

# Raw Material effects Bakery Supplies 2007/2008

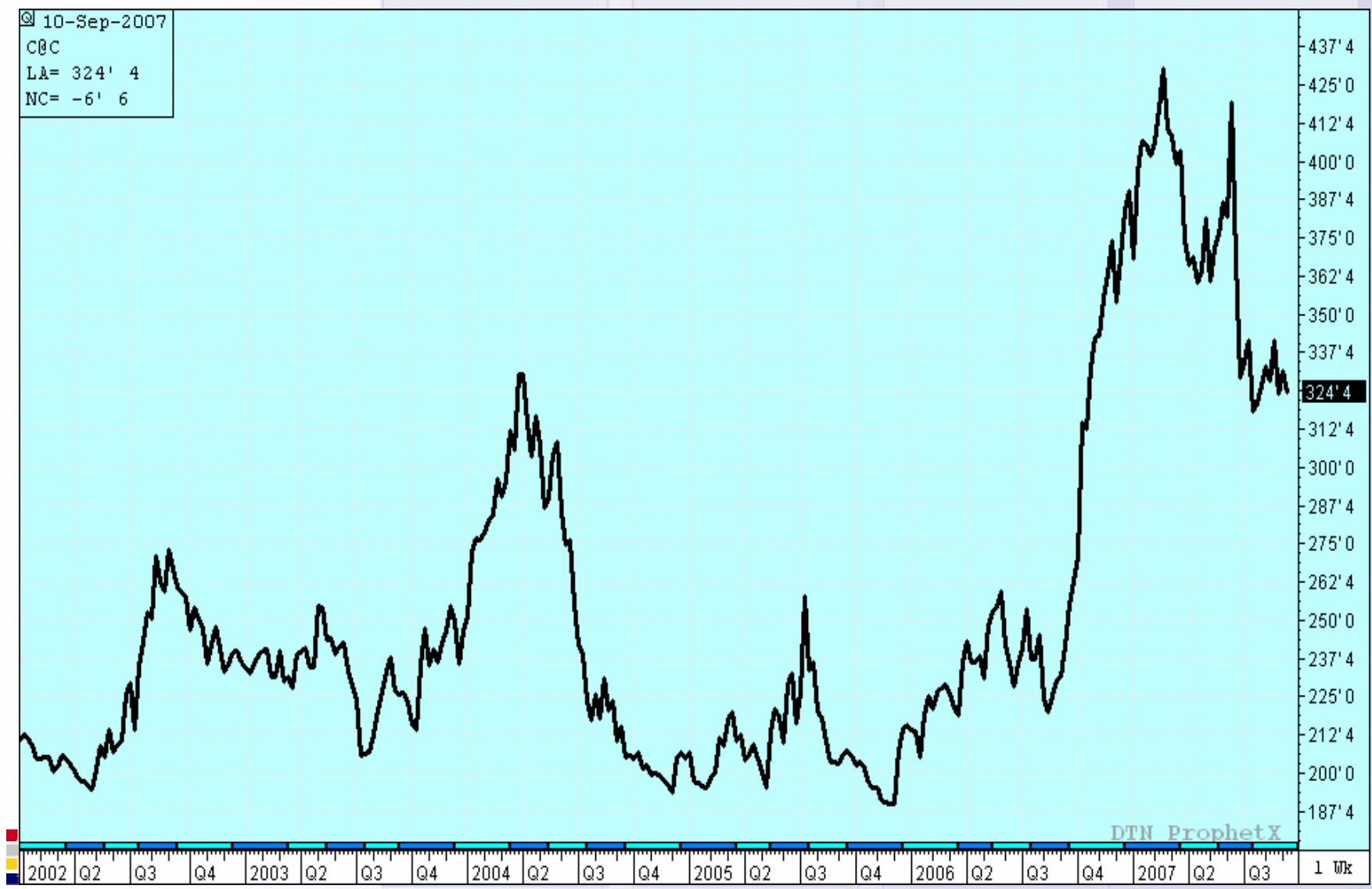
October 16th Amsterdam



# WHEAT - MATIF



# CORN - US



# Crude Palmoil FOB Mal

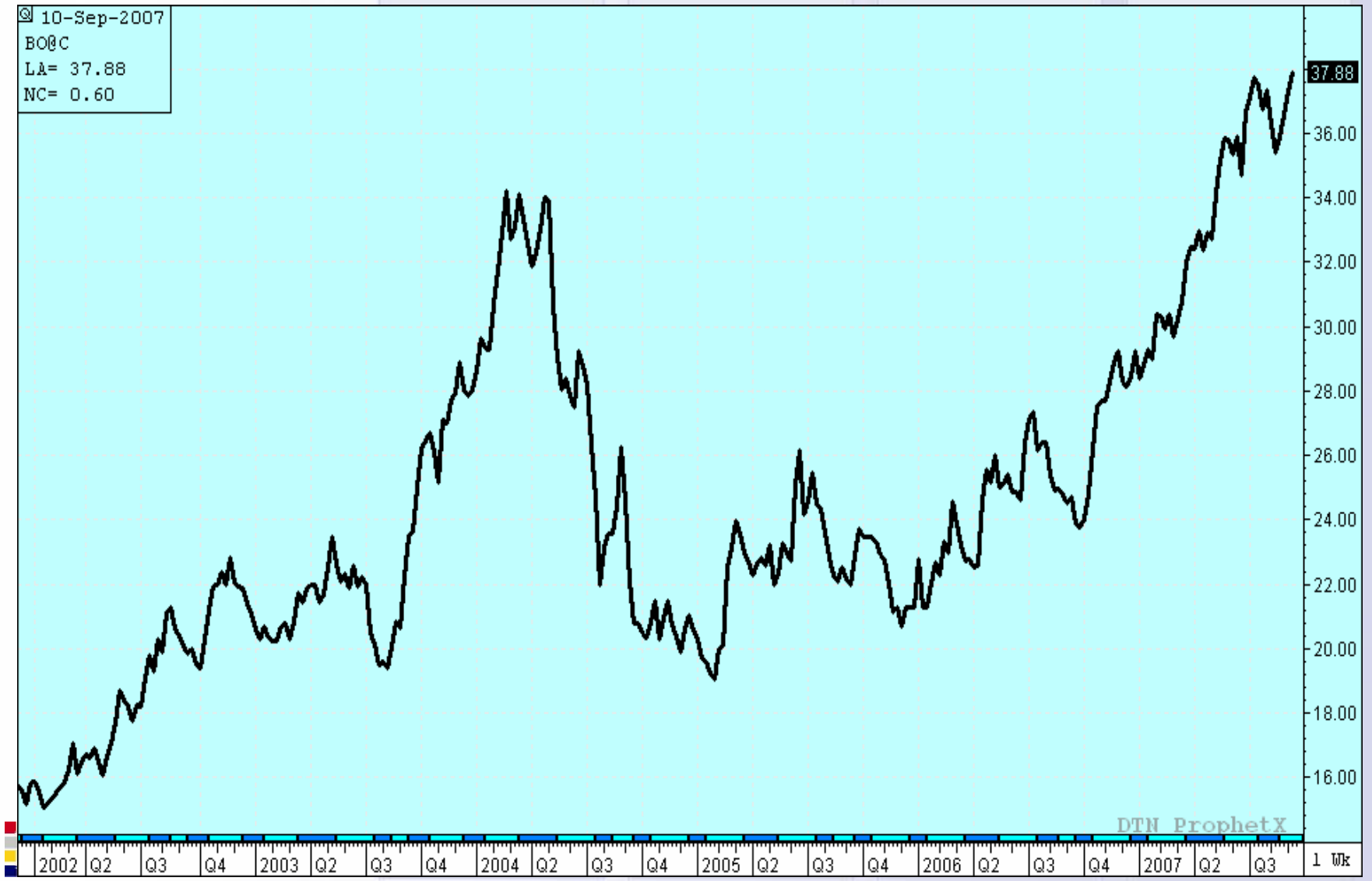
BMD Palm Oil Futures 3rd Position

[Professional]

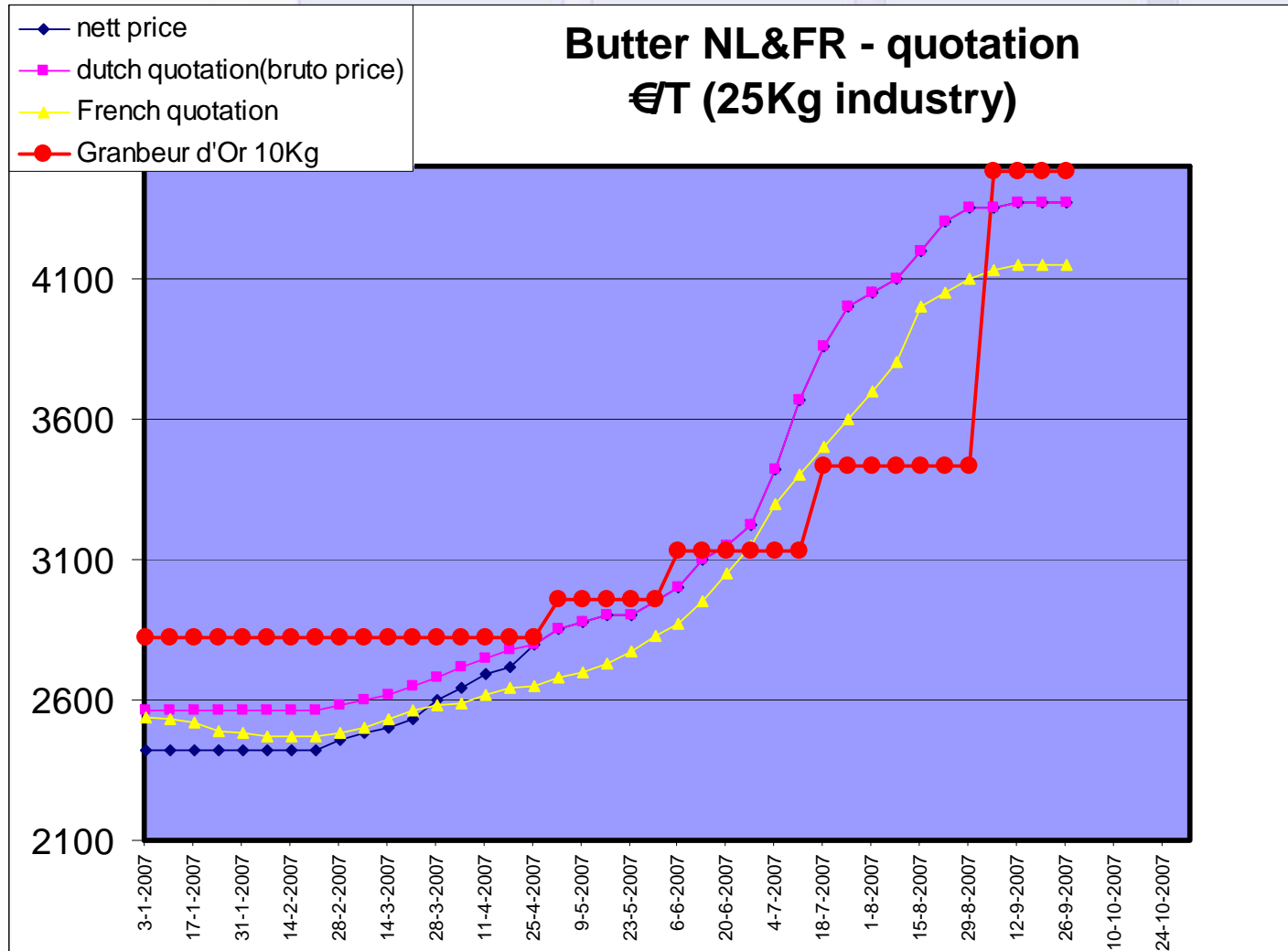
1/1/2006 - 10/1/2007 (GMT)



# SOYBEAN OIL - Chicago



# Butter - NL & France



## Price increase details Bakery Supplies

- Total CSM Raw Material Spending (excl. Distribution & Purac) in 2006 app. €1 Bln
- Raw material (RM) cost increase on total Bakery spend is estimated at app. € 190 Mln, this includes US Sugar savings of € 8 Mln
- This RM cost increase has been favorably impacted by our centralized procurement organization. Approximately € 10 Mln positive impact for the years 2007 and 2008 each.
- Majority of 2007 RM cost impact seen in 2008 as a result of our hedging policy, for most important RM we had cover of approximately 9 months.
- Required Price increases in our products of 10 – 20% are unprecedented for our industry.
- A lagging effect is unavoidable in view of the sharp increases, leading to a negative effect in 2007

## Impact of Raw Material prices on 2007 Bakery Supplies

- The net impact of increased RM costs minus savings will hit our P&L as follows:
  - 2007 H1 already absorbed € 5
  - 2007 Full year will most likely be impacted by € 38
- Increased selling prices will compensate as follows:
  - 2007 H1 increased pricing of € 2
  - 2007 Full year will most likely show increases of € 30
- 2007 will be impacted by Euro € -8 Mln (2007 H1 € -3 Mln).

## Impact of Raw Material prices on 2008 Bakery Supplies

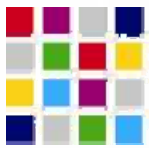
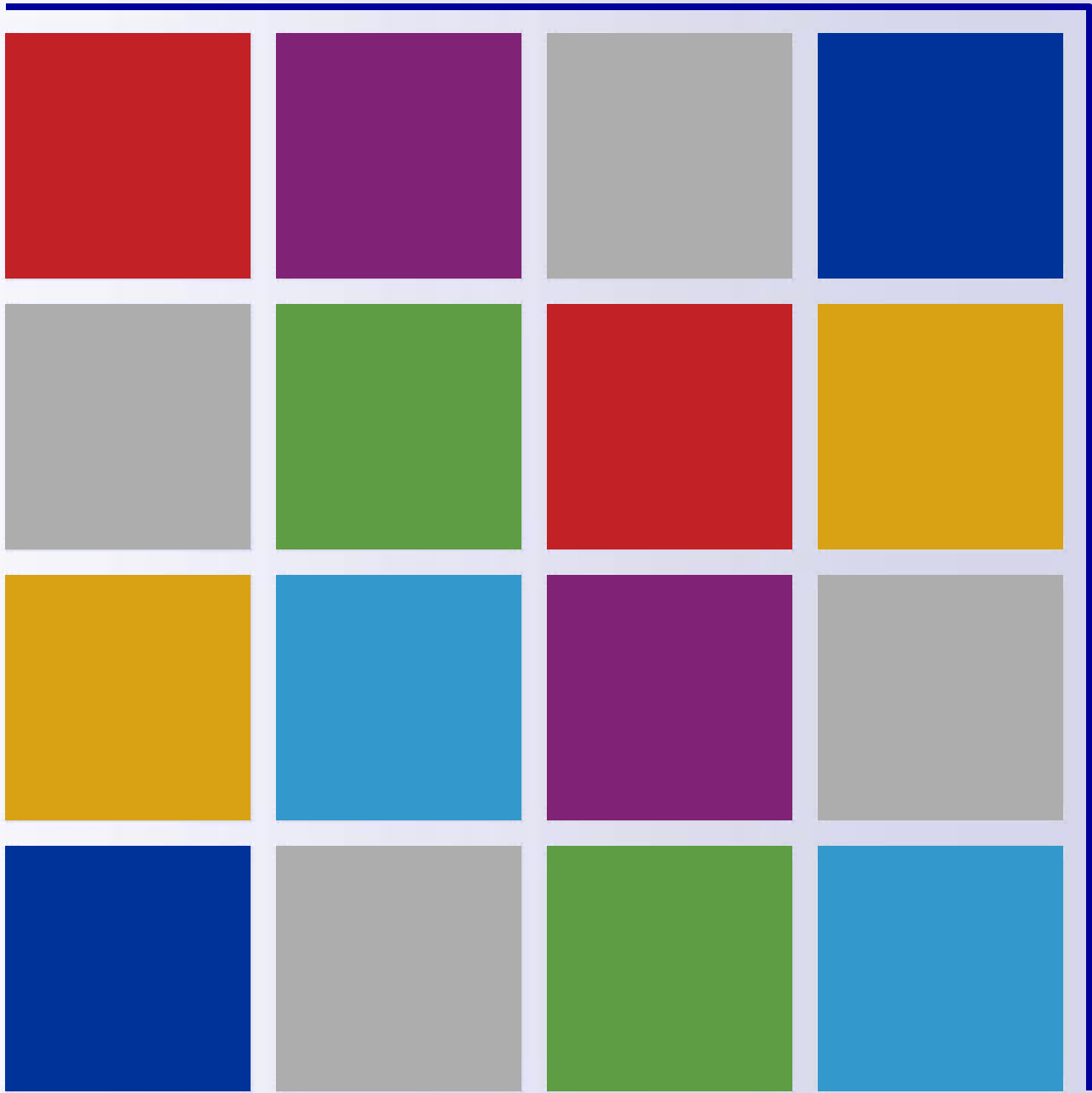
- The net impact of increased RM costs minus savings will hit our P&L as follows:
  - Versus 2006, 2008 Full year will most likely be impacted by € 190
- Increased selling prices will compensate as follows:
  - Versus 2006, 2008 Full year increased pricing will bring € 190
- This indicates that we are determined to pass the Raw Material price increases on to the market. Based on:
  - CSM has taken and indicated substantial price increases in the market
  - Markets are generally aware of the increased cost and acceptance is high
  - Experiences so far show high retention rate
  - Purchasing efficiencies are conservatively used as safety cushion

## Price increase Bakery Supplies consequences

- Passing on the Raw Material cost increase gives CSM the chance to show market leadership.
- However some negative effects on volume growth cannot be excluded.
- 3-S savings on purchasing will be selectively used, when needed, to protect or even build market share.
- Our Bakery Supplies ROS targets in 2008 will be impacted: A 10% average RM cost increase leads to an increase in sales of 10% but with a stable EBITA. Thus artificially decreasing ROS by 10%!
- ROCE targets are only impacted via increased working capital due to pricing.
- We remain fully focused on delivering our financial targets, normalized for the inflation in our selling prices.

## Price increase Bakery Supplies

*Sailing through stormy weather is tough but improves your skills and gives you insight into how to further improve your ship!*



**CSM**