

2017/2018

# ANNUAL REPORT







# INTRODUCTION

## Binding & Building 2.0

### The next step to more value

Avebe is a cooperative of some 2300 starch potato growers in the Netherlands and Germany. Avebe is the world market leader in the field of potato starch and potato protein and focuses on the production of high-quality food ingredients by using modern, innovative techniques.

Avebe is an international company with a significant impact and Avebe seeks to increase this impact in a positive way for employees, growers, customers, society and the planet. We can count on a century of knowledge and experience in the area of potato cultivation, production, research and development, innovation and market insight. Together with our members and customers we turn this into value. Avebe refers to that as 'Innovation by Nature'.

Sustainability will occupy a more prominent place in the entire chain with greater transparency. We want to achieve optimum returns for our growers not just today, but also tomorrow and in the future beyond. That's why we seek harmony between market orientation, a good income for our growers, a strong financial balance sheet, care for the environment and good employment practice.

In this annual report we render account for the results we have achieved during the past financial year. We believe that successful innovation of products and processes is vital to the cooperative's continuity. We regard innovation not as a task but as something that comes naturally to us. We're constantly looking for ways of increasing returns with fewer resources, growing more sustainably and developing new varieties with better properties.

For 2023 we have a clear vision in mind. "We have a positive influence on the life of more than 500 million consumers by promoting their health, wellbeing, prosperity and sustainable lifestyle. We are increasing our sales substantially by growing in food ingredients and reducing our impact on the environment by 75 per cent.

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# READING GUIDE

Avebe publishes an annual report each year to inform its stakeholders about the financial results. This annual report covers financial year 2017/2018 and will be presented for adoption to the Members Council at the Members Council Meeting of 13 December 2018.

## Structure

This year we are once again publishing two documents in which we explain our annual figures. The annual report provides a detailed explanation of the financial results of the past financial year and the strategy to a more limited extent. The document is available in three languages: Dutch, German and English.

More background information about the strategy and developments at Avebe is given in our Avebe Magazine. The financial results are also presented in clearly summarised form so that the reader can see at a glance how we have performed.

## Guidelines

The 2017/2018 annual report was drawn up in accordance with the statutory requirements for annual reporting of Article 391 of Book 2, Title 9 of the Dutch Civil Code. We also test our annual report against the transparency benchmark of the Ministry of Economic Affairs.

## Company principles

Avebe has a Corporate Governance Code which contains, among other things, information about strategic starting points, business principles, sustainability, transparency, equality, labour and union relations, health, safety and the environment and anti-corruption measures and other matters to do with integrity. A whistleblower policy is also in effect.

## Latest news

The latest information about Avebe is made available on our website ([www.avebe.com](http://www.avebe.com)) and in social media. The online magazine is also available here (Dutch and English) as are downloads of the annual report and the Corporate Governance code. Follow us on Twitter via the account @Avebe\_group and LinkedIn ([www.linkedin.com/company/avebe](http://www.linkedin.com/company/avebe)).



## KEY FIGURES

2017/2018    2016/2017    2015/2016    2014/2015    2013/2014

Consolidated unless otherwise indicated (in millions of euros where applicable)

Gross turnover	<b>613.9</b>	588.2	584.6	559.6	579.9
Net turnover	<b>576.6</b>	551.3	548.6	521.1	540.7
Operating result	<b>16.6</b>	14.3	12.7	17.6	15.1
Interest expenses	<b>7.4</b>	7.0	7.0	7.2	7.6
Cooperative result after taxation	<b>7.8</b>	6.3	6.5	11.8	8.3
Depreciation	<b>30.4</b>	30.3	29.0	23.6	25.8
Investments fixed assets	<b>55.0</b>	45.1	30.5	45.3	24.8
Group equity	<b>203.6</b>	202.4	201.4	199.6	195.0
Loan capital including provisions	<b>263.1</b>	211.0	211.6	230.6	200.3
Balance sheet total	<b>466.7</b>	413.4	413.0	430.2	395.3
Group equity as a % of balance sheet total	<b>43.6%</b>	49.0%	48.8%	46.4%	49.3%
Net cash flow before financing activities	<b>-40.4</b>	11.6	25.3	-12.7	31.6
Net debt	<b>148.5</b>	102.5	108.7	127.3	108.8
Personnel expenses <sup>1)</sup>	<b>106.7</b>	99.6	98.7	94.7	94.1
Average number of employees	<b>1,326</b>	1,311	1,306	1,314	1,311
Number of cooperative members	<b>2,268</b>	2,310	2,397	2,475	2,479
Number of shares issued	<b>101,455</b>	101,455	101,450	101,450	101,450
Performance price (EUR/ton) <sup>2)</sup>	<b>85.81</b>	82.16	77.10	78.41	75.07

<sup>1)</sup> Including movements in personnel provisions.

<sup>2)</sup> The performance-related price comprises the payments for the delivered potatoes plus the net result divided by the tonnage delivered by members on shares. Calculated at a starch percentage of 19% (under water weight of 470 grams).

# REVIEW KEY FINANCIAL FIGURES

## Positive cooperative result

In financial year 2017/2018 AVEBE achieved a performance price of 85.81 euros a ton of starch potatoes. The financial year was concluded with a cooperative profit of 7.8 million euros.

## Performance price

Approximately 96 per cent of the performance price was paid out directly to the members; this was 97 per cent in the previous financial year. The performance price was 82.16 euros a ton. Through the proposed additional payment a further approx. 1.21 euro a ton of potatoes on fully-subscribed shares will be additionally paid out, taking the pay-out ratio to around 98 per cent.

## Financing

Avebe has concluded a financing agreement with its house bankers. This agreement has a term of five years and ends on 24 November 2021. Avebe has a line of credit of 225 million euros under this contract.

## Result development

Net turnover rose by about 25 million euros compared to 2016/2017. This rise can be attributed to a higher sold volume and a slight average increase in the sales prices. There was a light fall in the direct sales costs per ton. The costs of raw materials and consumables rose in terms of costs per ton of sold product. This rise can be attributed to a higher payment for the potatoes received and a changed mix of sold products.

The added value - operating income less raw materials and consumables - rose by approximately 14 million euros compared to the previous year. In relation to net turnover, the added value rose slightly from 43.6 per cent to 44.1 per cent.

Personnel expenses rose from 99.6 million euros in 2016/2017 to 106.7 million euros in 2017/2018. This rise was caused by changes to the 2017/2018 collective bargaining agreement and a change to the composition of the staffing establishment and an addition to the staff facilities. The depreciation costs (incl. devaluations) fell by over 1.8 million euros in the year under review. This decrease is due to the lower write-down on fixed assets.

The other operating costs rose in the financial year from 94.0 million euros to 100.6 million euros. This increase is mainly the result of higher costs for third party services, costs directly related to production, storage and transport and IT costs.

These developments resulted in the operating result rising as a percentage of turnover from 2.6% to 2.9%.

## Balance sheet

The balance sheet total rose in the year under review by 53.2 million euros to 466.7 million euros. This rise was caused on balance by an increase in the fixed assets, stocks and receivables and a slight fall in cash at bank and in hand. The rise in the balance sheet total is reflected in a rise in debts to banks and an increase in the other debts. Equity capital at the end of financial year 2017/2018 was 203.6 million euros compared to 202.4 million euros at year-end 2016/2017. This increase was caused by the addition of the net result for 2017/2018 to the other reserves following adjustment of the proposed profit appropriation and the repayment of some of the related share premium. An explanation of this is given on page 62 of this annual report.

Operating capital fell by 23.6 million euros to 141 million euros. This increase - on balance - in the operating capital can be attributed mainly to higher stocks and receivables and higher current liabilities. The interest-bearing debts rose from 103.3 million euros in the previous financial year to 149.4 million at the end of this reporting year.

## Cash flow

Gross operational cash flow in 2017/2018 was approximately 42.1 million euros lower than in the previous financial year. This can be attributed mainly to an increase in stocks and receivables.

The cash flow from investing activities was approximately 9.9 million euros higher in the financial year than in the previous financial year, mainly as a result of higher investments in the financial year. Net operational cash flow therefore fell on balance by 52.0 million euros.

	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
	In millions of euros				
Net turnover	576.6	551.3	548.6	521.1	540.7
Added value	254.6	240.5	238.9	238.7	235.7
Fixed expenses (salaries, social security charges, depreciation, other operating expenses) <sup>1)</sup>	237.7	224.0	226.4	219.7	207.7
Impairments	0.3	2.2	-0.2	1.3	12.9
Operating result	16.6	14.3	12.7	17.6	15.1
Cooperative result after taxation	7.8	6.3	6.5	11.8	8.3
<b>Cash flow</b>					
Net operational cash flow before financing activities	-40.4	11.6	25.3	-12.7	31.6
<b>Profit and loss account ratios</b> (as a percentage of net turnover)					
Added value	44.1%	43.6%	43.5%	45.8%	43.6%
Fixed expenses	41.2%	40.6%	41.3%	42.4%	40.8%
Operating result	2.9%	2.6%	2.3%	3.4%	2.8%
<b>Balance sheet ratios</b>					
Solvency	43.6%	49.0%	48.8%	46.4%	49.3%
Debt/EBITDA	3.1	2.2	2.6	3.0	2.1
<b>Operating capital</b>					
Nominal	141	118	138	157	155
As a percentage of net turnover	24%	21%	25%	30%	29%

<sup>1)</sup> Increase due to more staff, increase in collective labour agreement, addition of provision of 1.5 million, other mix of employees

# COMPANY PROFILE

## Nearly a hundred years old and still bursting with ambition

Avebe started out in 1919 as a 'Potato Starch Sales Agency', with the company arrange the sales for several independent cooperatives. Production was also added half-way through the twentieth century, and this was followed by new products: starch derivatives. These are products in which the potato starch is treated in such a way that it can be used in a wide variety of end-applications. Avebe has since developed into a multinational that delivers products based on starch potatoes: grown by some 2300 Dutch and German members. Potato starch remains an important pillar, but we also consider other valuable raw products that the potato offers us. Avebe supplies products based on potato starch and potato protein for use in human food. We also sell applications for paper, construction, textiles, adhesives and animal feed. This means that we are active throughout the whole supply chain. From the development of new potato types at our cultivation company Averis Seeds B.V., to the trading of our end products via our worldwide sales offices.

In the financial year 2017/2018, the board of Avebe consisted of chairman Mr B.C. Jansen and board member Mr R.P.F. van Laerhoven. The company further consists of the line departments Commerce and Operations and the staff departments Human Resources, Finance, Agro, Corporate & Legal Affairs and Innovations. The Supervisory Board oversees the management and policy of the cooperative and its subsidiaries. The Supervisory Board's responsibilities include the appointment and remuneration of board members and the adoption of the budget. Through the Members' Council, the members have control over important issues. They have right of say on the appointment of members of the Supervisory Board, the adoption of the financial statements and other decisions on subjects laid down in the articles of association. They also take part in discussions on changes to the company. The Members' Council is composed of members elected by district.

## MISSION, VISION AND GOALS

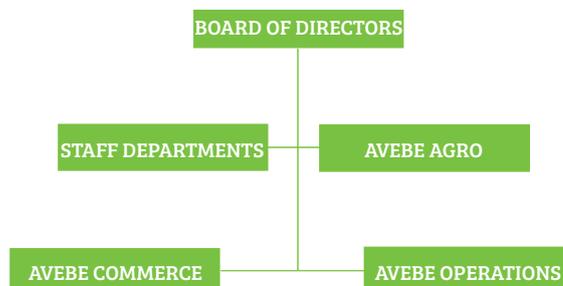
Together with members and customers, Avebe seeks to innovate to create a sustainable food system with healthy, nutritious and environmentally friendly ingredients based on potatoes. We thus place ourselves in the global food value chain and seek to create a positive impact for customers, planet and society. Over the coming years we intend to process the same amount of potatoes, We are not setting out to grow in volume, but in value. This responsible growth is only possible through innovation.

Our five ingredients for responsible growth:

- Towards more value
- Growth in good nutrition
- Market-oriented sustainable potato cultivation
- Reduce our ecological footprint
- Cooperation for the customer

## STRATEGY

With our ingredients, we have a positive influence on the life of more than 500 million consumers by promoting their health, wellbeing, prosperity and sustainable lifestyle. We are increasing our sales by growing in food ingredients and reducing our impact on the environment. We plan to produce more products with a higher added value. We achieve that by striving for the best solution for all our stakeholders - our growers, our clients and our employees; we call that 'shared value'.



**Growth in healthy food**

Avebe is growing mainly as a supplier to the food industry. We do this in markets where the added value is greater. Our healthy, nutritious, environmentally friendly vegetable ingredients add value, for example as alternatives to dairy or meat.

**Market-oriented sustainable potato cultivation**

Our raw material, the starch potato, is cultivated by our own members. It provides us with a unique position we aim to build on. Our attention is focused on a high-quality raw material that is produced sustainably and transparently.

**Reducing our ecological footprint**

We are reducing our ecological footprint in the areas: CO<sub>2</sub>, energy and water. Our growth is responsible, based on clean production and responsible business operations.

**Cooperation for the customer**

Creating value for our customers is always the starting point and we steer by results.

Avebe employees put the customer at the heart of everything they do. A shared performance is paramount in our working method. We achieve this with healthy and vital employees who all work in an unambiguous way. Our processes are completely in sync and we all pursue the same aims and objectives.

**BRANDS**

Avebe produces solutions based on potato starch and protein for human food, industry and animal feed. We have various brands for this purpose, including Eliane™, Etenia™, Solanic®, Casucol™, Solvitose™ and Protamylasse™. A complete overview of all of our brands is given at our website [www.avebe.nl/producten](http://www.avebe.nl/producten).

# REPORT OF THE SUPERVISORY BOARD

The financial year 2017/2018 is characterised by an abundant supply of raw materials. In addition to the average good yield from most members, the price of potatoes in neighbouring markets was low due to a good harvest in Europe. This made it possible for Avebe to achieve a performance price of 85.81 euros per ton. Another increase compared to the price of the previous financial year.

This result is based on excellent sales results and meticulous cost management in day-to-day operations.. The combination of a good starch yield and a high payout price ensures an attractive financial return for our members.

During the past financial year, a great deal of attention was devoted to creating a new strategy. The Supervisory Board has repeatedly exchanged ideas with the Board of Directors about the desired course towards the future. The 'Binding and building 2.0' strategy builds to a considerable extent on the strategy of recent years. In the new strategy, the concepts of performance price, cooperative, starch potato and customer together occupy a prominent position. In addition, social issues relating to good nutrition, climate and the environment, among other things, are emphatically more central. The Supervisory Board regards this as a realistic and positive development.

A further expansion of the production capacity of high-grade proteins was realised in the financial year. These proteins are essential for a structural increase in the future performance price. The expansion was under relatively great pressure of time to ensure that the new production line was to produce in the 2017/2018 campaign. The resilience and commitment of our employees and the availability of starch potatoes until late in the spring ensured that this could be achieved.

Based on the experiences of the last few years with large, complex investment projects, the Board of Directors decided to re-examine the organisation and structure of such large projects. Based on the findings, a number of adjustments have now been made that will improve the quality of project management.

In contrast to the previous financial year, the harvest of starch potatoes in the current financial year 2018/2019 appears to be very poor. In Germany and the Netherlands, a prolonged drought caused many harvests to die prematurely. Although the total consequences of the drought are not yet foreseeable, the Supervisory Board is aware of the fact that for many members the poor harvest will have painful financial consequences.

## Personnel changes and committees

Following the death of Mr H.L. van Roozendaal in September 2017, Mr F. Schepers was appointed as temporary advisor to the Supervisory Board.

At the Annual General Meeting in December 2017, Mr P. Poortinga was due to step down and eligible for re-election. He was reappointed for a term of four years. During the financial year, the Board decided to look for two new Supervisory Directors. The search was for a candidate with a background in process technology and a candidate with a strong financial profile. At the members' meeting of July 2018, this resulted in the appointment of Messrs D. Kloosterboer and R. Smith. At this meeting Mr. F. Schepers stepped down as advisor. We are very grateful to Mr. F. Schepers for his availability as an advisor and for his great dedication during the consultancy period.

At the end of the 2018 financial year, the Supervisory Board consists of ten members, six of whom are members of the cooperative. The size of ten members is temporary. At the Annual General Meeting in December 2018, Mr J.W. Hoekman will step down. He is not eligible for re-election. No new member of the Board will be appointed. The Board intends to appoint Ms M. Folkers-in 't Hout as Chairman.

The Supervisory Board has three committees. They are the audit committee, the selection, remuneration and appointments committee and the appeals committee. During the past financial year 2017/2018, the composition was as follows:

*Audit committee:* K.A. de Graaf (chairman), H.W. Giere, P. Poortinga, M. Folkers- in 't Hout (until November 2017) and J. Emmens (from November 2017).

*Selection, remuneration and appointments committee:* J.W. Hoekman (chairman), H.L. van Rozendaal (until 29 September 2017), M. Veenendaal, F. Schepers (from October 2017), J. Emmens (until November 2017) and M. Folkers-in 't Hout (from November 2017).

*Appeals Committee:* K.A. de Graaf (chairman), J. Emmens, H.W. Giere, H.L. van Rozendaal (until 29 September 2017) and M. Möllering.



During the meeting of the Supervisory Board of 28 August 2018, Mr D. Kloosterboer was appointed vice-chairman, and also to the appeals committee and the selection, remuneration and appointments committee. Mr R. Smith was appointed to the Audit Committee and the Appeals Committee at this meeting. Mr H.W. Giere has left the audit committee and has been appointed to the selection, remuneration and appointments committee.

#### Training/evaluation

The Supervisory Board attaches great importance to good quality assurance. To this end, supervisory directors follow training courses and periodic self-evaluation takes place. Mr. J. Emmens and Mr. H.W Giere have followed the course of the Director's Training Path of Nice during the past year. Mrs. M. Folkers-in 't Hout is following the programme for supervisory directors and supervisors of Erasmus University.

Halfway through the year the board had a meeting at which she evaluated her own performance under the guidance of an external expert.

The Supervisory Board considers it important that new members of the Supervisory Board can quickly gain a clear image of Avebe. That is why they are offered an intensive familiarisation programme.

In order to ensure a smooth transfer of the chairmanship, Mrs M. Folkers-in 't Hout and the current chairman have worked closely together over the past year.

#### Activities

Six regular meetings were held with the Board of Directors during the financial year. During these meetings many different aspects concerning Avebe were discussed. These include commercial policy, matters relating to operational management, investment and innovation projects, personnel policy, financial affairs, budget, sustainability and energy efficiency, many agro-related subjects and various subjects relating to corporate governance. In the context of the development of the new strategy Board of Directors and Supervisory Board met twice in the past financial year. The Supervisory Board and the Board of Directors meet informally once a year to exchange ideas with the Youth Council.

A delegation of the board (M. Veenendaal, J.W. Hoekman) twice attended a consultation meeting with the company works council.

The Audit committee met three times during the financial year. The external auditor attended part of all of the meetings.

The selection, remuneration and appointments committee spent a lot of time during the past financial year on the recruitment of two new supervisory directors. The committee also met four times in a formal setting.

The appeals committee considered two cases this year: one from the NL/WE growing area and one from the KPW area.

#### Financial statements

The Supervisory Board confirms that it has comprehensively discussed the financial statements, including their assumptions, notes and presentations, with the Board of Directors and that it is in agreement with the position taken by the Board of Directors.

The Supervisory Board confirms that in view of the audit report, it approves the financial statements. The auditor has issued an unqualified audit report dated 1 November 2018.

The Supervisory Board approves the profit appropriation as proposed by the Board of Directors and proposes to the Members' Council:

- that the financial statements for 2017/2018 be adopted accordingly;
- that the Board's proposal concerning the appropriation of profits be approved;
- that the Board be discharged for the policy it has conducted.

The Supervisory Board also requests that the Members Council grants discharge for the supervision conducted.

#### To conclude

On behalf of the Supervisory Board I would like to thank the Board of Directors, the management team, our employees and all of our members for the efforts during the past financial year.

In addition, I would like to thank everyone personally. Thank you for the confidence you have placed in me during the period of more than twenty-five years that I was able to be make my contribution to the cooperative. An exciting and fascinating period in what is almost 100 years of Avebe.

Veendam, 1 November 2018

For the Supervisory Board

J.W. Hoekman

# COMPOSITION OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD

## BOARD OF DIRECTORS

B.C. Jansen (59)  
Chairman and CEO  
appointed on 1 September 2008



Focus areas:  
Operations, Commerce, Agro, Innovations, HR, Communication

R.P.F. van Laerhoven (51)  
CFO  
appointed on 1 August 2017



Focus areas:  
Finance, ICT, Corporate & Legal Affairs, Energy Efficiency, Auditing

## SUPERVISORY BOARD



J.W. Hoekman  
Chairman



H.W. Giere  
vice-chairman



H.L. van Rozendaal  
vice-chairman <sup>1</sup>



J. Emmens



Ms M. Folkers-in 't Hout



K.A. de Graaf



D. Kloosterboer <sup>2</sup>



M. Möllering



P. Poortinga



R.P. Smith <sup>2</sup>



Ms M. Veenendaal



F. Schepers <sup>3</sup>  
adviser



J.P. Russchen  
secretary

<sup>1</sup> to 29 September 2017

<sup>2</sup> effective 5 July 2018

<sup>3</sup> stepped down on 5 July 2018

# COMPOSITION DISTRICT-COUNCILS AND YOUTH COUNCIL

## DISTRICT COUNCIL

### NORTH

G.J. Laarman, chairman  
 S. Wieringa, vice-chairman  
 D.D. Bouwman  
 H.J. Hoiting <sup>2</sup>  
 A.H. Houwing  
 C. Kamphuis  
 A. Prins <sup>1</sup>  
 H. van Rhee  
 Ms J. Smant <sup>3</sup>  
 S.P. Spanninga  
 H.J. Takens <sup>2</sup>  
 F. Wigchering <sup>1</sup>

### EAST

K. Bakker, chairman  
 L. Tammes, vice-chairman  
 H.G. Begeman <sup>2</sup>  
 D.P.J.R. Beuling  
 P. Boonman  
 J. Deuring  
 J.A. Hilvering <sup>1</sup>  
 H.W. Kaiser  
 J.R. Kunst  
 H. Migchels  
 A.G. de Vries

### CENTRAL

J.R. Oosting, chairman  
 R.H. Roosjen, vice-chairman  
 A. de Boer  
 J.A. Daling  
 H. van der Horst  
 H. Houwing  
 R.H. Kunst  
 R. Otten  
 H.J. Prins  
 B.F.J.M. van der Sterren

### SOUTH

H.G. Herbert, chairman  
 J.H. Kersten, vice-chairman  
 P.J. Evenhuis  
 M.J.H. Koopman  
 R. Kuper <sup>2</sup>  
 J.H.P. Lubberman <sup>1</sup>  
 W.H. Meijerink  
 D.J. Meinen  
 B. Michel  
 A.J. van Roekel  
 D. Woestenenk

### KPW

C.H. Schulze, chairman <sup>1</sup>  
 D. Möller, vice-chairman/chairman <sup>4</sup>  
 F. Schröder, vice-chairman <sup>5</sup>  
 C. Basedau  
 H. Dammann  
 M. Dralle  
 O. Glühe  
 H.G. Harms <sup>2</sup>  
 B. Kaufman <sup>2</sup>  
 H. Saucke  
 S. Schwedt

### WESER-EMS

R. Bruns, chairman  
 B. Specken, vice-chairman  
 K.H. Hoesen <sup>1</sup>  
 C. Kaiser  
 J. Kruse <sup>2</sup>  
 G. Lehmkuhl <sup>2</sup>  
 C. Möller  
 A. Röttger  
 H. Schulte <sup>1</sup>

<sup>1</sup> stepped down on 9 December 2017

<sup>2</sup> effective 9 December 2017

<sup>3</sup> effective 27 November 2017

<sup>4</sup> chairman effective 9 December 2017

<sup>5</sup> vice-chairman effective 9 December 2017

## YOUTH COUNCIL

### NORTH

H. Kammer, chairman  
 Ms A. Groenwold  
 S. de Haan <sup>1</sup>  
 A. Vegter <sup>2</sup>

### EAST

B. Schuitema  
 R. Speelman  
 G.H. Sterenborg <sup>2</sup>  
 H. Wollerich <sup>1</sup>

### CENTRAL

R. Buitter  
 J. Kunst <sup>3</sup>  
 M. Wolf

### SOUTH

E. Bakker  
 J. Klumpers <sup>2</sup>  
 G. Reinders <sup>1</sup>  
 J. Siebring

### KPW

M. Hennings  
 J. Keil  
 S. Riemer

### WESER-EMS

M. Krüssel

<sup>1</sup> stepped down on 9 December 2017

<sup>2</sup> effective 9 December 2017

<sup>3</sup> effective January 2018

Our **decision** to  
concentrate more and  
more **on food** has been  
**confirmed** as being the  
right one.

Good development in **food derivatives**

# REPORT OF THE BOARD OF DIRECTORS

**In financial year 2017/2018 Avebe achieved a performance price of 85.81 euros a ton. This is another record in our history. It represents a rise of over 4 % compared to the year preceding this one (82.16 euros a ton).**

**The year was concluded with a cooperative profit of 7.8 million euros.**

The result was mainly supported by good market developments, a good production result and cost control. The campaign price was set at 67 euros, 2 euros more than in the previous year.

## 2017 harvest

There was a slight increase in the area available for the cultivation of starch potatoes for Avebe. This growth took place mainly in Germany.

The harvest was abundant and the prices in adjacent potato markets were particularly low.

The campaign was exceptionally long. In Gasselternijveen, potatoes were processed for nine months. Despite the warm weather at the end of the campaign, the potatoes were of good quality. The starch content was lower than in the previous year. The combination of the potato volume and the starch content meant that the year was one of the best years in terms of starch yield.

## Market

The market was hesitant during the first half of the year. Market demand increased sharply in the last quarter. Food derivatives developed well. Our decision to concentrate more and more on food has been confirmed as being the right one.

Sales of Solanic® proteins went hand in hand with further capacity expansions at attractive prices. The investments in the production facilities are high, but are worthwhile given the interest of our customers. The trends in the food market, particularly in the United States, fit in well with the properties of our food protein.

## Investments

Total investments amounted to approximately 55 million, 10 million more than in the previous year. This increase is mainly due to the further expansion of the production capacity for Solanic® proteins.

We also invested in the replacement and improvement of existing production resources and in the sustainability of our operation, including by investing in increasing the production capacity of Etenia™.

The various investments at the Gasselternijveen site have demanded a great deal from management and employees. Thanks to their efforts, all this has been successful.

## Strategy

The original target, as formulated in 2013, was a plus on wheat per hectare of 500 euros in the balance; we achieved in the past year a plus of more than 1600 euros over wheat. Later, our longer term target was revised and set at a performance price of 90 euros per ton under normal harvest conditions. The rise in the performance price in the past year has brought this goal within reach.

During the financial year, we continued to work on the implementation of our 'Binding and Building' strategy.

Good progress was made in further reducing customer complaints; we are approaching our goal of achieving 75 percent fewer complaints compared to 2013.

The constant emphasis on quality and the avoidance of complaints is paying off, also in the production result.

The turnover of products with higher added value rose, both in starch and protein and blends of both ingredients.

The further shift to food ingredients fits in with our longer-term plan, as we see more innovation opportunities in this market.

There were many activities to improve the vitality of our employees, and sick leave was 4.5 percent, which is a satisfactory level.

We were not satisfied with regard to energy; the long campaign combined with the start-up of a new production line and the distribution of the raw material across the factories was not optimal. We learned from this.

The safety index was similar to that of the previous year; we are not far from the target, but the final steps are taking a lot of effort. It takes a lot of discipline to maintain a sharp focus all the time, but that is what it takes to be among the best in the industry.

It is gratifying to note that, despite our drive for innovation, we keep fixed costs well under control.

The strategy was reviewed and adjusted during the financial year. The big picture remains relevant.

However, sharper choices are being made with regard to the concentration on innovation in combination with our long-term sustainability goals.

In summary, it was a year with a good harvest and a rising performance price.

Although we have not yet been able to achieve all the goals in the strategy, good progress has been made in a general sense.

We believe that our members' clear focus on starch potatoes, coupled with innovation, has taken and will take us further.

REVIEW OF THE  
FINANCIAL YEAR &  
**INVESTING IN THE  
FUTURE**

# REVIEW OF FINANCIAL YEAR & INVESTING IN THE FUTURE

## Agro department

The 2017 harvest was characterised by above-average yields and ample availability of potatoes. Regionally, there were a few specific circumstances that influenced the harvest. For example, part of the growing region in Germany had to contend with flooding in the spring. In the Netherlands fields and parts of fields were not harvested owing to excessive rainfall. The quality of the raw product was good. Problems with storage of starch potatoes have been kept to a minimum.

A good operating result calls for a high starch yield per hectare. Avebe's 'Optimeel' cultivation optimisation programme aims to increase the yield of starch potato cultivation and to strengthen the value chain. This is achieved by gaining a clear understanding of the crop, comparing the members' results, sharing knowledge and applying 'best practices'.

The programme consists of four parts: demonstration fields, crop registration, study groups and the introduction of new starch potato varieties. We use the demonstration fields to compare and show the effects of cultivation measures in practice. Cultivation activities are compared with each other by means of crop records. Knowledge is also exchanged between members of the study groups. Cultivation information and knowledge are gathered on the introduction of new starch potato varieties. Cultivation advice is formulated on this basis. This allows maximum benefit to be derived from the characteristics of the variety.

The results show that Optimeel participants achieve higher returns than non-participants. The crop optimisation programme is offered to members both in the Netherlands and in Germany. An important part of Optimeel is the registration of the crop. This gives the grower more insight and ways of making improvements, and supports Avebe with the sale of our products in cases where transparency and traceability play an increasingly important role.

A higher yield per hectare generally has a favourable effect on the income of our members and the continuity of the crop and raw product supply. It works both ways. A higher yield per hectare is also good for the environment. After all, using the same resources will achieve more, thus reducing the CO<sub>2</sub> footprint per ton of potatoes. Optimeel is therefore also an important instrument in making potato cultivation more sustainable. The CO<sub>2</sub> footprint per ton of starch will be reduced this way by 10 percent in the coming years. One way of doing this is to reduce usage and increase the effectiveness of additives such as chemical crop protection agents and fertilisers.

Our subsidiary Averis Seeds B.V. concentrates intensively on the development and breeding of new starch varieties with resistance against various potato diseases. The number of Averis varieties with improved Phytophthora resistance will increase significantly in the coming years. These new varieties can do with less Phytophthora spraying, which also makes a relevant contribution to making the crop more sustainable.

## Commerce Department

Last year we saw the global market for food ingredients grow by 2 to 3 percent. Larger consumer groups are showing an increasing preference for all-vegetable food products. Arguments about health, animal friendliness and ecological considerations play a role in this. We have seen this segment grow in the past year in North America and Europe in particular. 'Millennials' make conscious choices for healthy eating with a smaller ecological footprint, for example. In this context, we are also increasingly hearing that 'the climate on your plate' will play a role in the eating patterns of flexitarians. In addition to the market for food ingredients, a large part of Avebe's sales volume still goes to the European paper market. Here we are seeing a decline of around 1 percent per year due to falling paper consumption.

In the past year we have responded to developments in the food segments with our innovative approach. This enables us to offer customers distinctive 'plant-based solutions' based on potato starch and protein. These include replacements for animal products such as dairy and meat, but also complete vegetable sweets.

Another development we see in the food sector is the need for allergen-free food. Here too, Avebe has an important advantage with potato starch and protein compared to a number of other food ingredients, which often come from raw materials with allergenic properties.

Consumers are consuming more and more consciously. We also see a trend when it comes to a growing need for 'clean label' products. Consumers want a comprehensible list of ingredients on their food products. A list that is also 'clean' and free of E-numbers, for instance. Avebe focuses on this in its product development. Avebe's mainstream business remains focused on serving more traditional food sectors such as bakery, dairy, meat, snacks and soups. In addition, we focus on promoting developments aimed at texture applications, healthier and cleaner products.

Over the past year, we have further strengthened our global sales presence. We focus on providing our customers with know-how about the use of our products. This enables us to establish strong and lasting relationships with customers in the markets in which we operate. Our direct presence offers opportunities to respond to regional markets and translate the latest trends into market opportunities.

### Operations department

Our members' potatoes find their way to our production facilities in the Netherlands (Gasselternijveen and Ter Apelkanaal) and Germany (Lüchow and Dallmin). This is where we extract the starch and protein from the potato for processing in food, animal feed and industrial applications.

The good harvest meant that the processing of potatoes could continue for longer. The Ter Apelkanaal location has processed the largest volume of the harvest. At the Gasselternijveen location, a great deal of time and energy was invested in the preparations and the start of the new protein production line. As a result, this location had a longer production period and potatoes were processed until mid-May. Germany was also characterised by a long campaign in which the harvest could be processed.

We will continue to optimise the new protein production line, especially in the area of sustainability. We are looking to drastically reduce the consumption of water and chemicals, the flow to the wastewater treatment plant and the amount of energy, while at the same time increasing protein production. We do this in close cooperation with the Innovations department.

This financial year we again received fewer complaints from customers. Our goal is of course to deliver the right product at once, which we call 'first time right'. Most of the 'not first time right' is reprocessed (rework) to ultimately limit losses as much as possible. Last financial year we performed less well in terms of 'first time right'. But we score well when it comes to rework. We are seeing an increase in sickness absence, which is why we are focusing on themes such as vitality and sustainable employability. When it comes to health and safety, we also see that we can improve further.

Operational excellence is a spearhead. The programme 'World Class Operations Management' (WCOM) is the method we are using to achieve this. At the Ter Apelkanaal and Foxhol sites, the WCOM programme has been launched and multidisciplinary improvement teams are working on reducing losses and improving output. These teams will work for a period of twelve weeks (in a 'wave') to improve a certain aspect of the production process. WCOM will also be rolled out in the coming years at the other production sites of Avebe.

At present, everything is focused on controlling the impact of the disappointing harvest due to this year's uniquely dry summer with high temperatures. This means, among other things, that we cannot make optimal use of the production lines during the campaign. The campaign in Ter Apelkanaal and in the factories in Lüchow and Dallmin will be shorter. This will have a major impact on the results and the organisation within Operations.

We have a clear strategy with clear operational objectives. The emphasis is on multidisciplinary cooperation and we critically consider our product portfolio. We consider which products to develop further, but also which products can be removed from the portfolio in a responsible manner. The challenging conditions of the 2018 harvest may act as a catalyst in this respect.

#### Human Resource Management department

Avebe is developing rapidly and is working on its future. One of the ways we do this is by continuing to work on a vital, learning, performing and sustainable organisation.

The Human Resources Management (HRM) department contributes to this by creating conditions that encourage managers and employees to take control of their own careers. HRM thus contributes to the realisation of the Avebe strategy and the personal goals of our employees derived from it.

We are working towards a future-proof collective labour agreement. To this end, a benchmark was carried out last year and employees were informed of the results. We are also in discussion with our employees about how to shape the collective labour agreement differently. Avebe has to deal with four generations of employees at the moment. The current collective labour agreement is a 'one size fits all', while we know that young people have different needs than someone who has the end of their career in sight.

The changes in the collective labour agreement must support Avebe's strategy. New technologies, for example, will require different skills and knowledge in the future. Other jobs will be created. This calls for employees who are stimulated and willing to continue to learn and develop. This is how we are and remain sustainably employable. A logical next step is therefore to bring our annual interview cycle of setting objectives, interim evaluation and assessment, more into line with these developments. In this interview cycle the emphasis will be more on clearly formulated objectives, career direction and ongoing development.

The core of HRM within Avebe is and remains our HR Services division. The staff there are HRM's first point of contact and offer us a solid basis on which we can confidently contribute to the realisation of Avebe's strategy. HRM is the management's business partner. Together, we ensure that Avebe's objectives are achieved with optimal employee commitment.



# INNOVATIONS

**Avebe's innovative strength reaches beyond product innovation alone.**  
We are working on new developments even regarding matters to do with sustainability.



# INNOVATIONS

**Innovation is one of the strategic pillars of our Binding & Building strategy. We aim to add maximum value to the potato.**

The new Avebe Innovation Centre was opened just before the summer of 2018. The Innovations department is one of the departments housed here. The Innovation Centre is an important impulse for our innovative strength.

That starts with laying out the building. The design of the Innovation Centre invites cooperation and meeting.

This creates a natural way of cooperation and interaction. Creating new ideas will be easier, we can serve our customers more effectively and new innovations can be introduced to the market more quickly. The Innovation Centre also encourages the strengthening of partnerships. Space has been set aside for start-ups in the Innovation Centre. These start-ups can rent a space for a short or longer period to further develop their own initiatives. Our commitment and expectation is that this cooperation will also give an impulse to innovation.

When it comes to product development, it's all about growing in good food.

The growing world population and prosperity mean that the demand for food is increasing. At the same time, there will be more focus on health. Themes that fit in with this are high nutritional value, anti-allergenic and completely vegetable-based.

The protein and starch from Avebe perfectly matches this profile. Our healthy, nutritious, environmentally friendly and vegetable ingredients add value and are used as an alternative to products of animal origin, such as dairy and meat.

In our strategy we focus not only on the world outside, but we also ensure a clear internal course.

In this way, the Commerce, Operations and Innovations departments effectively coordinate their objectives.

These strategic objectives revolve around potato protein and starch in particular. Our innovative strength is focused on healthy food, with particular attention being paid to high nutritional value. For example, for groups that have difficulty eating healthy food because of physical limitations, but also for sportsmen and sportswomen or people who need extra nutrients. This also fits in with the general trend towards healthier eating.

Avebe's innovative strength reaches beyond product innovation alone. We are working on new developments even regarding matters to do with sustainability. This is how we look at what we can improve in our own operational processes. Moreover, we are able to make a difference to the chain in which we operate by adding sustainable elements to it. For example on land together with our members. In 2018, we won not only phase 1 but also phase 2 of the New Food Challenge, an award of the Ministry of Agriculture, Nature and Food safety. In 2017, we won phase 1, which was a feasibility study into the development of Texturized Potato Protein (TPP). We then showed the further elaboration in phase 2. We also won that phase. With the money we won in 2018, a multidisciplinary team will take the development of Texturized Potato Protein to the next level. TPP can be used as a meat substitute. Our long-term goal is to develop a healthy vegetable-based meat substitute that our customers can use and that finds its way to the consumer.

# RISKS & UNCERTAINTIES

Pursuing our strategy involves certain risks. For this reason, risk management is an integral and explicit part of Avebe's business operations. We therefore use a well-defined process with various standardised methods to identify strategic, tactical, operational and compliance risks in a timely manner, to analyse them thoroughly and to manage them effectively. Gaining an insight into these risks makes it possible for Avebe to make well-considered choices about which risks it is willing to take, which must be organisationally managed and which are financially covered wherever possible.

This section sets out the main risks and the accompanying control measures identified in the risk management process. This selection was made on the basis of estimates of the probability that the risk will manifest itself and the possible impact if it does.

## STRATEGIC RISKS

### Risk

Failure to achieve strategic objectives

### Cause and consequences

- Less supply of starch potatoes (70-80 percent of expected volume) due to weather influences (failure of harvest due to drought during the growing period or extreme rainfall during the harvest)
- Insufficient or untimely connection to market/products
- Insufficient investment in sustainability and innovation

### Measures

- Drawing up a management plan based on scenario analyses (such as extreme drought)
- Increasing the physical yield per hectare/growing optimisation
- Customer focus and steering at customer satisfaction level
- Market-drive approach to innovations
- Monitoring of key objectives and derived (joint/cross-functional) objectives

This could lead to the failure to (timely) achieve one of the strategic objectives, reputation damage, loss of turnover, customers, members, suppliers and employees.

## TACTICAL RISKS

### Risk

Growth in the number of staff who are not (sufficiently) able to work for Avebe

### Cause and consequences

- Staff sickness, effect of aging employees
- Changing (work) conditions (process, organisational, technological)
- Insufficient concretisation of the performance objectives
- Assessment interviews not held on time
- Insufficient reporting possibilities on competencies and training requirements

### Measures

- Interventions by company social work
- PME (Periodic Medical Examination)
- TTC (Time Task Competence; methodology to clarify the underlying cause of absence-performance-cause)
- Setting up strategic staff planning and using it as a control tool
- Implementation of LMS (Learning Management System; digital learning platform)
- Monitoring status of interview cycles
- Extension of Talent Management programme

This can lead to lower productivity, an increase in production errors and limited insight into educational requirements and wishes, inappropriate need for training and education employee versus organisation and ultimately incorrect strategic formation planning.

**Risk**

Failure of data centre/IT systems

**Causes and consequences**

- Disaster at data centre location (power failure, explosion, flood)
- Power supply at data centre is cut off due to technical or process causes

This can lead to the full or partial failure of operational production, networks at office locations and network connections to foreign locations.

**Measures**

- Fire extinguishing facilities
- Backup power supply
- Redundancy in data centre
- Data centre maintenance
- Backups of office data in a location other than a data centre
- Disaster Recovery Plan

Cyber security risk

- Theft of critical data
- Hacked system

- Strengthening firewalls
- Raising staff awareness of risks
- Check for abnormal behaviour
- External security controls

**OPERATIONAL RISKS****Risk**

Personal safety

**Causes and consequences**

- Open production processes: e.g. maintenance/cleaning of washing drums and vacuum dryers
- Risk assessment is not up-to-date which creates possible causes for injuries
- Changes procedure is not always (correctly) implemented
- Risk culture with regard to hazardous chemicals and machinery is low

This can lead to personal accidents, sanctions by the Labour Inspectorate (and related reputational damage), business interruption or (civil) lawsuits.

**Measures**

- Company emergency service organised per location
- Avebe has installed safety zoning at the production sites and introduced procedures for PPE and periodic safety rounds.
- Safety instructions to contractors and suppliers
- Reporting and monitoring unsafe situations in Primecase
- HAZOP studies for most critical machinery and explosion safety documents
- Safety awareness programme
- Staff presence analysis at the sites

Contamination of products (in production process or storage)

- Insufficient food safety in the production of our products
- Limited security of external silos can allow criminals to access external silos.
- Terrorists or criminals contaminate or poison our products ('food fraud')

Contamination can lead to the loss of full value of Avebe product, reputation damage and in the worst case scenario that contaminated Avebe product is used in food products.

- Avebe is AEO and FSSC (food safety) certified (testing through external and internal audits)
- Investments in guaranteeing food safety.
- A 'food fraud' risk assessment has recently been carried out.

Various standard procedures (such as recall procedures, complaints procedures) have been set up

**COMPLIANCE RISKS****Risk**

Avebe works with foreign agents

**Causes and consequences**

- In countries without their own sales organisation, Avebe uses foreign agents. This can lead to higher risks of corruption as the agent's activities fall outside the direct (internal) management environment of Avebe.

**Measures**

- renewal of contracts including 'right to audit'
- commission in accordance with the activities carried out by the agent
- imposing the Avebe anti-corruption policy on agents;
- conducting background investigations into agents;

**Risk**

Fraud and corruption

**Causes and consequences**

- Theft of resources and knowledge from the organisation (e.g. tools, buyers, patents, information in relation to products under development)
- Reporting fraud
- Fraud relating to products within the food industry ('food fraud').

**Measures**

- Sharing all codes with employees (Corporate Governance - Code, Whistleblower Procedure, Internal Code of Conduct and Competition Handbook)
- Workshops for employees who represent the company externally
- Appointment of an IT Security Officer
- Division of tasks between management and decision-making positions

Non-compliance with laws and regulations

- ATEX (dust explosion):
  - backlog of required ATEX-adaptations
  - no ATEX-based design/materials/tools for changes/maintenance
- Major Accidents Risk Decree: failure to meet the requirements set out in the Decree

- Cleaning procedures
- Safety inspection rounds
- Increase ATEX awareness through training and specific internal audits
- Maintenance and changes in the production process aimed at reducing dust formation

This can lead to (temporary) loss of the user license at the production sites.

Changing legislation and regulations

The potato waste stream that Avebe provides to farmers to use as manure for their land no longer meets the permit requirements.

- Bringing all critical problems to the attention of the authorities in a timely manner and agreeing with them on the permit conditions over time.
- Agro account management will, in cooperation with the farmers, draw up an optimal planning for the potato waste stream (supply/delivery).

This will increase the costs for processing and, in extreme cases, may result in loss of the user license.

**FINANCIAL RISKS****Risk**

Financial risks\*

**Causes and consequences**

Avebe faces a variety of financial risks, such as currency, interest and credit risks arising from normal business operations.

**Measures**

- Use of forward exchange contracts and currency call options to hedge the company's risks involving the buying and selling of foreign currency. Use of financial instruments that extend the interest instalment on short-term debts
- Taking out credit insurance to reduce the credit risk on sales
- Intensive monitoring of the requirements of the bank agreement related to external financing

\*See also page 46 ff. of this report for a detailed explanation of the financial risks.

## CSR & SUSTAINABILITY

Sustainability occupies a central position in Avebe's Binding & Building strategy. Sustainably binding means connecting people, planet and profit together and entering into sustainable relationships. Sustainably building means working sustainably on a solid and future-proof cooperative with products that offer added value for our customers. In 2012 we formulated seven subjects on the basis of which we intend to become considerably more sustainable in 2018. Our sustainability topics are: safety, energy, vitality, cultivation, logistics, water and sustainably binding.



### Accident-free workplace

Everybody who works at Avebe has to be able to return home safe and well after a day's work. We operate according to the safety rules in the processing industry. To measure safety we use an accident frequency index, which is an international standard for the registration of accidents. The accident frequency index is used to set off the number of accidents involving lost working days against the number of hours worked. Last year a lot of attention was paid to personal protection equipment and the identification of safety zones. We have also made a start with a safety campaign aimed at making employees aware of their behaviour. For this purpose we organise sessions intended to make employees aware of the risks of certain, often routine, work. Safety meetings were also organised specifically for contractors who carry out work at the Avebe locations. To further increase security awareness, short security animations have been created that can be viewed on the intranet and information screens.



### Vital employees

Fit and healthy employees feel good and are sustainably employable. We measure their vitality on the basis of the factors commitment & enthusiasm and sickness absence. We measure the commitment of our employees every two years by means of what is known as the Best Employers survey. This survey asks questions about the degree of pride in the organisation, the extent to which employees support the organisation's objectives, the space and opportunities given to employees to perform to the best of their ability, the extent to which they feel appreciated, satisfaction with the organisation and job satisfaction. The second factor is sickness absence. We want everybody who works at Avebe to be fit and to feel good at work. The raising of the age of retirement has added a new challenge. Avebe seeks to keep all of its employees fit and healthy and employable. For this purpose we offer all sorts of activities, such as the company fitness programme. Two programmes have been added aimed at women who have become mothers for the first time and women in menopause. Vitality is also about how you do your job. Do you have the right knowledge and skills? The Workability Index measures the way in which employees feel well-equipped to continue working sustainably. Avebe has introduced a clear interview cycle in which personal annual plans are formulated and evaluated with employees. That way we keep talking to each other and everybody remains sustainably employable. In September Avebe was singled out as the Most Vital Company in the province of Groningen, which made it eligible to take part in the national elections. In November Avebe was awarded fourth place in the elections for Most Vital Company in the Netherlands, with a special mention about how we give shape to vitality at our company.



## Save energy and become greener

To reduce our CO<sub>2</sub> emissions we have chosen to save energy on the one hand and make it greener on the other. We purchase solar energy for the greening aspect. This applies to Avebe's total electricity consumption, with the exception of the locations Ter Apelkanaal and Gasselternijveen; at these locations we produce our own electricity with our combined heat and power plants.

In 2017 Avebe signed the government's long-term energy efficiency agreement that contains agreements on improving energy efficiency. This yields cost savings, process innovations and the achievement of our own sustainability objectives. We are drawing up an energy efficiency plan for each location in order to work on the sustainability of our energy consumption over the next four years. In 2017/18 work was carried out on the implementation of the plans for the first year. Despite this, energy consumption increased in 2017/18. This is due to increased water and energy consumption in the realisation and start-up phase of investments in Gasselternijveen. In addition to the measures already taken to reduce this consumption, a great deal of attention is being paid to further process optimisations.



## Increased yield from the field

With our crop optimisation programme Optimeel we are looking to increase our yield from the field. Increasing the yield of a hectare of land is in principle good for the earnings of our members and contributes to reducing the environmental impact per unit of product. We see that the yield per hectare is gradually increasing and encourage our members to participate in the Optimeel programme, among other things by means of an incentive contribution. In 2017, substantial progress was made from 15 percent to 50 percent in the participation of the Dutch members in Optimeel cultivation registration. By increasing the number of participants, we gain more insight into the crop, which can contribute to optimising the crop and transparency in the chain. Also, the Optimeel Crop registration system has been offered actively to our German members since 2017.



## Reduction in road transport kilometres

We seek to reduce CO<sub>2</sub>-emissions and reduce road transport kilometres by replacing road transport with alternative transport by train or boat. Road transport is one of the most CO<sub>2</sub> intensive ways of transporting goods. Transport between the German and Swedish factories and the Netherlands has changed from road to rail transport. A direct train connection was put in place for this purpose. In addition, the transport to a number of customers in Sweden has also been converted to train transport. A reduction in the number of transport kilometres has been achieved by using a logistics hub in the Rotterdam area since June 2018. As a result, less product needs to be transported back and forth to the northern Netherlands.



## Reducing water consumption

Avebe uses biorefinery to extract components from the starch potato. Flushing these components out of the potato involves using a great deal of water. The application of membrane technology makes it possible to use water from the potato as process water and thus reduce water consumption. This is already being applied in Gasselternijveen.



## Sustainably binding

Finally, sustainably binding is all about chain responsibility and transparency: showing who you are and what you stand for. Avebe takes part in various registration systems, including the Supplier Ethical Data Exchange (Sedex), the MEE agreement of the RVO and Sustainable Agriculture Initiative (SAI). Our crop optimisation programme meets the requirements for the SAI qualification Silver. Our sustainability performance has also been validated in accordance with the EcoVadis standard. We have also been awarded silver status for this standard. We are also transparent with regard to our products. A life cycle analysis (LCA) provides an insight into the impact of our products on the environment. We continued to chart this during the year under review, and the LCA is ready for all of our products.

Sustainably binding is also about people, about social connections. Avebe occupies a central position in society and contributes not only by ensuring the safety, wellbeing and health of its own employees, but also by communicating on this subject transparently and in a dialogue with its neighbours on subjects such as liveability and regional developments.

# FORECAST OF THE BOARD OF DIRECTORS

It's all about creating more added value.



## FORECASTS OF THE BOARD OF DIRECTORS

The 2018/2019 financial year will be dominated by the extreme drought combined with very high temperatures in July and August. Never before have there been such conditions during the growing season in our growing regions in the Netherlands and Germany. But there was also extreme weather in other parts of Europe where (starch) potatoes are grown. It is inevitable that much less raw material will be available.

Avebe will do everything in its power to perform as well as possible despite the limited raw material available. Compensation must be found in sharply rising sales prices and cost reduction. Nevertheless, it will be a very difficult year for our members. The picture in the fields is highly varied. Depending on the quality of the soil and the possibilities for irrigation, the harvest is moderate to very poor. In consultation with the Council of Members and the Supervisory Board, Avebe has now decided to distribute the entire cooperative result in the financial year 2018/2019 to the members.

On the one hand we will therefore work hard to limit the consequences for our members in the coming financial year, while on the other we must continue to work on the implementation of our strategy: Binding & Building 2.0. The title of the strategy indicates that we are building on the previous strategy, especially in terms of sustainability and innovation, in order to ensure a stable rise in the performance price. It's all about creating more added value.

The sustainability objectives have been formulated more ambitiously for the company, including with regard to CO<sub>2</sub>, water and residual flows. A new item is the sustainability objective for the members. Avebe wants to work together with its members on programmes in the field of CO<sub>2</sub> reduction and crop protection products. We are also working as hard as ever on the development of new potato varieties that yield more and are more resistant to diseases. In order to meet the requirements with regard to tracking and tracing, crop registration will ultimately be used by all members.

We are also developing new products for our food customers. Avebe can make a significant contribution by providing healthy food ingredients on a vegetable basis with a better ecological footprint compared to animal ingredients.

The new Innovation Centre at the Groningen Campus opened on 28 September 2018. The Innovation Centre is located in the vicinity of the University of Groningen and Hanze University of Applied Sciences. This is an important step for the future.

We will again invest heavily in the year to come. In addition to the usual investments in improving existing production resources, the emphasis will be on sustainability and further increasing the capacity for food protein.

Avebe does not expect any major changes in the number of employees for the financial year 2018/2019.

The challenge in the financial year 2018/2019 is on the one hand to perform as well as possible in the short term in order to be able to pay the highest possible price to the members and to alleviate as much as possible the suffering caused by the extreme weather conditions. On the other, the challenge is not to lose sight of the medium to long term. Armed with this knowledge, we will therefore continue to focus on the implementation of the strategy.

For the board  
B.C. Jansen  
R.P.F. van Laerhoven



# FINANCIAL STATEMENTS 2017 / 2018

All amounts are in thousands of euros unless otherwise stated.

## CONSOLIDATED BALANCE SHEET AT 31 JULY 2018

(after proposed profit appropriation)

### ASSETS

		31-7-2018	31-7-2017	Ref
<b>Fixed assets</b>				
<b>Intangible fixed assets</b>		514	863	2
<b>Tangible fixed assets</b>	Buildings and land	35,475	32,948	3
	Plant and machinery	159,102	126,068	
	Other tangible fixed assets	7,639	3,727	
	Assets under construction	21,721	37,075	
		<u>223,937</u>	<u>199,818</u>	
<b>Fixed assets investments</b>	Other participating interests	1	1	4
	Other loans	1,227	1,186	
		<u>1,228</u>	<u>1,187</u>	
<b>Current assets</b>				
<b>Stocks</b>	Starch	45,834	40,338	5
	Derivatives	83,763	71,076	
	By-products	5,689	3,392	
	Other stocks	21,474	20,830	
		<u>156,760</u>	<u>135,636</u>	
<b>Receivables</b>	Trade debtors	75,766	67,737	6
	Taxation and social security contributions	-	1,952	
	Other debtors	7,512	5,141	
	Prepayments and accrued income	19	144	
		<u>83,297</u>	<u>74,974</u>	
<b>Cash at bank and in hand</b>		934	969	7
<b>Total assets</b>		<u>466,670</u>	<u>413,447</u>	



## LIABILITIES

		31-7-2018	31-7-2017	Ref
<b>Group equity</b>	Capital and reserves	<u>203,634</u>	<u>202,389</u>	8
		203,634	202,389	
<b>Provisions</b>	Reorganisation	3,098	1,665	9
	Deferred taxation	223	420	
	Pensions	1,392	1,792	
	Other	<u>9,161</u>	<u>9,799</u>	
		13,874	13,676	
<b>Current liabilities</b>	Banks	149,440	103,323	10
	Trade creditors	54,208	62,643	
	Current account members	-	134	10
	Pensions	3,675	667	
	Taxation and social security contributions	993	-	
	Other debts	30,188	23,069	11
	Accruals and deferred income	<u>10,658</u>	<u>7,546</u>	
		249,162	197,382	
<b>Total liabilities</b>		<u>466,670</u>	<u>413,447</u>	

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

	2017/2018	2016/2017	Ref
<b>Gross turnover</b>	<b>613,851</b>	588,210	<b>12</b>
Direct selling costs	<u>37,242</u>	<u>36,898</u>	
<b>Net turnover</b>	<b>576,609</b>	551,312	
Movement in stocks of finished goods	<b>20,480</b>	-9,090	
Capitalised production	<b>1,671</b>	2,818	
Other operating income	<u>3,477</u>	<u>5,654</u>	<b>13</b>
	<b>25,628</b>	-618	
<b>Total operating income</b>	<b>602,237</b>	550,694	
Raw materials and consumables	<b>347,685</b>	310,158	
Salaries and wages	<b>81,447</b>	74,759	<b>14</b>
Social security charges	<b>25,242</b>	24,844	
Depreciation and other impairments	<b>30,710</b>	32,576	<b>15</b>
Other operating expenses	<u>100,566</u>	<u>94,020</u>	
<b>Total operating expenses</b>	<b>585,650</b>	536,357	
<b>Operating result</b>	<b>16,587</b>	14,337	
Interest and similar income	<b>116</b>	77	
Interest expenses	<u>-7,531</u>	<u>-7,074</u>	
<b>Balance of financial income and expenses</b>	<b>-7,415</b>	-6,997	
<b>Result on ordinary activities before taxation</b>	<b>9,172</b>	7,340	
Taxation	<b>-1,343</b>	-1,071	<b>16</b>
<b>Cooperative result after taxation</b>	<b>7,829</b>	6,269	

## CONSOLIDATED CASH FLOW STATEMENT

		2017/2018	2016/2017	Ref
<b>Operational cash flow</b>	Cooperative result after taxation	7,829	6,269	
	Adjustments for:			
	Depreciation and other impairments	30,710	32,576	15
<b>Movements in working capital</b>	Movements in stocks	-21,124	8,013	
	Movements in receivables	-8,324	3,328	
	Movements in current liabilities	5,137	7,886	
		-24,311	19,227	
	Additions to provisions	1,502	563	
	Withdrawals from provisions	-1,161	-1,960	
	Movement in provisions	341	-1,397	9
<b>Gross operational cash flow</b>		14,569	56,675	
<b>Fixed assets cash flow</b>	Investments in fixed assets	-54,953	-45,113	2 3 4
	Disposals of fixed assets	-	58	
	Other movements in financial fixed assets	-41	-	
		-54,994	-45,055	
<b>Net operational cash flow before financing activities</b>		-40,425	11,620	
<b>Financing cash flow</b>	Final payment to members	-2,223	-2,283	21
	Movement in loans to member-suppliers	-134	-2,842	
	Repayment of share premium	-1,522	-1,522	21
	Return on share premium	-620	-711	21
	Received share premium	197	31	
	Others	50	419	21
		-4,252	-6,908	
<b>Net cash flow</b>		-44,677	4,712	
	Exchange and conversion differences	-1,475	-1,337	
<b>Movement in net debt</b>		-46,152	3,375	
<b>Composition of the net debt</b>				
	Net debt to banks at 1 August	102,354	105,729	
	Movement in net debt	46,152	-3,375	
	Net debt to banks at 31 July	148,506	102,354	

## NOTES GENERAL

### 1 ACCOUNTING POLICIES

#### OBJECTIVE

The objective of Coöperatie AVEBE U.A. is to meet the needs of its members in accordance with the contracts entered into with the enterprises they conduct or have conducted for that purpose. Coöperatie AVEBE U.A. sets out to achieve this objective by processing raw products into starch and other derived products.

#### CONSOLIDATION POLICIES

The consolidation includes the financial data of Coöperatie AVEBE U.A. together with its group companies and other legal entities over which it can exert dominant control or which it centrally manages. Group companies are legal entities in which Coöperatie AVEBE U.A. can exert direct or indirect dominant control because it holds the majority of the voting rights or is able in any other way to control their financial and operational activities. This includes potential voting rights that can be directly exercised on the balance sheet date. The group companies and other legal entities over which Coöperatie AVEBE U.A. can exert dominant control or which it centrally manages are included in full (100%) in the consolidation. The share of third-parties in the equity capital and the results are stated separately. Intercompany transactions, intercompany profits and mutual receivables and debts between group companies and other legal entities included in the consolidation are eliminated if the results are not achieved through transactions with third-parties outside of the group. Unrealised losses on intercompany transactions are also eliminated other than in cases where a special devaluation has taken place. The valuation principles of group companies and other legal entities included in the consolidation have been altered where necessary to place them in line with the Group's valuation principles. Reference is made to page 58 for a list of consolidated group companies.

#### CASH FLOW STATEMENT

The cash flow statement is drawn up using the indirect method. The net debt in the cash flow statement consists of debts to banks less the cash at bank and in hand. Cash flows in foreign currency are converted at an estimated average exchange rate. Exchange rate differences affecting financial resources are stated separately in the cash flow statement. Receipts and expenditure from interest, received dividends and profit taxation are shown under the cash flow from operational activities. Paid dividends are shown under the cash flow from financing activities. Transactions in which no cash flows in or out, including financial leasing, are not shown in the cash flow statement. Investments in fixed assets are based on the statement of changes in the fixed assets and not in cash flow form. This is due to the fact that amounts at supplier level cannot be traced back to investments or costs.

#### FOREIGN CURRENCY

##### FUNCTIONAL CURRENCY

The items in the financial statement of the group companies are valued on the basis of the currency of the economic setting in which the group company primarily pursues its activities (the functional currency). The consolidated financial statements are drawn up in euros; this is both the functional and the presentation currency of Coöperatie AVEBE U.A..

##### CONVERSION OF FOREIGN CURRENCY

Assets and liabilities shown in foreign currency are converted at the prices on the balance sheet date. Transactions shown in foreign currency are converted at the price on the transaction date. Exchange rate differences arising from the conversion are charged to or debited from the result. Assets and liabilities of foreign participating interests are converted at the rate on the balance sheet date; the items in the profit and loss account are converted at the average exchange rate for the financial year. Exchange rate differences related to converting the



equity of foreign participating interests and loans to or debts of participating interests in the nature of equity are charged to the equity as a statutory reserve.

#### **AFFILIATED PARTIES**

Affiliated parties are defined as all legal entities over which predominant control, joint control or significant control can be exerted. Legal entities that are able to exert dominant control are also deemed to be affiliated parties. Also, the Board of Avebe is included among the affiliated parties.

Significant transactions with affiliated parties are disclosed to the extent that they were not concluded under normal market conditions. The nature and size of the transaction and other information required to provide insight into the transaction are given.

#### **VALUATION POLICIES AND RESULT RECOGNITION**

##### **COMPARISON WITH THE PREVIOUS YEAR**

The principles used to determine the results remain unchanged compared to last year.

##### **GENERAL**

The (consolidated) financial statements have been compiled in compliance with the statutory provisions of Title 9, Book 2 of the Dutch Civil Code and the firm requirements of the Directives Governing Annual Reports and Financial Statements as issued by the Annual Reporting Council.

Assets and liabilities are generally valued at the acquisition or manufacturing price or the current value. If no specific valuation principle is stated, valuation takes place at the acquisition price. References are given in the balance sheet, the profit and loss account and the cash flow statement. These references are made to the explanatory notes.

##### **ESTIMATES**

To apply the principles and rules for drawing up the financial statements, the management of Coöperatie AVEBE U.A. has to form a judgement on various matters and to make estimates that could be of paramount importance to the amounts shown in the financial statements.

If necessary to providing the insight required by Article 2:362, paragraph 1, of the Dutch Civil Code, the nature of these judgements and estimates, including the underlying assumptions, is given in the note to the relevant financial statement items.

##### **INTANGIBLE FIXED ASSETS**

Intangible fixed assets are valued at their acquisition price, less depreciation.

Account is taken of impairments, which are entered if the book value of the asset (or the cash-flow generating unit to which the asset belongs) is higher than its realisable value. To establish whether there is any impairment on intangible fixed assets, reference is made to the section on impairments.

##### **Research and Development expenditure**

Expenditure on research into new products and new production techniques is accounted for as costs. Development expenditure is only capitalised if it is incontrovertibly demonstrated that an identifiable asset has been created that will yield a future economic benefit for Coöperatie AVEBE U.A..

##### **Goodwill**

Goodwill resulting from acquisitions is capitalised at the acquisition price and depreciated over the anticipated useful economic life up to a maximum of twenty years.

Goodwill is calculated as the difference between the acquisition price and the share in the value of the capital and reserves according to the valuation principles operated by Coöperatie AVEBE U.A., taking into account market value, reorganisation costs and corresponding taxation. Internally created goodwill is not valued by Coöperatie AVEBE U.A..

##### **Software**

Software is valued at the acquisition price less depreciation based on the anticipated useful economic life. Software is depreciated over a period of five years.

##### **TANGIBLE FIXED ASSETS**

Tangible fixed assets are valued at the acquisition price plus accompanying costs or manufacturing price, less depreciation. No amortization is applied to land. Government subsidies granted for investments are deducted from the acquisition price. Annual straight-line depreciation is based on the estimated

useful life of buildings, which is twenty-five years for buildings and ten years for plant and machinery. Other tangible fixed assets are amortized over five years or less, depending on the type of asset. There is no depreciation on tangible fixed assets currently under construction. Spending on major maintenance is accounted for as expenses in the year in which it occurs. Spending on major maintenance on assets that have been fully depreciated is capitalised and depreciated according to the depreciation period for the type of asset in question, provided that this extends the life cycle.

#### **FIXED ASSETS INVESTMENTS**

Participating interests in group companies and other participating interests in which significant influence is exerted are valued using the net asset value method. Significant influence is considered to be present if a shareholding of more than 20% is held. The net asset value is calculated on the basis of the same principles applied for these financial statements; in cases where there is not enough information about the participating interests to apply those principles, the valuation principles of the participating interest in question are applied. Participating interests that yield a negative valuation result according to the net asset value method are valued at nil. In cases where Coöperatie AVEBE U.A. stands surety in full or in part for the debts of participating interests in the situation described above, or has resolved to enable the participating interests to pay its debts, a provision is created for that purpose. Participating interests over which no significant influence can be exerted are valued at their acquisition price or their fair value if lower.

The receivables under the financial fixed assets comprise issued loans and other receivables. These receivables are initially valued at their fair value. These loans are then valued at the amortised cost price. If there is any discount or share premium when the loans are issued, this is charged to or from the result as part of the effective interest during the term of maturity. Transaction costs are also incorporated in the initial valuation and charged to the result as part of the effective interest. Impairments are charged to the profit and loss account.

#### **IMPAIRMENTS**

Coöperatie AVEBE U.A. ascertains on each balance sheet date whether there are indications that an asset could be subject to a special downward value adjustment. If such indications are present, the realisable value of the asset is established. If it proves impossible to ascertain the realisable value of the individual assets, the realisable value of the cash flow generating entity to which the asset belongs is ascertained instead. A special downward valuation is applied if the book value of an asset is higher than its realisable value; the realisable value is the higher of the sale value and the going-concern value.

The sale value is calculated with the aid of the active market. In cases where there is a lack of clarity about market data and/or future cash flows, the book value of assets is set as zero. A special downward valuation loss is charged directly as a loss to the profit and loss account. If it is established that impairments shown in the past no longer exist or have decreased, the increased book value of the asset in question is not set higher than the book value that would have been calculated if no impairment had been shown for the asset.

A discount rate based on the current long term market risk is used to determine the value in use when converting cash flows into net present value.

Also in the case of financial instruments, the company checks on each balance sheet date whether there are any objective indications for impairments to be applied to a financial asset or a group of financial assets. If there are objective indications of impairments the company determines the extent of the loss based on the impairments and immediately incorporates this in the profit and loss account.

#### **STOCKS**

Raw materials and consumables are valued at their acquisition price as calculated on a 'first-in, first-out' basis, less a provision for obsolescence or, if applicable, at their lower realisable value. Starch, derivatives and by-products are valued at cost price, if necessary less a provision for obsolescence or, if applicable, at their lower realisable value. The realisable value is the estimated selling price less the directly attributable

selling costs. The share of the potatoes included in the overall cost price is based on the long-term average procurement price of the pivotal wheat crop, for which Avebe has made estimates of the average production per hectare and the variable costs. The fixed-cost mark-up incorporated in the cost price is based on a standard production level for each financial year.

#### RECEIVABLES

Receivables are valued at the fair value of the consideration upon being processed for the first time. Trade receivables are valued at the amortised cost price after being processed for the first time. If the receivable is deferred on the basis of an agreed extended payment term, the fair value is based on the cash value of the anticipated receipts and interest income is written to the profit and loss account on the basis of the effective interest rate. Provisions for bad debt are deducted from the book value of the receivable. Other securities shown under the receivables are valued at their fair value.

#### CASH AT BANK AND IN HAND

Cash at bank and in hand consists of cash, bank credits and deposits with a term of less than twelve months. Current accounts at banks are shown under debts to banks under current liabilities. Cash at bank and in hand is valued at its face value.

#### REVALUATION RESERVE

The revaluation reserve relates to unrealized exchange results on net investments in foreign group companies and issued loans, as well as exchange results on forward exchange contracts concluded to hedge the exchange risk on the aforementioned investments and loans.

#### PROVISIONS

##### General

Provisions are formed for legally enforceable or actual commitments existing on the balance sheet date for which it is likely that an outflow of resources will be required and the level of which can be reliably estimated. The provisions are valued at the best

estimate of the amounts needed to settle the commitments on the balance sheet date. In the absence of statement to the contrary, the provisions are valued at the nominal value of the expenditure that will probably be required to meet the commitments.

##### Reorganisation

The reorganisation reserve relates to the estimated costs of reorganisation plans incurred before the end of the financial year and approved by the Supervisory Board concerning certain sections of the organisation, which have been communicated before the financial statements were drawn up. In addition, this relates to employees with whom agreements are being or have been made at individual level.

##### Deferred taxation

Deferred taxation is calculated on the basis of the difference between the fiscal valuation of the assets and liabilities and the commercial book value at the end of the financial year at the applicable tax rates. Active and passive deferred taxation can be set off within the same fiscal unit. Deferred tax claims are included if it is likely that future profits will be available to compensate losses and set-off options. Deferred tax claims are shown under the financial fixed assets and deferred tax commitments under the provisions.

##### Pensions

Dutch pension schemes are subject to the provisions of the Dutch Pensions Act and the compulsory, contractual or voluntary premiums are paid to pension funds and insurance companies by Coöperatie AVEBE U.A.. The premiums are shown as personnel expenses as soon as they are payable. Prepaid premiums are shown as prepayments and accrued income if this leads to a refund or to a reduction in future payments. Premiums not yet paid are shown in the balance sheet as a commitment. Coöperatie AVEBE U.A. has processed all pension schemes in accordance with the obligation approach. The premiums payable over the reporting year are included as a charge. Changes to the pension provision are also processed in the profit and loss account. The amount shown as the pension liability is the best estimate of the not yet financed amounts required to settle the relevant commitments on the balance sheet date.

Pension schemes of foreign subsidiaries that are comparable with how the Dutch pension system is organised and operates are also processed according to the obligation approach. For foreign pension schemes that are not comparable a best estimate is made of the commitment on the balance sheet date, based on an actuarial valuation method generally accepted in the Netherlands.

#### Other

The other provisions pertain to the provision for anniversary bonuses; demolition costs and other liabilities and risks that are related to the operational activities. The anniversary provision is accrued on a straight-line basis over the 15 years preceding the anniversary. This does not give rise to any material differences with the calculation based on actuarial principles. The provision for demolition charges is based on the anticipated costs of the planned demolition of buildings and machinery during the next 5 years. The other provisions are formed for commitments and risks related to the business operations and are shown at their face value.

#### LIABILITIES

Liabilities are valued at the fair value upon being processed for the first time. Transactions charges that can be directly attributed to the acquisition of the liabilities are included in the valuation upon being processed for the first time. After being initially processed liabilities are valued at amortised cost price, which is the amount received taking account of share premium of discount and less transaction costs.

The difference between the book value determined and the ultimate repayment value is incorporated in the profit and loss account as an interest charge based on the effective interest rate during the estimated term of the debts.

#### LEASING

Lease contracts in which a large proportion of the advantages and disadvantages of ownership are not borne by Coöperatie AVEBE U.A. are shown as operational leasing. Commitments based on operational leasing are processed on a straight-line basis on the profit and loss account over the term of the contract.

#### RESULT RECOGNITION

##### General

The result is determined as the difference between the realisable value of the delivered goods or services and the costs and other expenses over the year. The proceeds of transactions are shown in the year in which they were realised.

##### Sale of goods

Proceeds from the sale of goods are entered as soon as all important rights and risks related to the ownership of the goods have been transferred to the buyer.

##### Net turnover

Net turnover is the proceeds of goods supplies less discounts, etc., freight charges and tax on sales, following the elimination of group transactions.

##### Operating result

The operating result consists of net sales, the costs of raw materials and consumables, personnel expenses, depreciation costs, the costs of outsourced work and other external costs.

##### Raw materials and consumables

This concerns the costs of raw materials and consumables of the sold products, or the costs of obtaining the sold products. The costs of raw materials and consumables are calculated on the basis of the FIFO (first-in, first-out) method. The amount shown under this item for the purchase of starch potatoes is based on the campaign price plus the bonuses and plus or less the effect of the calculation of the potato component in the finished product. Reference is made to the stocks item on page 42/43 for the valuation principle.

##### Personnel expenses

Wages, salaries and social security charges are shown in accordance with the employment conditions in the profit and loss account to the extent that they are payable to employees.

##### Exchange rate differences

Exchange rate differences arising on settlement or conversion of monetary items are shown in the profit and loss account in the period in which they arise unless hedge accounting is applied.



### Interest income and expenses

Interest income and expenses are shown in proportion to time, taking account of the interest rate and the relevant assets and liabilities. The transaction expenses and borrowings are taken into account for the incorporation of interest expenses.

### TAX ENTITY

Coöperatie AVEBE U.A. forms a tax entity for corporation tax with its 100% Dutch participating interests. Under the standard conditions the company and its affiliated subsidiaries are jointly and severally liable for the tax payable by the consortium and its incorporation within the tax entity. The parent company settles on the basis of the subsidiaries taxable results with due observance of the assignment of the benefits of the tax entity to the various group companies forming part of it.

### TAXATION

Taxation on the operating result for each country is calculated over the result before taxation in the profit and loss account, taking account of the losses from previous financial years that can be set off against tax (if not included in the deferred tax receivables) and exempted profit components, and following the addition of non-deductible costs. Account is also taken of changes to the deferred tax receivables and deferred tax liabilities resulting from changes to the tax rate being operated. Tax adjustments are processed within the tax entity in Coöperatie AVEBE U.A..

### RESULT ON PARTICIPATING INTERESTS

This item shows the profit on the other participating interests.

### GOVERNMENT SUBSIDIES

Subsidies on investments in tangible fixed assets are deducted from the relevant asset and included as part of the depreciation in the profit and loss account.

### FINANCIAL INSTRUMENTS

The treasury activities, including currency and interest management and the financing of the group and its operating companies, are centrally coordinated from the Netherlands. The policy approved by the

Board of Directors is aimed at hedging currency positions related to buying and selling in foreign currency.

Currency call options and currency futures contracts are used as hedging instruments. It is not permitted to adopt speculative positions. Derivative financial instruments (such as futures transactions, currency call options and interest swaps) are taken out exclusively from financial institutions that issue credit to Coöperatie AVEBE U.A..

When shown for the first time in the balance sheet derivatives are shown at their actual price; the subsequent valuation of derivatives depends on whether what underlies the derivative is listed. If what underlies the derivative is listed, the derivative is shown at its fair value. If what underlies the derivative is not listed, the derivative is shown at its cost price or lower market value. The method used to show changes to the value of derivatives depends on whether hedge accounting is applied with the derivative.

Coöperatie AVEBE U.A. operates hedge accounting. Records are kept as soon as a hedge relationship is entered into. Coöperatie AVEBE U.A. periodically establishes the effectiveness of the hedge relationship by carrying out a test.

This can be done by comparing the critical features of the hedge instrument with those of the hedged position, or by comparing the change in the hedge instrument's fair value and the hedged position.

### Conversion hedging

Coöperatie AVEBE U.A. hedges the currency risk on net investments in foreign group companies and issues loans by means of forward exchange contracts where this is possible in view of the associated costs. These forward exchange contracts are subject to cost price hedge accounting, with exchange differences being incorporated in the revaluation reserve for the effective component of the hedge relationship. The non-effective component of the hedge relationship is accounted for directly in the statement of operating income and expenditure.

### Transaction hedging

Positions not shown in the balance sheet are hedged by means of options and forward contracts. Coöperatie AVEBE U.A. applies cost-price hedge accounting for these derivative financial instruments. Hedge instruments are not revalued until the hedged position has been incorporated in the balance sheet. For the options, the difference between the cash price applicable when the derivative is concluded and the forward price at which the derivative will be settled is capitalised and will be amortised over the term of the contract. The non-effective component of the hedge relationship is accounted for directly in the profit and loss account. Paid option premiums are capitalised under trade receivables and amortised over the term of the options contract. The amortisation costs of the option premium are shown in the profit and loss account under gross turnover. Forward contracts are valued at the price applicable on the balance sheet date. Profits or losses on derivative instruments used to hedge positions not shown in the balance sheet are deferred until the time at which the profits or losses on the hedged positions are accounted for in the profit and loss account.

### Interest risk hedging

Coöperatie AVEBE U.A. operates cost price hedge accounting for the interest swaps used to ensure that the interest paid on variable interest-bearing credit facilities are converted into fixed interest. The non-effective component of the change of value in the interest swaps is accounted for in the profit and loss account under the financial income and expenses.

### Currency risk

Currency risks related to procurement and sales are hedged on the basis of the anticipated period in which they will take place. Currency risks based on investments in foreign group companies established outside of the euro region are also covered by means of financial instruments in the currency of the country where the foreign group company is established.

### Interest risk

The purpose of the interest policy is to limit the risk of interest rate fluctuations. Coöperatie AVEBE U.A. uses financial instruments (interest swaps) to convert the interest on short-term debts into a fixed interest rate.

### Credit risk

Coöperatie AVEBE U.A. has taken out credit insurance with a reputed insurance company to mitigate its sales credit risk. Sales are for the most part made to customers who meet the credit worthiness requirements. This rule can be deviated from in individual cases, but additional security will generally have to be obtained in those cases.



## NOTES TO THE CONSOLIDATED BALANCE SHEET

AT 31 JULY 2018

### Fixed assets

#### 2 Intangible fixed assets

Movements in the value of the intangible fixed assets over the year under review are as follows:

Book value at 31 July 2017	863
Depreciation	-349
<b>Book value at 31 July 2018</b>	<b>514</b>
Purchase price at 31 July 2018	4,405

#### 3 Tangible fixed assets

Movements in the value of the tangible fixed assets over the year under review are as follows:

	Buildings and land	Plant and machinery	Other tangible fixed assets	Assets under construction	Total
Book value at 31 July 2017	32,948	126,068	3,727	37,075	199,818
Investments	5,075	58,954	6,177	-15,253	54,953
Exchange differences	-137	-231	-4	-101	-473
	<b>37,886</b>	<b>184,791</b>	<b>9,900</b>	<b>21,721</b>	<b>254,298</b>
Permanent impairments	-	-344	-	-	-344
Depreciation	-2,411	-25,345	-2,261	-	-30,017
	<b>-2,411</b>	<b>-25,689</b>	<b>-2,261</b>	<b>-</b>	<b>-30,361</b>
<b>Book value at 31 July 2018</b>	<b>35,475</b>	<b>159,102</b>	<b>7,639</b>	<b>21,721</b>	<b>223,937</b>
Purchase price at 31 July 2018	93,228	543,707	49,145	21,721	707,801

Based on developments in the potato starch market and price developments in the energy market, some of Coöperatie AVEBE U.A.'s assets in this financial year or previous years have been devalued to their realisable value.

#### 4 Financial fixed assets

	31-7-2018	31-7-2017
A Other participating interests	1	1
B Other loans	1,227	1,186
	<u>1,228</u>	<u>1,187</u>

Movements in these items are as follows:

	A	B	Totaal
Book value at 31 July 2017	1	1,186	1,187
Interest	-	41	41
<b>Book value at 31 July 2018</b>	<u>1</u>	<u>1,227</u>	<u>1,228</u>

The other loans relate to mortgages issued in connection with the sale of land for the building of solar parks. The term is 20 years. The interest rate is 0%. Mortgage and pledge rights have been established in these areas. The amounts are given for the cash value. The discount rate ratio is 3%.

#### 5 Stocks

The stocks valued at a lower realisable value had a book value of EUR 7.0 million on the balance sheet date. The provision on stocks is EUR 7.6 million (last year EUR 9.7 million).

#### 6 Receivables

All receivables have a remaining term of less than one year. A provision of EUR 4.4 million (last year EUR 4.5 million) for bad debt has been deducted from the trade receivables. This provision is determined on the basis of the age of the outstanding receivables. The receivable related to tax and social security premium relates in full to the VAT. The fair value of the other receivables approaches the book value owing to their short-term character.

#### 7 Cash at bank and in hand

Cash at bank and in hand consists of cash, bank credits and deposits with a term of less than twelve months. Current accounts at banks are shown under debts to banks under current liabilities. Cash at bank and in hand is valued at its face value.

The cash at bank and in hand are placed at the free disposal of the Cooperative.

#### Group equity

#### 8 Capital and reserves

For notes on the group equity reference is made to the individual financial statements.

## 9 Provisions

The provisions are long-term unless otherwise stated.

Movements in the provisions over the year under review are as follows:

	Reorganisation	Deferred taxation	Pensions	Other	Total
Position at 31 July 2017	1,665	420	1,792	9,799	13,676
Movements charged to the profit and loss account	2,124	-142	-312	-168	1,502
Withdrawals	-691	-	-	-470	-1,161
Exchange differences	-	-55	-88	-	-143
<b>Balance at 31 July 2018</b>	<b>3,098</b>	<b>223</b>	<b>1,392</b>	<b>9,161</b>	<b>13,874</b>

The current part of the provisions amounts to EUR 2.9 million.

### Pensions provision

Based on the administration agreement with the pension fund and the pension agreement with the employees, there are no extra commitments in the context of extra payment, back service commitments, extra administration charges, extra pension claims, losses on individual value transfers. Neither are there any reimbursement undertakings concerning interest, profit appropriation or gains on individual value transfers in the favour of Coöperatie AVEBE U.A. Pension is accrued under the average salary system, with a maximised payable contribution based on the Collective Defined Contribution.

The coverage ratio of Stichting Pensioenfonds Avebe on 31 December 2017 was 121.7%. (The policy-based coverage ratio is 120.6%)

The provision for the foreign companies relates to a 'reserve deficit' and schemes for which undertakings have been given. This concerns commitments to be financed in the future. The amount involved in this is EUR 1.4 million (last year EUR 1.6 million).

### Other provisions

The other provisions are specified as follows:

	Anniversary bonuses	Demolition costs	Total
Position at 31 July 2017	3,869	5,930	9,799
Movements charged to the profit and loss account	511	-679	-168
Withdrawals	-422	-48	-470
<b>Balance at 31 July 2018</b>	<b>3,958</b>	<b>5,203</b>	<b>9,161</b>

The anniversary bonuses are provided for in the internal scheme for that purpose.

The provision for demolition and asbestos clearance costs is formed for the anticipated costs of the planned demolition and asbestos clearance of a number of buildings and machines at Avebe locations in the Netherlands in the next 5 years. The cost estimate for this is based on standard rates and quotations received.



#### 10 Current interest-bearing liabilities

	31-7-2018	31-7-2017
Current liabilities banks	149,440	103,323
Current account members	-	134
<b>Total interest-bearing current liabilities</b>	<b>149,440</b>	<b>103,457</b>

In 2016 Coöperatie AVEBE U.A. took out a new credit facility with its house bankers. This credit facility for a total of EUR 225 million has been taken out for a period of five years and is based on the following agreements:

- Minimum solvency of 40% and;
  - A maximum net Debt/EBITDA ratio of 4.0 on the balance sheet date.
- Specific rules for calculating the ratios have been agreed with the banks. Coöperatie AVEBE U.A. had met all of the conditions on the balance sheet date.

The new credit facility is subdivided as follows:

- A five year committed line of EUR 60 million;
- A line based on receivables and stocks totalling EUR 160 million, also committed for five years;
- A line for guarantees of EUR 5 million.

The term of the current credit facility runs until 24 November 2021.

The interest rate agreed in the financing contract is based on 1-month LIBOR. This variable interest rate has been partly converted into a fixed interest rate through a number of interest rate swaps.

#### 11 Other debts

This item includes a debt to members of EUR 5.0 million (previous year EUR 4.5 million). The debt to members item is made up as follows:

	31-7-2018	31-7-2017
Final payment to members	2,883	2,223
Return on share premium	620	711
Repayment of share premium	1,522	1,522
Repayment of certificates	14	14
	<b>5,039</b>	<b>4,470</b>

The other debts and accruals and deferred income have a term of less than one year. The fair value of the other receivables approaches the book value owing to their short-term character.

The other liabilities item includes an interest item of EUR 3,638 in connection with the settlement of two interest rate swaps. This is formed by the netting of an asset item of EUR 1,462 (term 1 year), a liability item of EUR 5,275 (term 4 years) and an asset item for the settlement of the costs of the old interest rate swaps of EUR 175 (term 1 year).

#### Off-balance sheet commitments

Coöperatie AVEBE U.A. has furnished the following security to the banks: mortgage on the immovable property in the Netherlands. Pledging of stocks and receivables in the Netherlands and Germany. These securities remain in place.

The long-term commitments relating to operational lease and rental agreements amount to EUR 55.9 million, EUR 9.3 million of which matures within one year. A sum of EUR 25.9 million within five years and a sum of EUR 20.7 million will mature after more than five years. The amounts included in the 2017/2018 profit and loss account for lease and rental agreements amount to EUR 8.0 million.

Guarantees have been issued for EUR 1.0 million.

Coöperatie AVEBE has entered into commitments in the amount of EUR 8.6 million in the context of current investments.

Up to and including 1992 Coöperatie AVEBE U.A. has made use of bills of exchange for the payment of potato money. During this period a sum of approximately NLG 1.3 million (EUR 0.6 million) in bills of exchange had not yet been collected. These bills of exchange are still subject to interest commitments.

#### **Assets not disclosed in the balance sheet.**

In 2008 Coöperatie AVEBE U.A. was allocated, free of charge, a certain number of emission rights concerning the annual emission of CO<sub>2</sub>. These emission rights are freely negotiable. The actual emission and the emission rights obtained are reviewed retrospectively each year. If the actual emission exceeds the emission rights, additional purchase and penalty clauses will come into effect. Coöperatie Avebe U.A. expects the actual emission to be lower than the available emission rights and has not valued the current surplus of emission rights.

#### **Financial instruments**

The 'notional amounts' given in the statement below are the underlying values for which contracts have been entered into for financial instruments. The market values indicate how much will be paid to or received from independent counterparties in exchange for the termination of the contracts on the balance sheet date without any further obligations. This market (actual) value of the instruments reflects the unrealised result upon revaluation of the contracts at the exchange rates on the balance sheet date.

	<b>notional amount</b>	<b>market value</b>
Forward exchange contracts	17,986	-15
Currency call options	57,708	509
Interest rate swaps	100,000	-6,960
Floor, term 2-1-2019	135,000	849

The fair values given above have been calculated by external parties on the basis of the market information available and generally accepted valuation methods.

All of the hedge instruments held by Coöperatie AVEBE U.A. on 31 July 2018 are entirely effectively, no fair value changes are shown in the profit and loss account.

## NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

### 12 Gross turnover

The breakdown of gross turnover by sales category is as follows:

	2017/2018	2016/2017
Starch	149,567	139,811
Derivatives	389,966	382,412
By-products	74,318	65,987
	<u>613,851</u>	<u>588,210</u>

Gross turnover includes a currency result of minus EUR 741.

Breakdown of gross turnover by geographical regions:

	2017/2018	2016/2017
European Union	52%	54%
Rest of Europe	2%	2%
Rest of the world	46%	44%
	<u>100%</u>	<u>100%</u>

### 13 Other operating income

The other operating income item in the company profit and loss account is made up as follows:

	2017/2018	2016/2017
Result on assets sold	17	2,454
Commissions, seed potatoes and others	3,460	3,200
	<u>3,477</u>	<u>5,654</u>

### 14 Personnel

The average number of people employed during the financial year averaged 1,326 (previous year 1,311). Of this number, 275 (previous year 295) working outside of the Netherlands. The social security charges include EUR 13,004 (previous year EUR 13,374) in pension charges.

### 15 Depreciation and other impairments

This item in the consolidated profit and loss account comprises the following components:

	2017/2018	2016/2017
Depreciation tangible fixed assets	30,017	29,941
Permanent impairments	344	2,244
Depreciation intangible fixed assets	349	391
	<u>30,710</u>	<u>32,576</u>

#### Independent Auditor's fee

The fees included in the financial year consist of the following components:

	2017/2018	2016/2017
Audit of the financial statements	246	212
Other audit activities	31	3
Non-audit services	9	10
	<u>286</u>	<u>225</u>

### 16 Taxation

The corporation tax burden of EUR 1.3 million charged to the result is the balance of taxation paid and payable abroad and movements in relation to deferred taxation. The remaining offsettable losses and the temporary differences (totalling EUR 62.9 million, previous year EUR 60.8 million) between the business-economic financial statements and the tax return have not been valued owing to the uncertainty about future setoff options. This results in a different tax burden (15%) compared to the nominal tax rate (25-35%).

## BALANCE SHEET AT 31 JULY 2018

(after proposed profit appropriation)

### ASSETS

		31-7-2018	31-7-2017	Ref
<b>Fixed assets</b>				
<b>Intangible fixed assets</b>		483	709	17
<b>Tangible fixed assets</b>				
	Buildings and land	23,972	24,667	18
	Plant and machinery	96,889	92,514	
	Other tangible fixed assets	5,318	2,766	
	Assets under construction	18,218	30,870	
		<u>144,397</u>	<u>150,817</u>	
<b>Financial fixed assets</b>				
	Participating interests in group companies	136,269	69,357	19
	Loans to group companies	39,155	103,508	
	Other loans	1,215	1,174	
		<u>176,639</u>	<u>174,039</u>	
<b>Current assets</b>				
<b>Stocks</b>				
	Starch	34,327	31,236	
	Derivatives	74,182	62,052	
	By-products	3,530	1,983	
	Other stocks	18,157	17,065	
		<u>130,196</u>	<u>112,336</u>	
<b>Receivables</b>				
	Trade debtors	63,334	58,198	20
	Taxation and social security contributions	-	2,159	
	Other debtors	1,500	453	
	Prepayments and accrued income	17	131	
		<u>64,851</u>	<u>60,941</u>	
<b>Cash at bank and in hand</b>		158	221	
<b>Total assets</b>		<u>516,724</u>	<u>499,063</u>	



## LIABILITIES

		31-7-2018	31-7-2017	Ref
<b>Capital and reserves</b>	Share capital	23,030	23,030	21
	Share premium account	27,390	28,715	
	Other reserves	153,214	150,644	
		<u>203,634</u>	<u>202,389</u>	
<b>Provisions</b>	Reorganisation	3,098	1,665	22
	Other	8,791	9,405	
		<u>11,889</u>	<u>11,070</u>	
<b>Current liabilities</b>	Banks	191,323	142,396	
	Trade creditors	46,572	51,549	
	Group companies	21,527	63,982	
	Current account members	-	134	
	Pensions	3,167	129	
	Taxation and social security contributions	1,507	-	
	Other debts	27,359	20,764	23
	Accruals and deferred income	9,746	6,650	
		<u>301,201</u>	<u>285,604</u>	
<b>Total liabilities</b>		<u>516,724</u>	<u>499,063</u>	

## PROFIT AND LOSS ACCOUNT

	2017/2018	2016/2017	Ref
Gross turnover	591,289	569,992	24
Direct selling costs	47,184	46,863	
<b>Net turnover</b>	<b>544,105</b>	<b>523,129</b>	
Movement in stocks of finished goods	16,768	-5,031	
Capitalised production	1,492	1,887	
Other operating income	472	2,795	
	<b>18,732</b>	<b>-349</b>	
<b>Total operating income</b>	<b>562,837</b>	<b>522,780</b>	
Raw materials and consumables	369,048	340,085	
Salaries and wages	63,366	57,481	25
Social security charges	20,121	19,364	
Depreciation and other impairments	23,434	25,912	26
Other operating expenses	73,766	69,795	
<b>Total operating expenses</b>	<b>549,735</b>	<b>512,637</b>	
<b>Operating result</b>	<b>13,102</b>	<b>10,143</b>	
Interest and similar income	370	337	
Interest expenses	-7,527	-7,070	
<b>Balance of financial income and expenses</b>	<b>-7,157</b>	<b>-6,733</b>	
Result on ordinary activities before taxation	<b>5,945</b>	<b>3,410</b>	
Taxation	-2	-3	27
Result on participating interests	<b>1,886</b>	<b>2,862</b>	
<b>Cooperative result after taxation</b>	<b>7,829</b>	<b>6,269</b>	

## NOTES TO THE BALANCE SHEET

AT 31 JULY 2018

### General

The same principles are operated for the valuation of the result for the corporate financial statements and for the consolidated financial statements. Reference is made for the principles to the explanatory notes on page 40 and further. Notes to the balance sheet items below are given if they are different from the amounts shown in the consolidated balance sheet.

#### 17 Intangible fixed assets

Movements in the value of the intangible fixed assets over the year under review are as follows:

Book value at 31 July 2017	709
Depreciation	-226
<b>Book value at 31 July 2018</b>	<b>483</b>
Purchase price at 31 July 2018	3,791

#### 18 Tangible fixed assets

Movements in the value of the tangible fixed assets over the year under review are as follows:

	Buildings and land	Plant and machinery	Other tangible fixed assets	Assets under construction	Total
Book value at 31 July 2017	24,667	92,514	2,766	30,870	150,817
Investments	1,178	23,809	4,453	-12,652	16,788
	<u>25,845</u>	<u>116,323</u>	<u>7,219</u>	<u>18,218</u>	<u>167,605</u>
Permanent impairments	-	-344	-	-	-344
Depreciation	-1,873	-19,090	-1,901	-	-22,864
	<u>-1,873</u>	<u>-19,434</u>	<u>-1,901</u>	<u>-</u>	<u>-23,208</u>
<b>Book value as at 31 July 2018</b>	<b><u>23,972</u></b>	<b><u>96,889</u></b>	<b><u>5,318</u></b>	<b><u>18,218</u></b>	<b><u>144,397</u></b>
Purchase price at 31 July 2018	57,860	411,000	34,938	18,218	522,016

#### 19 Financial fixed assets

	31-7-2018	31-7-2017
A Participating interests in group companies	136,269	69,357
B Loans to group companies	39,155	103,508
C Other loans	1,215	1,174
	<u>176,639</u>	<u>174,039</u>

Movements of these items are as follows:

	A	B	C	Total
Book value at 31 July 2017	69,357	103,508	1,174	174,039
Loans issued	-	5,532	-	5,532
Share in net result	1,886	-	-	1,886
Received dividend	-150	-	-	-150
Exchange differences	-2,589	-	-	-2,589
Change in value	67,765	-69,885	-	-2,120
Interest	-	-	41	41
<b>Book value at 31 July 2018</b>	<b>136,269</b>	<b>39,155</b>	<b>1,215</b>	<b>176,639</b>

The change in value item relates to the nil valuation of group companies with a negative net asset value.

The following companies under included under the heading 'participating interests in group companies':

	Holding in %
A.B Stadex	100.00
Avebe America Inc.	100.00
Avebe Asia Pacific Holding B.V.	100.00
Avebe European Sales Centre GmbH	100.00
Avebe (Far East) PTE Ltd.	100.00
Avebe Food Investments B.V.	100.00
Avebe France S.A.	100.00
Avebe (Shanghai) Co Ltd	100.00
Avebe Italia S.r.l.	100.00
Avebe Japan Co. Ltd.	100.00
Avebe Kartoffelstärkefabrik Prignitz/Wendland GmbH	100.00
Avebe Nederland B.V.	100.00
Avebe Nisasta Sanayii ve Ticaret Limited Sirketi	100.00
Avebe North America Inc.	100.00
Avebe S.A.	100.00
Avebe UK Ltd.	100.00
Averis Saatzucht GmbH	100.00
Averis Seeds B.V.	100.00
B.V. Livadia	100.00
GFL Anlagen KG	100.00
GFL mbH	100.00
Solanic B.V.	100.00
v.o.f. Hunzestroom	50.00
v.o.f. Dobbestroom	50.00

### Receivables

20 All receivables have a term of less than one year.

## 21 Capital and reserves

### Share capital

Balance at 31 July 2018 and 31. July 2017

number of shares

101,455      23,030

During the financial year 8,522 shares were transferred to other shareholders with the approval of the Board of Directors. All issued shares have been fully paid up. The company has 1.117 shares under its own management.

### Share premium reserve

Balance at 31 July 2017

28,715

Received upon transfer of shares

197

Repayment from proposed profit appropriation 2017/2018

-1,522

-1,325

Balance at 31 July 2018

27,390

The share premium comprises two components: A free share (EUR 19.8 million, previous year EUR 19.6 million) and a share that is related to the issued shares (EUR 7.6 million, previous year EUR 9.1 million). When the share is transferred the related share premium will also go to the new owner.

Under the following conditions a maximum of 10% a year of the premium related to the shares can be repaid by Coöperatie AVEBE U.A. to the members:

- If the Debt/EBITDA ratio is a maximum of 3.5; and
- The solvency ratio is at least 40%.

These conditions are otherwise only taken into consideration following the processing of the dividend on the share premium and the normal final payment.

The deposited share premium qualifies for a share premium dividend of 6% if:

- The result after taxation is more than EUR 2 million;
- The Debt/EBITDA ratio is a maximum of 3.5; and
- The solvency ratio is at least 40%.

Conversion differences

### Legal reserves

Balance at 31 July 2017

-

Exchange rate result hedging financial fixed assets

784

Exchange differences on net investments in foreign group companies

-2,598

Transfer from other reserves

1,805

Balance at 31 July 2018

-

### Other reserves

Balance at 31 July 2017

150,644

Transfer to legal reserves

-1,805

Cooperative Result 2017/2018

7,829

Return on share premium

-620

Final payment to members 2017/2018

-2,883

4,326

Payment received for the surrender of shares to the cooperative and others.

49

Balance at 31 July 2018

153,214

The balance of the statutory reserve exchange differences in the other reserves is minus EUR 13,649 (last year minus EUR 10,955.)

**22 Provisions**

The provisions are long-term unless otherwise stated.

Movements in the provisions over the year under review are as follows:

	Reorganisation	Other	Total
Balance at 31 July 2017	1,665	9,405	11,070
Movements charged to the profit and loss account	2,124	-144	1,980
Withdrawals	-691	-470	-1,161
<b>Balance at 31 July 2018</b>	<b>3,098</b>	<b>8,791</b>	<b>11,889</b>

The current part of the provisions amounts to EUR 2.7 million.

**Other provisions**

The other provisions are specified as follows:

	Anniversary bonuses	Demolition charges	Total
Balance at 31 July 2017	3,542	5,863	9,405
Movements charged to the profit and loss account	535	-679	-144
Withdrawals	-422	-48	-470
<b>Balance at 31 July 2018</b>	<b>3,655</b>	<b>5,136</b>	<b>8,791</b>

The anniversary bonuses are provided for in the internal scheme for that purpose.

The provision for demolition costs is formed for the anticipated costs of the planned demolition of a number of buildings and machines at Avebe locations in the Netherlands in the next 5 years. The cost estimate for this is based on standard rates and quotations received.

**23 Other debts**

The other debts and accruals and deferred income have a term of less than one year.

**Off-balance sheet commitments**

Guarantees have been issued for EUR 1.0 million. Of the issued guarantees, EUR 0.6 million relates to consolidated participating interests.

Coöperatie AVEBE U.A. forms a tax entity for corporation tax with a number of Dutch group companies stated in the financial statements. Under the standard conditions the company and its affiliated subsidiaries are jointly and severally liable for the tax payable by the consortium and its incorporation within the tax entity.

The long-term commitments related to operational lease and rental agreements amount to EUR 48.5 million, of which EUR 8.2 million matures within one year. For EUR 17.2 the term is longer than 5 years. The remainder of EUR 23.1 million matures within five years.

Coöperatie AVEBE U.A. has entered into commitments in the amount of EUR 8.0 million in the context of current investments.

**Declaration of liability**

Coöperatie AVEBE U.A. has issued a declaration of liability for the subsidiaries included in the consolidation as provided for in Section 2:403 of the Dutch Civil Code. The declaration of liability relates to Averis Seeds B.V. in Veendam and Solanic B.V. in Veendam.

With regard to its 50% shareholding in v.o.f. Hunzestroom and v.o.f. Dobbestroom, Coöperatie AVEBE U.A. is jointly and severally liable for all debts of these general partnerships.

**Assets not disclosed in the balance sheet**

In 2008 Coöperatie AVEBE U.A. was allocated, free of charge, a certain number of emission rights concerning the annual emission of CO<sub>2</sub>. These emission rights are freely negotiable. The actual emission and the emission rights obtained are reviewed retrospectively each year. If the actual emission exceeds the emission rights, additional purchase and penalty clauses will come into effect. Coöperatie Avebe U.A. expects the actual emission to be lower than the available emission rights and has not valued the current surplus of emission rights.

## NOTES TO THE PROFIT AND LOSS ACCOUNT

### 24 Gross turnover

The breakdown of gross turnover by sales category is as follows:

	2017/2018	2016/2017
Starch	148,872	128,281
Derivatives	368,353	375,928
By-products	74,064	65,783
	<u>591,289</u>	<u>569,992</u>

Breakdown of gross turnover by geographical regions:

	2017/2018	2016/2017
European Union	54%	61%
Rest of Europe	2%	2%
Rest of the world	44%	37%
	<u>100%</u>	<u>100%</u>

### 25 Personnel

The average number of people employed during the financial year averaged 1,009 (previous year 998), The number of employees at year-end was 993 (previous year 986), None of these employees work abroad. The social security charges include EUR 11,533 (previous year EUR 11,705) in pension charges.

### 26 Depreciation and other impairments

This item in the profit and loss account comprises the following components:

	2017/2018	2016/2017
Depreciation tangible fixed assets	22,864	23,399
Permanent impairments	344	2,244
Depreciation intangible fixed assets	226	269
	<u>23,434</u>	<u>25,912</u>

### 27 Taxation

The corporation tax burden of EUR 2 charged to the result is the balance of setoffs within the tax entity. The remaining offsettable losses and the temporary differences (totalling EUR 62.9 million, previous year EUR 60.8 million) between the business-economic financial statements and the tax return have not been valued owing to the uncertainty about future setoff options. That is why the tax burden is different from the nominal tax rate (25%).

#### Remuneration of Directors and members of the Supervisory Board

Remuneration for the Board of Directors amounted in 2017/2018 to EUR 1,516 (previous year EUR 1,119). Remuneration for the Supervisory board amounted to EUR 259 (previous year EUR 273).

In anticipation of this being adopted by the members' council, the Board of Directors has proposed with the approval of the Supervisory Board to divide the cooperative result after taxation as follows:

Return on contractual share premium	620
Final payment to members 2017/2018	2,883
Addition to other reserves	4,326
	<u>7,829</u>

The proposed profit appropriation has been incorporated in the 2017/2018 annual accounts.



## OTHER INFORMATION

### **Liability of the members**

By virtue of article 27 of the articles of association the obligation of members and former members of the cooperative to contribute to a deficient upon dissolution of the cooperative has been eliminated.

### **Appropriation of net result**

According to article 23 of the articles of association, a credit balance is placed at the disposal of the general members' meeting.

### **Share premium reserve**

In keeping with the board decision of 17 December 2009, a 10% share premium was repaid on the basis of the result and the balance sheet on 31 July 2018. This repayment of EUR 1,522 has been incorporated in the 2017/2018 financial statements.

## AUDIT REPORT BY THE INDEPENDENT AUDITOR

### Aan het Bestuur en Raad van Commissarissen van Coöperatie AVEBE U.A.

#### Verklaring over de jaarrekening 2017/2018

##### Ons oordeel

Naar ons oordeel geeft de jaarrekening van Coöperatie AVEBE U.A. een getrouw beeld van de grootte en de samenstelling van het vermogen van de groep op 31 juli 2018 en van het resultaat voor het jaar geëindigd op 31 juli 2018 in overeenstemming met Titel 9 Boek 2 van het in Nederland geldende Burgerlijk Wetboek (BW).

##### Wat we hebben gecontroleerd

Wij hebben de in dit jaarverslag opgenomen jaarrekening 2017/2018 van Coöperatie AVEBE U.A. te Veendam ('de coöperatie') gecontroleerd. De jaarrekening omvat de geconsolideerde jaarrekening van Coöperatie AVEBE U.A. samen met haar dochtermaatschappijen ('de groep') en de enkelvoudige jaarrekening.

De jaarrekening bestaat uit:

- de geconsolideerde en enkelvoudige balans per 31 juli 2018;
- de geconsolideerde en enkelvoudige exploitatierekening voor het jaar geëindigd op 31 juli 2018; en
- de toelichting met de gehanteerde grondslagen voor financiële verslaggeving en overige toelichtingen.

Het stelsel voor financiële verslaggeving dat is gebruikt voor het opmaken van de jaarrekening is Titel 9 Boek 2 van het in Nederland geldende Burgerlijk Wetboek (BW).

##### De basis voor ons oordeel

Wij hebben onze controle uitgevoerd volgens Nederlands recht, waaronder ook de Nederlandse controlestandaarden vallen. Onze verantwoordelijkheden op grond hiervan zijn beschreven in de paragraaf 'Onze verantwoordelijkheden voor de controle van de jaarrekening'.

Wij vinden dat de door ons verkregen controle-informatie voldoende en geschikt is als basis voor ons oordeel.

##### Onafhankelijkheid

Wij zijn onafhankelijk van Coöperatie AVEBE U.A. zoals vereist in de Wet toezicht accountantsorganisaties (Wta), de Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten (ViO) en andere voor de opdracht relevante onafhankelijkheidsregels in Nederland. Verder hebben wij voldaan aan de Verordening gedrags- en beroepsregels accountants (VGBA).

#### Verklaring over de in het jaarverslag opgenomen andere informatie

Naast de jaarrekening en onze controleverklaring daarbij, omvat het jaarverslag andere informatie, die bestaat uit:

- kerncijfers;
- terugblik financiële kerncijfers;
- bedrijfsprofiel;
- verslag van de raad van commissarissen;
- samenstelling bestuur en raad van commissarissen;
- samenstelling districtsraden en jongerenraad;
- verslag van het bestuur (pagina 17 tot en met 31);
- vooruitzichten bestuur;
- de overige gegevens.

Op grond van onderstaande werkzaamheden zijn wij van mening dat de andere informatie:

- met de jaarrekening verenigbaar is en geen materiële afwijkingen bevat;
- alle informatie bevat die op grond van Titel 9 Boek 2 BW is vereist.

Wij hebben de andere informatie gelezen en hebben op basis van onze kennis en ons begrip, verkregen vanuit de jaarrekeningcontrole of anderszins, overwogen of de andere informatie materiële afwijkingen bevat.

Met onze werkzaamheden hebben wij voldaan aan de vereisten in Titel 9 Boek 2 BW en de Nederlandse Standaard 720. Deze werkzaamheden hebben niet dezelfde diepgang als onze controlewerkzaamheden bij de jaarrekening.

Het bestuur is verantwoordelijk voor het opstellen van de andere informatie, waaronder het verslag en de overige gegevens in overeenstemming met Titel 9 Boek 2 BW.

#### **Verantwoordelijkheden met betrekking tot de jaarrekening en de accountantscontrole**

##### *Verantwoordelijkheden van het bestuur en de raad van commissarissen voor de jaarrekening*

Het bestuur is verantwoordelijk voor:

- het opmaken en het getrouw weergeven van de jaarrekening in overeenstemming met Titel 9 Boek 2 BW; en voor
- een zodanige interne beheersing die het bestuur noodzakelijk acht om het opmaken van de jaarrekening mogelijk te maken zonder afwijkingen van materieel belang als gevolg van fouten of fraude.

Bij het opmaken van de jaarrekening moet het bestuur afwegen of de coöperatie in staat is om haar werkzaamheden in continuïteit voort te zetten. Op grond van het genoemde verslaggevingsstelsel moet het bestuur de jaarrekening opmaken op basis van de continuïteitsveronderstelling, tenzij het bestuur het voornemen heeft om de coöperatie te liquideren of de bedrijfsactiviteiten te beëindigen of als beëindiging het enige realistische alternatief is. Het bestuur moet gebeurtenissen en omstandigheden waardoor gerede twijfel zou kunnen bestaan of de coöperatie haar bedrijfsactiviteiten kan voortzetten, toelichten in de jaarrekening.

De raad van commissarissen is verantwoordelijk voor het uitoefenen van toezicht op het proces van financiële verslaggeving van de coöperatie.

#### **Onze verantwoordelijkheden voor de controle van de jaarrekening**

Onze verantwoordelijkheid is het zodanig plannen en uitvoeren van een controleopdracht dat wij daarmee voldoende en geschikte controle-informatie verkrijgen voor het door ons af te geven oordeel.

Ons controleoordeel beoogt een redelijke mate van zekerheid te geven dat de jaarrekening geen afwijkingen van materieel belang bevat. Een redelijke mate van zekerheid is een hoge mate maar geen absolute mate van zekerheid waardoor het mogelijk is dat wij tijdens onze controle niet alle afwijkingen ontdekken.

Afwijkingen kunnen ontstaan als gevolg van fraude of fouten en zijn materieel indien redelijkerwijs kan worden verwacht dat deze, afzonderlijk of gezamenlijk, van invloed kunnen zijn op de economische beslissingen die gebruikers op basis van deze jaarrekening nemen. De materialiteit beïnvloedt de aard, timing en omvang van onze controlewerkzaamheden en de evaluatie van het effect van onderkende afwijkingen op ons oordeel.

Een meer gedetailleerde beschrijving van onze verantwoordelijkheden is opgenomen in de bijlage bij onze controleverklaring.

Zwolle, 1 november 2018

PricewaterhouseCoopers Accountants N.V.

Origineel getekend door drs. M. Zeephat RA

## ADDRESSES

### **Coöperatie AVEBE U.A.**

P.O. Box 15  
9640 AA Veendam  
The Netherlands  
Tel (31) 598 66 91 11  
Fax (31) 598 66 43 68  
Email info@avebe.com

### **EUROPE**

#### **Avebe EUROPEAN SALES CENTRE GMBH**

Postfach 2145  
40644 Meerbusch  
Mollsfeld 3  
40670 Meerbusch-Osterath  
Deutschland  
Tel (49) 21 59 52 240  
Fax (49) 21 59 52 411

### **AMERICA**

#### **Avebe America Inc.**

101 Interchange Plaza Suite 101  
Cranbury, NJ 08512 USA  
Tel. (1) 609 865 8981  
Fax (1) 609 662 4200

### **ASIA PACIFIC**

#### **Avebe (FAR EAST) PTE LTD.**

51 Bras Basah Road  
Manulife Centre #04-06  
Singapore 189554  
TEL: (65) 6238 2673  
FAX: (65) 6238 0017

#### **Avebe (SHANGHAI) CO., LTD**

C/O Thinkbridge Business Consulting Co.,Ltd  
Unit 03-06, 9F Baohua Center  
355 Guangzhong West Road, JingAn District  
Shanghai 200072  
P.R. China  
Tel (86) 21 6375 8318  
Fax (86) 21 6375 8328

#### **Avebe (Far East) Pte Ltd – Taiwan Rep office**

11F., No. 136, Sec. 3  
Zhongxiao E. Road, Daan District  
Taipei City 106  
Taiwan  
Tel (886) 2 7730 3378 Ext. 8162

#### **Avebe JAPAN CO. LTD.**

Crescendo Bldg. 3F  
3-4 Shin-Yokohama 2 Chome  
Kohoku-ku  
Yokohama-Shi, Kanagawa 222-0033  
Japan  
Tel (81) 45 478 1815  
Fax (81) 45 475 183

### **TURKEY/MIDDLE EAST/INDIA**

#### **Avebe NISASTA LTD. STI.**

Atatürk Organize Sanayi Bölgesi  
10.008 Sokak No. 17 35620 Çigli-Izmir  
Turkey  
Tel (90) 23 23 76 76 40  
Fax (90) 23 23 76 76 45



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