

Press release

CSM restructures to face new market reality

date Diemen, the Netherlands, 10 October 2011

We have indicated in our first half-year results statement that “It is difficult to assess the impact of the economic climate, reinforced by the current turbulence in the worldwide markets, on consumer behaviour.” Since we issued this statement the on going challenging financial crisis has worsened and is clearly having an impact on consumer confidence. This combined with higher food costs and in some geographies lower disposable income, is impacting consumer behavior and volumes sold. Specifically in North America it is noticeable that reduced spending power, in combination with lower shopping frequencies, is driving lower sales volumes. The artisan channel in Europe faces the challenge of lower cost competition from in-store bakeries impacting their market position.

This further worsening in end consumer demand takes place at a time when all players in the food value-chain are trying to manage their profitability as a result of the high volatility in raw material prices. This has led in a number of markets, for example in US and European retail, to an increase in price competitive actions. In this tough trading environment CSM has been facing trade-offs between margins and volumes. Based on current insights, our volume development in the third quarter is in line with market developments, albeit lower than our previous expectations.

The underlying assumptions for our July outlook for the second half were: gradually recovering volumes and selling prices progressively balancing cost increases. These two assumptions are overtaken by the current reality, with volume and margin development equally impacting EBITA delivery negatively to an extent that we will not be able to meet our guidance for the full year. Our current insights on Q3 performance, due to disappointing August and September months in Bakery Supplies and our Purac food activity, indicate that our Q3 EBITA before one-off costs will amount to approx. € 30 million. Although in general Q4 has a positive seasonal EBITA effect in comparison with Q3, the current negative market will also impact Q4 EBITA delivery.

In the light of the difficult environment and in anticipation of consumer behaviour changing structurally, we have the responsibility of addressing the challenges of the new reality.

We are initiating a CSM wide restructuring program, which will result in an organization better positioned to adapt to the changing consumer environment. The first step has been taken by strengthening the management of the North American organization focusing at retail customers. The overall restructuring program aims at a significant reduction of costs on a structural basis. This will impact our 2012 cost base positively by at least € 30 million in the context of a total program, targeting € 50 million. We will provide more information during our Q3 interim statement on October 27th.



Investing and delivering growth remains at the core of our strategy, but in the light of the current reality we have the responsibility of balancing this desire for growth with the necessity of protecting the profitability and financial health of the company.

CSM will publish its Q3 interim statement on 27 October 2011.

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Background information:

CSM is the largest supplier of bakery products worldwide and is global market leader in lactic acid and lactic acid derivatives. CSM produces and distributes an extensive range of bakery products and ingredients for artisan and industrial bakeries and for in-store as well as out-of-home markets. It also produces a variety of lactic acid applications for the food, chemical and pharmaceutical industries. CSM operates in business-to-business markets throughout Europe, North America, South America, and Asia, generates annual sales of € 3 billion and has a workforce of around 9,700 employees in 28 countries. CSM is listed on NYSE Euronext Amsterdam.

For more information www.csmglobal.com