statement of compliance

The consolidated financial statements for the year ended 31 December 2009, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

The financial statements were signed and authorised for issuance by the Supervisory Board and the Executive Board on 24 February 2010, and will be submitted for adoption to the Annual General Meeting of Shareholders on 14 April 2010.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following assets and liabilities that are stated at their fair value: derivative financial instruments, financial instruments at fair value through profit or loss, financial assets classified as available for sale and liabilities for cash-settled share-based payment arrangements. The methods used to measure fair value are disclosed in Note 4.

Functional and presentation currency

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

Use of estimates and judgements

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

The estimates and assumptions that management considers most critical and that have a significant inherent risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described in Note 30.

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

Change in accounting policies

As of 2009, Wessanen applies the revised IAS 1 'Presentation of Financial Statements'. The revised standard introduces requirements to present all changes in equity arising from transactions with owners in their capacity as owners separately from non-owner changes in equity and to disclose (i) income tax related to each component of other comprehensive income and (ii) reclassification adjustments relating to components of other comprehensive income. In addition, when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements, IAS 1 requires the presentation of a third balance sheet as of the beginning of the earliest comparative period. As the prior year result and financial position were restated (see paragraph below), a third balance sheet as of 1 January 2008 is presented. The adoption of IAS 1 did not have an impact on the Company's financial results or position.

As of 2009, Wessanen applies IFRS 8 'Operating segments'. IFRS 8 introduces new disclosure requirements with respect to segment information. The adoption of IFRS 8 did not have an impact on Wessanen's consolidated financial results or position. Wessanen has changed its European segment structure in 2009 into Wessanen Europe (organic food products) and Frozen Foods, in light of the strategic focus to expand its presence in the European organic food markets. Comparative information has been changed accordingly.

Restatement of prior year result and financial position

On 15 June 2009 Wessanen announced that it discovered irregularities in the financial reporting by its North American Branded operating company the American Beverage Corporation ('ABC'). Investigations revealed that the financial results of ABC were misstated over a number of years, going back to 2006. These misstatements primarily related to overstatements of trade receivables and revenue and understatements of expenses and current liabilities. Wessanen has restated prior years resulting in reduced net income in the amount of EUR 5.0 for 2008 and reduced equity in the amount of EUR 14.6 and EUR 9.0 as at 31 December 2008 and 1 January 2008, respectively. The restatement had an impact of (0.07) on earnings per share from continuing operations in 2008. For more information reference is made to Note 33.

3. Significant accounting policies

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

Certain comparative amounts have been reclassified to conform with currents year's presentation.

Basis of consolidation

Subsidiaries

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

Notes to the consolidated financial statements

3. Significant accounting policies continued

account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates

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

Transactions eliminated on consolidation

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

Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

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

Net investment in foreign operations

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

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

	Balance sheet		Income statement	
Currency per EUR	**31 December 2009**	31 December 2008	**2009**	2008
USD	1.4397	1.4104	1.3957	1.4720
CAD	1.5113	1.7158	1.5793	1.5733
GBP	0.8926	0.9751	0.8884	0.8050

Derivative financial instruments

Wessanen uses derivative financial instruments to hedge its exposure to foreign exchange, interest rate and commodity risks arising from operating, investing and financing activities. These instruments are initially recognised in the balance sheet at fair value on a settlement date basis and are subsequently remeasured at their fair value. Gains and losses resulting from the fair value remeasurement are recognised directly in the income statement, unless the derivative qualifies and is effective as a hedging instrument in a designated hedging relationship. Derivatives that are designated as hedges are accounted for as either cash flow hedges or fair value hedges.

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

Hedging

Cash flow hedges

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

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

Fair value hedges

Fair value changes of derivative instruments that qualify for fair value hedge accounting treatment are recognised for the hedged risk in the income statement in the periods in which they arise, together with any changes in fair value of the hedged asset or liability.

Notes to the consolidated financial statements

3. Significant accounting policies continued

Hedge of monetary assets and liabilities

If a derivative financial instrument is used to economically hedge the foreign exchange exposure of a recognised monetary asset or liability, the gain or loss on the hedging instrument is recognised in the income statement, except for those financial instruments that are designated as hedges.

Hedge of net investment in foreign operation

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

Segment reporting

An operating segment is a component of Wessanen that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The operating segment's operating result (EBIT) is reviewed regularly by the Executive Board of Wessanen to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Executive Board of Wessanen include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise part of the head office expenses and income tax gains and losses. Segment assets and liabilities mainly do not include corporate assets and liabilities and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Property, plant and equipment

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

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

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

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

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

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

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

Finance lease

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

Government grants

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

Intangible assets

Goodwill

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

In respect of acquisitions that have occurred since 1 January 2004, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets and liabilities and contingent liabilities at the date of acquisition (measured based on methods as described in Note 4). Negative goodwill arising on an acquisition is recognised directly in the income statement, classified as 'other income'.

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

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

Notes to the consolidated financial statements

3. Significant accounting policies continued

Brands and customer relationships

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

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

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

Business acquisition fees

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

Research and development

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

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

Capitalised development expenditure is stated at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets

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

Subsequent expenditure

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

Amortisation

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

Investments in associates

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

Transactions between the Group and associates are at an arm's length basis.

Investments in equity and debt securities

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

Dividends received are recognised upon declaration.

Inventories

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

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

Trade and other receivables

Trade and other receivables are initially recognised at fair value, and subsequently measured at their amortised cost less impairment losses. Amortised cost is determined using the effective interest rate.

Cash and cash equivalents

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

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

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

3. Significant accounting policies continued

Impairment of assets

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

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

Calculation of recoverable amount

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

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

Reversal of impairment

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

An impairment loss in respect of goodwill is not reversed.

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

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

Non-current assets held for sale and discontinued operations

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

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies (based on IFRS).

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

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

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

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

Equity

Issued and paid-up capital

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

Repurchase of shares

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

Dividends

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

Interest-bearing borrowings

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

3. Significant accounting policies continued

Employee benefits

Defined contribution plans

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

Defined benefit plans

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

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

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

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

Long-term service benefits

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

Share-based payment transactions

The stock option program (discontinued as of 2005) allowed Wessanen employees to acquire shares of Wessanen. The share rights program grants conditional rights to receive shares to eligible employees of Wessanen.

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

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

Provisions

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

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

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

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

Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently measured at amortised cost. Amortised cost is determined using the effective interest rate.

Revenue

Revenue represents the value of goods delivered to third parties, less any value-added taxes or other sales taxes. Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Customer deductions, coupons, rebates, and sales returns and discounts are recorded as reductions to sales and are included in revenue in the consolidated income statement.

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

3. Significant accounting policies continued

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

Expenses

Operating lease payments

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

Finance lease payments

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

Net financing costs

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

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

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

Income tax

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

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

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

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

Deferred tax assets and liabilities are not discounted.

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

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

Cash flow statement

Cash flow from operating activities

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

Cash flow from investing activities

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

Cash flow from financing activities

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

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

Notes to the consolidated financial statements

3. Significant accounting policies continued

New standards and interpretations not yet effective

The following new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements:

- IFRS 3 Business Combinations (revised)
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IAS 27 Consolidated and Separate Financial Statements (revised)
- IAS 32 Financial instruments (revised)
- IAS 39 Financial instruments: Recognition and Measurement (revised)
- IFRIC 12 Service Concession Arrangements
- IFRIC 15 Agreements for the Construction on Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distribution of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers

Wessanen will introduce the new standards, amendments to standards and interpretations on or after 1 January 2010. Adoption of these standards and interpretations is expected to have a limited impact on the consolidated financial statements of Wessanen.

4. Determination of fair value

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

Property, plant and equipment

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

Intangible assets

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

Inventories

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

Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price or another reliable fair value estimate at the balance sheet date. The fair value of held-to-maturity investments is determined for disclosure purposes only. If not quoted, and another reliable fair value estimation is not available, those investments are stated at (deemed) cost.

Trade and other receivables

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

Derivatives

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

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Share-based payment transactions

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

5. Acquisitions

In 2009 Wessanen acquired the following:

Continuing operations

Wessanen Europe

In February 2009, Wessanen acquired the remaining 0.4% of Distriborg Groupe's shares for EUR 1.0 in cash, including acquisition costs. Wessanen now holds 100% of the shares of Distriborg Groupe. As a result, Distriborg Groupe's shares were delisted from Euronext Paris. As Distriborg Groupe is already fully consolidated, the increase in the shareholding did not have any effect on consolidated revenue and operating result for the period. Goodwill was capitalised in the amount of EUR 0.5, and minority interests reduced by EUR 0.5.

Frozen Foods

In April 2009, Wessanen made a capital contribution of EUR 4.0 to Favory Convenience Food Group, resulting in an increased equity interest in Favory Convenience Food Group of 3.5% from 60.6% to 64.1%. The capital contribution was required and used by Favory Convenience Food Group for repayment of EUR 4.0 of the financing drawn under its major credit facility, as a result of which continuation of funding was secured. As Favory Convenience Food Group is already fully consolidated, the increase in the shareholding did not have any effect on consolidated revenue and operating result for the period. Goodwill was capitalised in the amount of EUR 0.3 and minority interests increased by EUR 0.3.

Discontinued operations

On 1 March 2009, Tree of life, a 100% subsidiary of Wessanen acquired seven retail locations of Warehouse Vitamines Inc., a retailer of vitamins, dietary supplements, sports nutrition, nutritional and other health related products in the Tucson, Arizona area, against settlement of a long-term loan receivable of EUR 1.2. Acquisition costs amounted to EUR 0.1. Goodwill was capitalised in the amount of EUR 1.0.

In 2008 Wessanen acquired the following:

Company	Segment	Date of acquisition	Purchase price	Goodwill	Acquired percentage
Continuing operations					
Minority shareholding Distriborg Groupe	Wessanen Europe	September 2008	22.7	9.9	9.9%
So Good business	Wessanen Europe	July 2008	6.3	1.6	n/a
Discontinued operations					
Apple A Day business	North American Distribution	July 2008	0.9	0.2	n/a
Total			29.9	11.7	

Minority shareholding Distriborg Groupe

On 1 September 2008, Wessanen acquired 9.92% of Distriborg Groupe's share capital from minority shareholders for EUR 22.7 in cash, including acquisition costs, with the objective to delist Distriborg Groupe from Euronext Paris in order to increase flexibility in executing the strategy.

So Good

On 1 July 2008, Wessanen acquired the So Good brand and business in Europe for EUR 6.3 in cash, including acquisition costs. So Good is the second largest brand in the dairy-alternatives market, offering a range of ambient and chilled soy based beverage. Goodwill recognised on the acquisition of the So Good business is mainly attributable to the expected synergies to be achieved from integrating this businesses into the Group's existing Wessanen Europe business.

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

	Acquired values	Fair value adjustments	Carrying amounts
Intangible assets	–	5.8	5.8
Inventories	0.3	–	0.3
Trade and other receivables	1.3	–	1.3
Minority interests	12.8	–	12.8
Accounts payable, income tax payable and other liabilities	(1.7)	(0.3)	(2.0)
Net identifiable assets and liabilities	12.7	5.5	18.2
Goodwill on acquisition			11.7
Considerations paid			29.9
Cash and cash equivalents acquired			–
Net cash outflow			29.9

If the acquisitions had occurred on 1 January 2008, the acquired businesses would have contributed EUR 8.7 (continuing operations: EUR 7.1; discontinued operations: EUR 1.6) to the consolidated revenue and EUR 0.7 (continuing operations: EUR 0.7; discontinued operations: EUR -) to the consolidated profit for the year.

Notes to the consolidated financial statements

6. Segment information

Early 2009, Wessanen changed the European reporting segments into Wessanen Europe and Frozen Foods in light of the strategic focus to expand its presence in the European organic food market. The reportable segments and their significant operating companies can be specified as follows:

Segment	Significant operating companies
Wessanen Europe	Distriborg Groupe, Natudis, Boas, Kallo, Tree of Life UK, Tartex, Allos, Bio Slym
Frozen Foods	Beckers, Favory Convenience Food Group, Karl Kemper[1], Righi[1]
North America Branded	American Beverage Corporation, PANOS Brands[1], Liberty Richter[1]
North America Distribution[1]	Tree of Life North America[1]
Non-allocated	Corporate entities

[1] Karl Kemper, Righi and Liberty Richter have been divested in 2009. PANOS Brands and Tree of Life North America are held for sale at year-end 2009. All companies are presented as discontinued operations for 2009 and 2008 in the income statement and cash flow statement.

Wessanen classified the operations of Karl Kemper and Righi (Frozen Foods), Liberty Richter and PANOS Brands (North America Branded) and Tree of Life North America (North America Distribution) as discontinued operations in the course of the third quarter of 2009. The comparative financial information for the year ended 31 December 2008 has been represented in accordance with IFRS.

Following the above, Wessanen's continuing operations are presented in three segments: Wessanen Europe, Frozen Foods and the American Beverage Corporation.

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

2008	Wessanen Europe	Frozen Foods	North America Branded	North America Distribution	Non-allocated[3]	Total	Discontinued operations	Total Wessanen
Income statement information								
Total revenue	500.7	122.8	101.9	–	–	725.4	871.9	1,597.3
Operating result (EBIT)	41.1	1.7	1.8	–	(7.5)	37.1	13.5	50.6
Net financing costs						(9.8)	(3.5)	(13.3)
Share in results of associates						–	–	–
Profit/(loss) before income tax						27.3	10.0	37.3
Balance sheet information								
Assets								
Assets related to operations	300.0	130.1	109.5	234.3	9.6	783.5		
Derivative financial instruments	–	–	–	–	7.2	7.2		
Deferred and current income tax	3.4	9.0	10.6	46.4	46.4	115.8		
Total assets	303.4	139.1	120.1	280.7	63.2	906.5		
Liabilities								
Liabilities related to operations	136.7	54.2	29.6	62.6	228.0	511.1		
Derivative financial instruments	–	–	–	4.3	23.4	27.7		
Deferred and current income tax	4.4	1.6	–	0.5	4.2	10.7		
Total liabilities	141.1	55.8	29.6	67.4	255.6	549.5		
Other information								
Investments in PP&E and IA[1]	4.2	4.6	9.3	–	2.0	20.1	4.9	25.0
Depreciation, amortisation and impairments	3.8	6.5	1.7	–	0.6	12.6	6.8	19.4
Total other non-cash items[2]	1.2	(0.8)	–	–	0.4	0.8	9.2	10.0
Average number of employees	1.190	577	561	–	55	2.383	3.413	5.796

[1] Investments in property, plant and equipment ('PP&E'), including financial leases, and intangible assets ('IA').
[2] Total of provisions created, gain from disposals, and other non-cash and non-operating items as reflected in the consolidated statement of cash flows.
[3] Non-allocated consists of corporate entities.

6. Segment information continued

2009	Wessanen Europe	Frozen Foods	American Beverage Corporation	Non-allocated [3]	Total	Discontinued operations	Total Wessanen
Income statement information							
Total revenue	493.2	119.6	89.7	–	702.5	882.9	1,585.4
Operating result	(2.7)	2.7	(30.4)	(14.0)	(44.4)	2.9	(41.5)
Net financing costs					(19.9)	(0.7)	(20.6)
Share in results of associates					–	–	–
Profit/(loss) before income tax					(64.3)	2.2	(62.1)
Balance sheet information							
Assets							
Assets related to operations	286.8	82.1	65.4	10.4	424.4		
Deferred and current income tax	3.3	1.6	–	10.8	15.7		
Assets related to continuing operations	290.1	83.7	65.4	21.2	440.1		
Assets held for sale	–	–	–	–	–	197.8	
Total assets	290.1	83.7	65.4	21.2	440.1	197.8	637.9
Liabilities							
Liabilities related to operations	136.4	38.1	7.9	223.6	406.0		
Derivative financial instruments	–	–	–	4.9	4.9		
Deferred and current income tax	1.8	0.5	–	2.5	4.8		
Liabilities related to continuing operations	138.2	38.6	7.9	231.0	415.7		
Liabilities held for sale	–	–	–	3.1	3.1	63.5	
Total liabilities	138.2	38.6	7.9	234.1	418.8	63.5	482.3
Other information							
Investments in PP&E and IA[1]	2.9	2.4	5.0	2.0	12.3	2.7	15.0
Depreciation, amortisation and impairments	31.2	6.2	20.7	0.5	58.6	40.6	99.2
Total other non-cash items[2]	2.6	0.2	0.3	5.1	8.2	12.4	20.6
Average number of employees	1.196	522	488	55	2.261	3.343	5.604

1 Investments in property, plant and equipment ('PP&E'), including financial leases, and intangible assets ('IA').
2 Total of provisions created, gain from disposals, and other non-cash and non-operating items as reflected in the consolidated statement of cash flows.
3 Non-allocated consists of corporate entities.

Geographical information

	Revenue		Non-current assets[1]	
	2009	2008	**2009**	2008
The Netherlands (country of domicile)	157.7	169.2	69.0	93.4
Other European countries	454.2	453.9	116.4	133.5
United States and Canada	89.7	101.9	33.3	82.8
Other countries	0.9	0.4	–	–
Total continuing operations	702.5	725.4	218.7	309.7
Total discontinued operations	882.9	871.9	–	–
Total Wessanen	1,585.4	1,597.3	218.7	309.7

1 Property, plant and equipment and intangible assets.

7. Other income

Other income 2009 of EUR 0.8 includes insurance proceeds. Last year's other income includes gains on a real estate transactions of EUR 1.8 in total.

Notes to the consolidated financial statements

8. Personnel expenses and remuneration Executive and Supervisory Board

Personnel expenses

Personnel expenses can be specified as follows:

	2009	2008
Salaries & wages	83.8	78.6
Social security	18.9	18.5
Defined contribution plans	2.8	2.9
Defined benefit plans	1.3	1.3
Share-based payment expenses	0.4	0.7
Other personnel expenses	8.6	11.2
Total personnel expenses	115.8	113.2

The average number of full-time employees in 2009 for continuing operations amounted to 2.261 (2008: 2.383). In the Netherlands, Wessanen employed on average 612 (2008: 646) full-time employees, including Favory Convenience Food Group (excluding Favory Convenience Food Group 459 in 2009 (2008: 484)).

Executive Board remuneration

Mr Veenhof, Chairman of the Executive Board was requested to resign as a Board member as per 24 February 2009. Mr Koffrie, member of the Supervisory Board, is Chairman of the Executive Board from that date on an interim basis and appointed by the Annual General Meeting of Shareholders on 22 April 2009. Mr Eelkman Rooda has been appointed by the Annual General Meeting of Shareholders on 22 April 2009 to succeed Mr Wagter as Chief Financial Officer and member of the Executive Board.

In EUR thousands	Salary	Short-term bonuses	Post-employment benefits[1]	Share-based compensation[2]	Other compensation	Total
2008						
A.H.A. Veenhof	558	–	110	214	30	912
F.E. Eelkman Rooda[3]	210	36	63	6	23	338
K.R. Lane	361	149	–	80	28	618
H. Wagter[4]	244	–	146	–	21	411
Total	1.373	185	319	300	102	2,279
2009						
F.H.J. Koffrie[5]	424	–	–	–	12	436
F.E. Eelkman Rooda	360	125	102	21	41	649
K.R. Lane[6]	384	230	–	162	1.325	2.101
A.H.A. Veenhof[7]	558	–	112	186	584	1.440
Total	1.726	355	214	369	1.962	4.626

1 The pension premium amount of Mr Veenhof is paid directly together with the salary payment into the personal account as of July 2008.
2 The share-based compensation represents the share-based compensation expense calculated under IFRS 2 related to the Executive Board. The fair value of the share-based compensation grants is expensed on a straight-line basis over the vesting period of the grants.
3 F.E. Eelkman Rooda is employed as of June 1, 2008.
4 H. Wagter was employed till August 31, 2008.
5 F.H.J. Koffrie is CEO as of February 24, 2009.
6 K.R. Lane received a cash retention bonus and a purchase price incentive, related to the sale price of Tree of Life Inc, of EUR 1.284 thousand in total, which amount is included in 'Other compensation'. Mr Lane stepped down as a member of the Executive Board effective immediately at the time of the announcement of the sale, being 23 December 2009.
7 A.H.A. Veenhof was executive board member until February 24, 2009. Other compensation includes a dissolution fee of EUR 558 thousand awarded based on a court decision on 22 December 2009.

Remuneration Policy

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

The Dutch members of the Executive Board are eligible to participate in the Wessanen Pension Plan. As from January 2007, the Wessanen Pension Plan has been changed (for all participants born after 1 January 1950) from a defined benefit plan with a final pay system into one with an average pay system with a maximum of EUR 80,000. Above the amount of EUR 80,000 a defined contribution plan is applicable. The pension policy for members of the Executive Board is based on retirement at the age of 65.

Notes to the consolidated financial statements

8. Personnel expenses and remuneration Executive and Supervisory Board continued

Short-term bonuses to members of the Executive Board are granted according to performance criteria which were in 2009 based on earnings before interest and taxation (EBIT), annual revenue and primary working capital (inventory, trade receivables and trade payables). K.R. Lane met the financial targets 2009 at target. The financial targets for F.E. Rooda were partly met (annual revenue (only partly) and primary working capital).

Share rights were granted in 2009 under vesting conditions based on a three-year service period and performance hurdles for the total test period of three years, as described in Note 9. Based on this plan, Wessanen granted 56,000 share rights to members of the Executive Board in 2009. In accordance with the Corporate Governance Code, the members of the Executive Board are not allowed to sell any delivered shares within five years after the date of grant.

Supervisory Board remuneration

	Fixed		Other		Total	
In EUR thousands	**2009**	2008	**2009**	2008	**2009**	2008
D.I. Jager	65	65	4	4	69	69
J.G.A.J. Hautvast	50	50	3	3	53	53
L.M. de Kool	55	55	3	3	58	58
F. van Oers[1]	31	–	2	–	33	–
F.H.J. Koffrie[2]	7	45	1	3	8	48
M.C. Lombard[3]	14	45	1	3	15	48
Total	222	260	14	16	236	276

1 F. van Oers was appointed as member of the Supervisory Board as of 22 April 2009.
2 F.H.J. Koffrie stepped down from the Supervisory Board on 22 April 2009 and is temporarily chairman of the Executive Board.
3 M.C. Lombard resigned from the Supervisory Board on 22 April 2009.

Members of the Supervisory Board receive annual remunerations amounting to, excluding expenses, EUR 45,000 each. The chairman of the Supervisory Board receives EUR 65,000, the chairman of the Audit Committee receives EUR 55,000 and the chairman of the SARC receives EUR 50,000. The proportionate amounts are included above, if applicable. One member of the Supervisory Board owns 50,000 shares in the Company.

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

9. Share-based payments

Stock option and share right plans are long-term incentives that aim to reward eligible employees for their contribution, loyalty and commitment to Wessanen. As of 2005, the Long Term Incentive Plan no longer comprises a stock option plan. All Wessanen stock options and share rights granted to the Executive Board are equity-settled share-based payments. As at 31 December 2008, the share rights granted to Other employees were changed retrospectively from equity-settled to cash-settled in respect of the share plans 2006, 2007 and 2008. The change in settlement type was approved by the SARC in October 2008. The structure and value of this element of pay for each individual did not change as a result of this change in settlement type.

The fair value of services received in return for share rights granted are measured by reference to the fair value of the rights. The estimate of the fair value of the services received is measured based on a Monte Carlo simulation model. The model inputs for the valuation of the share rights granted to the members of the Executive Board and Other employees can be specified as follows:

	Executive Board		Other employees	
	2009	2008	**2009**	2008
Share price at grant date	3.21	8.45	3.21	8.45
Expected volatility	37.8%	24.9%	37.8%	24.9%
Term (in years)[1]	5	5	3	3
Expected dividend	0.14	0.65	0.14	0.65
Risk free interest rate	1.7%	4.1%	1.7%	4.1%
Fair value at measurement date	1.98	2.94	2.22	3.54

1 In accordance with the Corporate Governance Code, the members of the Executive Board are not allowed to sell any delivered shares within five years after the date of the grant. The test period is three years similar to the shares granted to the Other employees.

9. Share-based payments continued

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

Based on the Long Term Incentive Plan 2009, applicable as of June 2009, Wessanen granted share rights. Delivery of the performance shares depends on achievement of the performance hurdles. Despite the fact that the initially defined performance hurdles for the Long Term Incentive Plan 2007 were not met, 25% of the conditional share rights granted will vest following approval of the SARC to eliminate the performance hurdle stating that the development of the share price over the total test period of three years had to be positive.

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

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

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

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

Share right plans	Number of instruments	Vesting conditions	Contractual life
2006	223,725	Three years of service, Relative TSR over three years and development of share price over total test period of three years has to be positive	3 resp. 5 years
2007	215,305	Three years of service, Relative TSR over three years and development of share price over total test period of three years has to be positive	3 resp. 5 years
2008	185,870	Three years of service, Relative TSR over three years and development of share price over total test period of three years has to be positive	3 resp. 5 years
2009	56,000	Three years of service, Relative TSR over three years and development of share price over total test period of three years has to be positive (share rights granted to Executive Board)	5 years
2009	250,400	Three years of service and Relative TSR over three years (share rights granted to Other employees)	3 years

The total shareholder return ('TSR') performance involves a comparison between the TSR of a peer group of leading multinational food companies over the same period. The peer group consists the following companies: CSM, Danone, Hain Celestial Group, Heinz, Kraft, Nestlé, SunOpta, Unilever and United Natural Foods.

In 2009, total expenses arising from transactions accounted for as equity-settled and cash-settled share-based compensation transactions amounted to EUR 0.4 (2008: EUR 0.7). As at 31 December 2009, other provisions include an amount of EUR 0.3 (2008: EUR 0.3) related to cash-settled share-based payments (see Note 25).

Stock options

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

	31 December 2008	Granted	Exercised	Forfeited/ other changes	**31 December 2009**	Exercise price (in EUR)[1]	To be exercised before
Former members of the Executive Board							
2002	40,000	–	–	–	40,000	9.25	April 2010
2003	250,000	–	–	–	250,000	5.15	April 2011
2003	102,689	–	–	–	102,689	9.70	December 2011
2004	28,125	–	–	–	28,125	10.70	April 2012
Total (former) members of the Executive Board	420,814	–	–	–	420,814		
Other (former) employees							
2002	49,395	–		(900)	48,495	9.25	April 2010
2003	127,950	–	–	(3,450)	124,500	7.68	December 2011
2004	159,878	–		(10,650)	149,228	10.93	November 2012
Total other (former) employees	337,223	–	–	(15,000)	322,223		
Total	758,037	–	–	(15,000)	743,037		

[1] Weighted average exercise price.

9. Share-based payments continued

Share rights

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

	31 December 2008	Granted	Delivered	Forfeited/ other changes	**31 December 2009**	To be delivered in[1]
Members of the Executive Board						
F.E. Eelkman Rooda						
2008	10,000	–	–	–	10,000	June 2011
2009	–	28,000	–	–	28,000	June 2012
Former members of the Executive Board						
K.R. Lane[2]						
2006[3]	15,000	–	(15,000)	–	–	
2007	19,000	–	–	–	19,000	January 2010
2008	22,500	–	–	–	22,500	January 2010
2009	–	28,000	–	–	28,000	January 2010
A.H.A. Veenhof						
2006[3]	10,000	–	–	–	10,000	May 2009
2007[3]	11,500	–	–	(11,500)	–	
2007	23,500	–	–	(23,500)	–	
2008	25,000	–	–	(25,000)	–	
2008[3]	11,500	–	–	(11,500)	–	
Total (former) members of the Executive Board	148,000	56,000	(15,000)	(71,500)	117,500	
Other (former) employees						
2006[4]	23,000	–	(23,000)	–	–	May 2009
2007[5]	99,595	–	–	(49,304)	50,291	January 2010/June 2010
2008[5]	108,645	–	–	(7,600)	101,045	January 2010/June 2011
2009[5,6]	–	250,400	–	(2,750)	247,650	January 2010/June 2012
Total other (former) employees	231,240	250,400	(23,000)	(59,654)	398,986	
Total	379,240	306,400	(38,000)	(131,154)	516,486	

1 In accordance with the Corporate Governance Code, the members of the Executive Board are not allowed to sell any delivered shares within five years after the date of the grant. The vesting period is three years similar to the shares granted to Other employees.
2 K.R. Lane stepped down as member of the Executive Board as at 23 December 2009, the date of announcement of the sale of Tree of Life, Inc. All shares granted will become 100% vested as of the closing date of the sale, being 29 January 2010.
3 No performance hurdles.
4 23,000 (sign on) shares, without performance hurdles.
5 36,550 of the 2007 shares, 39,950 of the 2008 shares and 97,000 of the 2009 shares granted will become 100% vested as of the closing date of the sale of Tree of Life, Inc., being 29 January 2010.
6 Including 5,000 sign on shares without performance hurdles.

10. Net financing costs

	2009	2008
Interest income	–	0.2
Interest expense	(8.4)	(10.2)
Net foreign exchange gain/(loss)	0.1	1.1
Net change in fair value of derivatives	(4.5)	–
Interest expense defined benefit plans	(1.1)	(0.6)
Impairment loss on equity investments	–	(1.9)
Reversal of impairment on debt securities	–	2.4
Transaction and commitment fees	(4.5)	(0.2)
Other	(1.5)	(0.6)
Total other financial income and expense	(11.5)	0.2
Net financing costs	(19.9)	(9.8)

Notes to the consolidated financial statements

10. Net financing costs continued

Interest expense primarily originates from Wessanen's credit facilities to fund both continuing and discontinued operations, resulting in a recognised interest expense in 2009 of EUR 8.4 mln (2008: EUR 10.2). See note 23 for more information on the interest bearing loans and borrowings.

Foreign exchange results on financing transactions and on financial assets and liabilities are presented as part of net foreign exchange gain/(loss). Wessanen mitigates its foreign currency exchange exposure by entering into various financial instruments. For more information on Wessanen's foreign currency exposure and financial risk management reference is made to Note 27.

The net change in fair value of derivatives mainly includes the Interest Rate Swap. During 2009 the hedge became ineffective as the Group progressed in its strategy to divest its North American businesses. Accordingly, since the second quarter of 2009, changes in the fair value of the Interest Rate Swap are directly recognised in the income statement, classified as net financing costs.

Transaction and commitment fees mainly include amendment fees paid in respect of the re-financing of the syndicated credit facility. The increase in other financial expense in 2009 compared to last year is mainly caused by factoring costs.

11. Income tax expense

The income tax expense for the year 2009 amounted to EUR 69.0 (2008: EUR 8.2) and can be specified in current and deferred tax components as follows:

	2009	2008
Current income tax expense		
Current income tax expense	(2.5)	(14.3)
Adjustment for prior years	(1.1)	–
Total current income tax expense	(3.6)	(14.3)
Deferred income tax expense		
Change in income tax rate	–	(1.1)
Deferred taxation relating to temporary differences	6.5	5.1
Recognition of income tax losses	–	2.9
Utilisation of income tax losses	(5.5)	(3.6)
Benefit from previously unrecognised income loss	0.1	0.3
(Reversal of)/Write-down of deferred tax assets	(68.4)	0.8
Over-provided in prior years and other	1.9	1.7
Total deferred income tax expense	(65.4)	6.1
Total income tax expense	(69.0)	(8.2)

Effective income tax rate

The Group's operating activities are subject to income taxes in various countries with statutory income tax rates between 25% and 41%.

The following table reconciles the domestic income tax rate as a percentage of profit before income tax with the effective income tax rate as shown in the consolidated income statement.

	2009		2008	
Reconciliation of effective income tax rate	**EUR**	**%**	EUR	%
Profit before income tax	(64.3)		27.3	
Income tax using the domestic income tax rate	16.4	(25.5)%	(7.0)	(25.5)%
Effect of income tax rates in foreign jurisdictions	4.2	(6.5)%	(0.6)	(2.2)%
Change in income tax rate	–	0.0%	(1.1)	(4.0)%
Non-deductible expenses and tax exempt income	(8.5)	13.2%	(2.1)	(7.7)%
Recognition of unrecognised income tax losses	0.1	(0.2)%	0.3	1.1%
Unrecognised income tax losses for the year	(13.6)	21.1%	(0.2)	(0.7)%
(Reversal of)/Write-down of deferred tax assets	(68.4)	106.4%	0.8	2.9%
Over-/(under) provided in prior years and other	0.8	(1.2)%	1.7	6.2%
Income tax expense in income statement	(69.0)	107.3%	(8.2)	(29.9)%

Notes to the consolidated financial statements

11. Income tax expense continued

Non-deductible expenses and tax exempt income in 2009 mainly result from non-deductible goodwill impairment losses recognised (see Note 15). Unrecognised income tax losses and the write-down of deferred tax assets in 2009 mainly relate to the Netherlands and the United States as it no longer probable that sufficient taxable profit will be available against which Wessanen can utilise the benefits therefrom.

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

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the North American Distribution operations and the operations of PANOS Brands and Liberty Richter (the latter two both part of the North America Branded segment in prior periods) were classified as discontinued operations in the third quarter of 2009. In addition, the operations of Karl Kemper (Germany) and Righi (Italy) (both part of the Frozen Foods segment in prior periods) were classified as discontinued operations in the course of the third quarter of 2009. Management committed to a plan to sell these operations following the strategic decision to focus on expansion of Wessanen's presence in the European organic food markets through autonomous growth and acquisitions. In 2009 Karl Kemper, Righi and Liberty Richter were divested. On 23 December 2009 Wessanen reached an agreement with Kehe Food Distributors, Inc. to sell Tree of Life, Inc., for USD 190, subject to normal working capital adjustments and potential downward adjustments to operating result before interest expense, income tax, depreciation and amortisation ('EBITDA') depending on Tree of Life's operating performance prior to closing (see Note 35).

Assets and liabilities held for sale

The following balances of assets and liabilities are classified as held for sale as at 31 December 2009 and 2008 respectively, because the carrying amount of these assets and liabilities are expected to be recovered through a sales transaction rather than through continuing use:

	2009	2008
Non-current assets held for sale	–	–
Assets related to discontinued operations	197.8	–
Total assets classified as held for sale	197.8	–
Non-current liabilities related to assets held for sale	–	–
Liabilities related to discontinued operations	66.6	–
Total liabilities classified as held for sale	66.6	–

The combined carrying amounts of the major classes of assets and liabilities classified as held for sale relating to discontinued operations were as follows:

	31 December 2009
Non-current assets	9.5
Current assets	188.3
Assets related to discontinued operations	197.8
Non-current liabilities	6.1
Current liabilities	60.5
Liabilities related to discontinued operations	66.6
Net assets related to discontinued operations	131.2

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

Result from discontinued operations

The total result from discontinued operations can be specified into the operating result from discontinued operations, the result recognised on re-measurement of assets of discontinued operations and the result on divestment of discontinued operations as follows:

	2009	2008
Net revenue	882.9	871.9
Operating result (EBIT)	2.9	13.5
Net financing costs	(0.7)	(3.5)
Profit before income tax	2.2	10.0
Share in results of associates	0.1	–
Income tax expense	(45.3)	0.4
Profit/(loss) after tax from discontinued operations	(43.0)	10.4
Pre-tax gain/(loss) recognised on the re-measurement of the assets of discontinued operations	(46.1)	–
Income tax expense	0.2	–
After tax gain/(loss) recognised on the re-measurement of the assets of discontinued operations	(45.9)	–
Pre-tax gain/(loss) recognised on the divestment of discontinued operations	1.9	–
Income tax expense	(1.3)	–
After tax gain/(loss) recognised on the divestment of discontinued operations	0.6	–
Profit/(loss) from discontinued operations, net of income tax	(88.3)	10.4

Result on divestment of discontinued operations

The following table presents a reconciliation between net assets divested, proceeds from divestment of discontinued operations and the result on divestment of discontinued operations.

	31 December 2009
Non-current assets	0.7
Current assets	22.0
Non-current liabilities	(1.0)
Current liabilities	(15.0)
Net assets divested	6.7
Consideration received in cash, net of expenses	6.0
Proceeds to be received	3.6
Total proceeds from divestments	9.6
Net assets divested	(6.7)
Foreign currency result on transactions	(0.2)
Cumulative foreign currency differences transferred from equity	(0.8)
Income taxes expense	(1.3)
After tax gain/(loss) recognised on the divestment of discontinued operations	0.6

13. Earnings per share

Basic earnings per share

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

Profit attributable to equity holders of Wessanen	**2009**	2008
Profit/(loss) after taxes from continuing operations	(133.3)	19.1
Profit/(loss) from discontinued operations, net of income tax	(88.3)	10.4
Minority interests	1.9	(0.1)
Profit/loss for the period attributable to equity holders of Wessanen	(219.7)	29.4

Number of ordinary shares (in thousands)	**2009**	2008
Issued ordinary shares	68,359	72,589
Withdrawal of shares[1]	–	(4,230)
Own shares, held by the Company	(743)	(758)
Number of ordinary shares at year end	67,616	67,601

Weighted average number of ordinary shares	67,609	67,585

Earnings per share from continuing operations	(1.94)	0.28
Earnings per share from discontinued operations	(1.31)	0.16
Total earnings per share	(3.25)	0.44

[1] At the Annual General Meeting of Shareholders on 16 April 2008, the decision was taken to reduce the share capital by 4.2 million shares, following the share buyback programme in 2007. The shares were cancelled on 17 July 2008.

Diluted earnings per share

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

Weighted average number of ordinary shares (diluted) (in thousands)	**2009**	2008
Weighted average number of ordinary shares	67,609	67,585
Effect of stock options	–	299
Effect of share rights	310	326
Weighted average number of ordinary shares (diluted)	67,919	68,210

Diluted earnings per share from continuing operations	(1.93)	0.28
Diluted earnings per share from discontinued operations	(1.30)	0.15
Total diluted earnings per share	(3.23)	0.43

Notes to the consolidated financial statements

14. Property, plant and equipment

	Land and buildings	Machinery and equipment	Other	Under construction and pre-payments	Total
2008					
Carrying value at beginning of year	49.3	55.4	8.0	12.1	124.8
Effect of movements in foreign exchange rates	(0.4)	1.5	(0.2)	0.2	1.1
Capital expenditure	1.4	6.5	1.6	12.3	21.8
Financial leases	–	1.3	–	–	1.3
Acquisitions through business combinations	–	(0.7)	–	–	(0.7)
Completed construction	3.9	12.1	3.8	(19.8)	–
Reclasses	(0.4)	–	(2.9)	0.4	(2.9)
Disposal	(6.5)	(0.4)	(0.1)	(0.1)	(7.1)
Depreciation	(4.2)	(9.4)	(2.1)	–	(15.7)
Impairment	–	(0.6)	–	–	(0.6)
Carrying value at year end	43.1	65.7	8.1	5.1	122.0
Accumulated depreciation and impairment losses	55.7	106.1	20.7	–	182.5
Cost at year end	98.8	171.8	28.8	5.1	304.5
2009					
Carrying value at beginning of year	43.1	65.7	8.1	5.1	122.0
Effect of movements in foreign exchange rates	–	(0.8)	–	0.1	(0.7)
Capital expenditure	0.7	2.0	1.6	6.8	11.1
Financial leases	–	0.7	–	–	0.7
Completed construction	4.3	3.1	0.6	(8.0)	–
Disposal	–	(0.3)	–	(1.1)	(1.4)
Transfer to held for sale	(10.3)	(11.6)	(0.8)	(0.4)	(23.1)
Depreciation	(3.4)	(8.9)	(2.5)	–	(14.8)
Impairment	(3.1)	(1.6)	–	(0.8)	(5.5)
Carrying value at year end	31.3	48.3	7.0	1.7	88.3
Accumulated depreciation and impairment losses	36.2	74.6	18.5	0.5	129.8
Cost at year end	67.5	122.9	25.5	2.2	218.1

Impairments
Impairments on property, plant and equipment have been recognised at Wessanen's American Beverage Corporation (ABC) and the Frozen Foods segment in the amount of EUR 5.1 and EUR 0.4 respectively. At ABC, assets have been withdrawn from use and for some other assets the carrying value exceeded the higher of the present value of their estimated future cash flows and fair value less costs to sell. The present value of estimated future cash flows has been calculated using a discount rate of 14.7%.

Finance leases
The carrying value of land and buildings and machinery and equipment includes an amount of EUR 1.5 (2008: EUR 4.7) in respect of assets held under finance leases. Wessanen does not have legal title to these assets.

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

15. Intangible assets

	Goodwill	Brands	Customer relationships	Business acquisitions	Software	Development expenses	Total
2008							
Carrying value at beginning of year	132.8	26.3	12.0	1.0	0.6	2.8	175.5
Effect of movements in foreign exchange rates	(7.4)	(1.8)	0.3	0.1	(0.1)	0.1	(8.8)
Capital expenditure	–	–	–	0.3	0.6	1.0	1.9
Acquisitions through business combinations	13.5	5.2	0.6	–	–	–	19.3
Reclasses	–	–	–	–	2.9	–	2.9
Amortisation	–	–	(0.9)	(0.5)	(0.3)	(0.7)	(2.4)
Impairment	–	–	–	–	–	(0.7)	(0.7)
Carrying value at year end	138.9	29.7	12.0	0.9	3.7	2.5	187.7
Accumulated amortisation and impairment losses	26.3	–	1.4	18.1	8.0	1.4	55.2
Cost at year end	165.2	29.7	13.4	19.0	11.7	3.9	242.9
2009							
Carrying value at beginning of year	138.9	29.7	12.0	0.9	3.7	2.5	187.7
Effect of movements in foreign exchange rates	1.9	0.6	–	0.1	–	–	2.6
Capital expenditure	–	–	–	0.1	1.8	0.1	2.0
Acquisitions through business combinations	1.8	–	–	–	–	–	1.8
Disposal	–	–	–	–	–	(0.5)	(0.5)
Reclassifications	–	–	–	–	0.9	0.3	1.2
Amortisation	–	–	(1.0)	(0.3)	(0.5)	(0.6)	(2.4)
Impairment	(27.7)	(4.8)	(6.2)	–	(0.9)	(1.3)	(40.9)
Transfer to held for sale	(14.8)	(4.4)	(0.7)	(0.8)	(0.1)	(0.3)	(21.1)
Carrying value at year end	100.1	21.1	4.1	–	4.9	0.2	130.4
Accumulated amortisation and impairment losses	27.5	4.5	8.9	–	5.6	3.8	50.3
Cost at year end	127.6	25.6	13.0	–	10.5	4.0	180.7

Acquisitions through business combinations

The acquisition of the remaining minority shares of Distriborg Groupe, the capital contribution to Favory Convenience Food Group and the acquisition of Warehouse Vitamines Inc. lead to capitalisation of goodwill in the amount of EUR 1.8 in 2009 (see Note 5). Intangible assets from acquisitions through business combinations in 2008 of EUR 19.3 consists of intangible assets from acquisitions of EUR 17.5 and additional goodwill from prior year's acquisitions of EUR 1.8 caused by additional fair value adjustments made.

Impairment testing for cash-generating units containing goodwill and brands

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

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

	31 December 2009			31 December 2008		
	Goodwill	**Brands**	**Total**	Goodwill	Brands	Total
Wessanen Europe	90.9	19.7	110.6	115.5	19.1	134.6
Frozen Foods	9.2	1.4	10.6	16.2	3.6	19.8
North America Branded	–	–	–	–	4.7	4.7
North America Distribution[1]	–	–	–	7.2	2.3	9.5
Carrying value at year end	100.1	21.1	121.2	138.9	29.7	168.6

[1] Classified as held for sale/discontinued operations in 2009.

15. Intangible assets continued

The recoverable amount for all cash-generating units (level below segment level) is based on value-in-use calculations. Value in use calculations use cash flow projections covering a maximum period of five years that are based on three-year financial budgets approved by Company management. Cash flows beyond this three-year period are extrapolated using estimated growth rates. The terminal value is based on a stable growth rate of 1-2% per type of business. A specific Weighted Average Cost of Capital ('WACC') has been used for our UK and other European businesses (12.7%) and North American (14.7%), respectively, in discounting the projected cash flows. The pretax WACC reflects the current market assessments of the time value of money and the specific risks of the cash-generating unit.

In 2009 an impairment loss has been recognised of EUR 40.9 in total, related to Wessanen Europe (EUR 28.0) , Frozen Foods (EUR 0.7) and American Beverage Corporation (EUR 12.2), due to the revised operating performance. The impairment was for the majority allocated to goodwill, brands and customer lists. An increase of 100 basis points in the discount rate assumption would not have changed the conclusion on the impairment test of the other cash generating units. An assumption of 1% less growth after five years, also would not change the conclusion on the impairment test of the other cash generating units.

Security

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

16. Investments in associates

	31 December 2009		31 December 2008	
	Ownership	**Amount**	Ownership	Amount
World Finer Foods[1]	45.2%	–	45.2%	0.3
Fifty-Fifty[1]	22.6%	–	22.6%	0.3
Carrying value at year-end		–		0.6

[1] Transferred to discontinued operations as from 30 September 2009.

17. Other investments

Other investments relate to equity investments of EUR 0.1 (2008: EUR -) and debt securities of EUR 3.1 (2008: EUR 3.1).

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in Note 27.

18. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

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

	Balance 1 January 2008	Effect of movement in foreign exchange rates	Acquisitions through business combinations	Recognised in profit or loss	Recognised in other comprehensive income	Other	Balance 31 December 2008
Intangible assets	13.6	0.4	–	(3.6)	–	–	10.4
Inventories	1.1	–	–	(0.5)	–	–	0.6
Trade and other receivables	0.9	(0.1)	–	1.4	–	–	2.2
Interest-bearing loans and borrowings	1.5	–	–	11.3	3.8	–	16.6
Provisions	9.1	0.1	–	(1.6)	–	–	7.6
Trade and other payables and accrued expenses	3.8	–	–	(2.4)	2.9	(0.2)	4.1
Tax of loss carry-forward	76.5	2.1	0.3	3.1	–	0.3	82.3
Total deferred tax assets	106.5	2.5	0.3	7.7	6.7	0.1	123.8
Property, plant and equipment	(7.8)	(0.3)	–	(1.2)	–	–	(9.3)
Other items	(5.5)	–	–	1.1	–	–	(4.4)
Total deferred tax liabilities	(13.3)	(0.3)	–	(0.1)	–	–	(13.7)
Net deferred tax assets	93.2	2.2	0.3	7.6	6.7	0.1	110.1

Notes to the consolidated financial statements

18. Deferred tax assets and liabilities continued

	Balance 31 December 2008	Effect of movement in foreign exchange rates	Recognised in profit or loss	Recognised in other comprehensive income	Transfer to held for sale	**Balance 31 December 2009**
Intangible assets	10.4	0.2	(1.6)	–	(9.0)	–
Inventories	0.6	–	–	–	(0.6)	–
Trade and other receivables	2.2	–	(1.2)	–	(0.9)	0.1
Interest-bearing loans and borrowings	16.6	0.2	(12.0)	(3.8)	(1.0)	–
Provisions	7.6	–	(5.3)	–	(1.8)	0.5
Trade and other payables and accrued expenses	4.1	0.1	3.4	(2.7)	(4.1)	0.8
Tax of loss carry-forward	82.3	0.6	(79.6)	–	–	3.3
Total deferred tax assets	123.8	1.1	(96.3)	(6.5)	(17.4)	4.7
Property, plant and equipment	(9.3)	(0.1)	6.4	–	1.4	(1.6)
Other items	(4.4)	–	3.0	–	–	(1.4)
Total deferred tax liabilities	(13.7)	(0.1)	9.4	–	1.4	(3.0)
Net deferred tax assets	110.1	1.0	(86.9)	(6.5)	(16.0)	1.7

Net deferred tax assets/(liabilities) are presented as follows:	**31 December 2009**	31 December 2008
Deferred tax assets presented under non-current assets	4.3	115.4
Deferred tax liabilities presented under non-current liabilities	(2.6)	(5.3)
Net deferred tax assets	1.7	110.1

Unrecognised/impaired deferred tax assets

Deferred tax assets have not been recognised respectively have been impaired in respect of the following items:

	31 December 2009	31 December 2008
Tax value of loss carry-forwards not recognised	60.4	7.1
Tax value of temporary differences	22.7	–
Total unrecognised/impaired deferred tax assets	83.1	7.1

In 2009 Wessanen recognised impairments in respect of deferred tax assets related to tax losses carried forward from continuing operations in the United States, the Netherlands, Germany and Italy for the amount of EUR 59.3 as it is no longer probable that sufficient taxable profits will be available to allow the benefits to be utilised due to changed circumstances.

19. Inventories

	31 December 2009	31 December 2008
Finished products	57.7	198.1
Semi-finished products	0.7	1.3
Raw materials and supplies	9.9	15.3
Prepayments on inventories	0.6	1.0
Total inventories	68.9	215.7

The amount of write down of inventories recognised as an expense in 2009 is EUR 0.8 (2008: EUR 0.8), which is recognised in cost of raw materials and supplies.

20. Trade and other receivables and prepayments

Trade receivables are shown net of impairment losses amounting to EUR 4.4 (2008: EUR 3.6) arising from identified doubtful receivables from customers.

Other receivables and prepayments include derivatives in the amount of EUR – (2008: EUR 7.2). Furthermore, other receivables and prepayments include receivables from associates of EUR – (2008: EUR 0.4).

The Group's exposure to credit and currency risks and impairments losses related to trade and other receivables and prepayments are disclosed in Note 27.

Notes to the consolidated financial statements

21. Cash and cash equivalents and bank overdrafts

	31 December 2009	31 December 2008
Cash	0.1	0.1
Bank balances	44.2	44.7
Cash and cash equivalents	44.3	44.8
Bank overdrafts	(24.1)	(18.8)
Cash and cash equivalents in the statement of cash flows	20.2	26.0

Cash and cash equivalents are at Wessanen's free disposal as at 31 December 2009.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 27.

22. Equity attributable to equity holders of Wessanen

Issued and paid-up share capital

The authorised share capital of the Company as at 31 December 2009 consists of 300 million ordinary shares (2008: 300 million) with a nominal value of EUR 1.00, of which 68.4 million shares were issued and paid-up (2008: 68.4 million shares).

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

Reserve for own shares

The reserve for the Company's own shares comprises the cost of the Company's shares, held by Wessanen. As at 31 December 2009 Wessanen held 743,037 shares (2008: 758,037).

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

	2009		2008	
	Number of shares x 1,000	Amount	Number of shares x 1,000	Amount
Balance at beginning of the year	758	(6.2)	5,005	(56.6)
Repurchase of own shares	–	–	62	(0.6)
Cancellation of own shares	–	–	(4,230)	50.0
Share options exercised/shares delivered	(15)	0.2	(79)	1.0
Balance at year end	743	(6.0)	758	(6.2)

Translation reserve

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

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments (Interest Rate Swaps, foreign currency forward contracts and diesel fuel price swaps) related to hedged transactions that have not yet occurred.

Other legal reserves

In accordance with the Netherlands Civil Code, a legal reserve is established in 2009 of EUR 0.1 as at 31 December 2009 (2008: EUR 2.5) related to the capitalisation of development expenses, classified as intangible assets (see Note 15).

Dividends

No dividend shall be distributed for the year 2009 due to the loss for the period (2008: EUR 0.20 per ordinary share).

	2009	2008
Dividends declared and paid in the year [1]	–	40.6

[1] Excluding dividends own shares.

Notes to the consolidated financial statements

23. Interest-bearing loans and borrowings

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

	31 December 2009			31 December 2008		
	Current portion	**Non-current portion**	**Total**	Current portion	Non-current portion	Total
Syndicated loans	204.5	–	204.5	–	224.3	224.3
Finance leases	0.4	0.3	0.7	0.9	2.8	3.7
Other long-term loans	0.5	5.5	6.0	12.6	–	12.6
Total	205.4	5.8	211.2	13.5	227.1	240.6

Syndicated loans

Syndicated loans consists of USD 136 and EUR 110 floating rate borrowings as at 31 December 2009 (2008: USD 136 and EUR 128 respectively) under a EUR 250 multi-currency credit facility.

In July 2009, Wessanen reached agreement with its four syndicate banks on amendments to its EUR 250 credit facility. The amendments provide Wessanen with more headroom in leverage until it has divested businesses in North America (see Note 12). Under the amended facility, total net debt was not allowed to exceed 4.0 times consolidated earnings before interest, taxation, depreciation, amortisation and exceptional items ('EBITDAE') during the remaining period in 2009. Wessanen exceeded this financial covenant at year-end 2009, but received a waiver early 2010 from the syndicate banks for this event of default arising from non-compliance. As a result of non-compliance at year-end, the syndicated loans are presented under current liabilities. For the first half of 2010, Wessanen needs to ensure that EBITDAE does not exceed 3.5 times consolidated EBITDAE. After divesting our North American businesses, but in any event no later than 1 July 2010, total net debt is not allowed to exceed 3.0 times consolidated EBITDAE. Based upon current forceasts, covenants are expected to be met for the full year of 2010.

Proceeds from divestment of our North American businesses (see Note 12 and Subsequent Events) will be used for the mandatory redemption of facility loans and the reduction of the credit facility. The remaining EUR 100 of the credit facility is available until the original maturity in February 2012. The facility has various other general and financial covenants in place which are customary for its type, amount and tenor.

Interest is based on the relevant floating rate (EURIBOR or LIBOR) plus a margin. In July 2009, the interest margin has been increased to 150-300 basis points over EURIBOR/LIBOR, based on a leverage grid (net debt/EBITDAE). The average interest rate for 2009 is 3.5% (2008: 4.8%).

Finance leases

Non-cancellable finance leases are payable as follows:

	2009			2008		
	Total lease payments	**Interest**	**Carrying value**	Total lease payments	Interest	Carrying value
Less than 1 year	0.5	0.1	0.4	1.1	0.2	0.9
Between 1 and 5 years	0.4	0.1	0.3	3.2	0.6	2.6
More than 5 years	–	–	–	0.2	–	0.2
Total	0.9	0.2	0.7	4.5	0.8	3.7

Other long-term loans

Other long-term loans as at 31 December 2009 consist of EUR 4.4 floating rate borrowings (2008: EUR 8.9) under a EUR 5.5 credit facility (2008: EUR 9.5) and other floating rate bank loans of EUR 1.6 (2008: EUR 2.2), both to Favory Convenience Food Group. The average interest rate for 2009 related to these borrowings is 6.0% and 3.3% respectively (2008: 6.9% and 5.6% respectively).

Notes to the consolidated financial statements

24. Employee benefits

Defined benefit plans

Royal Wessanen nv and its subsidiaries make contributions to defined benefit plans in the Netherlands, Germany and France, that provide pension benefits for employees upon retirement. These are final-pay and average-pay plans, based on the employees' years of service and compensation near retirement.

The schemes are administered by industry pension funds and life insurance companies. During 2008, the defined benefit plan for corporate staff in the Netherlands as well as the accompanying net defined benefit obligation was transferred from the independent Company pension fund to an insurance company. The wind up of the company pension fund started as per 31 December 2008, and is still in process of completion.

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

Multi-employer plans

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

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

Defined contribution plans

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

The components of the employee benefits for the years ending 31 December 2009 and 2008 respectively are shown in the following tables.

Defined Benefit plans	**31 December 2009**	31 December 2008
Present value of unfunded obligations	2.5	3.1
Present value of funded obligations	72.0	68.1
Total present value of obligations	74.5	71.2
Fair value of plan assets	(61.4)	(58.5)
Deficit	13.1	12.7
Unrecognised actuarial gains and losses	9.4	10.1
Unrecognised past service costs	(1.1)	(1.3)
Net liability for defined benefit obligations	21.4	21.5
Other employee benefits	0.2	0.1
Total liability employee benefits	21.6	21.6

Movement in the liability for defined benefit obligations

	2009	2008
Liability for defined benefit obligations at beginning of year	71.2	68.8
Benefits paid	(2.6)	(2.3)
Employee contributions	0.2	0.2
Current service costs	1.5	1.2
Interest costs	3.8	3.7
Past service costs	–	0.6
Actuarial gains	0.4	(1.0)
Liability for defined benefit obligations at year end	74.5	71.2

24. Employee benefits continued

Movement in plan assets

	31 December 2009	31 December 2008
Fair value of plan assets at beginning of year	58.5	60.5
Employer contributions	2.6	2.4
Employee contributions	0.2	0.2
Benefits paid	(2.7)	(2.4)
Expected return on plan assets	2.7	3.1
Actuarial losses	0.1	(5.3)
Fair value of plan assets at year	61.4	58.5

Plan assets

The pension plan asset allocation can differ per plan, and can be specified as follows (on a weighted averaged basis):

	31 December 2009	31 December 2008
Equity securities	7.7%	6.2%
Bonds	73.6%	75.4%
Other	18.7%	18.4%
Total	100.0%	100.0%

Expense recognised in the income statement

	2009	2008
Current service costs	1.5	1.2
Past service costs	0.1	0.6
Interest costs	3.8	3.7
Expected return on plan assets	(2.7)	(3.1)
Amortisation unrecognised net (gain)/loss	(0.3)	(0.5)
Amortisation unrecognised past service costs	–	0.1
Total expense	2.4	2.0

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

	2009	2008
Personnel expenses	1.3	1.4
Net financing costs	1.1	0.6
Total expense	2.4	2.0
Actual return on plan assets	(2.8)	2.2

The expected contributions for defined benefit plans in 2010 amount to EUR 2.8.

Actuarial assumptions

Principal actuarial assumptions at the balance sheet date:

	2009	2008
	Euro-zone	Euro-zone
Discount rate at year end	4.5-5.5%	5.50%
Expected return on plan assets at year end	4.5-5.5%	4.3-5.6%
Future general salary increases	2.0-3.0%	2.0-3.0%
Price inflation	2.0%	2.0%
Future pension increases	2.0%	2.0%

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

Notes to the consolidated financial statements

24. Employee benefits continued

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

	2009	2008	2007	2006	2005
Defined benefit obligation	74.5	71.2	68.8	80.3	124.3
Fair value of plan assets	(61.4)	(58.5)	(60.5)	(63.8)	(88.7)
Deficit in the plan	13.1	12.7	8.3	16.5	35.6

Experience adjustments arising on plan liabilities and plan assets

	2009	2008	2007	2006	2005
Plan liabilities	1.8	0.4	4.6	6.2	6.4
Plan assets	0.1	5.3	5.8	1.0	4.7

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

25. Provisions

Movements in provisions can be specified as follows:

	Restructuring	Workers' compensation	Other provisions	Total
Non-current	0.2	2.9	0.6	3.7
Current	0.3	2.8	2.0	5.1
Balance at beginning of year	0.5	5.7	2.6	8.8
Effect of movements in foreign exchange rates	–	(0.2)	–	(0.2)
Additions charged against result	1.4	1.2	8.1	10.7
Used during the year	(0.4)	(1.3)	(2.3)	(4.0)
Unwind discount	–	0.2	–	0.2
Transfer to held for sale	–	(5.6)	(1.4)	(7.0)
Balance at year end	1.5	–	7.0	8.5
Non-current	0.1	–	2.8	2.9
Current	1.4	–	4.2	5.6
Balance at year end	1.5	–	7.0	8.5

Restructuring

The provision for restructuring relates to restructurings at various sites.

Other provisions

Other provisions mainly relate to customer incentives and litigation. In addition, other provisions include a liability arising from cash-settled share-based payment transactions of EUR 0.3 as at 31 December 2009 (2008: EUR 0.3)

Releases of prior year provisions are accounted for in operating result.

Notes to the consolidated financial statements

26. Trade and other payables and accrued expenses

	31 December 2009	31 December 2008
Trade payables – third party	78.2	136.7
Trade payables – associates	–	5.1
Total trade payables	78.2	141.8
Customer incentives	14.6	23.3
Personnel expenses	16.7	18.1
Pensions	0.2	0.2
Social securities and other taxes	5.9	5.4
Interest payables	1.8	3.7
Derivatives	4.9	27.7
Other liabilities	23.1	28.8
Total other payables and accrued expenses	67.2	107.2
Total trade and other payables and accrued expenses	145.4	249.0

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 27.

27. Financial instruments and risk management

This note presents information about Wessanen's exposure to liquidity risk, market risk and credit risk, Wessanen's objectives, policies and processes for measuring and managing risk, and Wessanen's management of capital, as well as quantitative disclosures (before income tax) in addition to those included throughout these consolidated financial statements.

The Executive Board has overall responsibility for the establishment and oversight of Wessanen's Risk Management and Internal Control system. The system is designed to enable the Executive Board to achieve its strategic objectives within a managed risk profile. The Executive Board is responsible for setting risk management policies and strategies. Senior management and operating companies conduct a risk assessment to create action plans and execute internal control procedures. As a Committee of the Supervisory Board, the Audit Committee monitors risk management and control activities and provides the Supervisory Board with a clear overview of the entire risk management and internal control process. Any significant changes and improvements to the Risk Management and Internal Control system are discussed with the Audit Committee and the Supervisory Board.

Liquidity risk

Liquidity risk is the risk that Wessanen will not be able to meet its financial obligations as they fall due. A material and sustained shortfall in Wessanen's cash flow could undermine overall investor confidence and could restrict the Group's ability to raise funds. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation. Wessanen manages its liquidity by monitoring and forecasting cash flows of its operating companies, debt servicing requirements, dividends to shareholders and other transactions.

In 2009 amendments to Wessanen's EUR 250 credit facility were made. The amendments provide Wessanen with more headroom in leverage until it has divested its businesses in North America. Wessanen exceeded the net debt/ EBITDAE covenant of the amended credit facility at year end 2009, but received a waiver for non-compliance early 2010 (see Note 23). As a consequence, the syndicated credit facility has been classified as a current liability as at 31 December 2009. The Group has the ability to draw loans from the syndicated credit facility with short term maturities. When a loan expires, this is ordinarily refinanced with a new loan drawn from the facility. Proceeds from divestments (see Note 12 and 35) will be applied to a mandatory redemption of facility loans and a reduction of the credit facility. The remaining EUR 100 of the credit facility is available until the original maturity in February 2012.

In addition to the syndicated loan facility, Wessanen has in excess of EUR 50 of uncommitted credit facilities with various banks throughout the Group. Favory Convenience Food Group has a EUR 5.5 credit facility.

The table below summarises the maturity profile of Wessanen's financial liabilities, including estimated interest payments at 31 December 2009 and at 31 December 2008 based on contractual undiscounted cash flows.

27. Financial instruments and risk management continued

2008

	Note		Carrying amount	Total cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
				Undiscounted contractual cash flows					
Non-derivative financial liabilities									
Syndicated loans	23	floating	(224.3)	(258.7)	(5.5)	(5.6)	(11.1)	(236.5)	–
Other long-term loans	23	floating	(12.6)	(13.0)	(12.3)	(0.7)	–	–	–
Finance leases liabilities	23	fixed	(3.7)	(4.5)	(0.5)	(0.6)	(1.0)	(2.2)	(0.2)
Trade and other payables[1]	26	non-interest bearing	(221.3)	(221.3)	(221.3)	–	–	–	–
Bank overdrafts	21	floating	(18.8)	(18.8)	(18.8)	–	–	–	–
Subtotal			(480.7)	(516.3)	(258.4)	(6.9)	(12.1)	(238.7)	(0.2)
Derivative financial instruments									
Interest rate swaps used for hedging and corresponding interest flows			(10.4)	(10.4)	0.8	(2.3)	(1.5)	(4.5)	(2.9)
Exchange rate contracts (forwards and swaps) used for hedging			(5.8)	(5.8)	(5.8)	–	–	–	–
Other forward contracts used for hedging			(4.3)	(4.3)	(4.3)	–	–	–	–
Subtotal			(20.5)	(20.5)	(9.3)	(2.3)	(1.5)	(4.5)	(2.9)
Total			(501.2)	(536.8)	(267.7)	(9.2)	(13.6)	(243.2)	(3.1)

[1] Excluding derivatives.

2009

	Note		Carrying amount	Total cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
				Undiscounted contractual cash flows					
Non-derivative financial liabilities									
Syndicated loans	23	floating	(204.5)	(205.0)	(205.0)	–	–	–	–
Other long-term loans	23	floating	(6.0)	(7.4)	(0.4)	(0.4)	(0.8)	(1.4)	(4.4)
Finance leases liabilities	23	fixed	(0.7)	(0.9)	(0.3)	(0.2)	(0.4)	–	–
Trade and other payables[1]	26	non-interest bearing	(139.1)	(139.1)	(139.1)	–	–	–	–
Bank overdrafts	21	floating	(24.1)	(24.1)	(24.1)	–	–	–	–
Subtotal			(374.4)	(376.5)	(368.9)	(0.6)	(1.2)	(1.4)	(4.4)
Derivative financial instruments									
Interest rate swaps used for hedging and corresponding interest flows			(6.1)	(6.1)	1.1	(2.1)	(1.0)	(3.0)	(1.1)
Other forward contracts used for hedging			(0.2)	(0.2)	(0.2)	–	–	–	–
Subtotal			(6.3)	(6.3)	0.9	(2.1)	(1.0)	(3.0)	(1.1)
Total			(380.7)	(382.8)	(368.0)	(2.7)	(2.2)	(4.4)	(5.5)

[1] Excluding interest IRS and derivatives.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Group's income or the value of (e.g. in foreign currency denominated) balance sheet items. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

27. Financial instruments and risk management continued

Currency risk

Wessanen conducts business in foreign currencies but publishes its financial statements, and measures its performance, in Euros. These foreign currencies mainly include the US dollar, the Canadian dollar and the Pound sterling. Because of the Group's international presence, it is subject to risks from changes in foreign currency values that could affect earnings and capital. The sale of Tree of Life Inc., on 29 January 2010 has significantly reduced the Group's exposure to US Dollar and Canadian Dollar (see Note 12 and 35).

The Group has a foreign exchange policy that mitigates the impact of foreign currencies to functional currencies. Transactions arising from operational and financing activities, in currencies other than the functional currency, are hedged in order to mitigate income statement volatility. All operating companies conduct their hedging transactions internally through the centralised corporate treasury department. Wessanen provides operational funding to its operating companies in their functional currency. Wessanen aims to minimise its foreign exchange exposure by borrowing in the local currency. Further, hedging foreign exchange risk is achieved through the use of forward foreign exchange contracts and forward foreign exchange swaps. Hedge accounting is applied for transactions that exceed certain thresholds.

The Group's exposure to foreign currency risk can be specified as follows:

				2009				2008
	Euro	USD	GBP	Other[1]	Euro	USD	GBP	Other[1]
Trade receivables	0.6	–		–	–	–	0.2	–
Cash and bank overdrafts	0.3	(33.6)	0.2		0.1	0.3	0.7	0.3
Trade payables	(3.6)	(1.1)	(0.1)	(0.6)	(4.1)	0.1	(0.6)	(0.5)
Financial assets, excluding investments in subsidiaries	1.0	130.9		(0.6)	1.0	152.1	(25.4)	(0.6)
Interest-bearing loans and borrowings	–	(136.0)	–	–	–	(136.0)	–	0.6
Derivatives	4.0	39.7	3.3	0.7	4.4	(11.2)	25.4	0.7
Net exposure	2.3	(0.1)	3.4	(0.5)	1.4	5.3	0.3	0.5

[1] In EUR.

Translation results on capital invested in foreign subsidiaries are recorded as a movement in the translation reserve in equity. Capital invested in, and net income from foreign subsidiaries is not hedged to the Euro. Accordingly, from time to time, currency revaluations on investments will trigger translation results in equity. In 2009, currency translation effects were EUR 5.0 (2008: EUR 21.7).

The USD financing of the North American businesses is partly offset by a USD 136 loan drawn under the credit facility (see Note 23) (2008: USD 136). In December 2008, the Group designated USD 200 of intercompany funding as part of its net investment in its US operations and discontinued hedging the related foreign exchange exposure. Accordingly, the foreign currency results on the USD 200 intercompany financing are recorded in the translation reserve in equity of EUR 7.8 negative (net of income tax) in 2009 and EUR 11.2 negative (net of income tax) in 2008.

A 10% strengthening of the Euro against the USD and GBP currencies in 2009 would have hypothetical impact on equity and profit for both continuing and discontinued companies by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	USD	**GBP**	USD	GBP
10% strengthening of the Euro	**2009**	**2009**	2008	2008
Equity	(4.3)	(3.7)	(31.4)	(3.5)
Net result	11.9	(0.2)	(1.3)	(0.4)

Interest rate risk

The Group has an interest rate risk policy in place that allows it to minimise income statement volatility and, at the same time, minimise its interest expense in order to manage its interest expense in relation to its operating earnings. This is primarily achieved through borrowing from its multi-currency syndicated credit facility and modifying the interest rate exposure of debt and cash positions through the use of interest rate swaps. To mitigate the US dollar related interest rate risk, the Group entered into a USD 100 ten-year Interest Rate Swap (IRS) agreement which fixed the rate of borrowing of USD 100 at a price of 4.5% for the period 2005–2015. During 2009 the hedge became ineffective as the Group progressed in its strategy to divest its North American businesses. Accordingly, since the second quarter of 2009, changes in the fair value of the Interest Rate Swap are directly recognised in the income statement, classified as net financing costs.

27. Financial instruments and risk management continued

A change of 100 basis points (bp) in variable interest rates in 2009 would have a hypothetical impact on equity and profit by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008. The major part of this positive effect on net result in 2009 stems from the IRS, under the assumption that an interest increase impacts future cash flow obligations on the IRS, and thus impacts the market value of the IRS, changes of which are directly accounted for in the income statement.

	Profit or loss		Equity	
2008	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Variable rate instruments	(2.1)	2.1	–	–
Interest Rate Swap	0.7	(0.7)	4.1	(4.1)
Net impact	(1.4)	1.4	4.1	(4.1)
2009				
Variable rate instruments	(1.8)	1.8	–	–
Interest Rate Swap	4.2	(4.2)	–	–
Net impact	2.4	(2.4)	–	–

Commodity risk

The Group actively monitors commodity risk, and takes steps to reduce commodity risk particularly during periods when underlying commodity prices are volatile and may lead to undesired volatility in net income. During the third quarter of 2008, the Group entered into a swap agreement for Tree of Life North America (discontinued operations) to hedge the estimated monthly diesel fuel cost for the period commencing 1 October 2008 to 30 June 2009. Under this swap agreement, the Group received each month floating DOE Diesel prices and paid a fixed price per gallon. The DOE Diesel price is based on the arithmetic average of the Weekly Retail On-Highway US Diesel price for the US. The Group applied hedge accounting for approximately 32% of the swap agreement (2008: 40%). Accordingly, during 2009 EUR 0.4 has been recognised in the result before tax of discontinued operations (2008: EUR 3.2) At year-end 2008 EUR 1.7 was deferred and recognised in retained earnings.

Credit risk

Credit risk is the risk of financial loss to Wessanen if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Wessanen's receivables from customers, investment securities and foreign exchange derivatives.

Trade and other receivables

The Group's activities involve the developing, sourcing, producing, marketing and distribution of food products primarily in partnership with retail customers. As a consequence, a concentration of credit risk exists from major parties in the supermarket channel. The exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of Wessanen's customer base, including the default risk of the industries and countries in which customers operate, have less of an influence on credit risk.

The Group's operating companies apply a credit policy under which each new customer is analysed individually for creditworthiness before the operating company's standard payment and delivery terms and conditions are offered. Customers that fail to meet the benchmark, may transact only on a prepayment basis. The credit position of each customer is frequently measured using internal benchmarks and external rating information.

Wessanen establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The maximum exposure to credit risk for trade receivables by type of customer can be specified as follows:

	2009	2008
Supermarkets	28.5	95.3
Natural/health food stores	25.7	52.3
Other customers	15.3	20.5
Total	69.5	168.1

27. Financial instruments and risk management continued

The aging of trade receivables at balance sheet date can be specified as follows:

	2009			2008		
	Gross	**Impairments**	**Net**	Gross	Impairments	Net
Not past due	60.8	–	60.8	134.8	–	134.8
Past due 0-30 days	6.2	–	6.2	19.2	–	19.2
Past due 31-180 days	5.6	(3.1)	2.5	15.4	(1.3)	14.1
Past due 181-360 days	0.5	(0.5)	–	1.1	(1.1)	–
More than 360 days	0.8	(0.8)	–	1.2	(1.2)	–
Total	73.9	(4.4)	69.5	171.7	(3.6)	168.1

The movement in the allowance for impairments in respect of trade receivables during the year was as follows:

	2009	2008
Balance at beginning of year	3.6	3.4
Transfer to held for sale	(1.3)	–
Addition charged against result	2.3	0.7
Write offs	(0.2)	(0.5)
Balance at year end	4.4	3.6

Based on historic rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days.

The allowance amounts relating to trade receivables are used to record impairment losses until the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

The Group manages credit risk on financial institutions by imposing limits. The creditworthiness of a financial institution is assessed by their credit rating, which should be a minimum of A (Standard & Poor's).

Investments

A number of debt securities have been issued by group companies to customers. These debt securities are secured by the counterparty involved.

Capital management

Wessanen's financing strategy is built around the following objectives:

- Appropriate access to debt and equity markets
- Sufficient capacity to fund add-on acquisitions
- Optimal weighted average cost of capital
- Mitigating financial risks

The capital structure of the Company balances these objectives in order to meet the Company's strategic and day-to-day needs. In the long term, our targeted net debt level is aimed to be below 2.5 times consolidated EBITDAE, but our actual net debt levels can be higher or lower depending on acquisitions and divestments, access to capital markets and the timing of cash flows.

Notes to the consolidated financial statements

27. Financial instruments and risk management continued

Fair values versus carrying amounts

Fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

	31 December 2009		31 December 2008	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Assets carried at fair value				
Financial assets available for sale	–	–	–	–
Financial assets designated at fair value through profit & loss	–	–	–	–
Foreign exchange contacts used for hedging	–	–	7.2	7.2
Total	–	–	7.2	7.2
Assets carried at amortised cost				
Loans and receivables:				
Long term receivables	3.1	3.1	3.1	3.1
Trade receivables	69.5	69.5	168.1	168.1
Other receivables and prepayments[1]	19.8	19.8	41.5	41.5
Cash and cash equivalents	44.3	44.3	44.8	44.8
Total	136.7	136.7	257.5	257.5
Assets carried at cost				
Investments in equity instruments that do not have a quoted market price	0.1	–	–	–
Liabilities carried at fair value				
Interest rate swaps used for hedging	6.1	6.1	10.4	10.4
Forward exchange contracts used for hedging	0.2	0.2	13.0	13.0
Other forward contracts used for hedging	–	–	4.3	4.3
Total	6.3	6.3	27.7	27.7
Liabilities carried at amortised cost				
Syndicated loans	204.5	204.5	224.3	224.3
Other long-term loans	6.0	6.0	12.6	12.6
Finance lease liabilities	0.7	0.7	3.7	3.7
Trade payables	78.2	78.2	141.8	141.8
Non-trade payables and accrued expenses[1]	60.9	60.9	79.5	79.5
Bank overdrafts	24.1	24.1	18.8	18.8
Total	374.4	374.4	480.7	480.7

* Excluding derivatives and interest payable/receivable on the IRS, which are shown separately.

Fair value of financial assets and liabilities

The carrying amounts of cash and cash equivalents, trade and other receivables, accounts payables and bank overdrafts approximate their fair values because of the short-term nature of these instruments. The fair value of lease liabilities is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The carrying amount of the amounts owed to credit institutions approximate their fair values, as the amounts are floating interest bearing. The fair value of financial instruments, including interest rate swaps, has been determined by Wessanen using available market information and appropriate valuation methods (level 2).

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

27. Financial instruments and risk management continued

2008	31 December 2008 Level 1	Level 2	Level 3
Available-for-sale financial assets	–	–	–
Financial assets designated at fair value through profit or loss	–	–	–
Financial assets held for trading	–	–	–
Derivative financial assets – Fair value recognised in equity	–	1.5	–
Derivative financial assets – Fair value recognised in income statement	–	5.7	
Total financial assets	–	7.2	–
Derivative financial liabilities – Fair value recognised in equity	–	(12.1)	–
Derivative financial liabilities – Fair value recognised in income statement	–	(15.6)	
Total financial liabilities		(27.7)	
Net financial liabilities	–	(20.5)	–

2009	31 December 2009 Level 1	Level 2	Level 3
Available-for-sale financial assets	–	–	–
Financial assets designated at fair value through profit or loss	–	–	–
Financial assets held for trading	–	–	–
Derivative financial assets – Fair value recognised in equity	–	–	–
Derivative financial assets – Fair value recognised in income statement	–	–	–
Total financial assets	–	–	–
Derivative financial liabilities – Fair value recognised in equity	–	(0.7)	–
Derivative financial liabilities – Fair value recognised in income statement	–	(5.6)	–
Total financial liabilities	–	(6.3)	–
Net financial liabilities	–	(6.3)	–

There have been no transfers between level 1, 2 or 3 during the years 2009 and 2008.

28. Commitments and contingencies

Operating lease commitments

Non-cancellable operating leases are payable as follows:

Continuing companies	31 December 2009	31 December 2008
Less than 1 year	8.1	6.5
Between 1 and 5 years	21.2	14.0
More than 5 years	4.4	5.2
Total non-cancellable operating lease commitments	33.7	25.7

Discontinued companies		
Less than 1 year	11.6	14.5
Between 1 and 5 years	27.0	36.5
More than 5 years	–	3.6
Total non-cancellable operating lease commitments	38.6	54.6

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

During the year ended 31 December 2009, EUR 7.1 (2008: EUR 6.8) was recognised as an expense in the income statement of continuing operations and EUR 9.7 in the income statement of discontinued operations in respect of operating leases (2008: EUR 15.3).

Capital commitments

Commitments to purchase property, plant and equipment as at 31 December 2009 amounted to EUR 2.2 (2008: EUR 2.3). As at 31 December 2009 there are no commitments to acquire intangible assets (2008: EUR–).

Purchase commitments

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

Guarantees

Wessanen has provided guarantees to third parties amounting to EUR 61.5, including lease guarantees in favour of the discontinued operation Tree of Life North America of EUR 61.0. These guarantees primarily relate to workers compensation insurers (maintained until the claims covered by those policies expire), a lender to an associate of Tree of Life (maintained for three years) and lease obligations (maintained for a maximum period of up to eleven years). Bank guarantees have been issued for EUR 0.5 (2008: EUR 0.4).

Contingencies

Wessanen is subject to certain other loss contingencies arising from claims by various parties. While it is not feasible to predict the outcome of such claims and possible litigation, management believes that any reasonable possible loss related to such matters, in excess of the provisions made, would have no material adverse effect on the financial statements as at 31 December 2009.

29. Related parties

Wessanen has a related party relationship with its subsidiaries and its associates (see Note 34) and key management. Furthermore, the Company pension fund (in liquidation) and other pension funds in the Netherlands are related parties. Transactions with key management are described in Note 8 and 9.

During the year ended 31 December 2009 Wessanen purchased goods from associates for the amount of EUR 10.0 (2008: EUR 10.6) and had a payable balance to associates of EUR 5.7 as at 31 December 2009 (2008: EUR 5.1). In 2008 Wessanen sold a label through its North American distribution business to an associate resulting in a net gain of EUR 1.3 and had a receivable balance from associates of nil as at 31 December 2009 (EUR 0.4 as at 31 December 2008).

Liberty Richter has been sold to World Finer Foods. Tree of Life, Inc., owns 45.2% of World Finer Foods shares. The total proceeds of the sale are EUR 6.7, whereby EUR 3.3 was settled in cash. The proceeds to be received will not be part of the sale of Tree of Life and are therefore not classified as held for sale in the discontinued operations.

Notes to the consolidated financial statements

30. Accounting estimates and judgements

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

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

Impairment of non-current assets

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

Pensions

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

Income taxes

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

Provisions

Restructuring provisions and other provisions are determined by management on the basis of estimated amounts of the future outflow of economic benefits and judgement of the probability that such outflow will take place.

Assets held for sale

As from the third quarter Wessanen has classified Tree of Life North America and PANOS Brands as disposal groups held for sale in accordance with IFRS 5 'Assets Held for Sale and Discontinued Operations'. Following classification as held for sale the disposal group should be recognised at the lower of the carrying amount and fair value less costs to sell. Accordingly, Wessanen has to estimate the fair value less costs to sell. For disposal group Tree of Life North America the fair value less costs to sell has been based on the agreed upon purchase price. However, downward adjustments to the purchase price remain possible for baseline EBITDA and working capital, effectively reducing the fair value less costs to sell at which the disposal group Tree of Life North America is measured.

31. Principal auditor's remuneration

Principal auditor's remuneration for audit and other services incurred (for continuing and discontinued operations) can be specified as follows:

			2009			2008
	KPMG Accountants N.V. [1]	Other KPMG Network	Total	KPMG Accountants N.V. [1]	Other KPMG Network	Total
Audit of annual accounts	0.8	0.6	1.4	0.5	1.0	1.5
Other assurance services	0.4	0.3	0.7	–	0.1	0.1
Tax advisory services	–	0.3	0.3	–	0.1	0.1
Other non-audit services	–	–	–	–	–	–
Total principal auditor's remuneration	1.2	1.2	2.4	0.5	1.2	1.7

[1] KPMG Accountants N.V., the Netherlands.

Notes to the consolidated financial statements

32. Cash flow

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

	2009	2008
Inventories	11.0	–
Trade receivables	25.7	10.4
Other receivables and prepayments	8.4	2.4
Trade payables	(11.4)	1.3
Non-trade payables and accrued expenses	(9.7)	(9.9)
Total changes in working capital	24.0	4.2

The following table presents a reconciliation of the change in cash and cash equivalents as presented in the balance sheet to the net cash flow from operating, investing and financing activities in the period:

	2009	2008
Cash and cash equivalents at beginning of year	26.0	50.1
Net cash from operating, investing and financing activities	16.0	(24.6)
Effect of exchange rate differences on cash and cash equivalents	(0.3)	0.5
Cash and cash equivalents at year-end	41.7	26.0
Cash and cash equivalents related to discontinued operations at year-end	(21.5)	–
Cash and cash equivalents of continuing operations at year-end	20.2	26.0

33. Restatement of prior periods

On 15 June 2009 Wessanen announced that it discovered irregularities in the financial reporting by its North American Branded operating company American Beverage Corporation (ABC). Investigations revealed that the financial results of ABC had been misstated over a number of years, going back to 2006. These misstatements primarily related to overstatements of trade receivables and revenue and understatements of expenses and current liabilities. As a result, Wessanen restated the income statement for the year 2008 and the balance sheets as at 31 December 2008 and 1 January 2008.

The overview below presents the income statement of 2008 as previously reported, the adjustments made as a result of the misstatements and the restated income statement. As the North America Distribution operations, the operations of PANOS Brands and Liberty Richter (the latter two both part of the North America Branded segment in prior periods), and the operations of Karl Kemper (Germany) and Right (Italy) were classified as discontinued operations in the course of the third quarter of 2009, the restated income statement of 2008 has been specified into the income statement for continuing and discontinued operations.

	2008				
In EUR millions	Previously reported	Adjustments	Restated	Discontinued operations	Continuing operations
Revenue	1,602.8	(5.5)	1,597.3	871.9	725.4
Other income	5.7	–	5.7	4.7	1.0
Raw materials and supplies	(1,061.5)	(3.3)	(1,064.8)	(631.5)	(433.3)
Personnel expenses	(226.9)	–	(226.9)	(113.7)	(113.2)
Depreciation, amortisation and impairments	(19.4)	–	(19.4)	(6.8)	(12.6)
Other operating expenses	(241.9)	0.6	(241.3)	(111.1)	(130.2)
Operating expenses	(1,549.7)	(2.7)	(1,552.4)	(863.1)	(689.3)
Operating result	58.8	(8.2)	50.6	13.5	37.1
Net financing costs	(13.3)	–	(13.3)	(3.5)	(9.8)
Share in results of associates	–	–	–	–	–
Profit before income tax	45.5	(8.2)	37.3	10.0	27.3
Income tax expense	(11.0)	3.2	(7.8)	0.4	(8.2)
Profit after income tax from continuing operations	34.5	(5.0)	29.5	10.4	19.1
Profit/(loss) from discontinued operations, net of income tax	–	–	–	(10.4)	10.4
Profit for the period	34.5	(5.0)	29.5	–	29.5

33. Restatement of prior periods continued

The overview below presents the balance sheet at year-end 2008 as previously reported, the adjustments made as a result of the misstatements and the restated balance sheet.

In EUR millions	31 December 2008 Previously reported	Adjustments	Restated
Assets			
Property, plant and equipment	126.3	(4.3)	122.0
Intangible assets	187.7	–	187.7
Investments in associates	0.6	–	0.6
Other investments	3.3	(0.2)	3.1
Deferred tax assets	105.4	10.0	115.4
Total non-current assets	423.3	5.5	428.8
Inventories	216.4	(0.7)	215.7
Income tax receivables	0.4	–	0.4
Trade receivables	177.4	(9.3)	168.1
Other receivables and prepayments	49.2	(0.5)	48.7
Cash and cash equivalents	44.8	–	44.8
Total current assets	488.2	(10.5)	477.7
Total assets	911.5	(5.0)	906.5
Equity			
Share capital	68.4	–	68.4
Share premium	93.9	–	93.9
Reserves	(61.9)	0.3	(61.6)
Retained earnings	263.4	(14.9)	248.5
Total equity attributable to equity holders of Wessanen	363.8	(14.6)	349.2
Minority interests	7.8	–	7.8
Total equity	371.6	(14.6)	357.0
Liabilities			
Interest-bearing loans and borrowings	227.1	–	227.1
Employee benefits	21.6	–	21.6
Provisions	3.7	–	3.7
Deferred tax liabilities	5.3	–	5.3
Total non-current liabilities	257.7	–	257.7
Bank overdrafts	18.8	–	18.8
Interest-bearing loans and borrowings	13.5	–	13.5
Provisions	5.1	–	5.1
Income tax payables	5.4	–	5.4
Trade payables	141.8	–	141.8
Non-trade payables and accrued expenses	97.6	9.6	107.2
Total current liabilities	282.2	9.6	291.8
Total liabilities	539.9	9.6	549.5
Total equity and liabilities	911.5	(5.0)	906.5

33. Restatement of prior periods continued

The overview below presents the balance sheet at 1 January 2008 as previously reported, the adjustments made as a result of the misstatements and the restated balance sheet.

	1 January 2008		
In EUR millions	Previously reported	Adjustments	Restated
Assets			
Property, plant and equipment	126.5	(1.7)	124.8
Intangible assets	175.5	–	175.5
Investments in associates	0.5	–	0.5
Other investments	6.2	(0.1)	6.1
Deferred tax assets	88.5	6.3	94.8
Total non-current assets	397.2	4.5	401.7
Inventories	211.0	(3.7)	207.3
Income tax receivables	1.3	–	1.3
Trade receivables	191.5	(4.8)	186.7
Other receivables and prepayments	42.5	(0.1)	42.4
Cash and cash equivalents	69.3	–	69.3
Total current assets	515.6	(8.6)	507.0
Total assets	912.8	(4.1)	908.7
Equity			
Share capital	72.6	–	72.6
Share premium	99.7	–	99.7
Reserves	(72.5)	0.9	(71.6)
Retained earnings	309.9	(9.9)	300.0
Total equity attributable to equity holders of Wessanen	409.7	(9.0)	400.7
Minority interests	20.0	–	20.0
Total equity	429.7	(9.0)	420.7
Liabilities			
Interest-bearing loans and borrowings	188.7	–	188.7
Employee benefits	22.1	–	22.1
Provisions	3.5	–	3.5
Deferred tax liabilities	1.6	–	1.6
Total non-current liabilities	215.9	–	215.9
Bank overdrafts	19.2	–	19.2
Interest-bearing loans and borrowings	4.4	–	4.4
Provisions	6.4	–	6.4
Income tax payables	7.8	–	7.8
Trade payables	145.7	–	145.7
Non-trade payables and accrued expenses	83.7	4.9	88.6
Total current liabilities	267.2	4.9	272.1
Total liabilities	483.1	4.9	488.0
Total equity and liabilities	912.8	(4.1)	908.7

34. List of subsidiaries and associates

The following are Wessanen's significant subsidiaries, associates and holding companies as at 31 December 2009:

	Country of incorporation	**Ownership interest (%) 2009**	Ownership interest (%) 2008
Continuing operations			
Subsidiaries			
American Beverage Corporation	United States	100.0	100.0
BOAS BV[2]	the Netherlands	100.0	100.0
Beckers BV[3]	the Netherlands	100.0	100.0
Natudis Holding BV[4]	the Netherlands	100.0	100.0
Favory Convenience Food Group	the Netherlands	64.1	60.6
Allos Walter Lang GmbH	Germany	100.0	100.0
Tartex + Dr. Ritter GmbH	Germany	100.0	100.0
Distriborg Groupe SA	France	100.0	99.6
Kallo Foods Ltd.	United Kingdom	100.0	100.0
Tree of Life UK Ltd.	United Kingdom	100.0	100.0
Bio Slym S.r.l.	Italy	100.0	100.0
Holding companies			
Wessanen International BV[5]	the Netherlands	100.0	100.0
Wessanen Finance BV	the Netherlands	100.0	100.0
Wessanen Europa BV[6]	the Netherlands	100.0	100.0
Wessanen Deutschland GmbH	Germany	100.0	100.0
Wessanen Italy S.r.l.	Italy	100.0	100.0
Wessanen France Holding S.A.S.U.	France	100.0	100.0
Wessanen Great Britain Holdings Ltd.	United Kingdom	100.0	100.0
Wessanen USA Inc.	United States	100.0	100.0
Discontinued operations			
Subsidiaries			
Tree of Life, Inc.[1]	United States	100.0	100.0
PANOS Brands LLC	United States	100.0	100.0
Liberty Richter LLC	United States	–	100.0
Karl Kemper GmbH	Germany	–	100.0
Righi S.r.l.	Italy	–	100.0
Associates			
World Finer Foods	United States	45.2	45.2
Fifty-Fifty	United States	22.6	22.6

1 Divested as per 29 January 2010.
2 Incorporated in Natudis Holding BV pursuant to a legal merger.
3 Incorporated in Beckers Benelux BV pursuant to a legal merger.
4 Name was changed as per 4 January 2010 into Natudis Nederland BV.
5 Name was changed as per 1 February 2010 into Wessanen Nederland Holding BV.
6 Name was changed as per 4 January 2010 into Wessanen Europe BV.

Notes to the consolidated financial statements

35. Subsequent events

Appointment new Chief Executive Officer

The Supervisory Board proposes to appoint Piet Hein Merckens as Chief Executive Officer and Chairman of the Executive Board of Royal Wessanen nv at the next Annual General Meeting of Shareholders. This meeting is scheduled for 14 April 2010. Mr Merckens will start his employment at Wessanen on 1 April 2010 and will focus on Wessanen Europe. Subject to approval by the Annual General Meeting of Shareholders, he will become CEO of Royal Wessanen as per 1 June 2010.

Sale of Tree of Life, Inc.

The sale of Wessanen's North American Distribution business Tree of Life, Inc., to Kehe Food Distributors, based in Romeoville, Illinois has been completed as at 29 January 2010. The sale was announced on 23 December 2009 and subject to regulatory approvals, approval by Wessanen's shareholders and financing by Kehe, all of which have been secured. The purchase price for the shares of Tree of Life has been determined at a cash consideration of USD 190 on a cash and debt free basis and subject to adjustments on closing for working capital and baseline EBITDA, which are currently being determined. Since assets have been impaired to arrive at the fair value less costs to sell, downward adjustments of working capital and baseline EBITDA will result in an additional book loss in 2010 on the sale. In addition to this, Wessanen will recycle the cumulative exchange rate difference recognised in equity (EUR 7.7 negative as per the position as at 31 December 2009).

Continuation of credit facility

Under the amended credit facility, total net debt was not allowed to exceed 4.0 times consolidated earnings before interest, taxation, depreciation, amortisation and exceptional items (EBITDAE) during the remaining period in 2009. Wessanen exceeded this financial covenant at year-end 2009, but received a waiver in 2010 by the syndicate banks for this event of default arising from non-compliance. The proceeds from the sale of Tree of Life, Inc., received on 29 January 2010 have been used for partial repayment of the credit facility.

Income statement of the Company

In EUR millions	2009	2008 (Restated)
Income from subsidiaries and associates, net of income tax	(215.0)	40.4
Other income and expenses, net of income tax	(4.7)	(11.0)
Profit/(loss) for the period	(219.7)	29.4

Balance sheet of the Company

(before appropriation of current year's result)

In EUR millions	Notes	31 December 2009	31 December 2008 (Restated)
Assets			
Financial assets	2	424.3	619.3
Current assets	3	1.5	3.6
Total assets		425.8	622.9
Shareholders' equity			
Share capital		68.4	68.4
Share premium		93.9	93.9
Reserve for own shares		(6.0)	(6.2)
Legal reserves		(37.8)	(55.4)
Retained earnings		251.1	219.1
Profit/(loss) for the period		(219.7)	29.4
Total shareholders' equity	4	149.9	349.2
Current liabilities	5	275.9	273.7
Total shareholders' equity and liabilities		425.8	622.9

Notes to the financial statements of the Company

1. Principles of valuation and income determination

1.1 General

The Company financial statements are part of the 2009 financial statements of Wessanen.

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

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

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

As discussed in Note 2 and Note 33 of the consolidated financial statements of the Company, Wessanen has restated the income statement for the year 2008 and the balance sheets as at 1 January 2008 and 31 December 2008.

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

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

2. Financial assets

	31 December 2009	31 December 2008
Balance at beginning of year	619.3	619.0
Effect of movements in foreign exchange	12.8	(32.9)
Cash flow hedges	7.2	(7.2)
Income from subsidiaries and associates, net of income tax	(215.0)	40.4
Balance at year end	424.3	619.3

Financial assets include investments in subsidiaries.

3. Current assets

	31 December 2009	31 December 2008
Income tax receivable	1.5	3.6
Other receivables	–	–
Total current assets	1.5	3.6

4. Shareholders' equity

For a specification of shareholders' equity, see the consolidated statement of changes in equity (page 64) and Note 22 to the consolidated financial statements. Legal reserves (translation reserve, hedging reserve and other legal reserves) are not available for distribution to the Company's equity holders. If the translation reserve or hedging reserve has a negative balance, distribution to the Company's equity holders is restricted to the extent of the negative balance.

Notes to the financial statements of the Company

5. Current liabilities

	31 December 2009	31 December 2008
Payables to subsidiaries	275.3	272.5
Trade and other payables	0.6	1.2
Total current liabilities	275.9	273.7

The current liabilities are liabilities that mature within one year.

6. Commitments and contingencies

The Company has assumed liability for debts of participating interests, up to a total of EUR 239.6 (2008: EUR 259.5). The related guaranteed debts are included in the consolidated balance sheet for an amount of EUR 239.6 (2008: EUR 259.5).

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

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

7. Employees

The Company did not employ any person in 2009.

Utrecht, 24 February 2010

Supervisory Board
D.I. Jager, Chairman
J.G.A.J. Hautvast
L.M. de Kool
F. van Oers

Executive Board
F.H.J. Koffrie, Interim CEO
F.E. Eelkman Rooda, CFO

Other information

Appropriation of dividend 2009

The loss for the year 2009 attributable to the equity holders of Wessanen amounted to EUR 219.7 against a profit of EUR 29.4 in 2008.

The dividend policy of Wessanen is to aim to pay out a dividend of between 35-45% of its net result, excluding major non-recurring effects. As the 2009 net result of Wessanen, adjusted for non-recurring items, also represents a loss, no dividend will be paid on account of the 2009 net result.

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

'If a loss is sustained in any year, no dividend shall be distributed for that year. No dividend may be paid in subsequent years until the loss has been defrayed out of the profit. The general meeting may, however, resolve on a motion of the Executive Board which has received the approval of the Supervisory Board to defray any such loss out of the distributable part of the shareholders' equity or also to distribute a dividend charged to the distributable part of the shareholders' equity.'

Subsequent events

Appointment new Chief Executive Officer

The Supervisory Board proposes to appoint Piet Hein Merckens as Chief Executive Officer and Chairman of the Executive Board of Royal Wessanen nv at the next Annual General Meeting of Shareholders. This meeting is scheduled for 14 April 2010. Mr Merckens will start his employment at Wessanen on 1 April 2010 and will focus on Wessanen Europe. Subject to approval by the Annual General Meeting of Shareholders, he will become CEO of Royal Wessanen as per 1 June 2010.

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Continuation of credit facility

Under the amended credit facility, total net debt was not allowed to exceed 4.0 times consolidated earnings before interest, taxation, depreciation, amortisation and exceptional items (EBITDAE) during the remaining period in 2009. Wessanen exceeded this financial covenant at year-end 2009, but received a waiver in 2010 by the syndicate banks for this event of default arising from non-compliance. The proceeds from the sale of Tree of Life, Inc., received on 29 January 2010 have been used for partial repayment of the credit facility.

Auditor's report

To: Annual General Meeting of Shareholders of Royal Wessanen nv

Report on the financial statements
We have audited the accompanying financial statements 2009 of Royal Wessanen nv ("the Company"), Utrecht as set out on pages 61 to 110. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2009, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2009, the company profit and loss account for the year then ended and the notes.

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

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

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

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

Opinion with respect to the consolidated financial statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position of Royal Wessanen nv as at 31 December 2009, 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 Netherlands Civil Code.

Opinion with respect to the Company financial statements
In our opinion, the company financial statements give a true and fair view of the financial position of Royal Wessanen nv as at 31 December 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements
Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the report of the Executive board as set out on pages 18 to 47 is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Utrecht, 24 February 2010

KPMG ACCOUNTANTS N.V.

J.C.M. van Rooijen RA

Additional information

Financial summary 2005 - 2009
Condensed consolidated income statement
In millions Euro, unless stated otherwise (adjusted for comparison purposes)

	2009	2008 [1,2]	2007 [1]	2006 [1]	2005 [1]
Revenue	702.5	725.4	698.1	659.1	657.8
Operating result	(44.4)	37.1	55.9	49.4	41.0
Net financing costs	(19.9)	(9.8)	(8.5)	(10.5)	(6.3)
Share in results of associates	–	–	–	–	1.4
Profit/(loss) before tax	(64.3)	27.3	47.4	38.9	36.1
Income tax expense	(69.0)	(8.2)	(17.6)	(2.1)	(5.1)
Profit/(loss) after income tax from continuing operations	(133.3)	19.1	29.8	41.0	31.0
Profit/(loss) from discontinued operations, net of income tax	(88.9)	10.4	12.3	(7.4)	(4.4)
Profit from divestment discontinued operations, net of income tax	0.6	–	15.4	–	–
Profit/(loss) for the period	(221.6)	29.5	57.5	33.6	26.6
Attributable to minority interest	(1.9)	0.1	–	1.6	1.6
Profit/(loss) for the period – attributable to equity holders of Wessanen	(219.7)	29.4	57.5	32.0	25.0
Profit for the period attributable to equity holders of Wessanen as a percentage of equity attributable to equity holders of Wessanen[1]	(146.6)%	8.4%	14.3%	8.6%	8.6%

1 Comparative figures have been adjusted from amounts previously reported to reflect the effect of discontinued operations.
2 Restated for irregularities in the financial reporting of the American Beverage Corporation.

Financial summary 2005 - 2009
Condensed consolidated balance sheet

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

	2009	2008	2007	2006	2005
Non-current assets	226.2	428.8	401.7	374.6	431.9
Current assets	411.7	477.7	507.0	576.1	549.5
Current liabilities [1]	(214.3)	(254.4)	(242.1)	(271.3)	(282.6)
Invested capital	423.6	652.1	666.6	679.4	698.8
Financed by:					
Total equity	155.6	357.0	420.7	480.0	492.8
Provisions	8.5	8.8	9.9	13.0	17.8
Employee benefits	21.6	21.6	22.1	20.8	33.8
Deferred tax liabilities	2.6	5.3	1.6	2.4	4.3
Non-current interest-bearing loans and borrowings	5.8	227.1	188.7	137.5	123.6
Current interest-bearing loans and borrowings	229.5	32.3	23.6	25.7	26.5
Total	423.6	652.1	666.6	679.4	698.8
Total equity attributable to equity holders of Wessanen					
as a percentage of total assets	23.5%	291.0%	44.1%	49.4%	49.3%
Profit for the period attributable to equity holders of Wessanen					
per share (in EUR) [2]	(3.25)	0.44	0.82	0.57	0.59

[1] Excluding short-term financing.
[2] For 2007, 2008 and 2009 based on profit for the period; for 2005–2006 based on profit for the period before amortisation of goodwill and before exceptional items.

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

Listing information
The capital structure of Royal Wessanen nv consists of only one class of shares, i.e. voting shares with a nominal value of EUR 1.00 per share which are listed on the NYSE Euronext Stock Exchange (Amsterdam) and are included, amongst other indices, in the AMX and Next 150 indices. All shares outstanding can be traded freely without any restriction. All shares have equal rights.

In addition to the NYSE Euronext listing, a sponsored, unlisted, American Depository Receipt (ADR) program is traded in the US. Furthermore, Wessanen share options are traded on the NYSE Euronext Amsterdam derivative exchange.

Key dates	
14 April 2010	Annual General Meeting of Shareholders
29 April 2010	Publication of the first quarter 2010 results
29 July 2010	Publication of the second quarter 2010 results
28 October 2010	Publication of the third quarter 2010 results

Investor relations
During 2009 members of the Executive Board of Wessanen had regular contact with investors and analysts. The Company attended several broker conferences and hosted various roadshows to meet institutional investors in Europe and the United States (e.g. Amsterdam, Frankfurt, , London, Paris, New York, Boston). In 2010 members of the Executive Board will, again, attend various investor conferences and host roadshows as an integral part of its investor relations policy.

Dividend
In 2009 no dividend was paid.

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

in EUR Year	Net result	Dividend	High	Low	End
2009	(3.25)	0.00	5.20	2.35	4.19
2008	0.44	0.20	10.97	4.30	4.65
2007	0.82	0.65	12.68	9.97	10.88
2006	0.45	0.65	14.03	9.60	10.25
2005	0.35	0.65	14.38	9.59	12.81

The average volume traded over all trading days in 2009 was 599,083 (2008: 378,635).

Distribution of shares
Since Wessanen's ordinary shares are in bearer form, analyses of shareholdings are based on estimates from market sources. The chart on this page illustrates the estimated distribution of ownership of Wessanen shares by type of investor and by country of origin as a percentage of total shares outstanding (excluding treasury shares) in 2009. This is based on data provided by depository banks as of 1 January 2010.

Act on the Disclosure of Influence over Listed Companies
In accordance with the Act on the Disclosure of Influence over Listed Companies (1991) the Company received the following notifications:

- On 6 June 2007, Delta Deelnemingen Fonds reported a capital interest of 5.1%.
- On 19 June 2007, Sparinvest Holding reported a capital interest of 5.43%.
- On 18 July 2008, Aviva plc reported a capital interest of 5.3%.
- On 21 October 2009, Delta Partners LLC reported a capital interest of 5.15%.
- On 30 October 2009, l'Echiquier reported a capital interest of 5.19%.
- On 8 January 2010, l'Echiquier reported a capital interest of 4.75%.

Financial Service Act
The Company is not involved in agreements in the sense of the Financial Service Act. As reflected in the Remuneration Report, available at www. wessanen.com, a change in control clause is applicable to all members of the Executive Board.

Code of conduct regarding prevention of misuse of inside information
Wessanen considers the prevention of misuse of insider information essential in the relationship to all stakeholders. The Company has had a 'Code of Conduct of securities transactions' since 2002. The Code is available at www.wessanen.com.

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Fax: +31 (0)30 298 88 85
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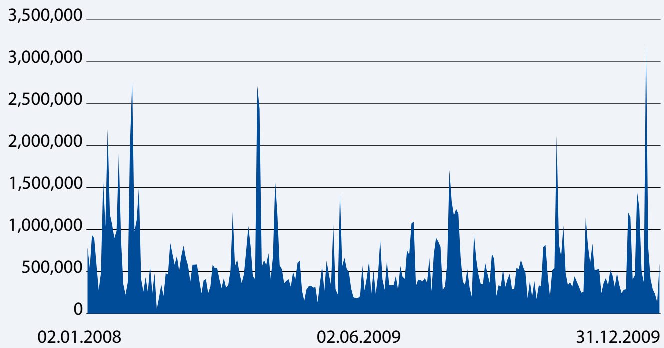
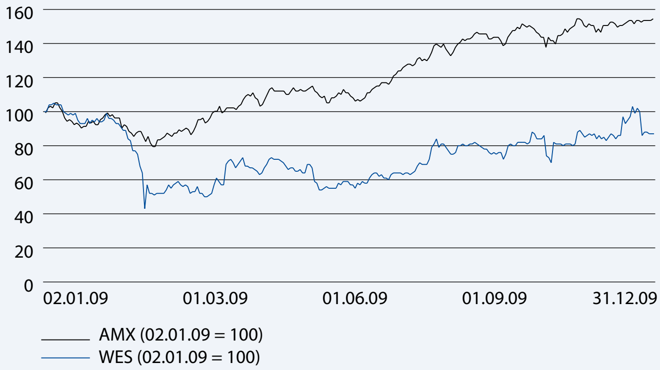
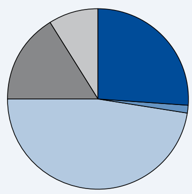
Royal Wessanen trading volume 2009



Royal Wessanen vs AMX



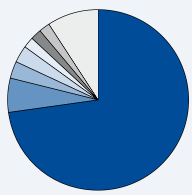
Share ownership Royal Wessanen nv[1]
in %



Private investors the Netherlands	26.3%
Private investors outside of the Netherlands	1.3%
Institutional investors the Netherlands	47.5%
Institutional investors outside of the Netherlands	16.1%
Not identified	8.8%

[1] source: depository banks, Royal Wessanen, January 2010.

Share ownership Royal Wessanen nv per country[1]
in %



Netherlands	73.8%
Belgium	5.5%
Luxembourg	3.1%
Switzerland	2.9%
United States	2.1%
United Kingdom	1.7%
Other	2.1%
Not identified	8.8%

[1] source: depository banks, Royal Wessanen, January 2010.

Glossary

(Average) capital employed
The (annual average) sum of:
- property, plant and equipment
- intangible assets
- inventories
- trade payables/receivables
- intercompany payables/receivables relating to trade
- other payables/receivables, excluding accrued interest, income tax and derivatives.

Cash generating unit
A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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

EBIT
Operating result before interest and income tax.

EBIT margin
EBIT as a percentage of revenue.

EBITDA
EBIT before depreciation, amortisation and impairments.

EBITDAE
EBITDA before exceptional items.

Exceptional items
Items of income and expense within profit and loss from ordinary activities of such size, nature or incidence, that their disclosure is relevant to explain the performance of the Company for the period.

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

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

Hedging
A strategy to offset financial risks to secure future financial risks.

Invested capital
The sum of non-current assets, current assets and current liabilities, excluding short-term financing.

Net debt
The net balance of available cash and cash equivalents, bank overdrafts and all third party interest-bearing debt.

Non-allocated
Includes corporate entities.

RO(A)CE
Return on (average) capital employed (EBIT as a percentage of (average) capital employed).

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

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

Addresses

per 24 February 2010

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[1] trading name of Natudis Nederland BV
[2] subsidiary of Beckers Benelux BV
[3] subsidiary of Wessanen Deutschland GmbH

Designed and produced by Addison, London (UK)
www.addison.co.uk

Copywriting by Iain Banks, Reigate, Surrey, UK

Board photography by Arno Massee,
Rijnsaterwoude, the Netherlands

Printed by Chevalier International,
Hendrik Ido Ambacht, the Netherlands

This Annual Report is printed on FSC-certified paper.

Cautionary statement regarding forward-looking statements

This Annual Report may contain forward-looking statements. These are defined as statements not being historical facts. Forward-looking statements include (but are not limited to) statements expressing or implying Royal Wessanen nv's beliefs, expectations, intentions, forecasts, estimates or predictions (and the underlying assumptions).

Forward-looking statements necessarily involve uncertainties and risks. The actual results or situations may therefore differ materially from those expressed or implied in any forward-looking statements. Those differences may be caused by various factors, including but not limited to, macro-economic developments, regulator and legal changes, market developments, competitve behaviour, currency developments, the ability to retain key employees, and unexpected changes in the operational environment. Additional factors that could cause actual results or situations to differ materially include, but are not limited to, those disclosed under 'risk factors'. Any forward-looking statements in this Annual Report are based on information available to the management on 24 February 2010. Royal Wessanen nv assumes no obligations to publicly update or revise any forward-looking statements in this Annual Report whether as a result of new information, future events or otherwise, other than as required by law or regulation.

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