

Letter to our shareholders

Dear Shareholders,

On 7 May 2012 CSM announced its proposal to transform the Company into a bio-based ingredients company focusing on the Purac and Caravan Ingredients businesses. Upon your approval, we will initiate this proposed transformation and the process aimed at full divestment of the European and North American Bakery Supplies activities. The divestment process would concern all activities reported in CSM's annual accounts 2011 in the segments "Bakery Supplies Europe" and "Bakery Supplies North America" (excluding Caravan Ingredients).

Our Bakery Supplies business is one of our two core business areas and has strong market positions in Europe and North America, excellent management and a well-filled innovation pipeline. Increased volatility of raw material prices and pressure on consumer confidence have impacted the financial performance of the entire industry. We therefore expect ongoing consolidation in the bakery supplies industry requiring substantial financial resources. At the same time, our other core business, currently comprising Purac and Caravan Ingredients, also require significant investment to maximise its full potential. The comprehensive strategic review instigated by the Business Review earlier last year concluded that CSM is not able support both these major investment requirements.

We have made a clear choice to focus our resources on the bio-based ingredients businesses, Purac and Caravan Ingredients, expecting to provide attractive growth opportunities. As a result, we concluded that our bakery supplies assets would be more valuable in the hands of other owners who can participate in the consolidation we expect to continue. This will enable us to redeploy our capital into activities better able to deliver higher growth and enhanced shareholder value. We are therefore seeking approval from you, our shareholders, to execute this major change of the identity of CSM and its enterprise, consisting of the transformation of the company into a bio-based ingredients company and the divestment of the said Bakery Supplies activities.

Background on divestment of Bakery Supplies business

In line with the rest of the bakery supplies industry, CSM has experienced volatile raw material input costs in recent years, which has had a detrimental impact on profitability and cash generation. Moreover, pressure on consumer confidence during the recession has caused a headwind for the entire food industry. To cope with this challenging environment, we have taken a series of initiatives consisting of innovations, cost reductions and supply chain optimisations. Despite these measures, results at Bakery Supplies have been more volatile than in earlier years and have not met our demanding expectations. We expect that the current environment will require an accelerated consolidation of the industry. For some years we have actively pursued consolidation in Europe and North America. Now, by choosing to concentrate on bio-based ingredients, we are ceding that consolidation role to others.

The Bakery Supplies businesses to be divested had sales in 2011 of € 2,409 million with an EBITDA before central costs and one-off costs of € 127.5 million, and an EBITA before central costs and one-off costs of € 86.3 million. The Bakery Supplies businesses in Europe and North America are well positioned with:

- Leading market positions and positive relationships with major customers in every country we operate in;
- Excellent management; and
- Well filled innovation pipelines that can exploit evolving trends in health, wellness and convenience.

We are currently exploring the alternative options for an optimal divestment process, including fairness opinions for the Bakery Supplies businesses. We are confident that there are the right buyers for the assets. We could expect the divestment not to occur in one large transaction but rather by means of a few disposals. Once completed, CSM's identity will have changed significantly, which is the reason for requesting your approval. We expect to have made significant progress with the divestment process by early 2013.

Background on “future CSM”

Our remaining business will consist of Purac and Caravan Ingredients which both have a heritage as ingredient manufacturers servicing multiple channels of trade for both direct and indirect manufacturers. Both businesses have strong market positions in their existing categories, and significant growth opportunities in adjacent categories.

Caravan Ingredients has four main product platforms:

- Functional blends containing enzymes: customized concentrated mixes designed for flour based products, primarily to extend the product shelf life or strengthen the dough;
- Emulsifiers, including lactic acid derivatives: stabilisers that deliver specifically designed texture and mouth feel attributes. In the US, 50% of demand for emulsifiers is in the bakery industry;
- Fortification: Products are manufactured for flour enrichment and the food and beverage sector, adding beneficial additives such as vitamins, minerals and folic acid to products; and,
- Bakery mixes: provides full service support to smaller customers to optimise their mixes and final products. They are sold with respectable margins using the same high support approach as the other activities and do contain ingredients such as emulsifiers produced in-house.

It has strong market positions in the US in functional blends (#1), emulsifiers (#2) and bakery mixes. In 2011, Caravan Ingredients had sales of € 297 million, EBITDA before central costs and one-off costs of € 52 million, and EBITA before central costs and one-off costs of € 47 million. Over the past five years, Caravan Ingredients showed resilience during the economic downturn, with EBITA continuously increasing, driven by continued innovation. CSM intends to grow the Caravan Ingredients business by continued investment in innovation to support each of the platforms above and by leveraging the synergies with Purac.

Purac is an innovative biotechnology company and the world market leader in fermentation based lactic acid and its derivatives. Purac is active in Food, Chemical and Pharma markets, offering:

- Solutions for food preservation, taste and nutrition for the food industry;
- Bio-based building blocks (lactides, bio-based chemical components); and
- Bioplastics / PLA.

In 2011, Purac had sales of € 407 million, EBITDA before central costs and one-off costs of € 72 million, and EBITA before central costs and one-off costs of € 46 million. Purac has shown strong top-line growth in recent years combined with attractive margins. Future market growth for

fermentation of food ingredients is expected to continue at least high single digit, and even higher for bio-plastics. Purac is well positioned to benefit from this.

“Future CSM” strategy

1. Significant potential for synergistic development between Purac and Caravan Ingredients

In the past, CSM has given serious consideration to combining Purac and Caravan Ingredients. Today there are valuable synergies between both businesses that give an even stronger strategic and financial rationale for the combination. These synergies include the following:

- Significant overlap in the portfolio, primarily lactic acid and lactylates manufacturing for preservation, fortification and stabilising applications;
- Both businesses benefit from the focus on key consumer trends such as sustainability and health;
- Combined businesses will have increased market access (cross selling across key accounts) and global coverage to enable the full portfolio to be offered to a wider customer base;
- Innovation will be facilitated by complimentary chemical knowledge and expertise; and,
- Shared knowledge of applications will enhance growth with a wider product portfolio focusing at functional advantages such as shelf life extensions, health for both animals as well as humans, naturalness and sustainability as eating qualities and processing efficiencies.

The combination will target growth opportunities in new lactic acid applications such as bioplastics, animal health and nutrition, as well as next generation, bio-based alternatives for mineral oil-based materials, all with clear performance and environmental credentials. Geographically, the combination will be better balanced than CSM is today. For example, CSM will have an enhanced presence in emerging markets through leveraging Purac’s network and Caravan Ingredients product platforms, capitalising on increasing levels of processed food consumption in these markets.

In addition, the central cost base and head office will be right-sized to fit the scale of future CSM. Therefore, we believe the combined businesses will be better able to deliver higher growth and enhance shareholder value.

2. Acquisitions

We believe that the bio-based ingredients sector offers good opportunities for acquisition to build on the platform of Purac and Caravan Ingredients. A selective strategy of complementary acquisitions should provide a significant opportunity for incremental growth.

3. Market growth

CSM believes that the bio-based ingredients sector offers scope to benefit from higher levels of market growth over time, benefitting from high levels of innovation, new applications and access to new, developing markets.

Use of divestment proceeds

The divestment of the Bakery Supplies business will generate significant proceeds for CSM, but will also crystallise a number of costs and liabilities, which will be funded from the proceeds.

We intend to balance the net proceeds from the divestments to support and enhance the growth opportunities available to the bio-based ingredients business, to reduce debt to a level suitable for its size and activities and to distribute funds to shareholders.

Following the intended divestments, CSM will focus its resources on investing in its growth options, while retaining the commitment to a dividend policy appropriate for the size and growth dynamics of the new business.

Concluding remarks

This transformation is the next major step in CSM's strategic evolution. The Board of Management and Supervisory Board strongly believe that this is the right decision at the right time for CSM. The redeployment of capital will enable the combined Caravan Ingredients and Purac businesses to reach their full potential and it will transform CSM into a fast-growing, global supplier of innovative bio-based products.

In accordance with sections 12(7) of CSM's articles of association and 2:107a of the Dutch civil code, we are seeking approval from you, our shareholders, to complete this divestment process and execute this strategy that will significantly change the identity of the company. We therefore urge you to vote in favour of this decision at the Extraordinary General Meeting of 3 July 2012, either in person or in proxy.

Yours sincerely,

Gerard Hoetmer
CEO CSM nv

22 May 2012

