Q4 and full year 2018 results

Amsterdam, 12 February 2019 7:00 CET

Moderate growth and improved profitability

Q4 2018 highlights

- Autonomous growth of own brands 5.9%, driven by strong promotional plans in France Grocery
- Revenue growth of 5.2% includes a decline of private label and distribution business
- EBITE of €14.8 million, up 47% versus prior year

Full year 2018 highlights

- Autonomous growth of own brands 2.1%
- Revenue growth of 0.6% to €628.4 million
- EBITE of €57.7 million, up 8% versus prior year
- EBITE as % of Revenue up 60 bps versus last year to 9.2%

Consolidated key figures Q4/FY 2018

In € million, unless stated otherwise	Q4 2018	Q4 2017[1]	% change	FY 2018	FY 2017[1]	% change
Revenue	**160.6**	**152.6**	**5.2%**	**628.4**	**624.4**	**0.6%**
Autonomous revenue development of own brands[2]	5.9%			2.1%		
Normalised operating result (EBITE)	**14.8**	**10.1**	**46.5%**	**57.7**	**53.5**	**7.9%**
EBITE as % of Revenue	9.2%	6.6%		9.2%	8.6%	
Operating result (EBIT)	**14.1**	**6.5**	**117%**	**51.1**	**48.7**	**4.9%**
Net financing costs	(0.3)	(0.2)		(1.1)	(1.9)	
Income tax (expense)/gain	(3.2)	0.9		(14.0)	(10.8)	
Profit for the period	**10.6**	**7.2**	**47.2%**	**36.0**	**36.0**	**0.0%**
Net debt	48.0	59.9				

[1] 2017: Following the adoption of IFRS 15 'Revenue' has been restated by the amount of €(0.2) in Q4 and €(1.4) in FY 2017, which is offset by 'Other operating expenses'.
[2] Including adjustments for currency effects and acquisitions/divestments.

CEO statement

Christophe Barnouin (CEO) commented: "In 2018 the market for healthy and sustainable food continued to be very dynamic as many consumers are considering to make changes to their food habits. The market attracted more players leading to intensified competition. This put some of our growth plans under pressure resulting in an overall moderate level of growth, stronger in Q4 as a result of our corrective action plans. For the full year profitability was up as a result of better gross margins, lower share based payments and reduced A&P.

We continue to pursue our vision of building a different kind of food company, connected to nature in all we do. Of our total revenue, 77.5% is from organic and 96% from vegetarian products. We have completed the B Corp certification of two more companies (Abafoods Italy and Germany) so that 70% of our business is now covered by the certification. We are on track to become the first multinational food business to be certified by 2020. The acquisition of Abbot Kinney's added a new, strategic and fast growing unit to our Dairy Alternatives category that we have integrated at high speed.

2018 was a year that brought with it some new challenges and not all our plans worked out. But it also confirmed again that as a business we are focused on the most promising segment of the food market and that we can respond to challenges resiliently and effectively while staying true to our purpose.

Looking ahead to 2019, we expect that the organic market will remain very dynamic. The Grocery channel will continue to take share from HFS. Conventional players, private label and smaller brands will continue to push into organic, putting pressure on established players in terms of growth, margin and brand support. We therefore expect low to moderate growth of own brands for the year.

Business review

The European market for healthy and sustainable food continues to grow at a healthy level overall. The Grocery channel has taken further share from Health Food Stores in practically all countries.

Overall, our own brands grew 2.1% FY and 5.9% in Q4.

During the year as a whole several of our key brands, namely Bjorg, Clipper, Alter Eco, Allos, Ecocesta and Whole Earth all achieved good levels of growth. A combination of innovation, activation, increasing distribution and extension of category footprint played a key role in achieving these results.

Results of some of our brands were more mixed due to a range of market, customer and mix issues. Gayelord Hauser lost in a declining Dietetic Market, Zonnatura, Kallo and Mrs Crimbles stayed behind expectations in the Grocery channel and some of our HFS brands were affected by negative channel development.

In our French business, we managed to achieve double-digit growth in Q4 on Bjorg, Alter Eco and Clipper based on strong promotional and activation plans. Our HFS business was flat as a result of channel contraction and restructuring of our distribution center.

In the UK, Kallo grew more than 10% in the fourth quarter based on improved customer support. Work to accelerate our other brands is ongoing. Given the lack of clarity as regards Brexit, there remains a level of uncertainty about the exact impact on our business despite the fact that we have activated all reasonable plans at our end.

Overall results in Germany, Spain and International Markets were positive while Benelux was impacted by a market slow-down in both the Grocery and HFS channel.

The Breakfast Cereals category grew at double digit levels based on strong performance of Bjorg, Tartex, Ecocesta and Zonnatura and we have extended Isola Bio into the category. Allos performed below expectations in the category.

Second highest growth was on Dairy Alternatives with Allos, Zonnatura, El Granero, Ecocesta, Alter Eco and Bjorg all delivering good to very good growth. Isola Bio was positive in its Italian home market but weaker in France HFS and in Brazil due to political and economic uncertainties.

Growth of Hot Drinks was overall flat. We achieved strong growth on Clipper and Alter Eco. Weaker sales on Zonnatura and our HFS focused brands Piramide and Destination as well as a long and hot summer affected overall results. Allos launched a new range of premium teas in Q4.

Moderate growth on Sweets in Between was based on all our main brands (Bjorg, Bonneterre and Alter Eco) performing well.

Bread and Biscuit Alternatives were flat overall and in Veggie Meals, Bjorg and Allos performed well while Zonnatura and Tartex remained behind expectations.

The private label and distribution brands business continued to decline in line with strategy and previous year.

77.5% or our portfolio are now organic, 96% vegetarian and we use 95% of energy from renewable sources.

On our journey to become the first multinational food company to become B Corp certified, we completed the certification for Italy Abafoods and Germany in addition to our French business which was covered in 2017. 70% of our business is now covered and the rest will follow in 2019.

We strengthened our work across the Supply Chain resulting in improved customer service and forecast accuracy. We operate a practice of sustainable sourcing right through our supply chain. We managed to significantly reduce product quality issues(CPMU) and 93% of our products are now from GFSI certified suppliers.

Guidance FY 2019

- We expect low to moderate growth of own brands and a further reduction of private label and distribution brand sales
- We expect EBITE as % of revenue to be in the range of 8 to 9% for the full year
- Net financing costs around €2.0-2.5 million. This includes an impact of around €0.5 million regarding the implementation of IFRS 16 and around €0.5 million related to the unwinding discount of the contingent consideration for the Abbot Kinney's acquisition
- Tax rate around 30%
- Capital expenditure of €10-12 million
- Depreciation and amortisation of €14-15 million. This includes an impact of around €4.3 million related to IFRS 16 and €0.4 million amortisation of the Gayelord Hauser brand after reclassification to a finite life

Financial review

In € million	Q4 2018	Q4 2017	FY 2018	FY 2017
Revenue	160.6	**152.6**	628.4	624.4
EBITE – Branded	16.2	11.7	60.2	56.8
EBITE - Non-allocated	(1.4)	(1.6)	(2.5)	(3.3)
EBITE	14.8	10.1	57.7	53.5
Exceptional items	(0.7)	(3.6)	(6.6)	(4.8)
EBIT	14.1	6.5	51.1	48.7

Financial review Q4 2018

Revenue increased 5.2% to €160.6 million. Autonomous revenue growth of our own brands amounted to 5.9%. Total autonomous revenue growth amounted to 5.0%, as a result of a 0.8% autonomous growth in private label and distribution brands. The acquisition of Abbot Kinney's contributed 0.4% to revenue and the depreciation of the British pound contributed (0.2)%.

EBITE increased by €4.7 million to €14.8 million, as a result of increased revenue, a positive gross margin development and lower A&P expenses due to different phasing of expenses compared to prior year. Exceptional items of €(0.7) million mainly include severance expenses of €(0.4) million.

Net financing costs were €(0.3) million (Q4 2017: €(0.2) million). Income tax amounted to an expense of €(3.2) million, positively impacted by the recognition of unrecognised income tax losses in the Netherlands and Germany and some prior year adjustments (Q4 2017: gain of €0.9 million, mainly driven by a decrease of the enacted income tax rate in France, and the recognition of unrecognised income tax losses in France and the Netherlands).

In Q4, the net result amounted to €10.6 million (Q4 2017: €7.2 million).

The net debt position decreased to €48.0 million at year end 2018 (30 September 2018: €65.4 million).

Financial review full year 2018

In 2018, revenue amounted to €628.4 million, an increase of 0.6% compared to last year's revenue of €624.4 million. Autonomous growth of our own brands was 2.1%. Total autonomous revenue growth amounted to €4.3 million, or 0.7%, as a result of a (6.6)% autonomous decline in private label and distribution brands. The acquisition of Abbot Kinney's in the Netherlands added €0.7 million, or 0.1%. A weakening of the British pound exchange rate impacted revenue negatively with €(1.0) million or (0.2)%.

Gross contribution margin increased from 41.4% in 2017 to 41.8% in 2018.

Personnel expenses decreased by €0.8 million to €95.7 million (2017: €96.5 million). The decrease can mainly be explained by a decrease of share-based payment expenses, severance payments and termination benefits, partly offset by an increase of salaries and wages.

Depreciation, amortisation and impairments increased by €5.1 million to €15.0 million in 2018, including an impairment loss recognised of €5.2 million in Q2 related to our French dietetic brand Gayelord Hauser. Other operating expenses, were down €2.6 million, or 2.5%, to €100.8 million, mainly due to lower A&P and advisory fees.

The operating result of Branded increased to €53.6 million (2017: €52.0 million). Excluding non-recurring items, EBITE amounted to €60.2 million versus €56.8 million last year. Non-recurring items totalled €(6.6) million in 2018, mainly including impairments in Q2 of €(5.6) million (comprising of our French dietetic brand Gayelord Hauser in the amount of €(5.2) million and a smaller German brand of €(0.4) million) and severance expenses (2017: €(4.8) million, mainly including restructuring- and impairment expenses incurred (of €(2.7) million and €(1.1) million respectively) in respect of the announced relocation of the distribution centre of Bonneterre et Compagnie (France) and restructuring related costs in Germany (€(0.6) million).

In 2018, non-allocated costs amounted to €(2.5) million, compared to €(3.3) million in 2017 as a result of lower amortisation expenses and advisory fees.

Net financing costs were €(1.1) million (2017: €(1.9) million). Interest expenses amounted to €(0.5) million (2017: €(0.9) million). Other financial income and expenses decreased to €(0.6) million (2017: €(1.0) million), mainly as a result of a lower net foreign exchange loss of €0.0 million (2017: €(0.4) million).

Income tax expense increased by €(3.2) million to €(14.0) million (2017: €(10.8) million), partly as a result of the increase in profit before income tax. The effective tax rate of 28% in 2018 (2017: 23%) deviates from the weighted average statutory income tax rate of 32%, mainly as a result of the recognition and partial utilisation of unrecognised income tax losses in the Netherlands and Germany of €1.3 million and prior year adjustments of €0.8 million.

Net profit amounts to €36.0 million (2017: €36.0 million). Full year earnings per share amount to €0.47 (2017: €0.47). The average number of shares outstanding amounted to 76.3 million (2017: 75.8 million).

Average capital employed increased by €12 million, from €309 million last year to €321 million. Average capital employed yielded a 16% return (2017: 16%).

Working capital and cash flow

At year-end 2018, working capital amounted to €44 million, being 7.0% of revenue (2017: €44 million, representing 7.0% of revenue). The cash inflow following changes in working capital amounted to €1.2 million in 2018 (2017: inflow of €1.2 million). Cash inflows from lower inventories and trade receivables, partly offset by decreased trade payables.

Cash generated from operations increased by €11.0 million to €67.8 million (2017: €56.8 million), mainly as a result of a €9.0 million decrease of payments from provisions. Interest paid amounted to €(0.8) million (2017: €(1.2) million), while income tax paid decreased to €(12.6) million (2017: €(13.5) million). Operating cash flow therefore amounted to €54.4 million (2017: €42.1 million).

The acquisition of property, plant and equipment amounted to €11.7 million (2017: €10.0 million), which represents 1.9% of revenue (2017: 1.6%) and 170% of depreciation (2017: 156%). The acquisition of intangible assets amounted to €1.6 million (2017: €2.3 million). The acquisition of subsidiaries, net of cash acquired amounts to €7.7 million and relates to the acquisition of Abbot Kinney's in the Netherlands (2017: €0.0).

The net debt position decreased to €48.0 million at year end 2018 (year end 2017: €59.9 million).

Dividend proposal 2018

In line with the dividend policy, it is proposed to the Annual General Meeting of Shareholders to pay a dividend of 14 eurocent per share. The dividend will be paid wholly in cash.

Time table: Annual Report, AGM and dividend 2018	
Monday 25 February	Publication Annual Report 2018 and Agenda AGM (online)
Thursday 14 March	Record date
Thursday 11 April	Annual General Meeting of Shareholders
Monday 15 April	Ex-dividend date
Tuesday 16 April	Dividend record date
Thursday 18 April	Payment date dividend

Important dates 2019

11-04-2019 AGM (14h00 CET)
18-04-2019 Publication Q1 2019 trading update
19-07-2019 Publication Q2 2019 interim results
18-10-2019 Publication Q3 2019 trading update

Analyst & investor meeting

At 10h00 CET, an analyst & investor meeting will be hosted by Christophe Barnouin (CEO) and Ronald Merckx (CFO) at the Wessanen head office in Amsterdam. The meeting can be followed via a live audio webcast at www.wessanen.com. Those unable to attend can participate using the following telephone number: +31 (0)20 531 5853. The press release and presentation are available for download at www.wessanen.com.

Media, investor & analyst enquiries

Ronald Merckx (CFO)
Phone +31 (0)20 3122 126
Email ronald.merckx@wessanen.com
Twitter @Wessanen_250

Company profile

Wessanen is a leading company in the European market for healthy and sustainable food. In 2018, our revenue was €628 million and we employed on average 1,350 people. Our purpose is 'connect to nature' and we focus on organic, vegetarian, fair trade and nutritionally beneficial products.

Our family of companies is committed to driving positive change in food in Europe. Our core brands include many pioneers and market leaders: Allos, Alter Eco, Bjorg, Bonneterre, Clipper, Destination, El Granero, Gayelord Hauser, Isola Bio, Kallø, Mrs Crimble's, Tartex, Whole Earth and Zonnatura.

Note on forward-looking statements

This press release includes forward looking statements. Other than reported financial results and historical information, all statements included in this press release, including, without limitation, those regarding our financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. These forward-looking statements are based on our current expectations and projections about future events and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements.

Many of these risks and uncertainties relate to factors that are beyond Wessanen's ability to control or estimate precisely, such as future market conditions, the behaviour of other market participants and the actions of governmental regulators. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release and are subject to change without notice. Other than as required by applicable law or the applicable rules of any exchange on which our securities may be traded, we have no intention or obligation to update forward-looking statements.

Market Abuse Regulation

This press release may contain inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation

Condensed consolidated income statement

In € millions, unless stated otherwise

Q4 2018 (unaudited)	Q4 2017 Restated[1] (unaudited)		2018 (audited)	2017 Restated[1] (audited)
160.6	152.6	**Revenue**	**628.4**	624.4
		Raw materials and supplies	**(365.8)**	(365.9)
		Personnel expenses	**(95.7)**	(96.5)
		Depreciation, amortisation and impairments	**(15.0)**	(9.9)
		Other operating expenses	**(100.8)**	(103.4)
(146.5)	(146.1)	**Operating expenses**	**(577.3)**	(575.7)
14.1	6.5	**Operating result**	**51.1**	48.7
(0.3)	(0.2)	Net financing costs	**(1.1)**	(1.9)
13.8	6.3	**Profit before income tax**	**50.0**	46.8
(3.2)	0.9	Income tax (expense)/gain	**(14.0)**	(10.8)
10.6	7.2	**Profit for the period**	**36.0**	36.0
10.6	7.2	**Attributable to equity holders of Wessanen**	**36.0**	36.0
		Earnings per share attributable to equity holders of Wessanen (in €)		
0.14	0.09	Basic	**0.47**	0.47
0.14	0.09	Diluted	**0.47**	0.47
		Average number of shares (in thousands)		
76,534	76,067	Basic	**76,343**	75,790
76,901	77,015	Diluted	**76,710**	76,738
0.8912	0.8815	Average GBP exchange rate (GBP per €)	**0.8860**	0.8757

[1] 2017: 'Revenue' and 'Other operating expenses' have been restated for a reclassification of 'coupon expenses incurred and paid to consumers' following the adoption of IFRS 15 'Revenue from contracts with customers'. As a consequence, 'Revenue' has been reduced by the amount of €0.2 for Q4 and €1.4 for FY 2017.

Condensed consolidated statement of comprehensive income

In € millions, unless stated otherwise

	2018 (audited)	2017 (audited)
Profit for the period	**36.0**	36.0
Other comprehensive income/(loss)		
Remeasurements of post employment benefit obligations, net of income tax	**0.1**	-
Other comprehensive income/(loss) that will not be reclassified to profit or loss	**0.1**	-
Foreign currency translation differences, net of income tax	**(0.3)**	(1.3)
Effective portion of changes in fair value of cash flow hedges, net of income tax	**0.1**	-
Other comprehensive income/(loss) that may be reclassified to profit or loss	**(0.2)**	(1.3)
Total other comprehensive income/(loss)	(0.1)	(1.3)
Total comprehensive income	**35.9**	34.7
Attributable to equity holders of Wessanen	**35.9**	34.7

Condensed consolidated statement of changes in equity

In € millions, unless stated otherwise

	Issued and paid-up share capital	Share premium	Reserves: Treasury reserve	Reserves: Translation reserve	Reserves: Hedging reserve	Retained earnings	Total equity
2017							
Balance of beginning of year	76.0	102.9	(3.9)	(16.2)	-	32.4	191.2
Comprehensive income and expense for the period							
Profit/(loss) for the period	-	-	-	-	-	36.0	36.0
Foreign currency translation differences[1]	-	-	-	(1.3)	-	-	(1.3)
Remeasurements of post employment benefit obligations[1]	-	-	-	-	-	-	-
Effective portion of changes in fair value of cash flow hedges[1]	-	-	-	-	-	-	-
Total comprehensive income and expense for the period	-	-	-	(1.3)	-	36.0	34.7
Contributions by and distributions to owners							
Shares issued	0.1	(0.1)	-	-	-	-	-
Shares delivered	-	-	0.5	-	-	(0.5)	-
Dividends	-	-	-	-	-	(9.1)	(9.1)
Sale of own shares	-	-	3.4	-	-	2.5	5.9
Share-based payments	-	-	-	-	-	5.0	5.0
Total contributions by and distributions to owners	0.1	(0.1)	3.9	-	-	(2.1)	1.8
Balance at year end	76.1	102.8	-	(17.5)	-	66.3	227.7
2018							
Balance of beginning of year	76.1	102.8	-	(17.5)	-	66.3	227.7
Comprehensive income and expense for the period							
Profit/(loss) for the period	-	-	-	-	-	36.0	36.0
Foreign currency translation differences[1]	-	-	-	(0.3)	-	-	(0.3)
Remeasurements of post employment benefit obligations[1]	-	-	-	-	-	0.1	0.1
Effective portion of changes in fair value of cash flow hedges[1]	-	-	-	-	0.1	-	0.1
Total comprehensive income and expense for the period	-	-	-	(0.3)	0.1	36.1	35.9
Contributions by and distributions to owners							
Shares issued	0.4	0.6	-	-	-	-	1.0
Shares delivered	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	(9.9)	(9.9)
Sale of own shares	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	2.4	2.4
Total contributions by and distributions to owners	0.4	0.6	-	-	-	(7.5)	(6.5)
Balance at year end	76.5	103.4	-	(17.8)	0.1	94.9	257.1

[1] Net of income tax

Condensed consolidated statement of financial position

In € millions, unless stated otherwise

	31 December 2018 (audited)	31 December 2017 (audited)
Assets		
Property, plant and equipment	69.5	58.4
Intangible assets	212.3	206.6
Other investments	0.3	0.2
Deferred tax assets	7.0	7.0
Total non-current assets	**289.1**	**272.2**
Inventories	68.4	76.5
Income tax receivables	1.0	0.8
Trade receivables	95.1	98.8
Other receivables and prepayments	15.0	14.9
Cash and cash equivalents	17.3	13.8
Total current assets	**196.8**	**204.8**
Total assets	**485.9**	**477.0**
Equity		
Share capital	76.5	76.1
Share premium	103.4	102.8
Reserves	(17.7)	(17.5)
Retained earnings	94.9	66.3
Total equity	**257.1**	**227.7**
Liabilities		
Interest-bearing loans and borrowings	61.4	61.1
Employee benefits	7.9	7.9
Provisions	1.0	2.3
Deferred tax liabilities	13.9	13.1
Total non-current liabilities	**84.2**	**84.4**
Bank overdrafts	0.1	8.8
Interest-bearing loans and borrowings	3.8	3.8
Provisions	3.6	4.6
Income tax payables	2.3	1.4
Trade payables	74.6	84.8
Non-trade payables and accrued expenses	60.2	61.5
Total current liabilities	**144.6**	**164.9**
Total liabilities	**228.8**	**249.3**
Total equity and liabilities	**485.9**	**477.0**
End of period GBP exchange rate (GBP per Euro)	0.8945	0.8872

Condensed consolidated statement of cash flows

In € millions, unless stated otherwise

	2018	2017
	(audited)	(audited)
Cash flows from operating activities		
Operating result	**51.1**	48.7
Adjustments for:		
Depreciation, amortisation and impairments	15.0	9.9
Provisions created	0.8	4.1
Equity-settled share-based payments	2.4	5.0
Loss on disposals	0.4	-
Cash generated from operations before changes in working capital and provisions	**69.7**	67.7
Changes in working capital	1.2	1.2
Payments from provisions	(2.8)	(11.8)
Changes in employee benefits	(0.3)	(0.3)
Cash generated from operations	**67.8**	56.8
Interest paid	(0.8)	(1.2)
Income tax paid	(12.6)	(13.5)
Net cash from operating activities	**54.4**	42.1
Cash flows from investing activities		
Acquisition of property, plant and equipment	(11.7)	(10.0)
Proceeds from sale of property, plant and equipment	0.3	0.3
Acquisition of intangible assets	(1.6)	(2.3)
Repayments from other investments	(0.1)	0.4
Acquisition of subsidiaries, net of cash acquired	(7.7)	-
Net cash flow from investing activities	**(20.8)**	(11.6)
Cash flows from financing activities		
Repayments of interest-bearing loans and borrowings	(11.3)	(23.6)
Net payments of finance lease liabilities	(0.3)	(0.7)
Cash receipts/(payments) of derivatives	(1.0)	1.3
Sale of own shares	-	5.9
Share capital increase	1.0	-
Dividends paid	(9.9)	(9.1)
Net cash from financing activities	**(21.5)**	(26.2)
Net cash flow	**12.1**	4.3

Notes to the condensed consolidated financial statements

1. The Company and its operations

Koninklijke Wessanen nv ('Wessanen' or the 'Company') is a public limited company domiciled in the Netherlands. The condensed consolidated financial statements of the Company as at and for the year ended 31 December 2018 comprises the Company and its subsidiaries (together referred to as the 'Group').

The full year 2018 financial figures included in the primary statements in this press release are derived from the financial statements 2018. These financial statements have been authorised for issue. The financial statements have not yet been published by law and still have to be adopted by the Annual General Meeting of Shareholders on 11 April 2019. In accordance with Section 393, Part 9 of Book 2 of the Netherlands Civil Code, Deloitte Accountants B.V. has issued an unqualified auditor's opinion on these financial statements.

The full Integrated Annual Report 2018 will be available to download on the website from 26 February 2019.

2. Basis of preparation

2.1 Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements for the Group as at and for the year ended 31 December 2017.

These condensed consolidated financial statements were approved by the Executive Board and Supervisory Board on 11 February 2019.

3. Significant accounting policies

The significant accounting policies applied by the Group in these condensed consolidated financial statements are consistent with those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2017 except for the adoption of new standards, amendments to standards and interpretations, which have been adopted as relevant to the Company for the first time in 2018.

The following new IFRS standards are effective for annual periods that begin on or after 1 January 2018 and have been adopted in preparing these condensed consolidated financial statements.

IFRS 9: 'Financial Instruments'

IFRS 9 includes revised guidance on classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. Wessanen has chosen to apply IFRS 9 using the modified retrospective approach, meaning that the 2017 comparative financial information is not restated.

Adoption of the new standard had no impact on the Groups accounting (classification, recognition and measurement) for financial assets and liabilities and hedge relationships. In addition, the implementation of the new impairment model (which requires recognition of impairment provisions based on expected credit losses rather than only incurred credit losses), on the Company's allowance for impairments on trade receivables (the Company's main financial asset) had no impact. The expected loss rates for trade receivables are based on the payment profiles of sales over a period of 12 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables. No further adjustment of the loss rates were needed.

IFRS 15: 'Revenue from contracts with customers'
IFRS 15 establishes a single comprehensive model to use in accounting for revenue from contracts with customers. According to the new standard, revenue is recognised to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognised at a single point in time when control over the products sold is transferred, respectively when products are delivered and accepted by the customer.

Wessanen has chosen to apply IFRS 15 using the full retrospective approach, which resulted in a reclassification of 'coupon expenses incurred and paid to customers' in the income statement from 'other operating expenses' to a 'reduction of revenue' as from 1 January 2018; the 2017 comparatives have been restated accordingly. Balance sheet positions have not been impacted by the implementation of this new standard.

IFRS 15 also includes guidance on the disaggregation of revenue from contracts with customers and the presentation of contract balances, that is, assets and liabilities arising from contracts with customers, depending on the relationship between the entity's performance and the customer's payment.