

# JP Morgan Consumer Ingredients Conference London, 25th November 2010



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# Introducing CSM

CSM is the global leading player in Bakery Supplies and Lactic Acid

- the largest supplier of Bakery ingredients and products
- the leading player in natural food preservation and biobased chemicals



Annual sales c.€3.0 billion ■ Workforce of c.10,000 ■ Operations in > 25 countries worldwide ■ > 35 manufacturing sites

# CSM's vision

We help to create a society where people can make a conscious choice for safe, healthy, nutritious food and to protect the planet by offering environmental friendly solutions made from renewable resources



# Two Market Leading Platforms

## Bakery Supplies

- Two geographic operations, North America and Europe
- Europe two Business Units (Ambient, Frozen). Four market segments (Artisan, Industry, In-Store and Out-of-Home)
- North America three Operating Companies (sweet ingredients and products, bread ingredients and distribution)
- Central Procurement
- 6 innovation centres – 4 technologies

## Purac

- Global leader in lactic acid and lactic acid derivatives
- Two activities, food and chemical and pharma
- Market leading solutions for bio-plastics

# CSM Strategy: Profitable Growth

- Exploit scale advantages
- Grow organically through innovation and services
  - Bakery Supplies + 1 - 2% over market
  - Purac + 8 -10%
- Be a consolidator in bakery supplies
- Continue to accelerate developments green chemicals/  
bio-plastics



# Exploit scale advantages of CSM

- Full access to innovation power
  - Best Brands cake expertise now added to capabilities
- Global presence to support major accounts
  - Supplying Starbucks world wide
- Developing services to support customers to win
  - For CSM Bakery Products a team of 17 full timers work for WalMart
- Procurement excellence to manage raw material costs
  - Global commodity expertise and hedging instruments



**All levers available to add value to customers**

# Innovation: Bakery Inno-Engine targets (2005)



- The Bakery Inno-Engine program should significantly improve the innovative ability of CSM Bakery Supplies
- Targets:
  - Innovation underpinning sustainable organic growth
  - Increase sales from innovative products from 5% (2005) to 15% (2008)
  - Build the right Teams, infrastructure, processes and culture for delivering against this target
  - Be the first in mind of our customers when it comes to creativity, problem solving and innovation in bakery supplies.

# New Organization & Ways of Working



- Structured R&D into two focussed activities

## Product Development Centres

- Close to the customers
- Swift customer response
- Bring the IC results to market
- Aligned with sales & marketing
- Report into the BU's / OpCo's

## Innovation Centres

- New product technology development
- Projects resulting from strategy
- Raw Material Management  
& Centre of expertise
  - External research projects
  - Best practice / knowledge transfer

# Consumer trends



# Invisible goodness

## The first high functional reduced fat & reduced SAFA margarine

Indulgence from a well-being choice

**invisible GOODNESS**

Specialty for you, in line with the latest food trends, the products which will revolutionize the world of industrial margarine...

**COMING SOON THE INNOVATIVE SOLUTION THAT ALLOWS THE REDUCTION OF FAT (OR THE REDUCTION OF SATURATED FATTY ACIDS) BY 30% WITHOUT REDUCING THE PLEASURE OF YOUR PRODUCTS**

a **CSM** brand

CSM BREVETÉ | PHOTO | P&B



a **CSM** brand

**invisible GOODNESS**

Le choix Bien-Être reste un plaisir

**Invisible Goodness**  
La solution pour réduire de 30% les matières grasses et les acides gras saturés\*

Élaborés spécialement pour les industriels de la boulangerie, viennoiserie et pâtisserie, en accord avec les dernières réglementations et tendances alimentaires, Invisible Goodness va révolutionner l'univers des matières grasses industrielles.

A découvrir auprès de CSM France Industrie, le leader des margarines industrielles, cette solution innovante permet une réduction de 30% des matières grasses et des acides gras saturés\* sans changement ni du procédé de fabrication, ni de la recette, ni des qualités gustatives des produits finis.

[www.invisiblegoodness.com](http://www.invisiblegoodness.com)

Pour plus de renseignements: CSM France Industrie  
T +33 (0) 20302020 - M +33 (0) 494220 - E Philippe.legrand@csmglobal.com  
T +33 (0) 20302024 - M +33 (0) 49422024 - E Ina.meyrand@csmglobal.com

\* selon la recette

Visit also our site

[www.invisiblegoodness.com](http://www.invisiblegoodness.com)



## Indulgence from a well-being choice

ABOUT US

PRODUCTS AND APPLICATIONS

EU REGULATION ON CLAIMS

LINKS

CONTACTS

### INVISIBLE GOODNESS

allows the customer to maintain the same production process, recipe and taste in the end product

Under **INVISIBLE GOODNESS** brand you will find options for:

- fat reduction (by 30%) (\*)
- Saturated Fatty Acids reduction (by 30%) (\*)

### For all main bakery applications:



**Cake**



**Danish pastry and croissant**



**Puff pastry**

### Technical specifications

Full technical specifications are available on request.

CSM sales and application teams are available to select and customize the proposition that best fits your recipe and process.

(\*) depending on the recipe

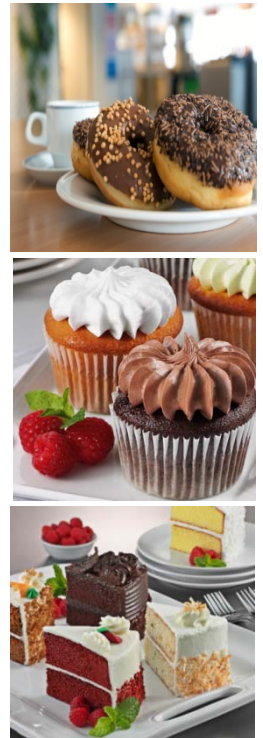
# Innovation themes

- The innovation themes 2010 – 2015
  - Health & Wellness
  - Convenience (blurring channels)
  - Experience (indulgence, premium sweet bakery, foreign & regional)
- CSM puts its innovation emphasis on:
  - Research - external collaboration & open innovation with vendors
  - New technology development – focus of IC's
  - Product development, modification & adaptations
    - focus of PDC;s
  - Raw material management, cost saving & efficiency programs
  - Application – (the link-pin between R&D activities & the customer)



# Organic profitable growth in Bakery Supplies

- Focus on the core - products, markets, channels – to maintain profitability in severely hit economies (South and East Europe)
- Growth in core segments/markets (Germany and UK)
- Exploit innovations (Caravan: IFT innovation award)
- Use bases in Turkey and China to enhance growth in faster growing regions



# Raw material volatility

- CSM has built expertise and knowledge of commodity markets
- Cover positions in place to:
  - Manage short term volatility
  - Create time to increase prices in market
  - Operating in defined risk frameworks
- Experiences
  - 2007/2008 all costs passed on in the value chain
  - 2009/2010 sugar prices more than doubled but came back: limited impact
  - H2 2010 continuation of increases in soft commodities leads to product price increases



# Be a consolidator in Bakery Supplies

## Best Brands

- Cash and debt free acquisition price US\$ 510 Million
- Brings market leadership
- Has complimentary portfolios in products and customers
- Fills strategic gaps in baking capabilities
- Provides further economy of scale advantages
- Increases the talent pool
- Consolidated 19<sup>th</sup> March 2010



**CSM The Undisputed Market Leader in US**



# Best Brands

- CSM Bakery Products for combined businesses
- Integration plan on track for full benefits in 2012
- Cost synergies confirmed and delivery in progress
  - New organization structures in place
  - Customers handed-over
  - Procurement savings in progress
  - Manufacturing transfers in preparation
- Revenue synergies identified to underpin growth



# Purac Strategy

- Fermentation is the core technology of Purac and the basis for all developments.
- Current business of lactic acid and derivatives with a strategic focus on Preservation.

“Continue to Build” (8-10% per year)

- Green Chemicals & Bioplastics

“Continue to Accelerate”



# Major segments and applications

## PRESERVATION

Color preservation

Food safety

Natural preservation

Carcass decontamination

Extend shelf life of Seafood

Preserve Freshness of beverages

Vegetables cleaning

Extend shelf life

Fortified beverages

Taste enhancement

## TASTE & NUTRITION

Salt replacer

Beer & wine making

## NUTRITION

Medical devices

Anti-microbial

Minerals bioavailability

Oral Care

Moisturizing

## GREEN CHEMICALS

Active ingredients

Animal feed

PLA Bioplastics

Decrease Acrylamide

Acidifying agent

Clean Microelectronics

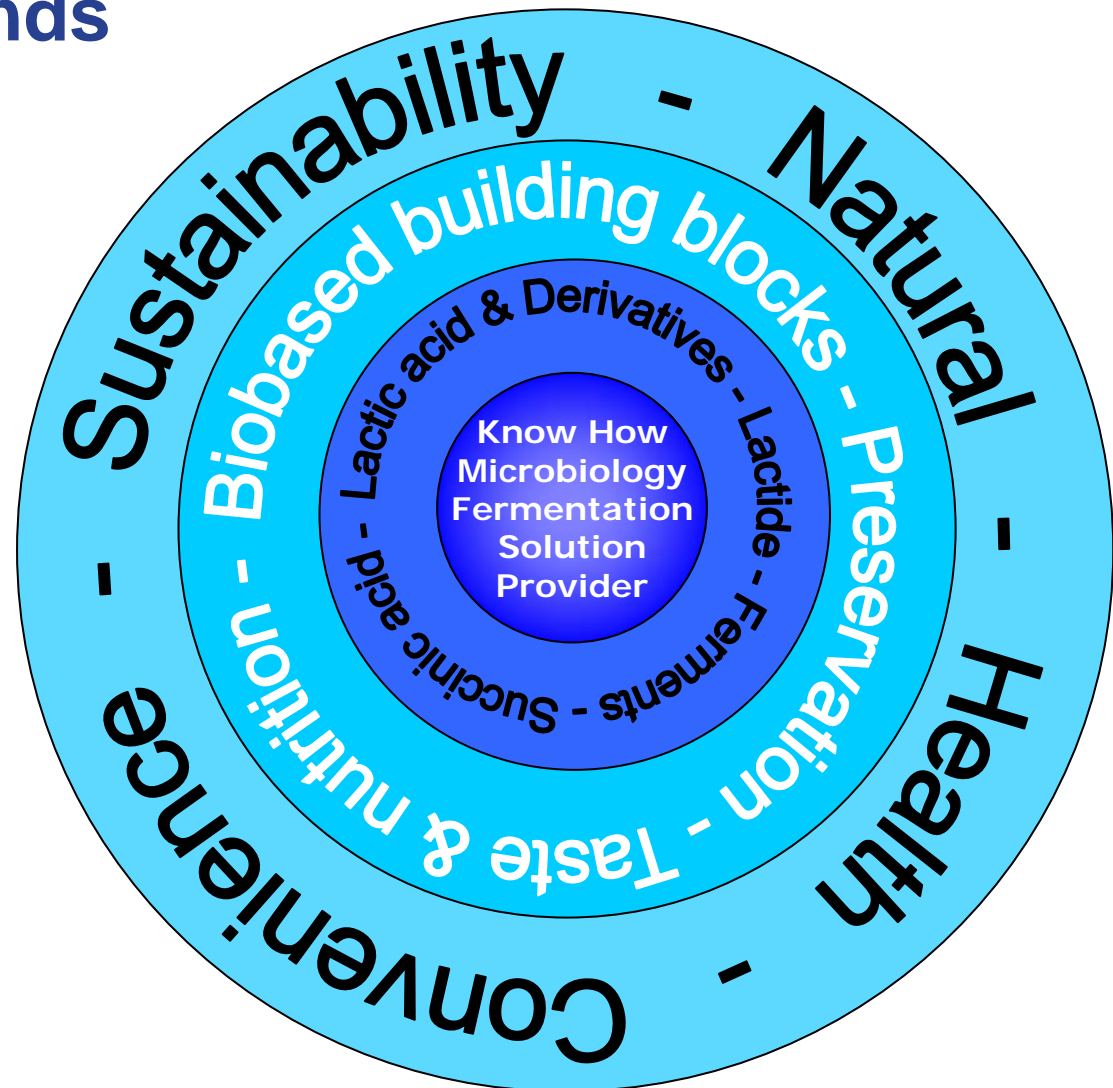
I.V. solutions

Solvent cleaning



These examples represent the concept and do not necessarily imply the presence of Purac ingredients inside the products shown

**Purac:**  
unique capabilities, focused offering  
and global trends



# Natural preservation: examples of target applications and target ingredients



**Meat products**



**Prepared foods**



**Dressings**

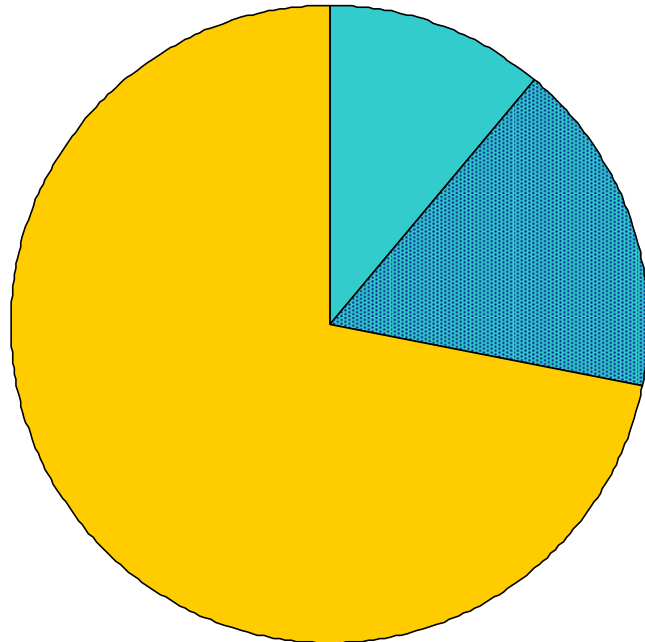


**Beverages**

**Target ingredients:**

**Benzoates  
Sorbates  
Propionates  
Nitrites**

# Purac is well positioned to benefit from the growth of the Preservatives segment



- Total market size in 2008: € 780 million\*
- The market of preservatives will continue to grow
- The “natural segment” will outgrow the total market
- Purac is well positioned in this segment



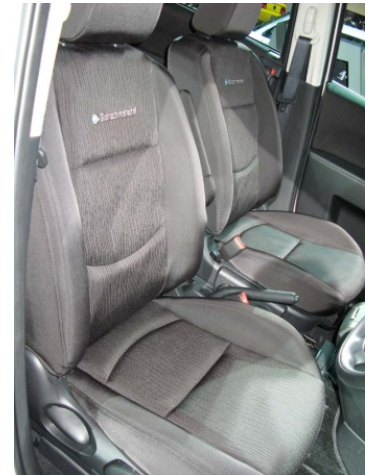
# Exploiting opportunities in Green Chemicals and Bioplastics

- Sustainability is an important driver in the Chemical Industry:
  - Safe (non toxic, environmentally safe, eco-friendly)
  - Renewable (non fossil oil based, CO2 balance)
- Biobased building blocks for polymers and green chemicals:
  - Lactide for PLA, Succinic Acid
- New technology developments (lactide, D-) and unique Purac business model will help the bio-plastic industry to develop faster.
  - Purac as the enabler of PLA growth



# Drivers for Bioplastics

- Consumer demand for “green” products
- Retailers and brand-owners longing for green image
- Reducing CO2 emissions
- Oil availability limitations
- Positive framework conditions



# Regulations Aim to Build a More Favorable Environment for Bioplastics




## Recyclability/decomposability




## Renewability

- 
- Several EU countries exclude recycling fees for bioplastics guaranteed until end of 2012
  - Development of European bio waste framework in early stages


- Development of European bio waste framework might lead to new compost standards, signifying a closed loop system

- 
- Some states, such as California, have also started discussions about more comprehensive EPR2 laws
  - California plans ban of EPS by 2012

- Government introducing a directive making bio-based plastics as their preferred purchasing items (Federal purchasing program in place that pays a 10% premium to sustainable products)

- 
- 2005:** Government encourages recyclable and degradable packaging and sets standards to avoid over-packaging

- 2010:** packaging should be indicated whether renewable/recyclable for the convenience of reusing and recycling

- 
- Recycling law introduced in 1997 and is the most developed nation in Asia with regulations comparable with European law
  - Encourages businesses to use packaging which are reusable or recyclable
  - CPG's/Retailer's are responsible for recycling costs

- "Biomass Nippon Strategy": 20% of all plastic should be renewably sourced by 2020
- Government provides financial or technical support to companies/ organizations that produce/research on renewable packaging

# Market for PLA is Estimated to Reach over 3 million tons within 10 Years

Segments with highest penetration potential for PLA	k tons
<b>Consumer products:</b> <ul style="list-style-type: none"><li>Mostly polystyrene replacement in durables</li></ul>	100
<b>Packaging:</b> <ul style="list-style-type: none"><li>Applications with high visibility for consumers</li></ul>	2.600
<b>Fibers:</b> <ul style="list-style-type: none"><li>Close match of PLA and PET fiber properties, need for high temperature PLA</li><li>Penetration in high end apparel markets and in non-woven products</li></ul>	400

# Various Drivers Bridge the Price Difference Between PLA and PS and PET

	Drivers	Assumptions
Cost advantages for companies in the value chain	1. Recycling tax	<ul style="list-style-type: none"> <li>Exemption of biopolymers from recycling tax (0.1-0.5 Euro/kg)</li> </ul>
	2. CO <sub>2</sub> tax	<ul style="list-style-type: none"> <li>CO<sub>2</sub> priced at 30 EUR/t</li> </ul>
	3. Value added properties	<ul style="list-style-type: none"> <li>Functional Advantages</li> </ul>
Green premium	4. By end customer or customer facing company	<ul style="list-style-type: none"> <li>Capture of 10% of 10% price premium (based on example of bottled drink)</li> </ul>

# Purac continues to accelerate the growth of the PLA market

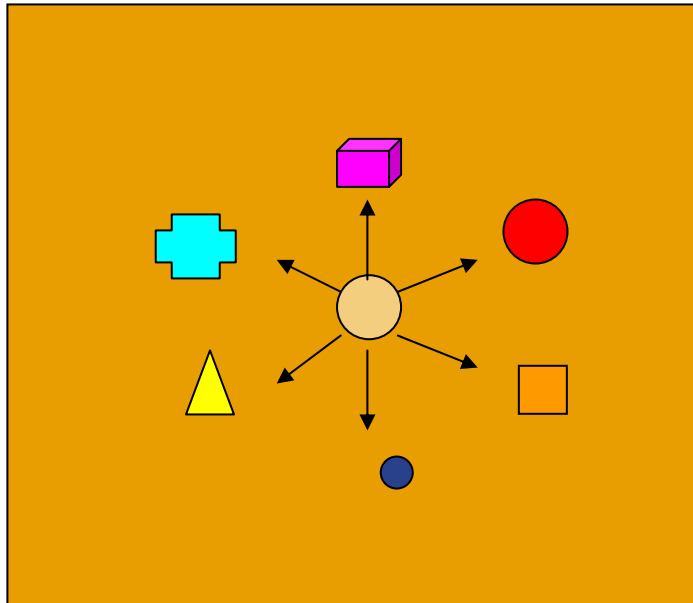
- **Lactide plant in Thailand under construction**
  - Start-up 4<sup>th</sup> Quarter 2011
- **Customers and partners continue to develop**
  - Synbra starts BioFoam<sup>®</sup> production Q4 2010
  - Joint development project Purac – Huhtamaki – Unilever
  - Increasing # of business partners
  - Increasing # of technology partners



# Biobased Succinic Acid: a high potential building block

- Succinic Acid is a building block for the production of many different chemicals in a variety of applications
- In September 2009 Purac and BASF signed an agreement on the development of the production of biobased Succinic Acid
- The partnership aimed at demonstrating the production of commercial quality and volumes in the second quarter of 2010
- The campaign on commercial scale fermentation of succinic acid was carried out in June 2010. Critical process steps have been validated
- Sample material is available for selected customers and development partners

# Application fields of biobased Succinic Acid



Coolants and  
De-icers

Chemical  
Intermediates

Fuel Additives

Plasticizers

Polyamides

Biopolymer /  
Polyesters

Fine Chemicals

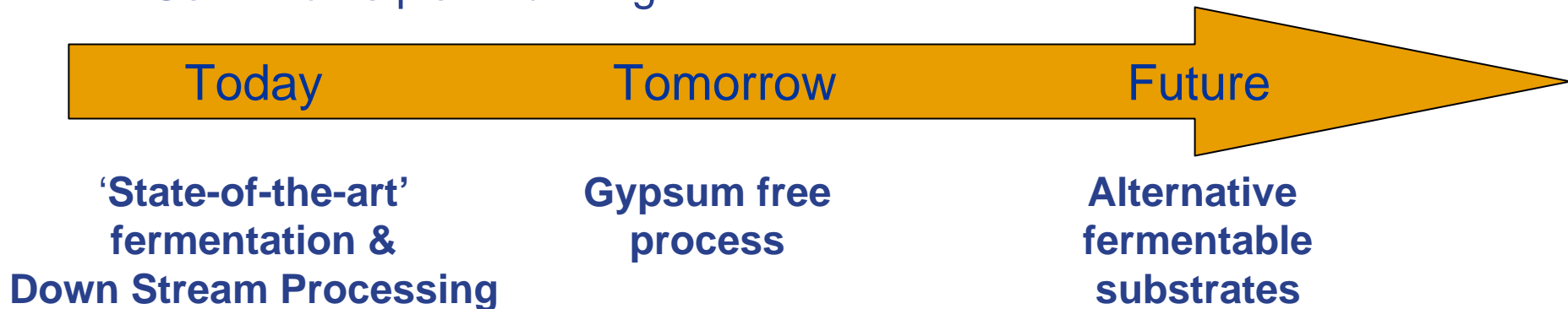
Polyurethane

Solvents

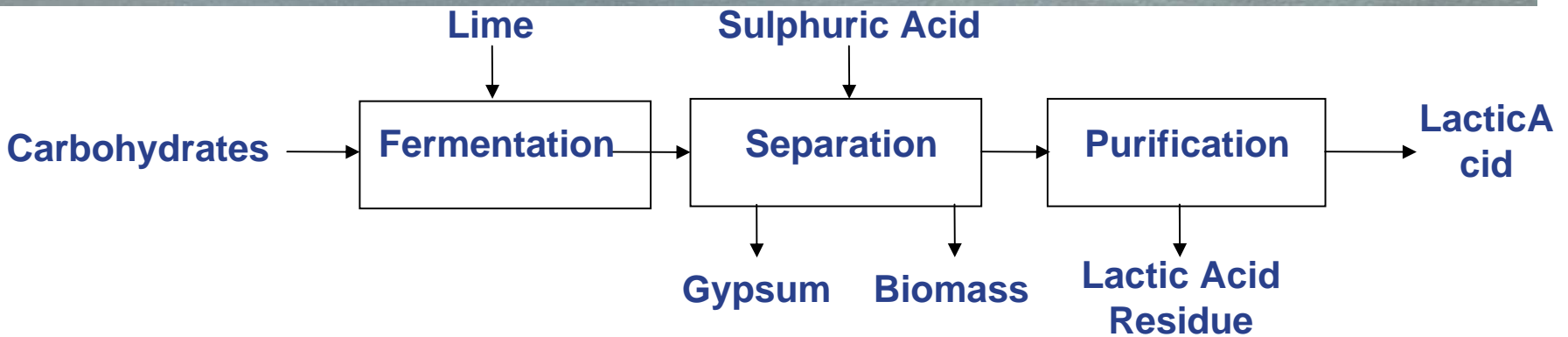
Cosmetics /  
Pharma

# Innovation in Lactic Acid processing

- Sustainability is key in green chemicals and bioplastics:
  - CO2 reduction
  - Longer term: use of alternative substrates (“Non Food”)
  - PURAC is on track in developing a new efficient Lactic Acid process which significantly improves the CO2 footprint:
  - Gypsum free Lactic acid manufacturing
  - Semi works plant running



# Gypsum free Lactic Acid production



# Alternative substrates for lactic acid production

Aim: Non-food substrates for non-food applications

Goal: A commercial Lactic Acid plant based on alternative substrates by 2015

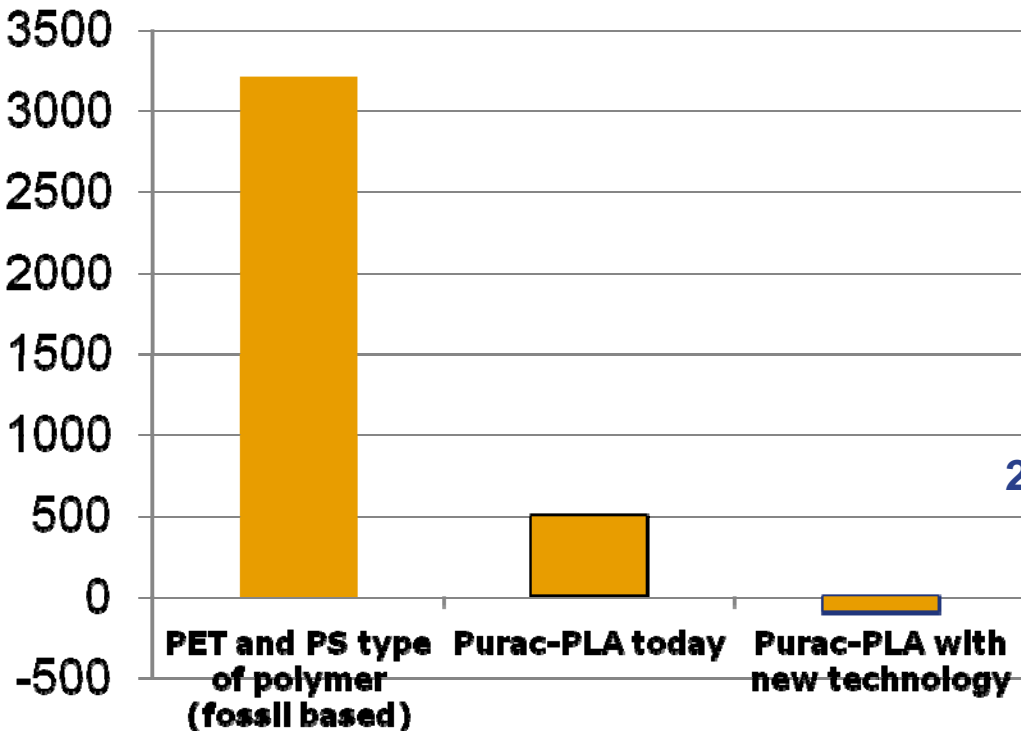
Examples of potential substrates:



# Purac based PLA can become a net carbon sink

Use of 1 kg of PLA bioplastic from Purac Lactide in stead of oil-based plastic reduces CO<sub>2</sub> emissions by 3 kg

**Kg CO2 emitted in the production of 1 ton polymer**



**2010:** Bioplastic from Purac's 75 kton Lactide plant in Thailand compensates:



**2020:** 1000 kton bioplastic compensates:



# Summary Strategic Journey CSM

- An efficient and effective base further enhanced by BB acquisition
- A good platform for growth
  - Innovation
  - Service
  - Global Reach
- Organic growth opportunities in product and customer portfolios Bakery Supplies and Purac
- Accelerating key growth engines
  - Leadership positions in Bakery Supplies
  - Bio-plastics components
- Progress in reaching long term goals of growth and delivery of ROCE >12%



# *Appendices*

# Results per business segment

	Net Turnover € x 1M		EBITA* € x 1M		ROS* %	
	2010 YTD	2009 YTD	2010 YTD	2009 YTD	2010 YTD	2009 YTD
<b>BSNA</b>	<b>1143.6</b>	894.0	<b>90.5</b>	72.8	<b>7.9</b>	8.1
<b>BSEU</b>	<b>752.2</b>	756.6	<b>46.2</b>	30.2	<b>6.1</b>	4.0
<b>Total BS</b>	<b>1,895.8</b>	1,650.6	<b>136.7</b>	103.0	<b>7.2</b>	6.2
<b>PURAC</b>	<b>303.6</b>	267.6	<b>44.6</b>	24.1	<b>14.7</b>	9.0
Holding costs			<b>&lt;22.1&gt;</b>	<18.8>		
<b>CSM total</b>	<b>2,199.5</b>	1,918.2	<b>159.2</b>	108.3	<b>7.2</b>	5.6

\* Excluding one-off costs  
Best Brands

# Organic growth Q3 – Net sales

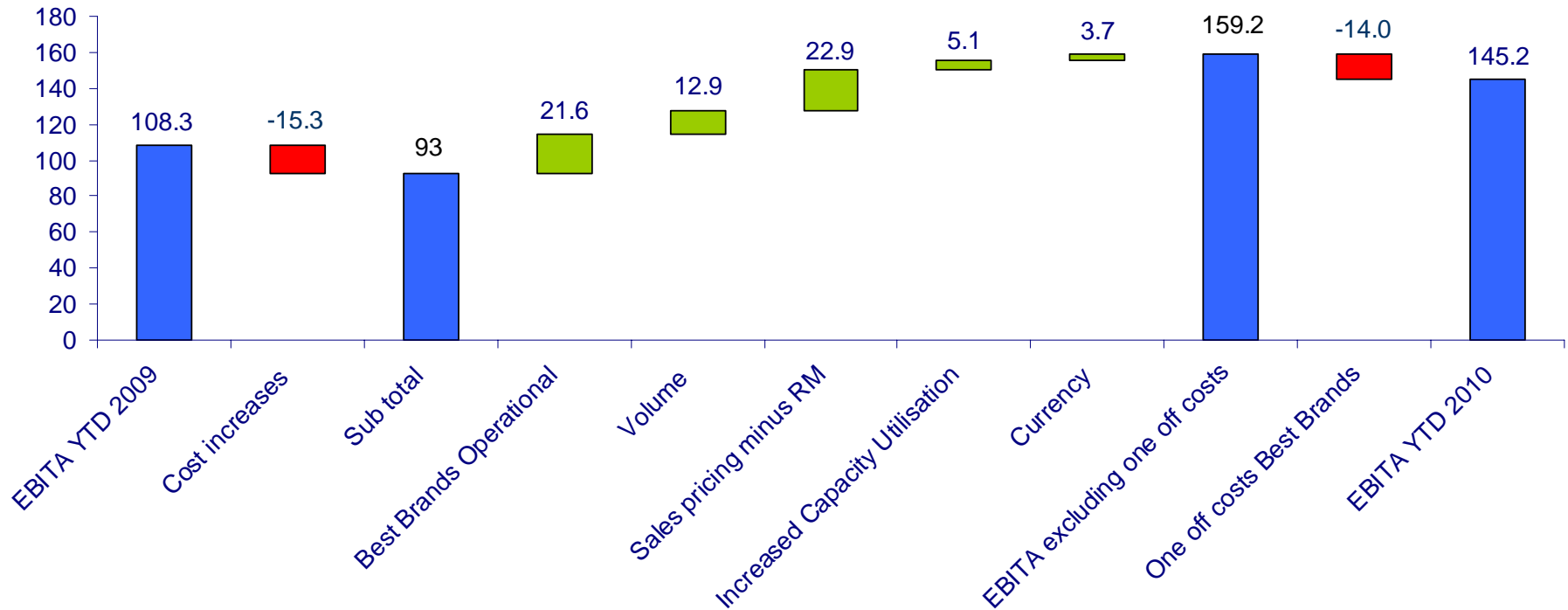
Net sales third parties - QTD Amounts in Million EUR	2010 SEP	2009 SEP	Total growth	Acquisition Effect	Currency effect	Organic growth
CSM Bakery Supplies North America	418.4	286.4	131.9 46.1%	95.2 33.2%	34.0 11.9%	2.8 1.0%
CSM Bakery Supplies Europe	260.9	255.7	5.2 2.0%	0.0 0.0%	2.8 1.1%	2.5 1.0%
PURAC Division	104.4	92.4	12.0 13.0%	0.0 0.0%	8.4 9.1%	3.6 3.9%
<b>CSM Group - Continued Operations</b>	<b>783.7</b>	<b>634.5</b>	<b>149.2</b> 23.5%	<b>95.2</b> 15.0%	<b>45.2</b> 7.1%	<b>8.9</b> 1.4%

# Organic growth YTD September – Net sales

Net sales third parties - YTD Amounts in Million EUR	2010 SEP	2009 SEP	Total growth	Acquisition Effect	Currency effect	Organic growth
CSM Bakery Supplies North America	1,143.6	894.0	249.6 27.9%	213.9 23.9%	39.7 4.4%	-4.0 -0.4%
CSM Bakery Supplies Europe	752.2	756.6	-4.4 -0.6%	0.0 0.0%	6.4 0.9%	-10.8 -1.4%
PURAC Division	303.6	267.6	36.0 13.5%	0.0 0.0%	13.7 5.1%	22.3 8.3%
<b>CSM Group - Continued Operations</b>	<b>2,199.5</b>	<b>1,918.2</b>	<b>281.2</b> 14.7%	<b>213.9</b> 11.2%	<b>59.9</b> 3.1%	<b>7.5</b> 0.4%

# EBITA bridge YTD Q3 2010

Amount in M€



\* currency= transaction + translation effects