



Passion for coffee and tea
Review 2012



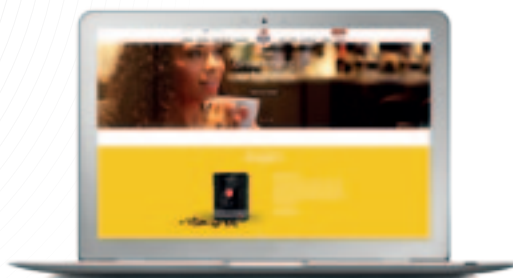
Who we are



D.E MASTER BLENDERS 1753 is a pure-play international coffee and tea company, headquartered in the Netherlands. Our coffee and tea products are available in more than 45 countries. Over 70 percent of our sales come from markets where we hold the number one or the number two position. With €2.7 billion in sales, we are the third largest company in the coffee and tea industry.

Ambition and strategy

The company is one of the largest dedicated players in coffee and tea. Our ambition is to build a fully sustainable company while moving from third to second position through a combination of expansion, innovation and value-added offerings.



For a PDF of our review and more information on the company please visit
www.demasterblenders1753.com

Financial highlights



Retail – Western Europe

The Netherlands, Belgium, France, Denmark, Greece, Germany, UK and Spain

47% (2011: 47%)

Retail – Rest of World

Brazil, Hungary, Czech Republic, Poland, Australia, Thailand and Russia

29% (2011: 27%)

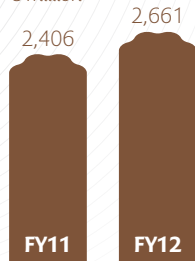
Out of Home

The Netherlands, Germany, Denmark, Belgium, Australia, Spain and global network

24% (2011: 26%)

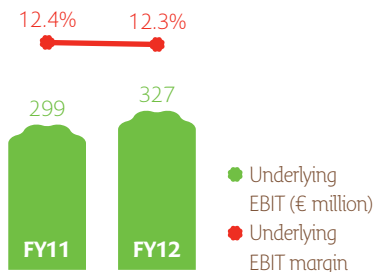
Sales*

€ million



* Excluding green coffee export sales

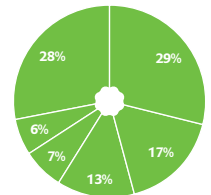
EBIT



Sales by geography*

%

The Netherlands	29%
Brazil	17%
France	13%
Belgium	7%
Germany	6%
Other ¹	28%



* Excluding green coffee export sales

¹ Other includes Australia, Denmark, Poland, Spain and Thailand

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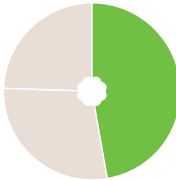
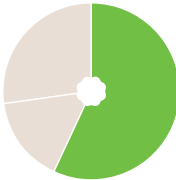
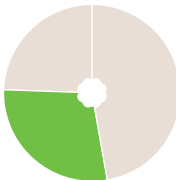
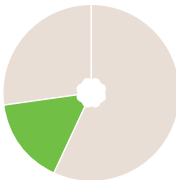
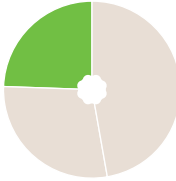
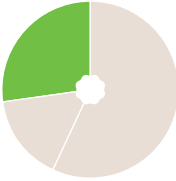


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Company at a glance



We are passionate about creating and sharing life-enhancing experiences with coffee and tea. We serve retail markets in Western Europe and the rest of the world, and businesses and institutions in the Out of Home market. 70 billion cups of coffee were prepared from our products last year.

Segment	Sales	Underlying EBIT (as % of total)
Retail – Western Europe The Netherlands, Belgium, France, Denmark, Greece, Germany, UK and Spain	 47% (2011: 47%)	 57% (€210m) Underlying EBIT margin: 17%
Retail – Rest of World Brazil, Hungary, Czech Republic, Poland, Australia, Thailand and Russia	 29% (2011: 27%)	 16% (€61m) Underlying EBIT margin: 8%
Out of Home The Netherlands, Germany, Denmark, Belgium, Australia, Spain and global network	 24% (2011: 26%)	 27% (€100m) Underlying EBIT margin: 16%

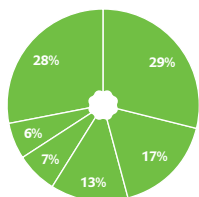


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Sales by geography*

%

The Netherlands	29%
Brazil	17%
France	13%
Belgium	7%
Germany	6%
Other ¹	28%



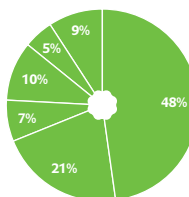
* Excluding green coffee export sales

¹ Other includes Australia, Denmark, Poland, Spain and Thailand

Sales by product category*

%

Roast & ground	48%
Single serve	21%
Liquid roast	7%
Instant	10%
Tea	5%
Other	9%



* Excluding green coffee export sales

Leading market positions



Coffee

The Netherlands
Belgium
Denmark
Hungary
Brazil
Australia
France
Spain
Poland



Tea

#1	The Netherlands	#1
#1	Denmark	#1
#1	Hungary	#1
#1	Czech Republic	#1
#1	Spain	#2

72%

of sales in markets with
#1 and #2 positions

Products and brands

Our principal products are packaged roast and ground coffee (which we refer to as multi-serve), individually portioned coffee capsules and pads (which we refer to as single serve), instant coffee and tea.



Douwe Egberts
Global



Senseo
Global



L'OR Espresso
France



Marcilla
Spain



Merrild
Denmark



Paloma
Poland



Pilão
Brazil



Moccona
Australia



Hornimans
Spain



Pickwick
Global



Tea Forté
Global

Through our Out of Home segment we offer a full range of hot drinks, mainly through proprietary state-of-the-art machines that we develop and sell, lease or provide free-of-charge to customers.

Coffee  Company



Letter from the CEO



D.E Master Blenders 1753 is a brand new business with a long history and big ambitions. We are building an international, sustainable, pure-play coffee and tea company with products that stir the senses.



“ I’m convinced we can capture market share and own our categories by competing on product quality, on aroma and on taste.”

Michiel Herkemij
Chief Executive Officer and Executive Director

The spin-off from Sara Lee's beverage operation into a separate company has created a new, pure-play coffee and tea powerhouse. It has infused our business with new energy and purpose.

D.E Master Blenders 1753 is in a uniquely favorable position. We have exceptional heritage; we have the assets, resources and expertise of an international food and beverage giant; and we have established, locally embedded brands, many with more than 60 years of history. Following the spin, we can add the energy and dynamism of a start-up to that formidable list of strengths.

Industry leadership

The restructuring has created a potent, pure-play coffee and tea company. Our task is to convert these strengths into acknowledged market leadership. We are already number one or number two in international markets. We now intend to own our categories in coffee and tea.

I am personally committed to achieving this while building a fully sustainable company. Currently, 40 to 45 percent of each cup of coffee or tea we make is produced sustainably. We will develop our own practice so that at least 80 percent, ideally all, of each cup becomes sustainable.

With our long experience in the industry we have a deep understanding of what coffee and tea are all about. They are very special products, much more than mere hot drinks. They connect us with fundamental feelings about good times and relaxing with friends. These are drinks bound up with sharing and living.

This has always been the company that put taste and the senses at the centre of its brand. And other sensory qualities are important too: the inviting aroma, the rituals of brewing, the tactile pleasures of grinding and percolating. Our aim is to enrich the experience in every cup.

The restructuring has created a potent, pure-play coffee and tea company.

A profitable growth business

Our focus now is on profitable growth. That growth will be led by top-line quality improvements and supported by innovation. We will grow sales and improve margins with innovation-led product development and by driving costs out of the business.

We are currently ranked number three in international markets. Our ambition is to become a strong number two player. We can achieve that by developing new market segments and by growing market share in all our categories.

D.E Master Blenders 1753 operates in all segments of the market. This gives us a significant competitive advantage. We are strong in roast & ground, in instant, in single serve and in the Out of Home

market. We are increasingly identifying crossovers. We are applying our Out of Home experience to retail markets, we are developing fresh bean offerings based on what we know from single serve and we are taking categories into new territories.

Changing the mindset

This ambition to grow, to enrich the coffee and tea experience, to understand consumer insights will demand a different kind of leadership. Inspiration is one key factor; passion for the consumer is another.

There is an energy and excitement here. It's a privilege to be part of that.

I've been very encouraged by the ability of the people here to embrace change. I think there was already recognition that this was a business that could do so much more. Perhaps there was even frustration in some quarters that we were not making the most of our opportunities.

Not any longer. Our spin-off into a publicly listed, pure-play coffee and tea operation has unleashed latent potential. There is an energy and excitement here. It's a privilege to be part of that.

We're going through a big cultural change in a very short space of time as we transition to a growth-led business. We are creating a culture that is much more brand-aware and customer-led. Our most talented people are being encouraged to act entrepreneurially and promote innovation. We have been hiring some great people. The new intake is bringing new ideas. It's been a breath of fresh air.

The three-year business plan

We have a clear vision of what we want to achieve. We are creating a focused, fast and flexible organization to bring it about.

This is not something that can happen overnight, but we are making excellent progress. Our three-year plan is well underway. We are progressively building our capabilities.

We have identified six strategic priorities to promote profitable growth. We are developing value-added offerings, expanding our markets, boosting innovation, focusing the organization, accelerating operations and strengthening our financials.

We have put a disciplined and structured program in place. In our first year we are concentrating on getting the basics right. We have been getting the right managers and leaders, and the right organization, to develop our innovation pipeline.

We have begun to make the cultural change from a profit-driven to a growth-led business. We are strengthening our financials and reducing working capital. We are simplifying our operations to raise quality and take out cost.

“
Coffee and tea connect
us with fundamental
feelings about good
times and relaxing
with friends”

Letter from the CEO

continued

Innovation-led growth

Over the next 24 months we will be refreshing our brands and rolling out innovative products. We plan to build market share in all categories and markets. In markets where we are already strong we will strengthen our position. In markets where we are still expanding we will develop new offerings and launch new categories.

We will increase margins by improving quality. There is a great opportunity in this market for segmentation and premiumization of our product range. We are investing in packaging design to improve freshness, improving quality and launching new machines. We will reinvigorate our roast and ground business with a broader range of flavors and premium blends.

We are developing an innovation-orientated organization. We are promoting dialogue and exposing our teams to new ideas and influences.

Developing categories

We have set up multi-disciplinary category development units focusing on instant, roast and ground, single serve, liquid and Out of Home. These bring marketers, territory salespeople, R&D, finance and support teams together to identify the best opportunities and learn from each other.

The company already had strong research, product development and blending capabilities. We haven't had to learn how to consult with consumers; that has always been a core strength. What we have done is bring consumers centre stage. We're running detailed focus groups to align brands and flavors with consumer preferences.

We will achieve top-line growth by developing our offering in all categories. In retail, we want to be the category leader in supermarkets. We intend to gain in-store visibility and take ownership of our categories.

In Out of Home we are developing global customer relationships. Internally, we are forging closer links between Out of Home and our retail business to ensure we apply the lessons learnt and implement products across the business.

There are categories where we are not yet present in every country. In tea, for instance, we only sell in six of our territories at the moment. Our tea should be available everywhere. It's a similar story with instant coffee.

We have a clear vision of what we want to achieve. We are creating a focused, fast and flexible organization to bring it about.

Outlook

We have achieved many things over the past year, but our flotation and public listing is, I think, the highlight. It is not simply that we have been able to negotiate the complex task of introducing a major new business to investors, more that this has not distracted us from operating successfully and accelerating our program for change.

I'm convinced we can capture market share and own our categories by competing on product quality, on aroma and on taste. We will ratchet up quality in all our brands. We will keep our innovation relevant by staying focused on consumers with authentic products that fit in with their lives.

We have set concrete financial targets. Within three to five years, we aim to deliver 5 to 7 percent sales growth annually and bring EBIT margins back up to 15 to 17 percent.

I'm convinced that the business has the right model to take advantage of the opportunities the coffee and tea markets present. I know we can achieve great things together.



Michiel Herkemij
Chief Executive Officer and Executive Director



The market and our strategy



Understanding how markets operate and why people like to drink coffee and tea helps us to develop in-cup experiences that fit with the way they want to live their lives.



As a pure-play international coffee and tea company we engage intimately with our marketplace. Understanding tea and coffee drinking and local and global demand is critical for our business.

Sourcing coffee and tea

Crude oil aside, coffee is the world's most actively traded commodity.

Over 90 percent of coffee production is in emerging economies. Brazil is the largest coffee-exporting nation, producing almost a third of the world's coffee. Vietnam is second and the leading Robusta exporter. Colombia and Indonesia are the other major coffee-exporting nations. China, India, Sri Lanka and Kenya are the world's leading tea producers.

Green coffee accounts for around two-thirds of our total costs. We buy around 400,000 metric tonnes annually and 10,000 metric tonnes of black tea, both directly from exporters and from specialist importers on the wholesale market. We protect ourselves against price volatility by a combination of holding physical stock, negotiating long-term contracts and trading derivatives on commodities exchanges.

We buy both Arabica coffee, which is normally used for higher-grade and specialty coffees, and the more economical Robusta beans, used in instant coffee and as a cheaper, brewed coffee alternative. Our master blenders influence procurement policy by recommending flavor combinations. Their expertise helps us to align our stocks with local flavor preferences.

We are the world's largest buyer of UTZ Certified coffee and tea. Currently 14 percent of our green coffee comes from UTZ Certified sources and 40 percent of our tea. We aim to source at least 25 percent of our coffee sustainably by 2015.

We are increasing our proportion of sustainably sourced coffee as rapidly as we can. However, it is often problematic for small-scale coffee operations to gain certified status. Currently, just 8 percent of all green beans are certified.

7.8m

Global coffee production was 7.8 million metric tonnes in 2011.

1.9m

Global tea production was 1.9 million metric tonnes in 2011.

The market and our strategy continued

We are addressing the underlying issues through various sustainable sourcing initiatives and via DE Foundation. We established DE Foundation in 2002. This not-for-profit organization works with farmers to connect them with sustainable markets by helping them achieve certification.

Coffee and tea consumption

Over 3.5 billion cups of coffee are consumed in the world every day, 1 billion of them in territories where we are active. In 2011, the global retail coffee market was worth €50.2 billion. Global tea market sales were €28 billion.

Half of total global coffee sales are in the European Union, Japan and the United States. In these mature markets overall volumes have been broadly static. There are, however, significant profitable growth opportunities, primarily through value-added products. Consumers are increasingly opting for premium and sustainable coffee brands. Similar trends are evident in tea.

In the US, the leading brands have introduced luxury blends and specialty flavors to complement their standard offerings. In Europe, the potential for premiumization remains relatively untapped.

Going forward, premiumization will be a core part of our strategy for improving margins and growing market share. We plan to reinvigorate the moribund roast and ground sector with the launch of premium and sustainable blends. We will also be broadening our range with differentiated strengths and flavors.

In emerging markets demand continues to increase. We have the opportunity to grow market share from a strong base in Latin America, Eastern Europe and South-East Asia and market leadership positions in our established European markets.

Mapping consumer preferences

When it comes to flavor, the coffee market is still very underdeveloped. With over 50 different aroma components, coffee is far more complex than wine, but coffee vendors have been less pro-active in developing a vocabulary of flavors and educating consumers' palates.

We intend to change this. We are mapping consumer taste preferences in detail and developing brands that meet their needs more precisely. New product launches will introduce taste navigation systems through clear branding and segmented product offerings.

Our locally embedded brands are adapted to specific consumer preferences in particular geographies. We will continue to adapt our blends to local requirements.

Using consumer insights in blending

We match our blends to suit different tastes and drinking rituals in specific territories. Our research teams regularly conduct local surveys and tasting sessions to get a clear sense of what individual consumers want from their tea or coffee experience.

In Australia, 81 percent of consumers drink instant coffee, 83 percent drink their coffee with sugar and two-thirds add milk, whereas in France, just 7 percent of the population drink instant coffee and 37 percent take their coffee black with sugar. In some territories filter or drip coffee is more popular, in others the cafetière method holds sway.

Our research indicates that most drinkers use their morning coffee as an energy booster. Lunchtime drinkers want a hot drink to go with their meal. The afternoon coffee is a relaxing drink and coffee after dinner is seen as a treat. Consumers also tell us that taste and drinking are just part of their enjoyment. For some, the ritual of brewing and the opportunity to share in the experience are equally important.

We supplement consumer responses with research done by our master blenders. These tea and coffee scholars have exceptional knowledge and great taste memories. They understand how to combine beans and roasting techniques to create blends that mirror local consumer preferences.

Investing in market segments

D.E Master Blenders 1753 is active in every coffee category, but we are not yet marketing all categories in every territory. We intend to wake up dormant categories.

Of the four key segments in the global coffee market – roast and ground, beans, single serve and instant – single serve is the most dynamic. Global demand for single serve has grown by 25 percent (30 percent by value) over the last five years.

We are the only tea and coffee company with a strong presence in all major categories. With 26 million Senseo machines we are the market leader in single serve. We have recently relaunched the brand with new formats and flavors, quality improvements and a new machine.



We are bringing innovative thinking to the bean category. Our newest machine creates a pleasurable experience for coffee lovers. Senseo Sarista, our bean-to-cup system combines ultimate freshness, convenience and choice with ritual, aroma and the ability to share.

The instant market is growing. We plan to participate here by developing not just pure instant blends but also mixed blends that will attract younger consumers to the category.

We are investing in value-added offerings in all categories. We are implementing a strategy of brand premiumization with new, luxury flavors and blends. We will introduce clear taste navigation systems in the roast and ground segment.

Tea drinkers' preferences often chime with those of coffee consumers. We are well placed to apply lessons learnt in coffee to grow our share in tea.

As with coffee, tea consumers in the territories we serve respond well to value-added offerings. Specific varieties, blends and origin countries have a particular appeal. There is a growing appetite for niche and specialty offerings. We are developing organic, natural and sustainable blends.

Taking the lead in our categories

As a pure-play coffee and tea company that is a market leader in its main territories, we have a great opportunity to develop our relationships with retail customers. We can demonstrate through our detailed knowledge of these markets that we can help them maximize sales.

Owning our categories with major retailers will win us greater traction on sales. By working closely with retailers we can influence consumer decision-making where it matters, at the point of sale.

Our Out of Home products provide us with crucial information about the experiential quality of the in-cup experience. Many of the insights and innovations pioneered in the Out of Home category apply to single serve and other retail categories. We are building closer links between Out of Home and retail markets.

We aim to grow market share and broaden our product range by continuing to engage closely with consumers. We will launch new categories in existing markets and transfer successful innovations into new markets.

Our strategic priorities

We are building a sustainable company that is focused, fast and flexible. We are sharpening up our organization. We are bringing in new talent in management, marketing and sales execution. We are rewarding outstanding performance and encouraging entrepreneurial thinking within the business.

Sustainable, profitable growth

Our strategy is focused on sustainable, profitable, top-line growth. We have adopted an innovation and growth-led mindset. A simplified operational structure is accelerating execution and reducing costs. We are opening up internal channels of communication to share ideas and get things done. We are working hard to earn a category leadership position with our major retail customers. Above all, we are focusing on meeting consumer priorities.



Expanding our markets

In our main markets, we plan to grow market share organically and take on a category leadership role. In newer markets, we will grow market share and develop new categories. We are strengthening the links between Out of Home and our retail businesses.



Improving our operations

We are simplifying our operations and optimizing production to promote safety, maximize quality and minimize cost. We are focusing on reducing the time it takes to bring innovations to market.



Growth through innovation

We are expert at mapping our consumers' coffee and tea preferences. We are making sure this information is quickly applied to new product development to enhance our ability to align our products with individuals' evolving tastes.



Developing the organization

We are changing the cultural mindset to focus on performance and profitable growth. Multi-disciplinary teams are sharing knowledge and promoting innovation. External recruits are strengthening the talent base. We are more agile and more closely connected to our consumers and customers.



Refreshing our brands

Over the next 24 months we will refresh all our brands, introduce new products and flavors and update our packaging. We have already relaunched our single serve range. We are reinvigorating roast and ground with premium labels and new taste sensations.



Strengthening our financials

We are making better use of assets, improving margins and bearing down on costs. Strategic pricing, cost efficiencies and working capital optimization will strengthen our financial performance. We will reinvest savings in effective A&P.



Expanding our markets

In our main markets, we plan to grow market share organically and take on a category leadership role. In newer markets, we will grow market share and develop new categories. We are strengthening the links between Out of Home and our retail businesses.

D.E Master Blenders 1753 is currently the number three in global markets. We aim to become a strong number two player.

We will launch additional categories in existing markets and take existing products into new markets. We are transferring successful innovations in new territories.



Nearly three-quarters of sales are in markets where we are number one or two. We will leverage our strong competitive positions in territories like Spain, France, Germany, Belgium and the Netherlands to build market share and launch new categories.

In the rest of the world we focus on territories where we are already active, notably Brazil, Poland, Hungary, Czech Republic, Thailand and Australia. We are building sales in these markets by waking up dormant categories and refreshing existing brands.

We are working to bring back volume growth in roast and ground and to claim our fair share of the growing instant and tea categories. Our strategy of premiumization, differentiation and segmentation is moving us up the value chain.

We are raising in-store visibility. We want to build on strong relationships with major retailers to take a category leadership position and build sales traction with consumers.

We are leveraging our expertise and brand presence in Out of Home to build market share in retail. Following the success of L'OR capsules in France, Spain, Belgium and the Netherlands we have launched into the Australian market. We are using the Piazza d'Oro brand, which is already successful in Australia's premium Out of Home segment.

Broadening our horizons





Growth through innovation

We are expert at mapping our consumers' coffee and tea preferences. We are making sure this information is quickly applied to new product development to enhance our ability to align our products with individuals' evolving tastes.

Innovation is at the heart of our strategy for profitable growth. In 2011, we sent employees from different parts of the business on a world tour to find out about trends, flavors, and ways of blending, roasting, serving and selling coffee and tea. They were told to forget about budgets, bosses and boundaries and return with the best ideas. Some of the fruits of their insights have already made it onto the shelves.

We use consumer preference mapping to build a detailed picture of coffee and tea experiences. We test not just flavor, but emotional responses to different blends and rituals.

Multi-disciplinary teams harness customer insights, leverage ideas and implement innovation. Marketing professionals, sales people, R&D specialists, financial and support teams come together

in integrated category development units for single serve, roast and ground, instant, tea and liquid roast.

We completed the Senseo single serve relaunch in six countries in just four months. The Senseo Sarista bean-to-cup system taps into Western Europe's fast-growing appetite for fresh beans with a whole new take on the brewing experience.

The launch of a smaller Out of Home appliance for more intimate public environments demonstrates the increasing overlap between retail and Out of Home. Our Out of Home business is a proof-of-concept laboratory for ideas that can be applied to retail. We are strengthening links between Out of Home and in-home segments. We will leverage our market-leading position in the liquid roast coffee category in the retail market.





Creating the ultimate experience

A close-up, artistic photograph of a woman's face and hand. The woman has long, light brown hair and is looking down with a gentle expression. Her hand is visible in the foreground, resting near her chin. She is wearing a teal-colored top. The lighting is soft and warm, creating a contemplative mood.

Enriching
the future



Refreshing our brands

Over the next 24 months we will refresh all our brands, introduce new products and flavors and update our packaging. We have already relaunched our single serve range. We are reinvigorating roast and ground with premium labels and new taste sensations.

Over the next two years we will refresh all our brands. We are launching new products in single serve and reinvigorating roast and ground. We will introduce premium specialty teas and broaden our product range in instant. We are developing liquid roast for both Out of Home and retail markets.

We aim to capture market share in roast and ground. Our product development plan has four key elements. Our strategy for developing the category combines optimization, segmentation, differentiation and premiumization.

We are optimizing with simpler packaging and richer aromas. We are segmenting blends to give consumers a coherent system for taste navigation. We are differentiating with standout packaging and distinctive seasonal or geographic blends.

We are also pursuing premiumization. Brands in the premium arena need to appeal to a committed coffee culture. We will use the CoffeeCompany café franchise as a testing bed for new blends and brands.

Our Senseo relaunch included new formats and packaging,

quality upgrades and a new machine. New premium flavors included latte, cappuccino, lungo and intense. We are committing to more new flavors and at least one new machine every year.

Flavor remains our top priority. We have brought together the best coffee and tea experts. Our master blenders test coffee or tea at every stage of the supply chain. Every new product, every line extension we launch, has to pass the 60/40 test. At least 60 percent of the consumers on the taste panel must make a positive choice for a new blend.

A hand in a grey sweater points at a whiteboard covered with colorful sticky notes. The background is a blurred cityscape.

The right blend of people



Improving our operations

We are simplifying our operations and optimizing production to promote safety, maximize quality and minimize cost. We are focusing on reducing the time it takes to bring innovations to market.

Reducing the time it takes us to bring new ideas to market is critically important. We are rising to the challenge of accelerating the rate at which innovations reach the market without compromising quality or safety.

Our first priority is ensuring that all our factories are safe. The focus then is on quality: making sure products achieve the required specification, are approved by our customers, and produced efficiently and on time. Thirdly, we seek to minimize costs.

Both quality and safety are advanced by optimizing production. Stepping up the pace of innovation calls for a different mindset.

We have already shown we can cut product development times dramatically. We intend to maximize our strengths in R&D, share best practice across the company and build best-in-class implementation capabilities.

The key operational challenge is to develop connectivity between innovation and execution. We are resetting our operations to fast-track innovations to market. Our best-in-class supply chain connects consumer insight, operational excellence and brand development.

We manage our operations globally. By changing our approach to innovation we are radically reducing the time it takes to bring new products to market.

The traditional innovation cycle is time-consuming and risky. Each stage depends on successful completion of the previous one. Failures occur at the end of the process.

With our collaborative approach, all aspects of the process move forward in parallel. Multi-disciplinary teams work together as problem solvers. Our joined-up product development process radically reduces the risk of failure. It has halved the time it takes to bring innovations to market.



Fresh thinking



Developing the organization

We are changing the cultural mindset to focus on performance and profitable growth. Multi-disciplinary teams are sharing knowledge and promoting innovation. External recruits are strengthening the talent base. We are more agile and more closely connected to our consumers and customers.

We are changing the culture, simplifying the organization and encouraging our people to think deeply and act fast.

We are organizing ourselves as a focused, fast, flexible, pure-play business. We are accelerating innovation. We have in-depth market knowledge and close connections with our customers. We are agile.

We are creating a more entrepreneurial culture. We are simplifying the organization and flattening the hierarchy. There are fewer levels of management and more ownership and accountability. It's encouraging faster, better decision making; less process, more action.

We are strengthening the talent base and bolstering our marketing capabilities. Around 20 percent of the top 150 roles have been renewed by new hires and 10 percent by internal promotions. We are giving talented and ambitious people the opportunity to translate their ideas into action.

The new leadership team is less process-led and more focused on execution, consumers and results. It combines a healthy dose of impatience with eagerness to achieve commercial success.

We are building skills and market knowledge. We want all our people to understand

our markets in depth. In 2013, we will be launching our own 'MBA' program. The Master Blenders' Academy aims to equip our people with a thorough knowledge of coffee and tea.

The company's move to its new HQ in Amsterdam has unleashed additional energy. The physical space promotes interaction and collaboration. The location connects the business with the multicultural and creative environment of this international city.





Strengthening our financials

We are making better use of assets, improving margins and bearing down on costs. Strategic pricing, cost efficiencies and working capital optimization will strengthen our financial performance. We will reinvest savings in effective A&P.

We are dramatically simplifying the organization. We are centralizing procurement, strategic pricing, trading and hedging, inventory management, brand management, global marketing and sales to reduce complexity, improve financial reporting and reduce risk.

This new, simpler business model with centralized key functions will reduce costs by about €20 million. Overall, our cost reduction program, Fit4Growth, aims to deliver savings of up to €75 million by 2015.

It will also limit earnings volatility. Green coffee prices are a major cost constituent. Commodity prices have a big impact on profits. Centralizing commodity trading and

hedging functions will allow us to manage physical stock, long-term contracts and hedging activities to stabilize our costs base.

Our Run4Cash program is designed to make our assets work harder. We aim to reduce operating working capital to 10 percent of sales by 2014 and to 5 percent long-term.

We will increase sales through innovation and volume growth. A combination of premiumization and cost reduction will allow us to boost margin. We will focus on our volume/price/mix position to maintain the right balance between volumes and growth.

Finally, we will consider acquisitions that present

opportunities to enter new geographical markets, grow our share of existing markets or develop our presence in dormant categories.

We have set concrete financial targets. Within three to five years, we aim to deliver 5 to 7 percent sales growth annually and bring EBIT margins back up to 15 to 17 percent.

Medium-term targets

Sales growth:

5% – 7%

Adjusted EBIT margin:

15% – 17%

A close-up, slightly blurred photograph of a woman with dark hair, wearing a black headset with a microphone. She is looking down and to the left with a slight smile. The background is an office environment with a desk, a computer monitor, and some papers, all out of focus.

Working smarter

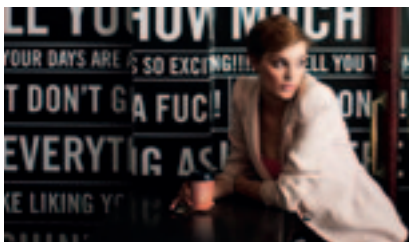
From field to cup



The perfect in-cup experience relies on the best ingredients, prepared in ideal conditions. Arriving at this moment calls for subtle skills and careful management across the supply chain: to source the best leaves or beans, select blends, control roasting, and keep the product fresh. This is our road map for an end-to-end, holistic supply chain.



Consumer insight



We examine consumer preferences in minute detail. Because it's not just the taste, but how people feel that makes a great cup of coffee or tea.

We map consumer preferences at taste panels to organize and evaluate flavors. We may ask up to 300 people for their response to as many as 20 different coffee blends. We then ask our own Master Blenders to apply their encyclopedic taste memories and unrivalled knowledge to the very same blends. They apply 28 coffee characteristics to pinpoint the blends. Combining the two sets of data highlights customer clusters around specific flavor notes. The process informs innovation and blending strategies.

It doesn't end there. We do extensive research on how, when, where and, crucially, why coffee and tea are consumed. We want to understand the entire experience.



Innovation



We are quickly developing into a focused, fast and flexible organization. We identify shifts in demand early on and bring new products to market swiftly. We are taking ownership of the coffee and tea categories.

Our R&D teams are responsible for the technical development of our coffee and tea products and manufacturing methods, but the entire organization is geared towards innovation.

Our cultural mindset rewards risk-takers and abhors the status quo. We respond quickly and efficiently to changing needs. Our factories are continually implementing the many minor incremental changes which add up to competitive advantage. All are expected to cast critical eyes over their roles and work out what more they can do for the business.

By combining our market leadership and deep knowledge of coffee and tea we are taking on category ownership in the retail sector.



Sourcing



We are one of the world's biggest coffee purchasers. We buy around 400,000 tonnes of green coffee each year – the equivalent of a 50km² field, employing 100,000 growers.

Our long-term vision is to use only certified raw materials in our blends. Our black and green tea comes directly from importers and growers in Asia and Africa.

We obtain coffee both on the open markets and directly from suppliers. We source both Arabica and Robusta beans for different regional markets. DE Foundation's work with smallholders is helping to extend certification in emerging economies.

We buy increasing volumes of certified coffee each year. We are already the world's largest user of UTZ Certified coffee and tea. 40 percent of our tea volume is UTZ Certified. Our aim is that by 2015 more than 25 percent of the coffee we purchase each year will be certified as sustainable.



Production



A key challenge is to optimize production for safety, quality and cost, while retaining the flexibility to deliver innovations fast. We are continuously improving and fine-tuning our approach.

We employ 2500 people in 12 manufacturing locations. Eight are in Europe, two in Brazil and one each in Australia and Thailand. We blend and package teas at factories in Hungary and the Netherlands. In all our factories we apply lean manufacturing processes to increase efficiency and minimize inventory.

Our state-of-the-art facility in Jundiaí, Brazil, is one of the largest, most modern coffee factories in the world. It processes 135,000 metric tonnes of coffee each year – around a third of our total production.

The highly automated factory, which opened in 2006, has achieved ISO14000 certification. Since April 2012 its production has been carbon neutral.



Marketing



Our marketing strategy is to create memorable coffee and tea experiences for our consumers and to strengthen our relationships with our customers.

We have strong, locally embedded brands that are trusted by consumers in many of our international markets. We are now strengthening our marketing capabilities to support our strategy of growth through innovation, expansion and premiumization.

Over the next two years we will be refreshing all our brands. We are increasing our advertising and promotional spending to leverage the strength of our key brands and raise consumer awareness. We will deploy existing brands to activate dormant categories. We will use our recently acquired chain of CoffeeCompany cafés to test-market new products and concepts.

We are reinforcing our shopper marketing capabilities. We will work to earn category leadership status with our retail customers.



Distribution and sales



We sell our retail coffee and tea products mainly to supermarkets, hypermarkets and through international buying groups. We adapt our offerings in line with different markets and local consumer preferences.

Our new status as a pure-play coffee and tea operation is helping us to forge closer relationships with our retail customers. We provide specialist advice and technical assistance on in-store displays, marketing campaigns and other initiatives that increase coffee and tea sales. We aim to own those categories in the retail space where we already have market-leading positions.

We supply our Out of Home customers both directly and through distributors. These customers range from multinational organizations to small family firms, hospitals, hotels and restaurants. We have a broad range of appliances to meet the specific needs of different kinds of customer.

Sustainability



Our company can trace its roots back to a small family grocery store in the Netherlands in 1753. We have not just survived, we have expanded our business internationally – into one of the world’s leading pure-play coffee and tea companies. The distance we have travelled and the amount that’s been achieved are lodestars for our journey to the future.



Our approach

We are keen to tackle sustainability, not just within our own business, but right across the value chain. We focus on reducing our carbon footprint. We make sure small farmers are treated fairly. We invest in local communities. We follow scientific guidance on health and wellbeing.

The path to sustainability

We believe that becoming fully sustainable is both beneficial for our brand and a necessity for any responsible company in the twenty-first century.

We do something very simple. We make a cup of coffee or tea. Today, probably less than half of that cup is sustainable. Our vision of the future is that all of it will be. Our consumers will be able to have confidence that their favored tea or coffee takes nothing away from our future.

D.E Master Blenders 1753 will gain financially, and not just indirectly from improved goodwill. There will be tangible top-line benefits like increased innovation and a lower cost base.

We have embarked on a five-year path to sustainability. By 2017 we aim to have sustainable practice ingrained into every aspect of the company's operations.

We have already passed some significant milestones. Adopting sustainability KPIs and independently audited reporting on sustainability are important future landmarks.

We have four primary areas of focus: responsible sourcing, sustainable manufacturing, responsible consumption and supporting communities.

Within this framework are key priorities. We aim to source responsibly by buying certified coffee and through DE Foundation. We promote sustainable manufacturing by focusing on CO₂ emissions, water and packaging. We work with the community and consumers by promoting social cohesion and tackling youth employment.

Responsible sourcing

Coffee is one of the few major commodities grown predominantly by smallholder farmers. Production is labour-intensive. We aim to source our green coffee from sustainable farms.

All our employees sign up to the Company's Code of Conduct. This includes an explicit commitment to treating others ethically and fairly. We undertake to extend the same respect and courtesy to competitors as we do to business partners.

We expect people we do business with to behave in similar fashion. We have set out the minimum standards we require of all business partners in our Supplier Code of Conduct. Anyone wanting to work with D.E Master Blenders 1753 is expected to comply with these principles.

Certified coffee

Each year, we buy a larger proportion of our green coffee beans in certified form. In the long term our aim is to buy only certified coffee, although supply limitations preclude this for now.

We have selected UTZ as our primary certification body. Its framework promotes better business practice; it supports sustainable farming and local communities. UTZ Certified beans are traceable online back to the grower. Farmers can join the scheme if they can show they are meeting environmental and social criteria and generating income for their local communities.

We are the world's largest buyer of UTZ Certified coffee and tea. We also support small farmers via DE Foundation and are active participants in food industry sustainability initiatives.



2017

By 2017 we aim to have sustainable practice ingrained into every aspect of the company's operations.

25%

The shared goal is to increase sustainable coffee sales from the current level to 25% by 2015.

Sustainable Trade Initiative (IDH)

The IDH coffee program was established in April 2012 as part of the Dutch Government's Sustainable Trade Initiative. We are a founding partner. This public-private forum brings together the coffee industry, trade and export partners, governments, NGOs and standard-setting bodies. The shared goal is to increase sustainable coffee sales from the current level to 25% by 2015.

Sustainability continued



Sustainable manufacturing

We continually analyze the way we design, source, produce, package, distribute and use our coffee and tea and associated appliances, to improve sustainable performance.

Our global audit processes ensure compliance with applicable environmental and safety regulations and the effectiveness of management systems. We conduct regular audits and assessments, based on business, operational and compliance risks. Our Global Environmental Management System (GEMS) manages environmental compliance and shares best practice on sustainability and environmental issues.

Most of our production facilities around the world have been certified under the internationally recognized ISO14001 standard for environmental management systems. ISO14001-certified operations are audited at least annually.

Sustainable Agriculture Initiative (SAI) Platform

The SAI Platform is a non-profit organization that brings together stakeholders within the food chain to develop sustainable agriculture.

We joined in 2004, as a member of the Platform's Coffee Working Group. This is currently developing proposals for standardized carbon footprint measurements for the production and processing of green coffee. The Group's work is part-funded by the IDH coffee program.

Ethical Tea Partnership

The Ethical Tea Partnership (ETP) works with tea producers and companies at each end of the tea supply chain. Together, we are helping to create a thriving tea industry that is socially just and environmentally sustainable. D.E Master Blenders 1753 buys all its tea from ETP-registered producers.

The ETP is free to join for producers. It provides advice and assistance to help them achieve certification. It has formal links with all the major certification programs, including UTZ Certified.



Reducing energy use and CO₂ emissions

We use energy at all stages of the manufacturing process, but coffee roasting is our most energy-intensive activity. We seek to minimize energy use by increasing efficiency and adopting new technologies.

In 2006 we opened our largest factory in Jundiaí, Brazil. This uses 20 percent less energy than its predecessor. At our new factory in Joure, the Netherlands, we have installed drying technology which is 40 percent more energy-efficient.

Overall, we have lowered our energy use per metric tonne by 9 percent since 2005. We are using 15 percent less energy to produce tea and roast and ground coffee. Liquid and instant coffees require 5 percent less energy to produce, but the shift in our product portfolio towards these products is making further energy reduction more challenging. Liquid and instant products are inherently more energy-intensive to manufacture.

20%

In 2006 we opened our largest factory in Jundiaí, Brazil. This uses 20 percent less energy than its predecessor. Its operations have been carbon neutral since April 2012.

10%

Renewable resources accounted for 10 percent of global energy consumption in 2011.

We are switching to renewable sources where possible. At our liquid and instant coffee factory in Joure we use spent coffee grounds and biogas as primary energy sources. Natural gas consumption there fell by 5.9 million cubic meters in 2011. We have switched to biomass for coffee roasting in Jundiaí, Brazil. Renewable resources accounted for 10 percent of global energy consumption in 2011.



Minimizing water use

Water is a scarce, valuable resource. We try to use it wisely.

Irrigation, washing and processing on farms and plantations require careful management. We share best practice with growers through DE Foundation.

In the factory, we have cut water usage per metric tonne by 18 percent overall since 2005. In our roast and ground and tea operations, we have reduced water use by 38 percent. We use 20 percent less water for liquid and instant production.

Optimizing product packaging

Packaging protects product quality and maintains safety during production, transport and storage, and displays information about the contents. It can enhance brand visibility and messaging.

It is also a source of waste. We aim to manage it within the framework introduced by the Global Consumer Goods Forum on environmental sustainability.

In Thailand, improvements in our Moccona Trio product have led to a 50 percent reduction in paper use as well as a reduction in the amount of aluminum foil used. In Europe, the redesign of our L'OR Espresso capsules reduced packaging by 10 percent.

Making our transport more sustainable

We transport raw coffee and tea, packaging and finished goods around the world by sea, canal, rail and road. Most of the distribution process is outsourced.

However, we are keen to make transport as environmentally friendly as possible. We are working with our logistic partners and other companies to find smarter, more sustainable options for our transport and distribution network.

In the Netherlands and Belgium, we participate in the Lean and Green initiative, which focuses on sustainable goods transportation and aims to reduce CO₂ emissions by at least 20 percent within five years. We are also founding partners of Green Freight Europe, a voluntary program for reducing European road freight carbon emissions.

Our lifecycle approach to the environment

We want to minimize our environmental impact throughout the lifecycle of our products. We conduct environmental lifecycle assessments (LCAs) on our products to identify how the different phases in a product's lifecycle impact the environment and find where we can make improvements. The results show that per cup of coffee (and tea), the cultivation and the consumer brewing phases have the biggest environmental impact. We focus on the phases we control directly, such as manufacturing, packaging and design.

Providing a safe workplace for our employees

Keeping the workplace safe and preventing work-related injuries for our employees and contractors are top priorities. Our internal Occupational Health and Safety system sets out rules and recommendations for staying safe. We back it up with training and regular safety audits.

In FY 2011 our global businesses achieved a 1.9 Total Recordable Incident Rate (per 200,000 hours worked) while our Lost Time Injury Rate was 1.45 (per 200,000 hours).

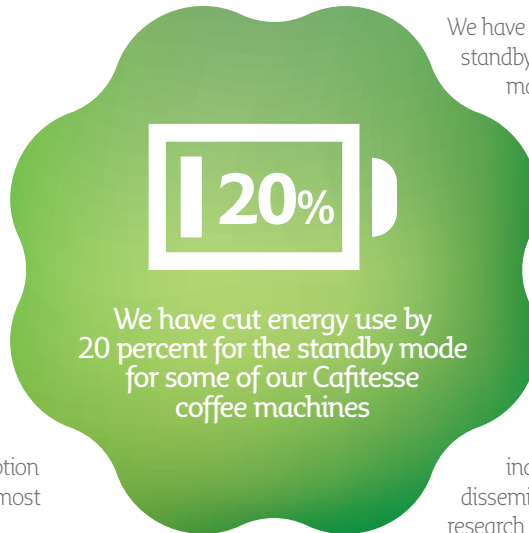
Sustainability continued

Responsible consumption

We take care to produce safe, quality products that meet all regulatory requirements and comply with best practice. Our products have social and environmental impacts on consumers. We want to be sure we are selling responsibly.

Energy efficient brewing appliances

In the Out of Home market, we are working with the suppliers of our machines to improve energy efficiency. So far, we have reduced energy consumption during standby mode by 30 percent for most of our new vending machines.



We have also cut energy use by 20 percent for the standby mode for some of our Cafitesse coffee machines, while introducing a smarter ECO-mode in the new Cafitesse range, launched in 2011.

Contributing to a healthy lifestyle

We believe it's important to share relevant health information with the public, based on scientifically solid and peer-reviewed publications. We support the Institute for Scientific Information on Coffee (ISIC). This non-profit organization reports on science related to coffee and health. It supports independent scientific research and active dissemination of balanced coffee and health research and findings.

We take care to produce safe, quality products that meet all regulatory requirements and comply with best practice.



To learn more visit www.coffeeandhealth.org



Supporting communities

As a global operation we are in contact with many different communities. We do all we can to build positive relationships and develop social cohesion.

We maintain close links with local communities. In countries where we source our products, DE Foundation helps producers improve their working conditions and manage their crops more sustainably. In countries where we sell our products, we support projects directly.

DE Foundation

We established DE Foundation in 2002 to learn more about coffee sustainability and to tackle social issues that often stretch beyond our own supply chain.

The Foundation takes on three- to five-year projects. It works with local people and specialist agencies to bring about lasting change. It works towards a healthy coffee-growing sector where communities thrive, crops are grown sustainably and farmers earn a decent income.



Find out more about the Foundation's work around the world at www.defoundation.org



Hello neighbor

Getting to know your neighbors can have a positive impact on the way communities work. In 2006 we launched Burendag, Neighbors' Day, in the Netherlands. Neighbors were encouraged to swap stories over a cup of coffee. This was so successful it has become an annual event. It is now organized jointly by Douwe Egberts and the Dutch social cohesion organization, Oranje Fonds. In 2011, more than 1.25 million people participated.

Coffee for everyone

Every year several of our country organizations join forces with local partners to distribute cups of coffee to people in need. Working with recognized charities, millions of cups of coffee were donated across Spain, Belgium and Norway in 2011.

A helping hand

We have a long tradition of matching employee donations to provide relief for people affected by natural disasters, such as tsunamis, earthquakes or floods. In October 2011, severe flooding in Thailand caused widespread damage and submerged our instant coffee factory there. Nearly a quarter of our 180 employees in the country had to relocate. Our employees across the world responded with generous donations for their colleagues. They managed to find and pay for temporary housing, survival kits, lifejackets and other necessary equipment. The company match-funded the amount raised.

Executive Committee



As a pure-play coffee and tea company our senior managers are all focused on the same market categories and share the same agenda. Led by the Chief Executive Officer, the Executive Committee members are responsible for managing the day-to-day business and overseeing the implementation of our strategy.



**Chief Executive Officer
Michiel Herkemij (1964)**

Michiel joined Sara Lee in December 2011 as Executive Vice President and Chief Executive Officer of the Coffee and Tea business. Previously, he worked for Heineken as CEO of Cuauhtémoc Moctezuma in Mexico and earlier as CEO Nigerian Breweries Plc. Before Heineken, Michiel worked as Managing Director for FrieslandCampina (Dairy and Drinks) in Nigeria, and in Greater China. Earlier in his career he held senior marketing and commercial roles in British American Tobacco in the UK, Spain and Benelux. He began his career in marketing and sales management in the financial sector (ABN Amro bank and Rabobank).

Education Michiel holds a Master's degree in International Business Law from the University of Amsterdam, and Executive Degrees in Business Administration (IBO, NL) and Marketing (CIM, UK). After completing his Master's, Michiel served as Lieutenant in the Royal Netherlands Navy.

**Chief Financial Officer
Michel Cup (1969)**

Michel joined Sara Lee as Executive Vice President and Chief Financial Officer of the coffee and tea business at the end of 2011. Before joining Sara Lee, Michel was CFO of Provimi. He began his business career as an accountant with Deloitte – one of the world's largest accounting and consulting firms – and has since worked for several Dutch companies, including Numico where his role as Regional Vice President for Finance in Asia/Pacific took him to Singapore.

Education Michel has a Bachelor's Degree in Accounting from the Hogeschool Sittard in the Netherlands and a Post-Doctoral Degree in Chartered Accounting from the University of Tilburg.

**General Counsel and
Corporate Secretary
Onno van Klinken (1969)**

Onno joined Sara Lee towards the end of 2011 as General Counsel and Corporate Secretary for International Beverage and Bakery, and now holds that role with D.E Master Blenders 1753. In this capacity he worked on the legal separation of D.E Master Blenders 1753 from Sara Lee and the listing of the shares in The Netherlands. He also has responsibility for Sustainability and Governance, Risk & Compliance. He previously served as the General Counsel for TNT N.V. and his experience in splitting TNT into two separately listed companies in the Netherlands has been invaluable. Onno has also held senior legal positions with Numico and AEGON and has worked as a lawyer for the leading international law firm, Allen & Overy.

Education Onno has a Master's degree in Law from Leiden University.

**Chief Operating Officer,
Developed Markets
Eugenio Minvielle (1964)**

Eugenio joined D.E Master Blenders 1753 in June 2012 from Unilever where he served as CEO North America, overseeing Unilever's operations in the USA, Canada and the Caribbean. Previously he was President and CEO of Nestlé France, Mexico and Venezuela. Prior to Nestlé, Eugenio held a variety of management positions with Procter & Gamble in Spain and Canon in Japan.

Education Eugenio has an MBA from Harvard Business School, as well as a BA from the University of North Texas.

**Chief Operating Officer,
Rest of the World
Harm-Jan van Pelt (1962)**

Harm-Jan joined Sara Lee in 1998 as Marketing Director for the Netherlands' favorite brands, Douwe Egberts and Pickwick. He later led the overall coffee and tea business in Spain. Between 2003 and 2010 he worked for the Sara Lee Household & Body Care Division, first as VP Global Brand Ambi Pur and the last three years as SVP leading the Region South & Eastern Europe.

Before Sara Lee, Harm-Jan held various senior Sales and Marketing positions with Henkel KGaA across Germany and the Benelux Region.

Education Harm-Jan earned a Master's Degree in Marketing from Erasmus University in Rotterdam.

**Senior Vice President,
Human Resources
Rogier Rijnja (1962)**

Rogier has led the Human Resources function since 2011 and is responsible for acquiring and developing the talented people who work at D.E Master Blenders 1753. He is leading the company-wide drive to create a more innovative, exciting culture, and one where performance is recognized and rewarded.

Rogier has worked in the UK, the US and the Netherlands for some of the world's best-known brands, including Apple, Nike and Amazon. In his last three roles he has had global responsibility for running change management and fast-growth programmes.

Education Rogier gained a Master's degree in Law from Leiden University.

**Senior Vice President,
Operations
Luc Volatier (1968)**

Luc joined Sara Lee in 2012 from GrandVision, the world's second largest optical retailer. Previously, Luc built an extensive track record in operations at Numico and Danone. His international experience includes assignments in France, Belgium, the Netherlands, Switzerland and Singapore. He was the founder and managing partner of Upstream Purchasing Consulting and currently serves on the supervisory board of MCI Group.

Education Luc holds a Bachelor's Degree in Agriculture and Food Science from ESITPA, the 'Grande École' of the French Ministry of Agriculture and Food.

Board of Directors



The Board of Directors is responsible to the shareholders for the success of the company and for its overall strategic direction and governance. The Board consists of one Executive and six Non-Executive Directors.

Dear Shareholder,

As Chairman, it gives me great pleasure to introduce your Board of Directors in this, our first Annual Review as a publicly listed company. I hope you will agree with me that my five fellow Non-Executive Directors bring outstanding breadth, depth and diversity of experience to the Board. We are fortunate to have attracted such substantial figures to guide and oversee the company in the coming years.

D.E Master Blenders 1753 listed on NYSE Euronext in July 2012. The company has made significant strides in a very short space of time. There have been high-profile appointments, it has announced a major reorganization and moved into new headquarters.

Much credit goes to our Chief Executive Officer Michiel Herkemij whose able leadership has navigated your company through the complexities of a listing while staying focused on executing our agreed strategy of sustainability and profitable growth.

The Executive Committee has the Board's wholehearted support. We have assembled a talented and motivated leadership team, which has made rapid progress in implementing our agreed business plan. Thanks to their efforts, your Company has momentum and a clear sense of purpose.

As the shareholders' representative, the Board will continue to provide assistance and wise counsel. I look forward to reporting on your Company's progress in future years.

Jan Bennink
Chairman



Chairman

Jan Bennink (1956)

Jan led the spin-off of the coffee and tea business from Sara Lee, and has been a driving force in setting up the new organization. Jan joined Sara Lee at the end of 2010, having previously been Chief Executive Officer at Numico, the baby food and clinical nutrition specialist. Jan held senior roles within Danone, Benckiser and Procter & Gamble.

Other appointments Jan currently serves on the Board of Directors of Coca-Cola.

Education Jan has a Bachelor's degree in English and Geography from the Teacher Training Institute in the Netherlands and a Master's degree in Urban and Environmental Planning from the University of Groningen in the Netherlands.



Chief Executive Officer
Michiel Herkemij

Michiel's details can be found on page 31.

Non-Executive Directors

Mercy Corrales (1949)

Mercy is a former President of Starbucks Coffee Asia Pacific, and representative director and CEO of Starbucks, Japan. She has also served on the Board of Directors of Starbucks joint venture companies in South Korea, Hong Kong and Malaysia. Prior to joining Starbucks, Mercy spent 32 years with Levi Strauss, where she held several senior management roles. Mercy is currently a non-executive director of Fraser and Neave Limited and Huhtamaki OYJ and serves on the board and as member of the executive committee of Times Publishing United. Mercy has been named Japanese Business Woman of the Year by Harvard Business School Club of Japan.

Education Mercy gained a BSc. in Business Management from the Mapua Institute of Technology in the Philippines, and also studied at the Fuqua School of Business at Duke University in the US.

Andrea Illy (1964)

Andrea is the grandson of the founder of illycaffè S.p.A, the global coffee company started in Trieste (Italy) in 1933. He took over as CEO in 1994 and Chairman and CEO in 2005. Andrea was appointed president of the Association Scientifique Internationale du Café (ASIC) in 1999. He is Chairman of the International Coffee Organization's (ICO) promotion and market development committee. The ICO is the main inter-governmental organization for coffee and its mission is to promote the sustainable expansion of the global coffee sector. He is vice president of the Altagamma Foundation, an association of high-end Italian brands.

Education Andrea gained a degree in Chemistry from the University of Trieste and also attended a Executive Master's program at the Bocconi University School of Management in Milan – where he now serves on the Advisory Board – as well as the Advanced Management Program at the Harvard Business School.

Norman Sorensen (1945)

Norman has served on the Board of Directors for Sara Lee since 2007, and will continue this role with D.E Master Blenders 1753. He has extensive experience of global consumer markets and significant knowledge of the financial services industry. Norman is currently Chairman of the International Advisory Council and the International Insurance Society, and serves as a non-executive director of Encore Capital Group. He is a member of the Council of Foreign Relations. He is a former Chairman, President and CEO of Principal International, Inc. He has held senior roles with American International Group (AIG), American Express and Citigroup.

Education Norman gained a degree in Chemistry from the US Air Force Academy, and is also a graduate of Columbia University's executive programme for international managers. Norman speaks Spanish, Portuguese, German and French – as well as English.

Cees van Lede (1942)

Cees has served on the Sara Lee board since 2002. He is Vice Chairman of D.E Master Blenders 1753. He is the former CEO and Chairman of AkzoNobel N.V. and has held several public roles including the Chairmanship of the Federation of Netherlands Industry and Vice President of the Union of Industrial and Employers' Confederations of Europe. Cees is also Chairman of Heineken's Supervisory Board, and a member of Philips Electronics' Supervisory Board. He is a non-executive director with Air France-KLM Holdings and Air Liquide, and serves on the board of several non-profit organizations.

Education Cees gained a degree in Law from the University in Leiden, and an MBA from INSEAD, the Institute of Business Administration in Fontainebleau, France.

Sandra Taylor (1950)

Sandra is a pioneer in corporate social responsibility and is president and CEO of a consulting firm she founded – Sustainable Business International – that specializes in social responsibility for global businesses. Before this, she was senior VP Corporate Social Responsibility for Starbucks Coffee and has held executive positions with other major brands, including Eastman Kodak and JCI Americas. In these roles, she established micro-financing schemes for coffee farmers in Central America and created educational and clean water programmes for impoverished children in China and Africa. Sandra is a corporate ambassador for Vital Voices Global Partnership, which is creating business and networking opportunities for women in Africa and Latin America. An international business journal presented her with the Women of Influence Award in 2006.

Education Sandra gained a Juris Doctor degree from the Boston University School of Law, a BA in French from the Colorado Women's College and a Master's in Business Administration (MBA) from the Bordeaux School of Management – Wine MBA Program.

Governance



At D.E Master Blenders 1753 we are committed to applying good corporate governance practices for the success of our business and meeting our commitments to all stakeholders. This is a token of our belief in openness, integrity and reliability. This Governance section explains the way we run our business and how we interact with others. In a nutshell, it describes the way we work.

Shareholders Meeting

D.E Master Blenders 1753 is a public company under Dutch law and is governed by two corporate bodies: the general meeting of shareholders and the Board of Directors. Shares of D.E Master Blenders 1753 are traded on the Amsterdam Stock Exchange.

General Meeting

At least one General Meeting of Shareholders is held per financial year to discuss and decide on matters such as the adoption of annual accounts, the approval of dividends and the appointments to the Board of Directors. Our first AGM will be held on November 28, 2012. Given that we expect to have an extended book year of 18 months we expect that the next regular AGM will be held in April or May 2014.

Board of Directors

We have a single-tier Board of Directors, consisting of one Executive Director and six Non-Executive Directors. The number of Executive and Non-Executive Directors is determined by the Board of Directors. The Board of Directors is collectively responsible to the shareholders for the general affairs of the Company and may divide its duties among the directors. The day-to-day management has been entrusted to the Executive Director who is assisted by the Executive Committee.

Profile of the Non-Executive Directors

Each Non-Executive Director to be appointed or reappointed should have the following qualities:

- be capable of assessing the broad outline of the overall policy and the specific expertise required for the fulfillment of the duties assigned to the role to him or her within the framework of the profile of the Board;
- have an international background with experience in the organization and management of (medium to) large listed companies;
- have an understanding of the financial and control aspects of an international public company;

- have an understanding of the corporate governance aspects of a publicly listed company; and
- have affinity with and knowledge and understanding of the business and products of the Company and the markets and geographies in which the Companies operates its business.

We attach great importance to diversity in the composition of the Board of Directors. The Board Rules include a policy that the Board aims for diversity in terms of expertise, nationality and gender. When selecting a new candidate for the Board of Directors, due regard will be paid to achieving diversity in line with this policy.

Our committees

The Board of Directors, while retaining overall responsibility, has assigned certain of its responsibilities to permanent committees consisting of Non-Executive Directors, and – in relation to the Sustainability committee – Members of the Executive Committee. Each committee reports to the Board of Directors. The committees are as follows:

- Audit committee
- Remuneration committee
- Nomination committee
- Sustainability committee.

Board Members	Audit Committee	Remuneration Committee	Nomination Committee	Sustainability Committee*
Jan Bennink	•		• (C)	
Mercy Corrales	•	•		
Andrea Illy				• (C)
Cees van Lede	• (C)		•	
Norman Sorensen		• (C)	•	
Sandra Taylor		•		•
Michiel Herkemij				•

* Onno van Klinken, General Counsel and Company Secretary, is also a member of the Sustainability committee.

(C) Chairman.

Audit committee

Chairman: Cees van Lede

The Audit committee consists of at least three members of the Board. It is responsible for supervising and monitoring our financial reporting, risk management programme and compliance with relevant legislation and regulations. It will oversee the preparation of our financial statements, our financial reporting process, our system of internal business controls and risk management, our internal and external audit process and our internal and external auditors' qualifications, independence and performance. Our Audit committee will also review our annual and interim financial statements and other public disclosures, prior to publication. Our Audit committee will appoint and oversee the work of the external and internal audit functions as well as our Enterprise Risk Management function. This involves: providing compliance oversight, pre-approval of all audit engagement fees and terms, pre-approval of audit and permitted non-audit services to be provided by the external auditor, establishing auditing policies, discussing with the external auditor the results of the annual audit, critical accounting policies, risk profile, significant financial reporting issues and judgments made in connection with the preparation of the financial statements and related matters as well as reviewing earnings press releases and financial information provided to analysts and ratings agencies.

Remuneration committee

Chairman: Norman Sorensen

The Remuneration committee consists of at least three members of the Board. It will be responsible for setting, reviewing and evaluating the compensation, and related performance and objectives, of our executive officers. It will also be responsible for recommending to the Board of Directors the compensation package for our Chief Executive Officer, with due observance of the compensation policy adopted by the general meeting of shareholders. It will review management services contracts entered into with our Chief Executive Officer and employment agreements with members of our Executive Committee, make recommendations to our Board of Directors with respect to major employment-related policies and oversee compliance with our employment and compensation-related disclosure obligations under applicable laws.

Nomination committee

Chairman: Jan Bennink

The Nomination committee consists of at least three members of the Board. It will determine selection criteria for members of our Board of Directors, periodically assess the scope and composition of our Board of Directors and evaluate the performance of our directors and members of senior management. Furthermore, the Nomination committee is responsible for approving the appointment, suspension and dismissal of our executive officers by the Chief Executive Officer and is required to appoint one of the executive officers as the Chief Financial Officer.

Sustainability committee

Chairman: Andrea Illy

The Sustainability committee consists of four members (two non-executive members, the Executive Director and our General Counsel). It will evaluate and supervise our company's policies with respect to sustainability, including responsible sourcing, sustainable manufacturing, supporting communities, water conservation and environmental footprint. It will oversee our corporate responsibility strategy and target setting.

Remuneration

Under Dutch law, the General Meeting of Shareholders must adopt a remuneration policy for the Board of Directors that addresses the fixed and variable components of the remuneration, as well as the remuneration in the form of shares and severance payments. The current remuneration policy applicable to the Board of Directors was adopted on June 25, 2012. The remuneration of our Executive Director is determined by our Board of Directors based on the provisions of our remuneration policy, as set by the General Meeting of Shareholders.

The Company has further adopted a Long Term Incentive Share Plan (LTIP) for our CEO, the members of the Executive Committee and other senior and key employees. Based on this LTIP, participants are rewarded performance share units, which give the participant the right to receive a number of shares for no compensation subject to certain conditions. The current LTIP was approved by our general meeting on June 25, 2012. Further information on the LTIP is included in our annual report on form 20-F.

The remuneration report provides information on how the remuneration policy has been implemented, as well as an overview of the implementation of the remuneration policy planned by the Board of Directors for the coming years. It is available on our website at www.demasterblenders1753.com.

External auditor

The external auditor of D.E Master Blenders 1753 N.V. is appointed by the General Meeting of Shareholders in accordance with our Articles of Association. Our current external auditor, PWC, was appointed on June 25, 2012 as external auditor until revocation.

Information for shareholders



D.E Master Blenders 1753 N.V.'s head office is in Amsterdam. D.E Master Blenders 1753 N.V. is registered at the Trade Register of the Chamber of Commerce of Amsterdam under file number 54.76.09.68.

Articles of Association

The Articles of Association of D.E Master Blenders 1753 N.V. contain the internal regulations and by-laws covering procedure, shares, meetings, directors and other administrative issues. Full details can be found on our website at www.demasterblenders1753.com.

Number of outstanding shares and votes

On June 28, 2012 the issued share capital of D.E Master Blenders 1753 N.V. was divided into 594,859, 274 common shares, all of which have been fully paid-up. Each share will confer the right to cast one vote.

General Meetings of Shareholders

Information regarding the General Meetings of Shareholders of D.E Master Blenders 1753 N.V. can be found on our website at www.demasterblenders1753.com.



For a PDF of our review and more information on the company please visit
www.demasterblenders1753.com

Design and Production

Addison
www.addison.co.uk

Copywriting

Charlie Errington,
GoTell Communications

Print

Drukkerij Roelofs

Print Coordination

HH Global

Paper

Printed on Munken Polar
uncoated paper.

This is a Mixed Sources Certified
paper according to the Forest
Stewardship Council (FSC).



Oosterdoksstraat 80
1011 DK Amsterdam
The Netherlands

P.O. Box 1753
1000 BT Amsterdam

T +31.20.558.1753

www.demasterblenders1753.com

