



THE NEXT STEP TOWARDS MORE VALUE

INTEGRATED ANNUAL REPORT 2018/2019

Avebe



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Report on the 100th financial year of the Cooperative AVEBE U.A., Veen-
dam, to be put before the General
Members' Meeting on 12 December
2019.

READING GUIDE

Avebe publishes an annual report each year to inform its stakeholders about its financial results. In mid-2018 we closed the previous strategic period and in 2018 our new strategy was brought to the fore: 'Binding and Building 2.0 – the next step towards more value.' With this new strategic direction we aim to create more value for our most important stakeholders: members, customers and employees, both now and in the future. This is only possible if, in addition to our financial results, we also take account of our impact in other areas. *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 short, as a cooperative, we believe that the social interest must be in balance with the financial interest.

This integrated annual report is twofold. On the one hand, we account for our financial results for the past year and, on the other, we tell you all about our ambitions and results in the area of sustainability. We share our progress and tell you about our plans for the future.



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This is the Avebe's annual report for the financial year 2018/2019. For the first time, we have combined the financial report with a comprehensive report on our strategy and our sustainability policy. As you will see, some elements are at a very early stage. We are ambitious when it comes to making cultivation and production more sustainable and realise that this will take a lot of work. By being transparent and reporting on progress in the coming years will enable you to hold us to account for this.

In 2019 Avebe celebrates its hundredth anniversary. Avebe was founded as a Coöperatief Aardappelmeel Verkoop Bureau on 11 November 1919. By taking this step, the growers took control of their own destiny and their dependence on third parties was ended. One hundred years later, Avebe is still alive and kicking as an innovative partner for our customers.

Developments in the past few years inspire us to continue on this path. Central to the concept of our cooperative is the performance price as an indicator of our efforts. Potato money and continuity come together in this performance price. Our aim is to raise the performance price to 95 euros per tonne of potatoes under normal harvest conditions.

Thinking carefully about a strategy that fits our DNA and answers the question of how we can best deal with opportunities in the market is key to our success. Consistently adhering to this strategy, with regular updates based on what is happening in the market, will lead to a further increase in member income and an inspiring working environment for our employees.

Ultimately, in addition to the performance price, the confidence that is placed in us is crucial. We work every day on building that trust by being transparent and predictable and keeping our promises.

B.C. Jansen
CEO Avebe

WE ARE AMBITIOUS WHEN IT COMES TO MAKING CULTIVATION AND PRODUCTION MORE SUSTAINABLE AND REALISE THAT WE HAVE TO WORK HARD ON THIS





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100 YEARS AND BURSTING WITH AMBITION



100 YEARS

ESTABLISHED IN 1919

Avebe started out as the 'Aardappelmeel Verkoop Bureau'. Much has changed in the past hundred years, but one thing has stayed the same: the potato is our base.

1919

The Potato Meal Cooperative Sales Office promoted sales for several independent cooperatives.

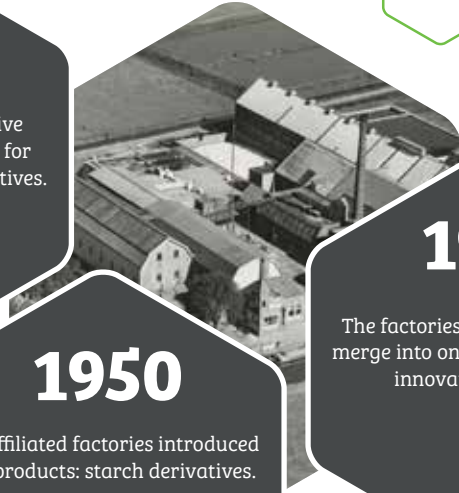
OPEN



CONNECTED

1950

The affiliated factories introduced new products: starch derivatives.



1971

The factories and the sales office merge into one company for more innovation strength.



2007

Introduction of Etenia™. A starch with special properties for texture and mouthfeel and developed with the latest technologies.



TOGETHER



2007

Opening of the first Solanic® protein factory in Gasselternijveen.



INNOVATING



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100 YEARS AND BURSTING WITH AMBITION



AVEBE GETS MORE OUT OF THE POTATO

Traditionally, potato starch has been at Avebe's foundation. But we also look beyond that because we want to get the most out of the starch potato. Using new techniques and an innovative process, we also produce high-quality potato proteins from the same starch potato. This enables us to stand out in food applications in particular.



2018

Avebe wins the 'Most Novel Protein Ingredient Award' with the product Perfectasol D520, a unique combination of potato starch and potato protein. This product makes it possible to make a 100% plant-based pizza cheese. This award was presented during the Bridge2Food Protein Summit 2018, the world's largest protein platform.



INTERNATIONAL

2018

Avebe opens a new innovation center in Groningen to combine forces.

FUTURE-ORIENTED



2019

We'll be using our DUCAM installation in Ter Apelkanaal for the first time during the potato campaign 2019. This is a technology that allows us to save around 23% of our energy.

FULL OF CONFIDENCE

SUSTAINABLE



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- **HOW AVEBE ADDS VALUE, NOW AND IN THE FUTURE**
- **SUSTAINABLE DEVELOPMENT GOALS**
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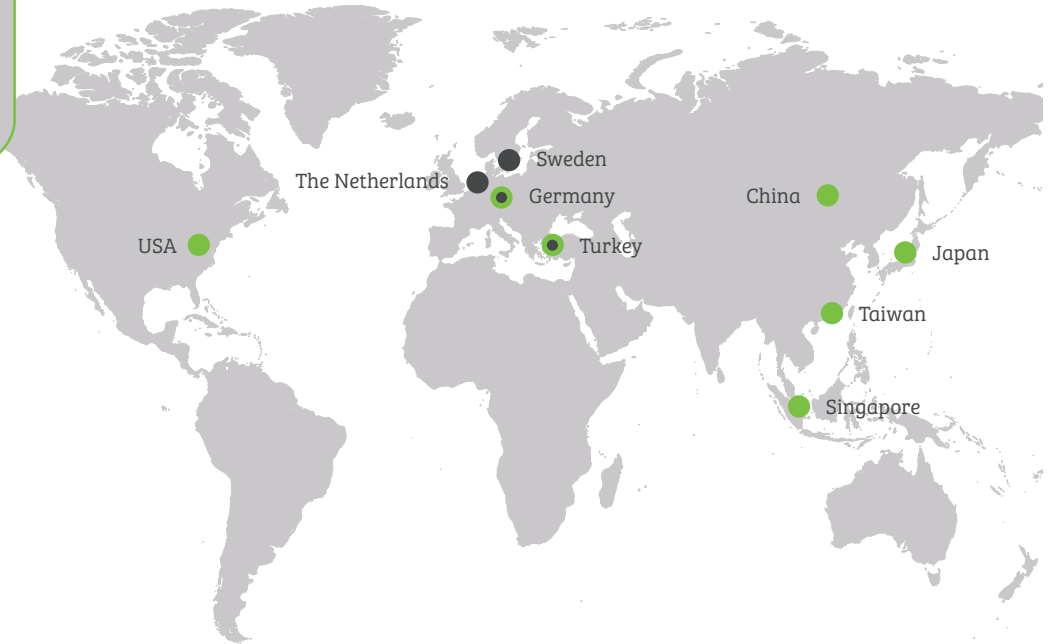
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- Our locations
- Sales offices
- Locations & sales offices

2,225

DUTCH AND GERMAN MEMBERS

Sales volume



INNOVATION BY NATURE

THE BIGGEST AND MOST INNOVATIVE producer of potato starch and protein in the world



2-3% GROWTH in food ingredients



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SHARED VALUE ABOUT AVEBE

Avebe is an international cooperative of starch potato growers. We traditionally focus on extracting starch from the potato. By developing innovative techniques, we are now also extracting proteins from the potato, mainly intended for the food industry. And we haven't finished innovating yet. To us, the potato is a source of possibilities with even more ingredients to which we can add value. Put simply, we extract everything to be had!

AVEBE DEVELOPS HEALTHY, NUTRITIOUS AND ENVIRONMENTALLY-FRIENDLY INGREDIENTS BASED ON STARCH POTATOES. WE WORK TOGETHER WITH OUR MEMBERS AND CUSTOMERS ON SUSTAINABLE FOOD SYSTEMS, FOR EXAMPLE.

'INNOVATION BY NATURE'

We can draw 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.





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SHARED VALUE ABOUT AVEBE

OUR MEMBERS

Together with our members in the Netherlands and Germany we cultivate the best starch potatoes and our operations are market-led and sustainable. Our members value us because we keep our promises. We support them in the continuity of their cultivation and their business.

OUR CUSTOMERS

Avebe produces potato starch and protein for three markets: food, feed and industrial applications. These markets are constantly evolving and we follow these developments closely.

OUR PRODUCTS

Potato starch remains our most important product, but we also consider other valuable raw products that the potato offers us, such as potato protein. Our customers use our ingredients in a wide range of products. They choose our ingredients because they have added value. In food, for example, our ingredients improve the taste, extend the shelf life or simplify the production process. We also make products for paper, construction, textiles, adhesives and animal feed. A complete overview of all of our brands is given at www.avebe.com/producten. Read more about our [innovative applications](#) in plant-based nutrition.

'BREEDING BY DESIGN'

We also operate at the beginning of our chain. Averis Seeds B.V. 100% subsidiary of Avebe that focuses on the development, propagation and trading of starch potato varieties, representing varieties that are grown in all starch potato growing areas in the Netherlands and Germany. Varieties with properties that are in line with our innovative ambitions. That's how we work on an increasingly sustainable company and on achieving solid returns for our members.

INNOVATION CENTER OPENED

The Avebe Innovation Center opened its doors in the autumn of 2018. At this location we work on new products and processes and welcome customers, students and distributors from all over the world. This is where the innovative strength, market and product knowledge from the various departments come together. This accelerates new sustainable applications, the optimisation of end products and total solutions for the customer.



HOW AVEBE ADDS VALUE, BOTH NOW AND IN THE FUTURE

SOCIAL CAPITAL AND RELATIONSHIPS

The cooperative forms our basis and the performance price for our members always comes first.

FINANCIAL CAPITAL

A sound financial basis with stable group equity.

PRODUCTION CAPITAL

We deliver products to our customers from our production locations in the Netherlands, Germany, Sweden and our sales offices worldwide.

NATURAL CAPITAL

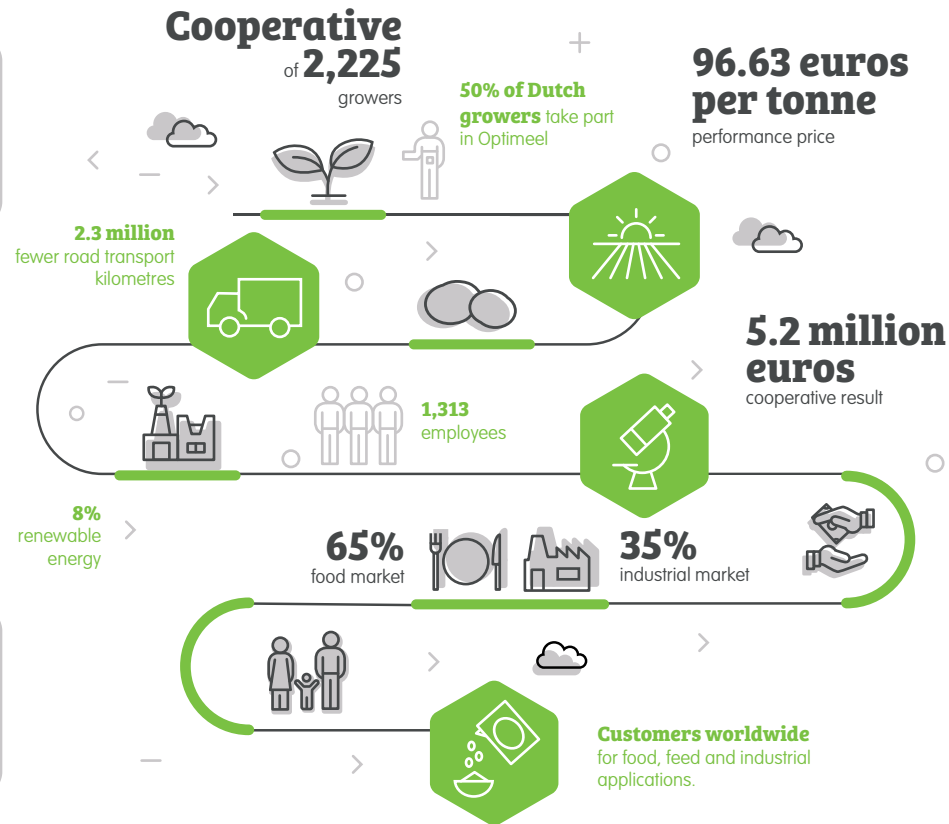
Starch potatoes are our raw material for added value.

INTELLECTUAL CAPITAL

We can draw on a century of knowledge and experience in the area of potato cultivation, production, research and development, innovation and market insight.

HUMAN CAPITAL

Everyone is responsible for success of the cooperative and continues to learn and develop.



TOWARDS MORE VALUE

We achieve that by striving for the best solution for all our stakeholders - our growers, our customers and our employees; we call that 'shared value'.



GROWTH IN GOOD NUTRITION

Adding more and more value with our healthy, nutritious, environmentally friendly and plant-based potato ingredients.



MARKET-ORIENTED SUSTAINABLE POTATO CULTIVATION

We stand for a sustainable food chain in which our members grow a high-quality raw material sustainably and transparently.



REDUCED ECOLOGICAL FOOTPRINT

Our growth is responsible, based on sustainable production and responsible business operations.



COOPERATION FOR THE CUSTOMER

Committed and motivated employees who continue to learn and together put the customer first.



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As a producer of potato starch and protein, we create value for our growers, employees and customers. We are aware that cultivation and production throughout the entire chain also have an impact on the environment. Our strategic objectives for 2023 are aimed at increasing our positive impact, the value we derive from the potato, while minimising our environmental impact (our output). We do this by making optimal use of our financial resources, raw materials, relationships, innovative strength and employees (our input). That way, we work towards more shared value in the short and long term.

Strategy

Our input

Our output



TOWARDS MORE VALUE

Social capital and customers

In addition to our **2,225 COOPERATIVE MEMBERS** in the Netherlands and Germany, we maintain close relationships with **CUSTOMERS** worldwide. We also work together with knowledge institutions and are actively involved in sector initiatives.

Financial capital

A strong financial base with a balance sheet total of 473.4 million euros.

Social capital and customers

With the **OPTIMEEL PROGRAMME** we use the strength of the cooperative by bringing growers together, facilitating knowledge sharing and demonstrating the latest trends for optimal cultivation. We also received many customers, future customers and distributors at the Avebe Innovation Centre.

Financial capital

610.6 million euros gross turnover and 5.2 million euros cooperative result.



GROWTH IN GOOD NUTRITION

Production Capital

We supply our products worldwide from our headquarters in Veenendam, the six production locations in the Netherlands, Germany and Sweden and seven sales offices. In 2018 we opened the Avebe **INNOVATION CENTRE** where the innovative strength, market and product knowledge from the various departments are combined.

Produced capital

As well as the products supplied to customers worldwide, Avebe also produces residual flows such as salts, purification sludge and water. We try to reuse and valorise these flows as much as possible. The **SLUDGE** is partly reused for adding nutrients to the soil. The potato juice that comes out of the potato during the drying process is **REUSED AS PROCESS WATER**.



MARKET-ORIENTED SUSTAINABLE POTATO CULTIVATION

Natural capital

A healthy soil and optimal **ARABLE LAND** are essential for growing starch potatoes with a high starch content. In addition to this, we are working on improved and **TOUGHER VARIETIES**. For the production of potatoes we use water, fertilizer and crop protection agents. For the production of potato starch and protein we use **ENERGY, WATER** and packaging materials. 8% of the energy used for production is renewable energy.

Natural capital Cultivation and production make use of energy and water, which leads to **WASTE WATER AND GREENHOUSE GAS EMISSIONS**. By setting up production lines ever more efficiently and developing new, more efficient lines, we constantly work on reducing this impact.



SHRINKING OUR ECOLOGICAL FOOTPRINT



COOPERATING FOR THE CUSTOMER

Intellectual capital

Our employees are the driving force behind improvements in potato cultivation, production and the valorisation and development of new products.

Intellectual capital

Sales of patented products have doubled in the last nine years. Every year, we work together with universities on various innovation projects.

Human capital

Our more than 1,313 employees work together for our customers.

Human capital

Wages, pensions and **PERSONAL GROWTH** are the result of everyone's efforts. Unfortunately, there were also absences due to illness and accidents: 5.6% absenteeism and an accident frequency index of 0.6. With the 'Safety by Nature' programme, we are increasing the **SAFETY** in the workplace. The Fit20 and ProudMom/Woman programmes contribute to the **VITALITY** of employees.



SHARED VALUE SUSTAINABLE DEVELOPMENT GOALS



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Avebe embraces the United Nations' Sustainable Development Goals (SDGs) because they stand for long-term value creation. Not only in the immediate vicinity, but worldwide. These 17 goals constitute a sustainable development agenda for a better future for all by 2030.

Considering our own impact in the chain, core activities and strategic goals for 2023, we make a meaningful contribution to a number of these goals.



2 NO HUNGER

Everyone should have access to safe, nutritious and sufficient food. Our ambitions to grow in plant-based food applications contribute to this. Our goals for more sustainable cultivation contribute to sustainable food production systems and resilient agriculture.



6 CLEAN WATER AND SANITARY FACILITIES

Efficient use of water remains an important objective for Avebe. The water for the production process is properly purified and we also reuse some of the water as process water. It remains a challenge to use less water and that is our focus for the short and long term.



7 AFFORDABLE AND SUSTAINABLE ENERGY

We contribute to increasing the share of renewable energy by having part of our site set up as a solar park. A number of locations use efficient Combined Heat and Power Plants (CHPs) using natural gas. We are looking for sustainable alternatives to this.



9 INDUSTRY INNOVATION AND INFRASTRUCTURE

We contribute to cleaner and environmentally friendly technologies and industrial processes by investing in innovations and optimising our processes. Examples include the Sustainable Concentration of Potato Juice with Membranes (DUCAM) project and the new refinery line.



12 RESPONSIBLE CONSUMPTION AND PRODUCTION

We contribute to the sustainable and efficient use of raw materials and energy. We also encourage the reuse of residual flows and the reduction of our water consumption. Our products, such as ingredients for meat substitutes, increasingly play a role in a more sustainable diet.



15 LIFE ON LAND

Together with our growers, we work on the most sensible and efficient use of the available land. Our ambitions to reduce the environmental impact of cultivation contribute to this.



17 PARTNERSHIP TO ACHIEVE OBJECTIVES

Active participation in partnerships with the government, knowledge institutions and other companies contributes to the achievement of our objectives. For example, we have a seat on the board of the Arable Farming Sector Organisation and their Biodiversity Monitoring Steering Committee.



KEY FIGURES



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	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
	in millions of euros (where applicable)				
Gross turnover	610.6	613.9	588.2	584.6	559.6
Net turnover	574.3	576.6	551.3	548.6	521.1
Operating result	11.4	16.6	14.3	12.7	17.6
Interest charges	5.3	7.4	7.0	7.0	7.2
Cooperative result after taxation	5.2	7.8	6.3	6.5	11.8
Depreciation	33.3	30.4	30.3	29.0	23.6
Investments in tangible fixed assets	45.4	55.0	43.9	29.8	44.3
Group equity	203.7	203.6	202.4	201.4	199.6
Loan capital including provisions	269.7	263.1	211.0	211.6	230.6
Total equity	473.4	466.7	413.4	413.0	430.2
Group equity as a % of total equity	43.0	43.6	49.0	48.8	46.4
Net cash flow prior to the financing activities	0.4	-40.4	11.6	25.3	-12.7
Net debts	152.7	148.5	102.5	108.7	127.3
Personnel ¹	107.0	106.7	99.6	98.7	94.7
Number of cooperative members	2,225	2,268	2,310	2,397	2,475
Number of issued shares	101,455	101,455	101,455	101,450	101,450
Performance price (EUR/tonne) ²	96.63	85.81	82.16	77.10	78.41

¹ Including movements in personnel provisions.

² 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 as a starch percentage of 19% (underwater weight of 470 grams).



KEY FIGURES



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In addition to our financial results, in this report we also set out our results on environmental themes and topics that are important to our stakeholders. Last year, we closed the previous strategic period with eight objectives compared to 2012. Some of them have been achieved or almost

achieved. More information about the results and our new ambitions for 2023 can be found in [Our results and ambitions](#).

Key environmental figures

	Objective 2018/2019	2018/2019	2017/2018	2016/2017	2015/2016
Higher starch yield per hectare ¹	2.5%	-2.2%	2%	3.2%	1.3%
Lower carbon emissions per tonne of product produced	25%	15%	15%	19%	16%
Lower energy costs (in euros)	6 m.	3 m.	3.5 m.	3.9 m.	1.8 m.
Fewer road transport kilometres	2 m.	2.3 m.	2.3 m.	1.9 m.	1.7 m.
Total water consumption	-1 m ³	+1.8 m ³	+2.8 m ³	+1.8 m ³	+0.8 m ³

¹ 'Starch per hectare' is determined by the amount of potatoes per hectare and the percentage of starch in the potatoes. To identify trends we monitor the 10-year rolling average percentage of starch per hectare. A more detailed explanation is given on [page 32](#).

Social key figures

	Objective 2018/2019	2018/2019	2017/2018	2016/2017	2015/2016
Average workforce ²		1,313	1,326	1,311	1,306
Male/female distribution in management ³		22%	19%	18%	15%
Average participation of people at a disadvantage in the labour market		13	-	-	-
Sickness absence (%)	< 5.0	5.6	4.8	4.3	4.0
Accident frequency (accidents involving absence from work per 100 FTEs)	< 0.5	0.6	0.9	1.2	0.8
Employee engagement ⁴	> 7.5	-	8.0	-	8.0

² Number of employees excluding temporary employees and calculated as an average for the financial year 2018/2019. With regard to future staff turnover, we do not expect any significant changes compared to 2018/2019.

³ This includes the executive committee, the Leadership Team and the Management Group, excluding the specialists.

⁴ Measured in a biennial survey.



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- **BINDING AND BUILDING 2.0**
THE NEXT STEP TOWARDS MORE VALUE



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BINDING & BUILDING 2.0

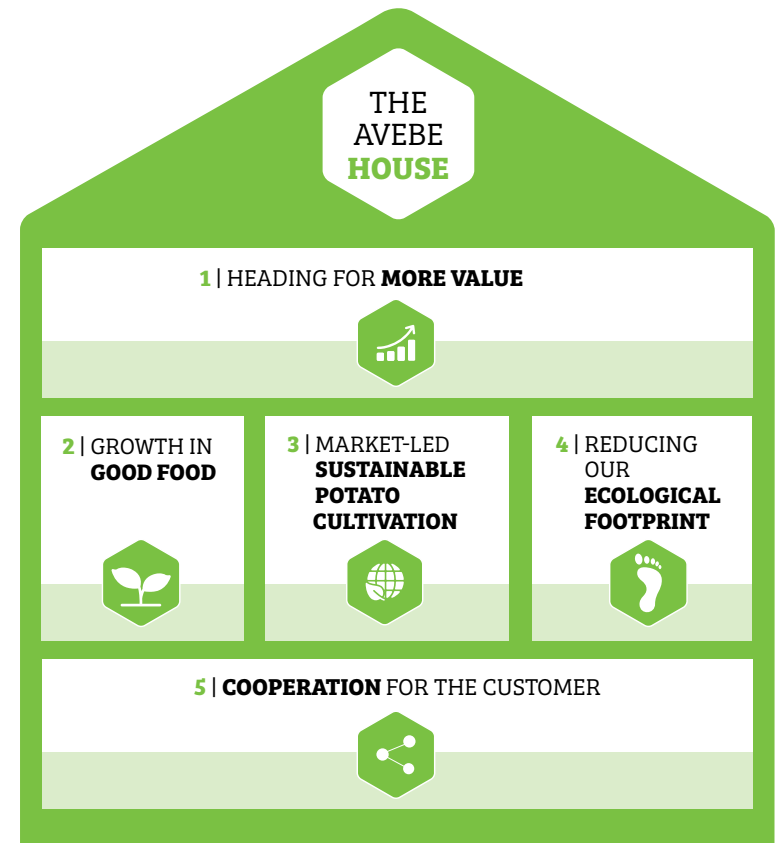
THE NEXT STEP TOWARDS MORE VALUE

We see the market and the world around us changing. The importance of plant products and ingredients is growing, and that has been our strength for 100 years. This offers new opportunities for us to respond to. In our strategy we have made a number of clear choices and have an ambitious focus for 2023. Now is the time to grow, grow in value.

OUR AMBITION FOR 2023 | WE HAVE A POSITIVE EFFECT ON THE LIVES OF MORE THAN 500 MILLION CONSUMERS BY PROMOTING THEIR HEALTH, WELL-BEING, PROSPERITY, AND ENVIRONMENTALLY FRIENDLY LIFESTYLE. WE INCREASE OUR SALES BY 75 MILLION EUROS, BY GROWING IN FOOD INGREDIENTS AND REDUCING OUR IMPACT ON THE ENVIRONMENT.

Our aim is to raise the performance price to 95 euros per tonne of potatoes in 2023 under normal harvest conditions. ‘Cooperation for the customer’ is the foundation of our new strategy.

Cross-functional collaboration ensures that we offer the best solution for the customer. The three pillars are built on that foundation. Each section contains a number of clear objectives that we will be working towards over the next five years. We have a clear task and in the past year all departments have worked on the implementation of the strategy. Our efforts in this area are set out in the chapter on [Our results and ambitions](#).





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FIVE INGREDIENTS FOR RESPONSIBLE GROWTH



1 | HEADING FOR MORE VALUE

Over the past 5 years, we have managed to add 10 euro per tonne of potatoes to the performance price. In the years to come we aim to add another 10 euros per tonne. We plan to achieve this by developing innovative products with a higher value. That way, we strive for the highest return for all stakeholders such as our growers, our customers and our employees. We at Avebe call this 'shared value'. This is the umbrella theme of our strategy up to 2023.

OBJECTIVE 2023 | INCREASE OF THE PERFORMANCE PRICE TO 95 EURO PER TONNE OF POTATOES UNDER NORMAL HARVEST CONDITIONS.



2 | GROWTH IN GOOD FOOD

We are growing particularly as a supplier to the food industry. We are doing this in markets with high added value. Our healthy, nutritious, environmentally friendly and plant-based potato ingredients add value as an alternative to animal ingredients. We will also continue to keep an eye on our core markets for animal feed and industrial applications.

OBJECTIVE 2023 | THE VALUE OF FOOD INGREDIENTS USED IN PLANT-BASED AND ENVIRONMENTALLY FRIENDLY END PRODUCTS WILL INCREASE FIVEFOLD COMPARED TO 2017/2018. 75 MILLION EUROS MORE PROFIT-YIELDING TURN-OVER COMPARED TO 2017/2018.

* A number of objectives are still being made measurable at present. As soon as a baseline measurement is available, that year is used as the reference year.



3 | MARKET-ORIENTED SUSTAINABLE POTATO CULTIVATION

Our raw material, the starch potato, is cultivated by our own members. This gives us a unique position that we seek to expand further. We focus on a high-quality raw material that is produced sustainably and transparently. We plan to increase member income per hectare by 500 euros by reducing carbon emissions and our use of crop protection products and by producing more starch per hectare.

OBJECTIVE 2023 | 10% LESS ENVIRONMENTAL IMPACT PER TONNE OF STARCH.* 10% MORE POTATO STARCH AND PROTEIN FROM ONE HECTARE.* 10% REDUCTION IN CARBON EMISSIONS PER TONNE OF POTATOES.*



4 | REDUCING OUR ECOLOGICAL FOOTPRINT

We are reducing our ecological footprint in line with the international targets for 2030 in the areas of energy, water and waste. Our growth in value is responsible. We achieve this by means of clean production and socially responsible business operations. To reduce our own emissions and those of our customers, we focus on making our energy consumption and road transport more sustainable, reducing water consumption and waste streams from tare and purification sludge.

OBJECTIVE 2023 | 12% GREENHOUSE GAS EMISSION REDUCTION PER TONNE OF PRODUCT COMPARED TO 2017/2018. 20% LESS WATER PER TONNE OF PROCESSED POTATOES COMPARED TO 2017/2018. RECYCLE 40% OF THE POTATO JUICE AS PROCESS WATER. 25% REDUCTION OF BOTH TARE AND SLUDGE WASTE STREAMS.*



5 | COOPERATION FOR THE CUSTOMER

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

OBJECTIVE 2023 | CROSS-FUNCTIONAL COLLABORATION, FOCUSED ON VALUE CREATION FOR THE CUSTOMER AND RESULT-ORIENTED.



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TOWARDS MORE VALUE

Value creation for our growers, our customers and our employees is the overarching goal that we work on. We do this innovatively and sustainably, both in our organisation and in the field. As a cooperative of growers, with its own breeding company and innovation center, we play a role in the entire chain: from sand to customer. That way, we work together to further increase the performance price.

OBJECTIVE 2023

INCREASE OF THE PERFORMANCE PRICE TO 95 EURO PER TONNE OF POTATOES UNDER NORMAL HARVEST CONDITIONS.

RESULT 2018/2019

PERFORMANCE PRICE OF 96.63 EURO PER TONNE.



REVIEW OF FINANCIAL KEY FIGURES

POSITIVE COOPERATIVE RESULT

In financial year 2018/2019 AVEBE achieved a performance price of 96.63 euros per tonne of starch potatoes. The financial year was concluded with a cooperative profit of 5.2 million euros.

PERFORMANCE PRICE

Approximately 96% of the performance-based price was paid out directly to the members; this was also 96% in the previous financial year. The performance price was 85.81 euros per tonne. Through the proposed additional payment a further approx. 1.87 euros per tonne of potatoes on fully-subscribed shares will be additionally paid out, taking the pay-out ratio to around 99%. The remaining approximately 1% will be paid out to the members as a share premium yield and as a share premium repayment.

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. Avebe is in consultation with its main bankers about a new financing agreement.

RESULT DEVELOPMENT

Net turnover fell by about 2 million euros compared to financial year 2017/2018. On balance, this decrease is the result of a significantly lower sales volumes due to the harvest conditions and an increase in the selling prices. Direct selling costs per tonne have increased due to the purchase of other starches. The costs of raw products and ancillary materials rose in terms of costs per tonne of ready product.



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This rise can be attributed to higher payments for the potatoes received and a changed mix of sold products. The added value - operating income less raw products and ancillary products - rose by approximately 4 million euros compared to the previous year. In terms of net turnover, the added value rose from 44.1% to 45.0%.

Personnel expenses rose from 106.7 million euros in 2017/2018 to 107.0 million euros in 2018/2019. This rise was caused by a combination of changes to the 2018/2019 collective bargaining agreement, a decrease of the staffing establishment and a change to the composition of the staffing establishment and higher addition to the staff facilities. Depreciation charges (including write-downs) increased by 3.4 million euros to a total of 34.1 million euros in the past financial year. This increase is due to the higher investments in fixed assets in recent financial years.

The other operating costs rose in the financial year from 100.6 million euros to 106.3 million euros. This increase can be attributed mainly to higher costs of maintenance on machinery, costs related directly to the production process and innovation center costs.

These developments resulted in the operating result decreasing as a percentage of turnover from 2.9% to 2.0%.

BALANCE SHEET

The balance sheet total rose in the year under review by 6.7 million to 473.4 million euros. This increase is explained by the effect on balance of an increase in fixed assets and receivables and a reduction of the stocks.

The rise in the balance sheet total is reflected in a rise in debts to banks and an increase in the other debts. Shareholders' equity remains at the same level by fully distributing the result. An explanation of the profit allocation can be found on [page 101](#) of this annual report.

Operating capital fell by 7.7 million euros to 133.5 million euros. This decrease - on balance - in the operating capital can be attributed mainly to lower stocks and higher current liabilities. The interest-bearing debts rose from 149.4 million euros in the previous financial year to 153.7 million at the end of this financial year.

CASH FLOW

Gross operational cash flow in 2018/2019 was approximately 31.7 million euros higher than in the previous financial year. This can be attributed mainly to a decrease in stocks and an increase in depreciation costs.

Cash flow from investment activities was approximately 9.2 million euros lower than in the previous financial year, mainly as a result of the lower investments during the financial year. Net operational cash flow therefore rose on balance by 40.9 million euros. The development of the net operating cash flow contributes to a healthy liquidity position as at the balance sheet date.



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	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
	in millions of euros (where applicable)				
Net turnover	574.3	576.6	551.3	548.6	521.1
Added value	258.8	254.6	240.5	238.9	238.7
Fixed expenses (salaries, social security charges, depreciation, other operating expenses)	246.5	237.7	224.0	226.4	219.8
Impairments	0.9	0.3	2.2	-0.2	1.3
Operating result	11.4	16.6	14.3	12.7	17.6
Cooperative result after taxation	5.2	7.8	6.3	6.5	11.8
Cash flow					
Net operational cash flow before financing activities	0.4	-40.4	11.6	25.3	-12.7
Profit and loss account ratios (as a percentage of net turnover)					
Added value	45.1%	44.1%	43.6%	43.5%	45.8%
Fixed expenses	43.1%	41.2%	40.6%	41.3%	42.4%
Operating result	2.0%	2.9%	2.6%	2.3%	3.4%
Balance sheet ratios					
Solvency	43.0%	43.6%	49.0%	48.8%	46.4%
Debt/EBITDA	3.4	3.1	2.2	2.6	3.0
Operating capital					
Nominal	134	141	118	138	157
As a percentage of net turnover	23%	24%	21%	25%	30%



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EFFECTIVE ORGANISATION

Cooperation for the customer is the foundation of our new strategy. This calls for an effective organisation. Both in terms of cooperation and efficiently designed processes.

An important condition is that our employees look beyond their own professional disciplines. Over the past year, we have been working on a Cross Functional High Performance approach. To do this we mapped out the current processes and looked into how we can simplify and integrate our working method for optimal collaboration.

"In an effective organisation, employees enjoy their work and the customer takes center stage."

Jacqueline Niessen, Global HR Director

We use the WCOM method for this and other purposes. WCOM stands for World Class Operations Management. It is a structured method for structurally improving and anchoring business results, particularly operational results. Using this method, we have achieved concrete improvements at the Dutch and Swedish production sites over the past year. Examples include the reduction of breakdowns in packaging machines, a structured training programme for employees, lower process losses and improvements in quality. With the aid of the WCOM method, we will also be further analysing themes such as energy, water and waste savings at these locations in the coming year. We also expect to make a start with various WCOM components at the German locations in the near future. The ultimate goal is that by 2021 all Avebe's production sites will be able to implement and use the same programme.

"The goals for 2023 sometimes seem far away from the workplace. That's why we're translating them into concrete areas for improvement. That way, every employee sees that he or she makes an important contribution to Binding and Building 2.0 on a daily basis."

Director Mark Tettelaar (Managing Director of Operations)

Next year we plan to further refine the Cross Functional High Performance approach. The key aim is to make use of the various capacities and competencies of our employees. We also want to encourage employees to continuously develop themselves and thus create more value for themselves and for the customer.





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GROWTH IN GOOD NUTRITION



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GROWTH IN GOOD NUTRITION

The growing world population and prosperity mean that the demand for food is on the rise. At the same time, we are seeing a sharper focus on healthy eating, particularly in North America and Europe. Themes such as fully plant-based, allergen-free and transparency are central to this.

PLANT-BASED

More and more consumers are opting for plant-based products, because a plant-based diet has less impact on the environment than an animal diet. We are seeing a rise in the group of flexitarians: people who choose to eat less meat. In North America, for example, sales of plant-based foods in the retail sector grew by 11% in 2018¹. Avebe's potato protein offers a plant-based alternative to products such as chicken protein, milk protein and gelatine. These products are used in 100% plant-based



burgers, cheese and yoghurt, in gluten-free bread and in confectionary without animal gelatine. In combination with potato starch, the potato protein ensures the perfect texture. Various products with these applications can already be found on the supermarket shelves. In particular, we expect to see growth in the market for plant-based meat substitutes and vegetable dairy products in the years to come.

ALLERGEN FREE

The food sector is increasingly focusing on allergen-free foods. The unique properties of potato starch and protein offer an alternative to traditional ingredients.

CLEAN LABEL

Consumers want more and more foods without E-numbers. In this context, Avebe has what are known as Clean Label food ingredients, which are used in foods without E-numbers.

2023 OBJECTIVE

THE VALUE OF FOOD INGREDIENTS USED IN PLANT-BASED AND ENVIRONMENTALLY FRIENDLY END PRODUCTS WILL INCREASE FIVEFOLD COMPARED TO 2017/2018.

RESULT 2018/2019

THE VALUE OF GOOD NUTRITION REPRESENTS 10% OF THE VALUE OF ALL AVEBE'S FOOD INGREDIENTS.²

RESULT 2017/2018

THE VALUE OF GOOD NUTRITION REPRESENTS 8% OF THE VALUE OF ALL AVEBE'S FOOD INGREDIENTS.²

¹ Report of the PlantBased Foods Association and the Good Food Institute (July 2019).

² The value is measured as sales profit.



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Together with our customers, we plan to develop more plant-based and environmentally friendly end products over the next five years. A few concrete steps were taken in 2018/2019 to further accelerate this development. The opening in 2018 of the new production line for food protein in the high-tech protein factory in Gasselternijveen is a case in point. Also, our innovation group develops new ingredients and product applications. This is often done in cooperation with customers, because they know their own product best.

SMALLER ENVIRONMENTAL FOOTPRINT IN THE CHAIN

Our products are increasingly being used for plant-based and environmentally friendly products, which results in environmental benefits throughout the entire chain. They reduce water consumption, land use and greenhouse gas emissions from the end product. However, it is also a dilemma. The growing demand from our customers sometimes means that we use more energy and water. But the collective footprint in the chain is getting smaller and we are helping our customers to make a life cycle analysis to calculate that impact. We will be sharing more results on this subject in the year to come.



INNOVATION

Half of the revenue growth that Avebe aims to achieve in 2023 is expected to come from new innovative production processes, products and applications. We focus primarily on growth in added value with the same volume. In addition to the market for food ingredients, a large part of Avebe's sales volume still goes to animal feed and industrial applications. We will of course continue to monitor these important key markets.

Since 2010, sales of products protected by patents have doubled. On the market side, product development contributes to growth in good nutrition and on the production side, we focus on more sustainable and efficient processes. Read more about [how we make our processes more sustainable](#).



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Over the past year, we have been working to increase our innovative strength by focusing on four pillars.

1 ONE INNOVATION TEAM

Where three teams used to work from different locations, we now work as one team with one focus: the strategic goals for 2023.

2 CROSS-FUNCTIONAL WORKING

We strive for a culture in which cross-functional working is standard practice.

3 COOPERATION IN THE INNOVATION CENTER

Working together in the innovation center combines knowledge and stimulates cooperation between employees from different departments, customers and knowledge partners. The open and transparent atmosphere in the building certainly contributes to this.

4 A STRONG INNOVATION PROGRAMME

This programme has a clear strategic focus. We are now using a fixed approach to assessing new projects and looking at what is needed in the short, medium and long term to achieve the objectives by 2023. In addition to the return on investment, sustainability and the environmental impact in our chain (with customers or in our own production) is an important assessment criterion. This resulted in 15 strategic programmes with programme managers and concrete projects being set up.



"We are customer- and result-oriented and that is reflected in the steps we have taken together over the past year. By combining innovation strength at the innovation center, we are focusing on the new course for 2023."

Gerard ten Bolscher, Managing Director Innovations





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PLANT-BASED ALTERNATIVES TO MEAT, DAIRY AND EGGS

Meat substitutes

We have developed a potato protein that provides the necessary firmness, juiciness and a good mouthfeel in plant-based hamburgers. That the market is ready for plant-based meat substitutes is shown by a 100% plant-based hamburger that will be available in many *quick service* restaurants next year.

Avebe has also developed a potato protein to ensure a good texture in plant-based meat substitutes in the future. In 2018, we won the 'New Food Challenge Award'.

"It is something special to work with customers to develop plant-based food products that end up on the supermarket shelves. Healthy food with a good texture and flavour, made with our ingredients from the potato!"

Michiel Puttman Managing Director of Commerce

Plant-based alternatives to dairy and eggs

Customers use our starches and proteins to make plant-based alternatives for cheese, yoghurt, desserts and ice cream, for example. Our ingredients provide a white colour, creamy texture and good flavour. In 2018 Avebe received the 'Most Novel Protein Ingredient Award' for the texture solution for 100% plant-based pizza cheese. This topping has the same characteristics as traditional cheese. It is easy to grate or slice and has excellent melting properties and the elasticity of mozzarella.

The proteins are also suitable for replacing chicken protein in products such as mayonnaise and dressings. In plant-based confectionery and bakery products and gluten-free products, the protein provides a texture and flavour that is comparable to that of conventional products. The fact that the market for these products is growing worldwide is demonstrated by the doubling of the turnover and the number of customers last year.



1 ton
of potato protein
replaces
130,000
chicken eggs



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INNOVATION HOTSPOT

The Avebe Innovation Center on the Campus in Groningen is a true hotspot with a laboratory, a pilot facility, offices and a customer innovation center. The fact that partnership takes center stage is reflected in design of the building. As well as space for Avebe, the building also has room for start-ups at the Innolab Agrifood. This results in superb collaborative efforts. The Groningen knowledge institutes Groningen University, University Medical Centre Groningen and Hanze University of Applied Sciences Groningen create a strong connection when it comes to cooperation in education and research.



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MARKET-ORIENTED SUSTAINABLE POTATO CULTIVATION



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MARKET-ORIENTED SUSTAINABLE POTATO CULTIVATION

As a cooperative, we at Avebe focus on long term continuity. Sustainability in the field is central to this. Together with more than 2,225 members in the Netherlands and Germany we work on market-led and sustainable potato growing. The companies have a lot to deal with, from the government and from customers. Avebe can play a guiding role in this, by translating these signals into to the needs of the farmland.

Market-oriented sustainable potato cultivation means a higher yield per hectare with less environmental impact. Our targets for 2023 have a clear focus and are in line with the international climate targets for 2030.

2023 OBJECTIVE

10% MORE POTATO STARCH AND PROTEIN PER HECTARE.

10% LESS ENVIRONMENTAL IMPACT AND 10% LOWER CARBON EMISSIONS.



By developing new varieties and smarter (precision) agriculture, Avebe wants to increase the yield from the field with the target of getting 10% more potato starch and protein from one hectare.

RESULT 2018/2019

2.1% LESS POTATO STARCH PER HECTARE.

'Starch per hectare' is determined by the amount of potatoes per hectare and the percentage of starch in the potatoes. The first is mainly in the hands of the farmer; the second is mainly a trait of the breed. However, the weather is even more determinative and that is why the percentage fluctuates considerably over the years. To identify trends, we therefore monitor the 10-year rolling average percentage of starch per hectare.

Avebe also aims to reduce the environmental impact per tonne of starch by 10%. We are currently looking into how best to define the environmental impact of potato cultivation. For example, we are holding talks with growers, scientists and civil society organisations. Next year we intend to make this concrete and measurable. Examples include reducing the use and increasing the effectiveness of additives, such as crop protection products and fertilisers.

We want to reduce carbon emissions from cultivation by 10% per tonne by reducing diesel consumption and making better use of nitrogen and phosphate. In the past year, attention has been paid to implementing and making this objective measurable. For example, we took an in-depth look at the possibilities offered by the Cool Farm Tool, which can give Avebe growers an insight into the choices they make. The tool shows the relationship between the various measures and the effects on the carbon footprint.

The research into new potato varieties by the subsidiary Averis Seeds B.V. and the cultivation optimisation programme 'Optimeel' are important instruments for realising these ambitions.



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NEW POTATO VARIETIES

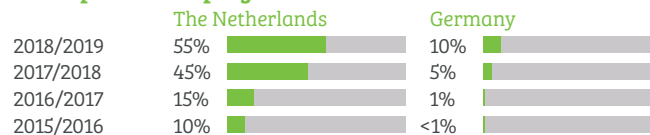
Starch potatoes have to meet many different requirements. They have to be resistant to diseases such as wart disease, phytophthora (potato fatigue). But there are of course also very important production properties such as yield and storage life. The cultivation of new varieties is therefore of great importance. This is well provided for at Avebe. Subsidiary Averis Seeds B.V. develops new potato varieties that are more profitable and more resistant to disease.

Examples include Avenger and Avamond. Avenger is the second variety with an enhanced resistance to Phytophthora. A crop that is more resistant to these fungal diseases needs 65-75% less crop protection agents. The result: less environmental impact and a good cost saving for the grower.

OPTIMEEL

Avebe, together with the farmers, is setting out to increase the yields from the fields. The crop optimisation programme Optimeel plays an important role here. The pillars of Optimeel are crop registration, trial and demo fields, study groups and the introduction of new starch potato varieties. Participation in crop registration has increased considerably in recent years. Half of the Dutch members now participate. For Germany, this share is approximately 10%.

Participation in crop registrations



By charting cultivation, the individual performance of members is made transparent and mutually comparable. Growers advise each other in study groups on problems that arise with potato growing, which makes it possible for them to make improvements. We test the cultivation strategies in practice on the trial and demo fields. The past growing season was exceptional in that regard. The extreme summer had an enormous impact on the yield in the field. "This is likely to happen more often and it underlines the importance of making Avebe's crops more resilient", says Willem Rus, Agro Programme Manager at Avebe. An important point of attention was therefore how new varieties performed compared to existing ones under the extreme weather conditions of both too much water in the fields, and the combination of drought and heat last year.

"The Optimeel programme plays an important role in realising the new strategy", says Peter-Erik Ywema, sustainability director at Avebe. "We're now considering follow-up steps for growers who see opportunities for things like more climate-friendly production or the strengthening of biodiversity. This is possible with precision agriculture, where you look at site-specific fertilisation and crop protection. Awareness plays an important role in this. It's easier to make choices if you know which measures have a strong impact on the environment and on your income. That makes it possible to together on an upward spiral."

"It is important that farmers are rewarded for their achievements in biodiversity. Making their performance measurable is an important prerequisite for this."

Jacomijn Plumiers, senior advisor at the World Wildlife Fund and member of the stakeholder consultation group



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OPTIMEEL BETTER SUBSTANTIATION OF FARMING DECISIONS

Koos Akkerman from Erica (Drenthe) runs a farm together with his wife, brother and sister-in-law and has been an enthusiastic participant in the Optimeel optimisation programme from the outset. "Optimeel allows me to compare my results with other growers in my region. You see right away where you stand. That's useful, especially in extreme weather conditions like last year," Akkerman explains. Thanks to Optimeel's precise analyses, he can better substantiate his decisions and adjustments. Registering relevant crop data enables him to take account of aspects such as the soil type, the soil condition, the previous crop and the types grown in the past, the nematode problem and, if applicable, the pressure exerted by disease.

Koos Akkerman has a mixed farm with arable farming and broilers. Together with his wife, brother and sister-in-law, he grows 78 hectares of starch potatoes and 9 hectares of seed potatoes. The rest of the land is used to grow sugar beet and wheat. The grain is used to feed the chickens. The chicken manure is used in turn on the farmland.





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FIELD MEETING

300 Optimeel participants saw the results of the last growing season and the trials on the field during the field meeting.



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REDUCING OUR ECOLOGICAL FOOTPRINT



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REDUCING OUR ECOLOGICAL FOOTPRINT

We are working to reduce our carbon emissions by using new technologies or renewable energy sources, and reducing our energy and road transport kilometres. Avebe supports the National Climate Agreement and the Paris Agreement to keep global warming below two degrees. Our new target for 2023 is therefore in line with the long-term objectives set within these national and international agreements for the key years 2030 and 2050. Our dilemma is that we can get more and more valuable products from the potato, such as proteins for meat substitutes, but this takes up extra energy. At the same time, we are making our production processes more and more efficient.



SAVING ENERGY

Our goal is to use about 50% less fossil energy in 2030 than in 1990. Avebe has been working on energy saving for decades and has achieved a great deal in this area. In recent years, Avebe has invested in measures at the factories in Ter Apelkanaal and Dallmin. They include an innovative approach to concentrating potato juice using membranes in Ter Apelkanaal. In Dallmin, we were working on a new refinery that uses less energy and water. Both production lines will run as from the potato campaign in the autumn of 2019. With the measures in Ter Apelkanaal we save 23% carbon emissions in the starch potato factory.

Avebe has also signed the government's long-term energy efficiency agreement that contains agreements on improving energy efficiency. Since 2010, every Dutch Avebe site has been implementing an energy efficiency plan to make our energy system more sustainable, and a number of process optimisations have been implemented in the past year. As a result, we have a clearer understanding of what we consume and shared responsibility in the workplace has improved. By carrying out regular inspections, we minimise unnecessary losses and our operators are made increasingly aware of energy consumption and losses.



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GREENING ENERGY

At the locations in Ter Apelkanaal and Gasselternijveen, we produce our own electricity using our efficient Combined Heat and Power Plants (CHPs). For the rest of our electricity consumption, we purchase solar energy through some 80,000 Guarantees of Origin. In 2020 Solarfields will install 275,000 solar panels in Gasselternijveen. The energy generated is partly used for production activities, but villagers are also given the opportunity to purchase solar energy.

We see that energy consumption and - accordingly - our greenhouse gas emissions per tonne of product have increased over the past year. This is partly due to external factors. The exceptional weather conditions, for example, reduced the length of the processing campaign in 2018. Although total energy consumption was lower than in previous years, the lower harvest results in higher energy consumption per tonne of product because production lines produced less efficiently. Nevertheless, as a result of efficiency measures and the greening of our energy consumption, our total carbon emissions fell by 15% compared to 2012 (the start of our previous strategy period).

OBJECTIVE 2018/2019

25% CARBON REDUCTION PER TONNE OF PRODUCT PRODUCED COMPARED TO 2012.

RESULT 2018/2019

15% CARBON EMISSION REDUCTION PER TONNE OF PRODUCT PRODUCED COMPARED TO 2012.

OBJECTIVE 2018/2019

6 MILLION EURO LOWER ENERGY COSTS COMPARED TO 2012.

RESULT 2018/2019

3 MILLION LOWER ENERGY COSTS COMPARED TO 2012.



Saving and greening energy also remains a spearhead in line with the climate objectives in the new strategy. [Appendix 3](#) provides more information about energy consumption and emissions in recent years.

REDUCING ROAD TRANSPORT KILOMETRES

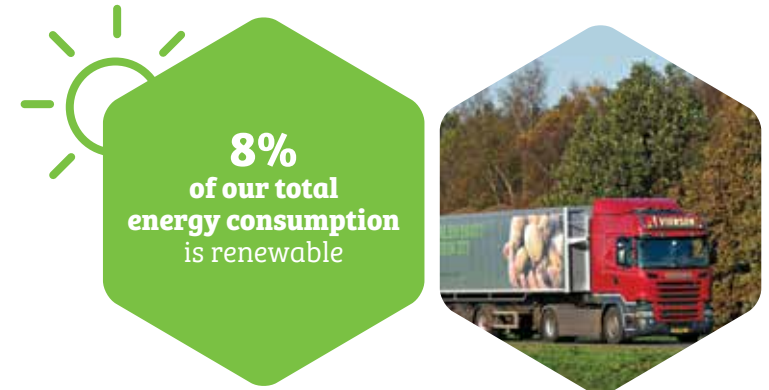
Transport is and remains a necessity. But we are making it cleaner. We want to reduce carbon emissions and particulate matter by transporting fewer products by road. In recent years, a lot of road transport has therefore been replaced by transport by rail or boat. The objective was to reduce the number of kilometres travelled by road by two million by 2018/2019, which was amply achieved. This is the result of a direct train connection between the German and Swedish factories and the Netherlands and more and more train transport to Swedish customers since 2016. Since July 2018, the new logistics hub near Rotterdam has reduced the number of products being transported back and forth to the northern Netherlands.

OBJECTIVE 2018/2019

2 MILLION FEWER ROAD TRANSPORT KILOMETRES COMPARED TO 2012.

RESULT 2018/2019

2.3 MILLION FEWER ROAD TRANSPORT KILOMETRES COMPARED TO 2012.





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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. We are applying this as from the autumn of 2019 in Ter Apelkanaal.

Our absolute water consumption in the past year fell by more than 900,000 m³ compared to 2017/2018. Unfortunately, we see that the relative water consumption per tonne of processed potatoes increased by 38%. This is due, for example, to an expansion of production lines for the protein production for food and stricter hygiene requirements for the food sector. A number of innovations will also become operational in the autumn of 2019, as a result of which the expected savings are not yet reflected in the figures. In the past year, an increase in water consumption per tonne was largely due to a disappointing harvest due to the extreme drought. As a result, it has not been possible to achieve the 2018/2019 target from the previous strategy period. [Appendix 3](#) provides more insight into our water consumption in recent years.

OBJECTIVE 2018/2019

USE 1 MILLION M³ LESS WATER PER TONNE OF PROCESSED POTATOES COMPARED TO 2012.

RESULT 2018/2019

1.8 MILLION M³ MORE WATER CONSUMED THAN IN 2012.



Last year we focused sharply on the implementation of the new [refinery line](#) in Dallmin and the [DUCAM project](#) in Ter Apelkanaal. This will result in a saving of 400,000m³ of water in Ter Apelkanaal by 2019. We are also moving part of the starch derivatives production from Ter Apelkanaal to Foxhol, which will result in a water saving of 10% of Avebe's total consumption.

We are aware of the importance of responsible water consumption. Especially during the dry summer of 2018 it became clear to all that the availability of water is not to be taken for granted. For this reason, water consumption is consciously incorporated in new innovations and a strategic programme has been defined to implement the new objectives for 2023 and make the results measurable.

OBJECTIVE 2023

20% LESS WATER PER TONNE OF POTATOES PROCESSED COMPARED TO 2017/2018.

OBJECTIVE 2023

REUSE 40% OF THE POTATO JUICE AS PROCESS WATER.

"Up to 80% of the water that currently leaves the system could go back to the factory."

Jan Lukens, Process Engineer water treatment plant Gasselternijveen



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REDUCING WASTE FLOWS

Our focus on reducing two major waste streams: tare and secondary sludge. Tare is the soil that accompanies the potatoes when they arrive from the land at the factory. Through good cooperation with our growers, we try to ensure that the potatoes are delivered as clean as possible. This is a permanent point of attention. In addition to clear communication, we are also looking at possible technical solutions to reduce the amount of tare by 25% over the next five years.

"A 25% reduction in our sludge and tare is ambitious, but if you consider that the soil has value for the farmer and is 'waste' for us, and that sludge is the result of product loss, then we have to get it done."

Hylke Simonides, Program Manager Waste Reduction

Sludge is produced during the treatment of wastewater. This contains starch and protein losses from the process. As these still represent a value, the purification sludge is partly used as a fertiliser on land. Last year, the site in Gasselternijveen took a number of measures to ensure that the quantity of sludge was significantly reduced compared to the previous campaign.



The greatest gain was achieved through awareness and behavioural change in the factory. A number of processes have been improved by providing an insight into the economic benefits and environmental impact. Investments were also made in technical measures to improve the operation of the installation. Although the amount of sludge produced is noticeably less than in the previous campaign, it is not accurately measured. To gain an even clearer insight into the treatment process and to better control discharges in the plant, steps will have to be taken next year to make the production of sludge measurable.

OBJECTIVE 2023

25% REDUCTION OF BOTH TARE AND SLUDGE WASTE STREAMS.



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SUSTAINABLE CONCENTRATION OF POTATO JUICE WITH MEMBRANES

Eighty percent of a potato consists of water. This contains valuable components, such as proteins, sugars and salts. Previously, all the juice was boiled to allow the proteins to solidify and then to extract them. The remaining water was then evaporated. That was an intensive process that required a lot of energy. We thought this process should be made smarter and more sustainable.

That is why Avebe, together with its partners, started the development of the DUCAM project about three years ago: an innovative technology in which membranes first thicken the potato juice. As a result, only one third of the quantity of juice has to be boiled. This is expected to save around 23% of energy. In addition, 400,000m³ of water from the potato juice will become available as clean process water, suitable for the processing of starch potatoes.

This autumn the innovative installation for the thickening of potato juice in Ter Apelkanaal will be ready for use. The proteins will then be extracted with a lot less energy. We will also apply this DUCAM technology in Avebe's other potato starch factories.

This project is a collaborative effort with Wafilin Systems B.V. and is subsidised by the Top Sector Energy, granted by the Ministry of Economic Affairs and Climate.

"I'm proud of the sustainable impact that we are achieving in the largest potato starch factory in the world."

Erik Koops, Program Manager Energy Efficiency



2 billion litres potato juice processed annually by Avebe

400,000m³ clean process water from the potato

23% energy conservation a year in the potato starch factory in Ter Apelkanaal



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SAVING WATER WITH A NEW REFINERY

In 2019, the old refinery plant, the heart of the Dallmin plant, was replaced by a new and lower energy version. The factory can now produce the same amount of potato starch with 20% less water. As well as a smaller ecological footprint, this also creates more flexibility and enables the factory to respond better to the demand for various high-quality starch products.

"Our energy consumption is also significantly reduced and we're limiting production losses. That's how we recoup the investment in four years."

Frank Wilck, Production Manager Dallmin



20%
water saving
350,000 euros
saving a year

TRANSFORMING SEWAGE FIELDS INTO SOLAR PARKS

In cooperation with Solarfields and Green Invest, Avebe is working on the realisation of a large solar park above a number of sewage fields in the municipality of Borger-Odoorn. These fields serve as an over-flow basin for water storage, but are being used less and less. To make optimal use of this space, the solar panels are placed just above ground level. That way, grass continues to grow for grazing sheep. The park is expected to be completed in 2020 and Avebe will be able to use about 50% of this green energy.

275,000
solar panels

100 megawatts

This is equivalent to the electricity consumption of 16,500 households.





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FACTORY OF THE FUTURE

Avebe asks students to come up with innovative ideas, based on the principle: what if you were allowed to completely rebuild a factory? Which technologies and which sequence would you apply to maximise the value of the ingredients from the potato, with minimal use of energy, water and chemicals? The entrants compete for one year's tuition fees.





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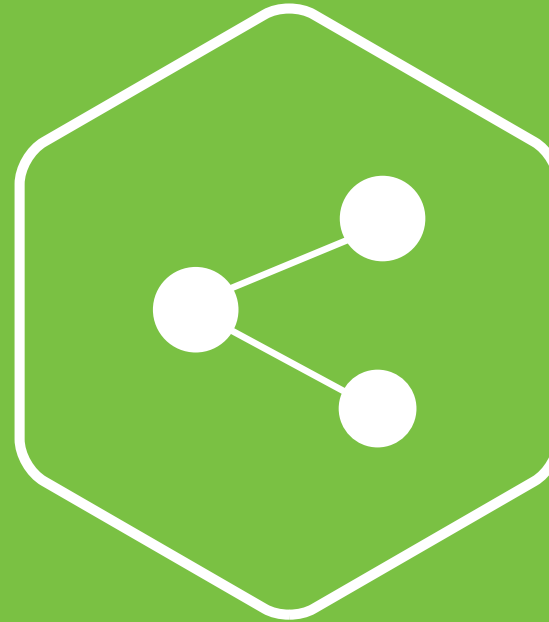
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COOPERATING FOR THE CUSTOMER



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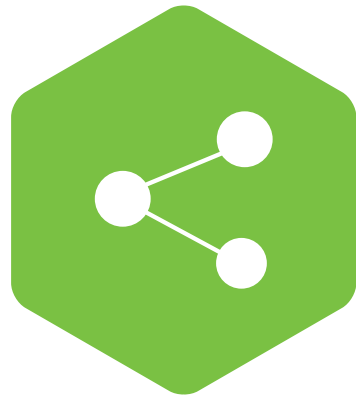
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COOPERATION FOR THE CUSTOMER

We put the customer at the heart of everything we do. The joint performance of our employees is therefore always customer-oriented. To hold on to this we have healthy and vital employees who all work in an unambiguous way.

OBJECTIVE 2023

CROSS-FUNCTIONAL COOPERATION, FOCUSED ON VALUE CREATION FOR THE CUSTOMER AND RESULT-ORIENTED.

CUSTOMER SATISFACTION

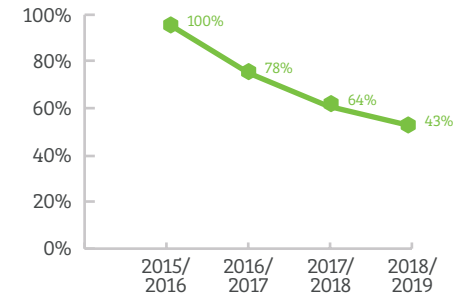
By working together optimally, we keep our customers satisfied. This year we have demonstrated this once again: cooperation between the sales, marketing, operations, innovations and customer service departments, but also between the seven sales offices. By working closely together, we arrive at a single way of working, while at the same time paying attention to regional and global differences and customer expectations.



In recent years, we have been working hard to reduce customer complaints while striving for zero complaints. Our customer-focused approach is reflected in the Management Team 500 list: in the 'Fast Moving Consumers Goods' category we come first in terms of customer focus and most excellent execution.

Number of complaints

Decrease compared to 2015/2016



In 2023, we will continue to do what we promise and strive to ensure that our customers rate our service as highly as they do today. We deliver good product quality at the agreed time and constantly listen to the customer to see where we can improve. To achieve our objective, we follow agreed procedures and work instructions and remain focused on the subject of complaints and customer satisfaction.

"There is a great awareness among all colleagues that everyone contributes to the satisfaction of our customers."

Roger du Croix, Global Customer Service & Sales Centres EMEA



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GOOD EMPLOYMENT PRACTICES

WORKING SAFELY

A safe working environment is important and calls for our constant attention. To increase safety awareness among our employees, the Safety by Nature programme was launched in 2018. This programme is a new element in the overall safety package. In this programme, colleagues are encouraged to influence a safe working environment and to raise safety for discussion themselves. In addition to this new programme, other initiatives are underway. For example, the safety days when our employees are informed about the risks at the locations and how they can handle them safely.

ACCIDENT FREQUENCY INDEX

We measure safety using an international standard: the accident frequency index (TRIFR index). This index is determined by the number of incidents in relation to the number of hours worked. Last year we achieved a score of 0.6 on the TRIFR index. We did not reach the target of 0.5 and ultimately every accident is one too many. In the coming years, safety will remain high on the agenda and it will be a priority to eliminate unsafe situations. By increasing safety awareness, we aim to reduce the number of accidents.

OBJECTIVE 2018/2019
AN ACCIDENT FREQUENCY INDEX BELOW 0.5.

RESULT 2018/2019
ACCIDENT FREQUENCY INDEX OF 0.6



"What we can control ourselves we don't allow to happen. That's the starting point of Safety by Nature."

Peet Joosten, Central Safety Specialist

Last year, the teams at the production sites in Foxhol and Gasselternijveen paid special attention to a safe working environment. Making safety a topic of discussion is a focal point in Gasselternijveen. Every two weeks, the team discusses a new topic and draws up action points. Anyone can come up with ideas and we look for a solution together. The positive and low-threshold approach ensures a high level of employee engagement and a safe workplace.



FOXHOL
469 days accident free
92% trained on time via safety days



TER APELKANAAL
195 days accident free
91% trained on time via safety days



GASSELTERNIJVEEN
321 days accident free
92% trained on time via safety days



LÛCHOW
69 days accident free



DALLMIN
943 days accident free



STALEX
739 days accident free



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We are responsible for the safety of everyone at our locations, which is why, from next year onwards, we will also be including the incidents among our subcontractors in our monitoring.

OBJECTIVE 2023
AN ACCIDENT FREQUENCY INDEX BELOW 0.5.

Every incident at Avebe is one too many, both for our employees and subcontractors. That's why we aim for zero incidents. To achieve this goal, it is important that we continue to proactively implement the entire safety package, which includes safety studies, work permits, safety actions, work preparation and high-level training.

EMPLOYEE ENGAGEMENT

We believe it is important for all employees to be engaged and vital. For us, engagement means that all employees know what Avebe stands for and that we achieve our goals together. Vitality is about the way you work. Our aim is to ensure that our employees, even when they retire, have the energy to enjoy life.

Each year, we organise various activities to engage our employees. Our six-monthly canteen sessions are an easy way for our executive committee to inform all employees and to listen to what employees have to say.

PROUD EMPLOYEES

Every two years we measure the engagement of our employees by means of an employee satisfaction survey. We measure job satisfaction, pride in the organisation and the opportunities it offers for employees to perform optimally. The previous survey was in 2017.



We are repeating it in 2019. Last year, a survey was conducted among 807 employees to find out whether they were enthusiastic and had a feeling of alignment with the strategy.

OBJECTIVE 2023
7.5 SCORE ON BOTH EMPLOYEE ENGAGEMENT AND ENTHUSIASM.

We want everybody who works at Avebe to be fit and to feel good at work. Personal attention, a focus on sustainable employability and development opportunities contribute to this."

Evelien van de Poll, Director of HR Operations



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HEALTH AND VITALITY

Health and vitality of employees go hand in hand. Sustainable employability is an important spearhead of HR policy. We want everyone to feel 'of value' within Avebe. This is about safe and healthy working conditions, but also about employees who do everything in their power to continue to work well and to enjoy their work. Avebe helps this along with a tailor made vitality programme. Employees can choose what they need via a portal. This isn't just about company fitness, but also about training. Another example is the ProudMom/Woman programme, especially for women who have just become mothers.

Nevertheless, our absenteeism rate continues to rise. This is especially true of sickness absence for more than six months and in our factories. Heavy and irregular work makes it difficult to reach the retirement age in good health. For this group of employees, we mainly focus on preventive measures and adjustments in the factory to prevent long-term absenteeism.





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PRODUCT DEVELOPMENT TOGETHER WITH CUSTOMERS: INSPIRING AND INNOVATIVE

OATLY

Oatly, one of our biggest customers in the field of plant-based alternatives for dairy products, followed an intensive technical training course at the Avebe Innovation Center in May 2019. Oatly uses our innovative texture solutions Etenia™ and Solanic® and in the theory part they learned more about starch and potato protein. We also worked together in our culinary kitchen with analysis methods for starch.

"Instructive, inspiring and providing good support for our daily activities, that's how we experienced Avebe's training in the innovation center"

Karen Burgos, Product Development Engineer/Project Manager of Oatly

LAND'OR

Land'or is a Tunisian company known for its wide range of cheeses. In March 2019, the company visited the Avebe Innovation Center with a special interest in the functionalities of the Solanic®-protein and the application of starches in cheese products. During an inspiring practical session in the culinary kitchen of the innovation center, we showed what our ingredients can do for the texture, mouth feel and taste of cheese.

"Seeing with our own eyes what potato starch and protein has to offer for cheese helps us enormously in the development of new products. We're impressed by Avebe's expertise and see many opportunities for further cooperation"

Hatem Denguezli, General Manager Land'or





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PRODUCT DEVELOPMENT TOGETHER WITH CUSTOMERS: **INSPIRING AND INNOVATIVE**



UNIFRAX

Exchanging knowledge with two engineers during the visit paid by Unifrax in January 2019 resulted in a good collaboration. Unifrax is a Czech company that supplies special high quality fibres worldwide for applications in industry, the automotive sector and fire safety products. They use our Solvitose® potato starch for this purpose. To show how Unifrax can best apply the starch in practice, we carried out a number of tests together in our laboratory. It turned out to be a very instructive experience for both parties!

"We work with customers around the world to create new insights for the mutual benefit of both parties"

Anne Sikkema, Manager QESH and Site Manager Avebe Innovation Centre



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ACTIVE CONVERSATION WITH LOCAL RESIDENTS

Our production site in Malmö, Sweden, is located in the middle of the Sofielund residential area. Over the past few decades, the area around our production site has been expanded. This brings with it challenges, because a factory inevitably causes a degree of nuisance. But there were no complaints from the local residents last year. That's because we invest strongly in a good relationship with our neighbours and because we are transparent about what we do.

"Answering questions, explaining what we do and opening our doors ensures a good relationship with the neighbourhood."

Camilla Krook, Quality, Environment, Safety & Health Manager

Part of our communication with the environment is a banner along the track that informs train passengers about our activities. We also participate in all kinds of activities in the neighbourhood, visit schools, work together with students and invite local residents to the factory. By explaining what we do, our image has gradually changed from that of a chemical plant to a food production plant.

Through the BID Sofielund initiative, we're also helping to improve the neighbourhood in the areas of security, spatial planning and sustainable development.





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- **REPORT OF THE BOARD OF DIRECTORS**
- **RISKS AND UNCERTAINTIES**
- **FORECAST OF THE BOARD OF DIRECTORS**
- **ORGANISATIONAL STRUCTURE**



REPORT OF THE SUPERVISORY BOARD



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The 2018/2019 financial year has ended. It was a year that will remain etched in the memory of many members and employees. A serious drought in north-western Europe led to a much smaller harvest. Raw material shortages resulted in historically short campaigns at a number of Avebe factories.

The drought had consequences for many of Avebe's stakeholders, employees, members and customers. The timely anticipation of raw material shortages, through good cost control and identifying optimal sales of the products enabled Avebe to achieve a good performance price of 96.63 euros. Flexibility, loyalty and special efforts by members and employees contributed to this result.

During the past financial year, the board paid a great deal of attention to the impact of the drought. Scenarios were discussed and tested against the short and long term continuity of Avebe. Avebe decided, as its financial position allowed, to distribute the entire result to the members. This was however a one-off measure which is not enough to adequately compensate for the financial consequences of the low harvest of some members but which is the most that could be done without jeopardising Avebe's continued development.

The steps to be taken were further elaborated and firmed up in the first year of the new strategy. Social and political developments confirm the importance of sustainability in the Binding and Building 2.0 strategy. It is no longer enough to talk about sustainability: it has to be anchored in the entire chain that Avebe stands for. From the breeding and

cultivation to the delivery of the end product to the customers. This chain offers opportunities to further integrate sustainability. The board believes that it is important to work on cultivation that is sustainable in the long term and the production of starch and protein, in which the earning model plays a leading role.

It is very important that innovation at Avebe continues so that the added value is increased. This increase is achieved by investments in products and production lines, which serve markets that increase added value. This is necessary to compensate for the increasing costs faced by members and the company. The board is aware of this development and considers it important to achieve a good balance between the costs of the developments and the added value they bring. Unfortunately, the 2019 growing season has also been erratic: there is a persistent drought in the region. Avebe will be taking stock at an early stage to anticipate the possible consequences. Although the consequences for the whole of Avebe are not yet entirely clear, the board is aware that two dry years will have severe financial consequences for a number of members.

PERSONNEL CHANGES AND TRAINING/EVALUATION

At the meeting of 1 November 2018, Mr J.W. Hoekman handed over the chairmanship to me, Marijke Folkers-in 't Hout. Mr. Hoekman stepped down at the annual general meeting on 13 December. During his farewell, Avebe was given a detailed reminder of everything he has meant to Avebe during his 26-year period of administration. The Council is very grateful to Mr Hoekman for everything he has done for Avebe. After the annual meeting, the supervisory board consisted of nine members.



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After many changes on the board it is important to form a well-attuned team. As a starting point, a meeting was held in January, led by an expert, to talk about what we expected of each other and of the board of directors as a whole.

All members have a performance review one year after their appointment or reappointment and one year before their reappointment. These interviews are intended to monitor and further develop the board's quality and dynamics. Training courses are also held in this context. Last year, Mr J. Emmens completed the Erasmus Financial Supervision module.

The supervisory board has three committees. They are the audit committee, the selection, remuneration and appointments committee and the appeals committee.

AUDIT COMMITTEE:

The Audit Committee has five members.

R. Smith (Chairman as of June 2019)

K.A. de Graaf

P. Poortinga

J. Emmens

H.W. Giere

The audit committee met three times during the financial year. The auditor was present as an external expert during part of the meeting. The chairmanship was handed over by K.A. de Graaf to R. Smith in June.

SELECTION, REMUNERATION AND APPOINTMENTS

COMMITTEE:

The selection, remuneration and appointments committee comprises:

M. Folkers-in 't Hout (chairperson)

D. Kloosterboer

M. Veenendaal

H.W. Giere

J.W. Hoekman (until 13.12.2018)

The Selection, Remuneration and Appointments Committee is responsible for the selection, remuneration and appointment of board members and the selection of supervisory board members. This committee met five times in the past year. Ms M. Folkers and Ms M. Veenendaal meet with the Avebe Works Council twice a year.

APPEALS COMMITTEE

The appeals committee has five members:

J. Emmens (chairman from June 2019)

K.A. de Graaf

D. Kloosterboer

R. Smith

H.W. Giere

M. Möllering

The appeals committee met on a number of occasions during the past financial year. These meetings were held in Germany and in the Netherlands. Mr J. Emmens took over the chairmanship from Mr K.A. de Graaf in June.



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ACTIVITIES

Regular meetings were held six times in the past year, at which the auditor, as an external expert, attended one meeting to explain the audit. As well as discussing the drought and its consequences, extra attention was paid to the method of financial reporting, risk management, financing and the strategic investments. In addition to its obligations under the Articles of Association, the supervisory board also monitors developments in the organisation. The board of directors keeps the supervisory board informed of the state of business within the company and of cooperative developments. The meetings are held in an open and constructive atmosphere, in which the supervisory board, in addition to the formal approvals, provides the board of directors with requested and unsolicited advice.

In February, the supervisory board, together with the board of directors, met with the youth council of Avebe. During this meeting, which is prepared by the youth council, the developments within Avebe and its surroundings were discussed.

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 31 October 2019. The supervisory board, acting on a proposal from the board of directors, approves the appropriation of results and proposes to the members' council:

- that the financial statements for 2018/2019 be adopted accordingly;
- that the board's proposal concerning the appropriation of profits be approved;
- that the board of directors 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

As a result of the drought, the past financial year was characterised by a high level of dynamism, which required a flexible attitude and commitment on the part of members, employees and management. The supervisory board notes that with the right attitude and dedication it proved possible to perform well. For this, the board would like to thank everyone for their contribution in this exceptional year. The strength of the Avebe cooperative lies in its partnership.

Veendam, 31 October 2019

For the supervisory board

M. Folkers-in 't Hout



REPORT

OF THE BOARD OF DIRECTORS



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In financial year 2018/2019 Avebe achieved a performance-based price of 96.63 euros per tonne. This represents 12% increase in relation to the previous year (85.81 euros). The year was concluded with a cooperative profit of 5.2 million euros.

Due to the exceptional drought in the summer of 2018 in almost the whole of Europe, a potato volume of approximately 25% less was harvested. This sharply reduced supply resulted in a completely different relationship between supply and demand, as a result of which the prices of mainly native starch rose sharply. This is the main reason for the sharp rise in the performance price, in addition to factors such as cost control and a favourable dollar exchange rate. In the financial year, the campaign price amounted to 80 euros per tonne for 19% starch, an increase of more than 19% compared to the previous year.

2018 HARVEST

With a stable acreage available for growing starch potatoes for Avebe, persistently high temperatures and a lack of rainfall led to a very small harvest. In line with the European average, the supply of raw materials was more than 25% lower than in the average year. The starch content was around 20%, in line with the long-term average. Despite the small harvest, the campaign at the factory in Gasselternijveen continued until the end of April in order to produce as much nutritional protein as possible.

The campaign in the factories in Germany and in Ter Apelkanaal came to an end as early as January. We can look back with satisfaction on the intensive cooperation with our members and employees to come up with a good package of measures, despite the poor harvest. The advance pay-

ment was gradually increased to EUR 70 per tonne in September, October and November in order to support the members in their need for liquidity. It was also decided in those months to distribute the entire cooperative result of the financial year to the members and not to add to our equity. Avebe's balance sheet is so solid that this is possible for this year. At the beginning of May, the campaign price was set at 80 euros per tonne.

MARKET

Media reports in July already showed that a serious shortage of starch potatoes was imminent. As a result, demand increased at the start of the campaign because customers wanted to secure the supply of potato starch and protein. Not all customers could be supplied with potato starch, but Avebe was able to provide some of them with alternatives.

The demand for food protein exceeded Avebe's production capacity. In particular, the advantages in their application in meat substitutes led to this increase in demand, but Solanic® is now also finding its way into many other applications. Our new innovation centre was opened in September 2018. In the past year, we have been able to receive many customers there. We regard the centre as an enormous asset.

PRODUCTION

Significant steps have been taken to consistently adhere to our programs to work more safely, to produce right first time and avoid customer complaints. In the year under review we met the original target in our strategy of reducing the number of customer complaints by 75% compared to 2013. We believe that producing right first time safely and without complaints from customers is the way to increase efficiency.



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Our safety index for our own employees is approaching the set target. We still have to take further steps with regard to third party employees who come to Avebe. We can't afford to slacken off here for a second.

INVESTMENTS

Total investments amounted to approximately 45 million euros as planned. In addition to replacement and rationalisation, investments were also made in strategic projects. The most important example is the investment in the DUCAM project. This is an installation at the factory in Ter Apelkanaal to make the potato juice suitable for process water by means of filtration. This means that the potato juice no longer needs to be evaporated, which yields considerable energy savings. We intend to install this type of plant in the other factories where potatoes are supplied. The future investments are paid for from the financing agreement.

STRATEGY

Looking back on the 2013-2018 strategy (Binding and Building 1.0), many objectives have been achieved. Particularly in the areas of innovation, efficiency in production (first time right) and market-orientation, Avebe has made great strides forward. This resulted in an increase in the performance price from 75 to 85 euros per tonne for 19% starch in the period 2013-2018.

The new strategy 2019-2023 is entitled Binding and Building 2.0. This is an indication that we are continuing along the same path. In the next five years we are aiming to achieve another substantial increase in the performance price. The pillars of this strategy are innovation and sustainability. When it comes to innovation, we concentrate mainly on ingredients for good nutrition. The properties of (modified) potato starch, potato protein and combinations of these two ingredients fit in perfectly with the most important trends in good nutrition.

Examples include meat and dairy substitutes. The ecological footprint of our raw materials compared to animal ingredients is much more favourable.

On the sustainability front, we have formulated clear objectives and strategic programmes for cultivation (reduction of crop protection products and CO₂) and for our factories (CO₂ reduction, water reduction and green chemistry/production). For our members, we play a guiding role so that we can work together on the measures that contribute the most to a better environment.

The constant increase in regulations for our growers calls for joint action and a clear programme to meet these challenges, so that the cultivation of starch potatoes remains financially attractive for our members in the future as well.

Finally, it is worth mentioning that a new Collective Labour Agreement was concluded with the unions during the financial year. This collective labour agreement, which runs until the end of 2020, takes important steps towards offering our employees a package of employment conditions that are in line with the market. The process of achieving this result was long and intensive, but was achieved in a good atmosphere.

In summary, we can look back on a year with a very small harvest and a strong increase in the performance price.

The board of directors would like to thank all members and employees for their excellent cooperation during the past financial year. This gives confidence for the future.

For the board

B.C. Jansen

R.P.F. van Laerhoven



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RISKS AND UNCERTAINTIES

Pursuing the cooperative's objectives and implementing the business activities involves certain risks. Avebe sets out to identify these risks in good time, analyse them and manage and/or financially cover them effectively and efficiently. In this way we are better able to embed, monitor and implement the strategy within the organisation.

Risk management at Avebe is the responsibility of the Internal Audit Manager, who is accountable to the CFO. The risk specialist, who is responsible for driving the risk management process, facilitating risk sessions and providing the reports, works in the Internal Audit department and reports to the Internal Audit Manager. Last financial year, it was decided to place risk management and internal audits more explicitly on the agenda of the audit committee. That way, the audit committee and - ultimately - the supervisory board are kept informed about risk management.

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





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STRATEGIC RISKS

Risk	Causes and consequences	Control measures
<p>Not achieving strategic objectives (raising the performance price, growth in good food sustainable agriculture and improvement ecological footprint)</p>	<ul style="list-style-type: none"> - Extreme weather conditions (drought or rainfall) and soil diseases that are difficult to control can lead to a considerable reduction in the supply of starch potatoes. • Legislation and regulations in relation to the use of crop protection products are becoming increasingly stringent. • Insufficient funding for the necessary investments can lead to our failing to meet targets. • Because the market is extremely dynamic, the translation of investments into relevant and well-timed products has to be extremely precise. • Sustainability requires sufficient awareness. Without that, there is no urgency and investments are placed under pressure. <p>This could lead to the failure to achieve one of the strategic objectives on time, reputation damage, loss of turnover, customers, members, suppliers and employees.</p>	<ul style="list-style-type: none"> • We have drawn up a management plan based on scenario analyses (such as what to do in case of extreme drought or excessive rainfall). • Optimisation of the crop yield per hectare. • (Further) development of new resistant starch potato varieties. • Putting the customer first and striving for optimal customer satisfaction. • Focusing on the quality of our project management. • Innovation policy based on market needs. • Implementation of measures through transparent project management with measurable KPIs. • Monitoring of the effect of our implementation strategy by an internal strategic agency. • Appointing a Director of Sustainability in 2019. • Based on clear KPIs and monitoring, sustainability is embedded in our policy with regard to operations, investments etc.

TACTICAL RISKS

Risk	Causes and consequences	Control measures
<p>Increase in the number of employees who are not sufficiently able to do their work for Avebe</p>	<ul style="list-style-type: none"> • Staff sickness, partly due to the ageing of the workforce. • Changing working conditions through new processes, technology or organisational structure. • Lack of clarity among employees because the performance targets are not sufficiently concrete. • Performance interviews that are not held on time. • Insufficient information/insight for managers to steer on the competences and training wishes of employees. <p>This can lead to lower productivity, more production errors and limited insight into training requirements and wishes. Insufficient connection between the training of employees to the needs of the organisation leads to incorrect strategic staff planning.</p>	<ul style="list-style-type: none"> • Interventions by company social work. • We offer our employees a PME (Periodic Medical Examination). • We use the TTC methodology (Time Task Competency) to gain an insight into the cause of absenteeism or inadequate performance. • We set up strategic staff planning and use it as a means of control. • We will make more use of the digital learning platform (LMS). • We will closely monitor the interview cycles with employees. • We are expanding our talent management programme.
<p>Failure of data centre/IT systems</p>	<ul style="list-style-type: none"> • A disaster at the location of our data centre, for example due to a power failure, explosion or flooding. • A facility in the data centre that fails due to technical or process causes. <p>This can lead to the full or partial failure of operational production, networks at office locations and network connections to foreign locations.</p>	<ul style="list-style-type: none"> • We have installed fire and extinguishing facilities. • We have set up a backup power supply. • We have extra systems in the data centre to cope with system failure (redundancy). • We carry out efficient maintenance of the data centre. • We make backups of office data at a location other than the data centre. • We have drawn up a disaster recovery plan.



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Cyber security risk

- Theft of critical data
- Hacked system

This can lead to reputational damage, loss of market leadership, downtime of production processes and financial losses.

- We appointed an IT Security Officer in 2019.
- We have reinforced our firewalls.
- We have actively made our staff aware of online risks.
- We check for non-compliant behaviour.
- We perform external security checks and penetration tests.
- Only authorised employees have access to the server rooms.

OPERATIONAL RISKS

Risk	Causes and effects	Control measures
Personal safety	<ul style="list-style-type: none"> • 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. <p>This can lead to personal accidents, sanctions by the Labour Inspectorate (and related reputational damage), business interruption or (civil) lawsuits.</p>	<ul style="list-style-type: none"> • An emergency response organisation has been set up for each location. • Avebe has installed safety zoning at the production sites and introduced procedures for PPE and periodic safety rounds. • Contractors and suppliers receive safety instructions. • Unsafe situations are reported and followed up in Primecase. • We have HAZOP studies conducted for the most critical machinery and explosion safety documents. • We run a safety awareness programme. • We analyse the presence of employees at our locations.

Contamination of products

- Insufficient food safety in the production of our products
- If the security of external silos fails, criminals can gain access.
- Terrorists or criminals who contaminate or poison our products (food fraud).

Contamination leads to loss of value of Avebe products, reputational damage and, in the worst case, processing of contaminated Avebe products, with all the health risks that this entails.

- Avebe is AEO and FSSC (food safety) certified through internal and external audits.
- We invest in measures that guarantee food safety.
- Recently, a *food Fraud* risk assessment was conducted. Based on the results, we have adjusted our risk management process.
- We have several standard procedures (e.g. for *recalls* and complaint handling).

FINANCIAL RISKS

Risk	Causes and consequences	Control measures
Financial risks¹	<p>Avebe faces a variety of financial risks, such as currency, interest rate and credit risks arising from normal business operations.</p>	<ul style="list-style-type: none"> • We use 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.

¹See [page 82](#) of this report for a detailed explanation of the financial risks.



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COMPLIANCE RISKS

Risk	Causes and effects	Control measures
Avebe works with foreign agents	<ul style="list-style-type: none"> In countries without their own sales organisation, Avebe engages foreign agents. <p>This can lead to higher risks of corruption as the agent's activities fall outside the direct (internal) management environment of Avebe.</p>	<ul style="list-style-type: none"> In 2019, we drew up a new standard contract, including a <i>right to audit</i>. The commissions received by foreign agents for their work are consistent with the activities carried out by the agent. Our foreign agents must comply with our anti-corruption policy. Before we start working with agents, we carry out an extensive background check.
Fraud and corruption	<ul style="list-style-type: none"> There is a risk of theft of resources and knowledge of the organisation (such as tools, buyers, patents and competition-sensitive product information). Reporting fraud. Fraud relating to products within the food industry (<i>food fraud</i>). 	<ul style="list-style-type: none"> We share all codes with employees (Corporate Governance - Code, Whistleblower Procedure, Internal Code of Conduct and Competition Handbook). We organise workshops for external employees. We appointed an IT Security Officer in 2019. We explicitly separate the management positions from the decision-making positions. In 2019, we carried out a comprehensive fraud analysis and reviewed our control measures.
Non-compliance with laws and regulations	<ul style="list-style-type: none"> ATEX (dust explosion): <ul style="list-style-type: none"> Backlog in necessary ATEX changes; No ATEX based design/materials/tools in change maintenance. Major Accidents Risk Decree: failure to meet the requirements set out in the Decree. <p>This could lead to temporary loss of the user license at the production sites.</p>	<ul style="list-style-type: none"> Cleaning procedures. Safety inspection rounds. We increase ATEX awareness by training our employees and through specific audits. Reduced dust formation is a constant focus of attention during maintenance and adjustment of the production process.
Changing legislation and regulations	<p>The potato waste stream that Avebe provides to farmers to use as manure for their land no longer meets the permit requirements.</p> <p>This will increase the costs for processing and, in extreme cases, may result in loss of the user license.</p>	<ul style="list-style-type: none"> We focus on bringing all critical problems to the attention of the authorities in a timely manner and making agreements 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).



FORECAST OF THE BOARD OF DIRECTORS



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The beginning of the financial year 2019/2020 is once again characterised by drought combined with sometimes very high temperatures during the growing season. Although the conditions are better than in the previous year, the succession of two dry and hot summers is unique. This is particularly the case in countries such as Germany, the Netherlands, Poland, Belgium and France.

There are large regional differences, so it is not yet possible to calculate the exact volume of potatoes to be received at this time. Avebe has shown in the past financial year that we are able to handle a shortage of raw materials well. The combination of good teamwork and flexibility will continue to be important in the coming financial year in order to achieve the best possible income for our members.

With regard to the strategy, we will now have to take concrete steps to make the cultivation of starch potatoes more sustainable. It is very important to reach a consensus with our members on how we propose to achieve the set goals. That way we can work together and avoid wasting time.

The development in recent years of new potato varieties with better resistances will help our members to obtain a better income. We regard the development of better potato varieties as a crucial factor for our future. Issues such as biodiversity and sustainability require our full attention.





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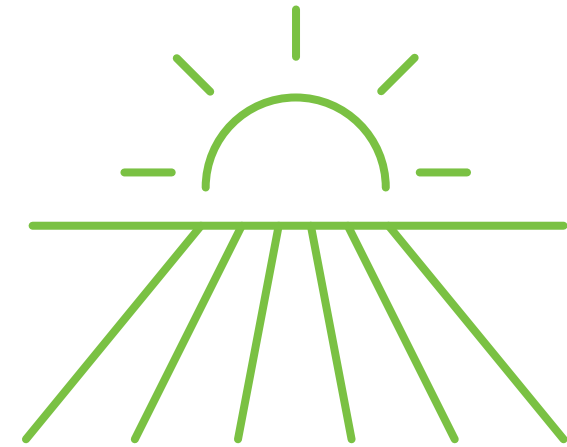
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To reduce the carbon emissions of our factories, a concrete plan has been drawn up that will be implemented step by step in the coming years so that we can comply with the principles of the climate agreement. In the autumn, the DUCAM installation in Ter Apelkanaal will be put into operation so that we can use potato juice as process water and save both energy and water. This system will also be installed in our factory in Dallmin. This will start in the coming financial year.

The pilots conducted in the past year to increase the capacity of the Solanic® production lines should result in significantly more volume being produced in the coming financial year. That makes it possible for Avebe to better meet the ever-increasing demand. New investments in the expansion of our production capacity are being prepared.

The integration of our R&D departments in our innovation centre at the University of Groningen and the close cooperation with our commercial departments should lead to the creation of added value being accelerated. Recent results of this cooperation inspire ample confidence for the near future. With regard to production, the implementation of the World Class Operations Management (WCOM) programme is being pursued vigorously. Consistently adhering to the goals and structure will lead to a reliable, safe and efficient production environment.



To sum up, we will once again do everything in our power in the coming financial year to achieve the highest possible performance price for our members and, at the same time, put all our energy into continuing to pursue our strategy.

Binding & Building 2.0

For the board of directors

B.C. Jansen

R.P.F. van Laerhoven



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ORGANISATIONAL STRUCTURE

As a cooperative of starch potato growers, our members are the highest body in Avebe. Through the members' council, the members have control over important issues. Such as 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.

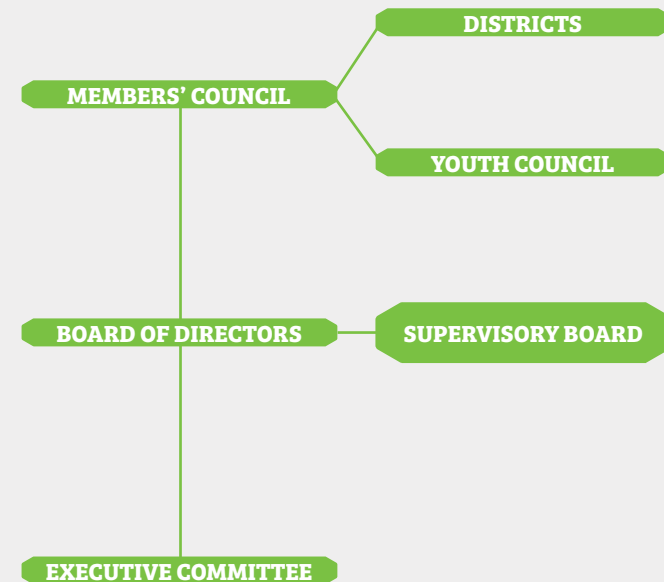
SECURING BINDING AND BUILDING 2.0

Fifteen programmes have been set up to give substance to the strategic objectives. Several teams, led by the Strategic Business Owners and programme managers, have been tasked with carrying out these programmes. They roll out concrete projects and report progress to the executive committee. Peter-Erik Ywema, director of Sustainability, monitors the progress of the sustainability objectives and reports to the CEO. The executive committee is ultimately responsible for the entire strategy and therefore for making Avebe more sustainable.

"A company without a system of corporate governance is like a person without a conscience. Good governance keeps a company honest and prevents problems."

Lennart van der Ree, General Counsel Avebe

Cooperative governance model





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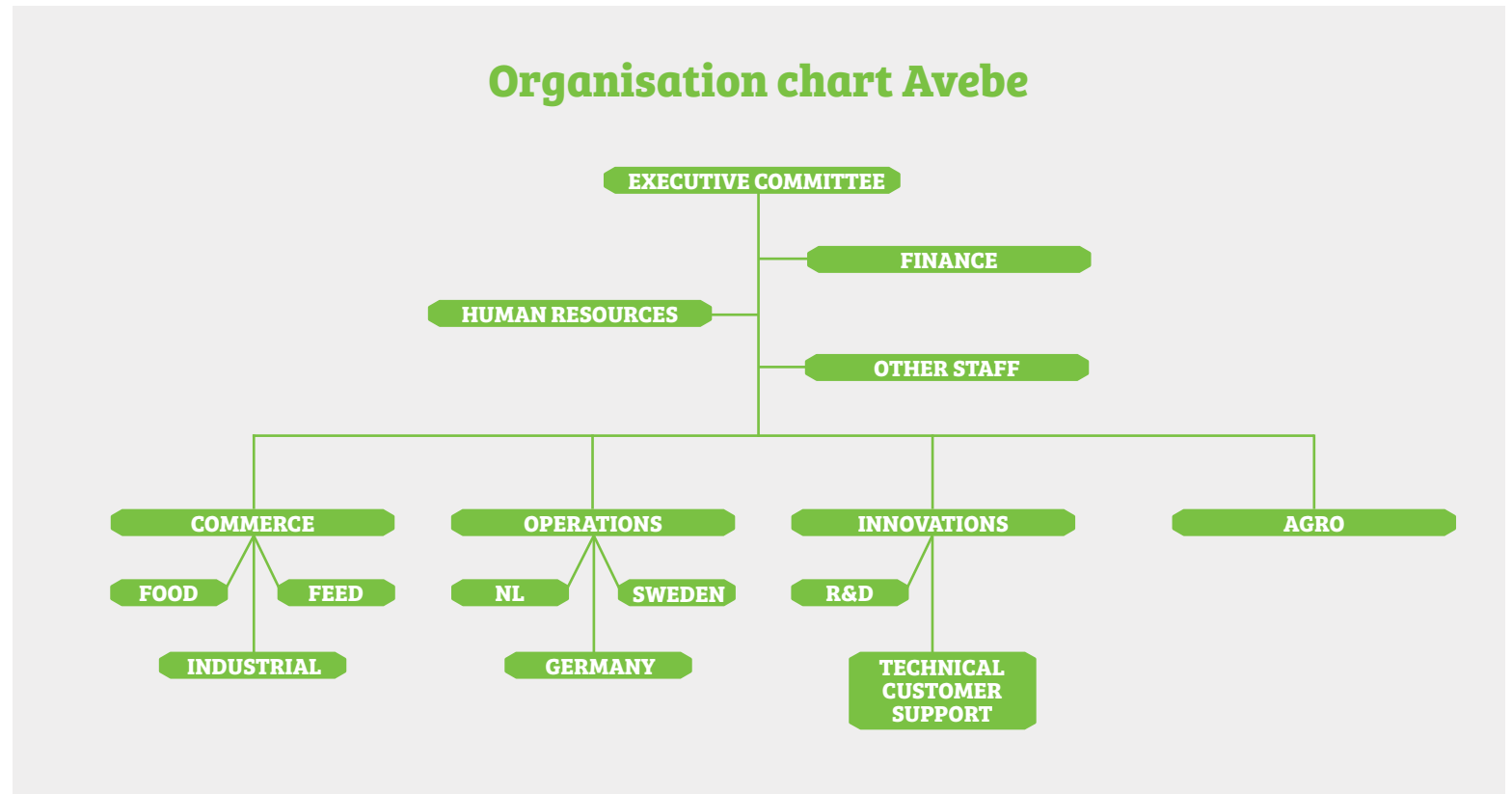
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CORPORATE GOVERNANCE

The cooperative is known as a transparent and democratic form of enterprise with a long-term strategy. This is why Avebe applies principles and best practices such as those laid down in the Governance Code of the National Cooperative Council. This will increase the transparency and quality of the management and supervision of our cooperative.

More information about the organisational structure, the standards of conduct we operate regarding our stakeholders and our values and business principles can be found in the [Integrity Package](#). Avebe also operates a whistleblower policy. This was not used in 2018/2019.





EXECUTIVE COMMITTEE



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The board of directors represents the Cooperative and implements the decisions of the members' meeting and the supervisory board. Together with the directors of HR, Agro, Commerce, Innovations and Operations, they form the executive committee. This committee is responsible for safeguarding the strategy and the tactical and operational aspects of the policy.



B.C. Jansen, 1959
Chairman and CEO
appointment confirmed on 1 September 2008 Focus areas: Operations, Commerce, Agro, Innovations, HR, Communication, Sustainability and Public Affairs



J.M. Niessen, 1963
Global HR Director



M.T. Puttman, 1963
Managing Director Commerce



M.E. Tettelaar, 1959
Managing Director Operations



R.P.F. van Laerhoven, 1967
CFO
appointment confirmed on 1 August 2017 Focus areas: Finance, ICT, Corporate & Legal Affairs, Energy Efficiency, Auditing



J.L. de Rooij, 1967
Agro Director



G. ten Bolscher, 1968
Managing Director Innovations



SUPERVISORY BOARD



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The supervisory board of Avebe consists of nine members, five of whom are members of the cooperative. The supervisory board oversees the management and policy of the cooperative and its subsidiaries. It is also responsible for the remuneration and appointment of board members and approving the budgets. The supervisory board members are appointed by the members' council and it elects a chairman from among its members. In addition to its formal role, the supervisory board also provides solicited and unsolicited advice on the cooperative's policy. The secretary is L. van der Ree.



L. van der Ree, 1975
Secretary
appointed in 2018



M. Folkers-in 't Hout, 1983
Chairperson¹
appointed in 2016



D. Kloosterboer, 1954
Vice-chair
appointed in 2018



J.W. Hoekman²



K.A. de Graaf, 1967
appointed in 2008



R.P. Smith, 1960
appointed in 2018



H.W. Giere, 1959
Vice-chair
appointed in 2014



J. Emmens, 1969
appointed in 2015



M. Möllering, 1964
appointed in 2016



P. Poortinga, 1961
appointed in 2013



M. Veenendaal, 1956
appointed in 2012

¹ appointed as chairperson on 1 November 2018.

² stepped down as chairman on 1 November 2018 and resigned as a member of the supervisory board on 13 December 2018.



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DISTRICT COUNCILS

NORTH

G.J. Laarman, chair
S. Wieringa, vice-chair
D.D. Bouwman
E.H. Emmens²
H.J. Hoiting
A.H. Houwing
C. Kamphuis
H. van Rhee¹
J. Smant
S.P. Spanninga
H.J. Takens

EAST

K. Bakker, chair
L. Tammes, vice-chair
H.G. Begeman
D.P.J.R. Beuling
P. Boonman
J. Deuring
H.W. Kaiser
J.R. Kunst
H. Migchels
A.G. de Vries

CENTRAL

J.R. Oosting, chair
R.H. Roosjen, vice-chair
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, chair
J.H. Kersten, vice-chair
P.J. Evenhuis
M.J.H. Koopman
R. Kuper
W.H. Meijerink
D.J. Meinen
B. Michel
A.J. van Roekel
D. Woestenenk

KPW

D. Möller, chair
F. Schröder, vice-chair
C. Basedau
H. Dammann
M. Dralle
O. Glühe
H.G. Harms
B. Kaufmann
H. Saucke
S. Schwedt

WESER-EMS

R. Bruns, chair
B. Specken, vice-chair
C. Kaiser
J. Kruse
G. Lehmkuhl
C. Möller
A. Röttger¹
R. van Werde²

YOUTH COUNCIL

NORTH

H. Kammer, chair
A. Groenwold
A. Vegter

EAST

B. Schuitema
R. Speelman
G.H. Sterenberg

CENTRAL

R. Buitter
J. Kunst
M. Wolf

SOUTH

E. Bakker
W. Katerberg²
J. Klumpers
J. Siebring¹

KPW

M. Hennings
J. Keil
S. Riemer

WESER-EMS

M. Harren³
M. Krüssel
M. Schulte³

¹ stepped down on 14 December 2018.

² effective 14 December 2018.

¹ stepped down prematurely on 13 December 2018.

² effective January 2019.

³ effective September 2018.



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**ALL AMOUNTS ARE GIVEN IN THOUSANDS OF EUROS UNLESS
OTHERWISE STATED.**



CONSOLIDATED BALANCE SHEET

AS AT 31 JULY 2019



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ASSETS	31.7.2019	31.7.2018	Ref
Fixed Assets			
Intangible fixed assets	277	514	2
Tangible fixed assets			3
Land and buildings	35,353	35,475	
Plant and machinery	149,533	159,102	
Other fixed operating assets	9,336	7,639	
Assets under construction	40,951	21,721	
	<u>235,173</u>	<u>223,937</u>	
Financial fixed assets			4
Other participating interests	151	1	
Other loans	1,495	1,227	
	<u>1,646</u>	<u>1,228</u>	
Current assets			
Stocks			5
Starch	35,149	45,834	
Derivatives	73,295	83,763	
By-products	13,444	5,689	
Other products	27,658	21,474	
	<u>149,546</u>	<u>156,760</u>	
Receivables			6
Trade receivables	79,279	75,766	
Other receivables	6,263	7,512	
Prepayments and accrued income	156	19	
	<u>85,698</u>	<u>83,297</u>	
Cash at bank and in hand	1,036	934	7
Total assets	473,376	466,670	



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LIABILITIES	31.7.2019	31.7.2018	Ref
Group equity			8
Equity capital	203,689	203,634	
	<u>203,689</u>	<u>203,634</u>	
Facilities			9
Reorganisation	1,821	3,098	
Deferred taxation	137	223	
Pensions	1,470	1,392	
Others	9,734	9,161	
	<u>13,162</u>	<u>13,874</u>	
Current liabilities			10
Amounts owed to credit institutions	153,747	149,440	
Trade creditors	55,585	54,208	
Debts for pensions	4,278	3,675	
Taxation and social security premiums	967	993	
Other amounts payable	31,119	30,188	11
Accruals and deferred income	10,829	10,658	
	<u>256,525</u>	<u>249,162</u>	
Total liabilities	473,376	466,670	



CONSOLIDATED STATEMENT OF OPERATING INCOME AND EXPENDITURE



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	2018/2019	2017/2018	Ref
Gross turnover	610,588	613,851	12
Direct selling expenses	36,321	37,242	
Net turnover	574,267	576,609	
Movement in stocks of finished goods	-13,398	20,480	
Capitalised production	1,319	1,671	13
Other operating income	9,025	3,477	
	-3,054	25,628	
Total operating income	571,213	602,237	
Raw materials and consumables	312,437	347,685	
Salaries	80,961	81,447	14
Social security charges	26,037	25,242	
Depreciation and other depreciation	34,118	30,710	15
Other operating expenses	106,245	100,566	
Total operating expenses	559,798	585,650	
Operating result	11,415	16,587	
Interest income and similar income	103	116	
Interest charges	-5,357	-7,531	
Balance of expenses	-5,254	-7,415	
Result on ordinary activities before taxation	6,161	9,172	
Taxation	-937	-1,343	16
Cooperative result after taxation	5,224	7,829	



CONSOLIDATED CASH FLOW STATEMENT



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		2018/2019	2017/2018	Ref
Cash flow from operational activities	Cooperative result after tax	5,224	7,829	
	Adjustments for: Depreciation and other devaluations	34,118	30,710	15
Movements in working capital	Changes in stocks	7,214	-21,124	5
	Movement in receivables	-2,401	-8,324	6
	Movement in current liabilities	2,765	5,137	
		7,578	-24,311	
	Allocation to provisions	2,702	1,502	
	Withdrawal from provisions	-3,387	-1,161	
	Movement in provisions	-685	341	9
Gross operating cash flow		46,235	14,569	
Cash flow from investment activities	Investments in fixed assets	-45,389	-54,953	23 4
	Divestments in fixed assets	17	-	
	Other movements in fixed assets	-418	-41	
		-45,790	-54,994	
Net operational cash flow before financing activities		445	-40,425	
Cash flow from financing activities	Final payment to members	-2,883	-2,223	21
	Movements in loans to member-suppliers	-	-134	
	Reimbursement of share premium	-1,521	-1,522	21
	Return on share premium	-529	-620	21
	Share premium received	64	197	
	Others	307	50	
		-4,562	-4,252	21
Net cash flow		-4,117	-44,677	
	Exchange rate and conversion differences	-88	-1,475	
Change in net debt		-4,205	-46,152	
Composition of the net debt				
	Net debt to banks on 1 August	148,506	102,354	
	Movement in net debt	4,205	46,152	
	Net debt to banks on 31 July	152,711	148,506	



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NOTES GENERAL

1 ACCOUNTING PRINCIPLES BASIC OBJECTIVE

OBJECTIVE

The objective of Coöperatie AVEBE UA 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. AVEBE sets out to achieve this objective by processing raw products into starch and other derived products.

BUSINESS ADDRESS, LEGAL FORM AND TRADE REGISTER REGISTRATION NUMBER

Coöperatie AVEBE U.A. has its actual registered office at Prins Hendrikplein 20, 9641 GK in Veendam, the Netherlands and is registered with the trade register under number 02300804.

CONSOLIDATION PRINCIPLES

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 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 96](#) 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.



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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 Cooperative AVEBE U.A.

CONVERSION OF FOREIGN CURRENCY

Assets and liabilities denominated in foreign currency are converted at the prices on the balance sheet date. Transactions denominated 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 statement of operating income and expenditure 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 directors 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 AND RESULT DETERMINATION PRINCIPLES

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 statement of operating income and expenditure 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 executive committee 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.



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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 equity capital 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. The other fixed operating assets are amortized over five years or less, depending on the type of asset. There is no depreciation on tangible fixed assets currently under implementation. 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. Impairment losses expected on the balance sheet date are taken into account. To establish whether there is any impairment on intangible fixed assets, reference is made to the section on impairments.

FINANCIAL FIXED ASSETS

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



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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 measured at fair value less transaction costs (if material). 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. If there is an impairment, it is stated at the realisable value (see the section 'Impairments' below); the impairment is 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 asset, 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 at zero.

A special downward valuation loss is charged directly as a loss to the statement of operating income and expenditure. 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.

In determining the value in use, an estimate is made of the future net cash flows from the continued use of the asset/cash-generating unit; these cash flows are then discounted to their present value using a discount rate. The discount rate does not reflect risks that have already been taken into account in the future cash flows.

For financial instruments the company carries out an assessment on each balance sheet date to establish whether there are any objective indications for impairments on 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 statement of operating income and expenditure.

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



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obsolescence or, if applicable, at a lower net realisable value. The realisable value is the estimated selling price less the directly attributable selling costs. The portion for potatoes included in the integral cost price is the approximate cost price based on the long-term average purchase price of central wheat for which Avebe has made estimates for the average production per hectare and the variable costs. The fixed-cost markup 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. 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 statement of operating income and expenditure 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.

STATUTORY RESERVE

The statutory 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 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.



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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 statement of operating income and expenditure. 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 jubilee provision is recognised at the present value of the expected benefits during the period of employment. The calculation of the provision takes into account, among other things, expected salary increases and the likelihood of staying. For discounting purposes, the market rate of 0.6% for high-grade corporate bonds was used as the discount rate.

The provision for demolition charges is based on the anticipated costs of the planned demolition of buildings and machinery during the next five years. The other provisions are formed for commitments and risks related to the business operations and are shown at their face value.

The provision for sick pay is formed in respect of obligations existing on the balance sheet date to continue to pay salaries in the future to employees who, on the balance sheet date, are expected to be permanently or wholly unable to perform work due to illness or incapacity for work. This provision also includes any severance payments due to these employees. The provision for sick pay is recognised at the present value of the expected salary payments during the period of employment.

ACCRUALS

Accruals 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 accruals are included in the valuation upon being processed for the first time. After being initially processed accruals 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 statement of operating income and expenditure as an interest charge based on the effective interest rate during the estimated term of the debts.



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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 statement of operating income and expenditure over the term of the contract.

DETERMINATION OF RESULTS

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, salaries and wages, 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 78](#) for the valuation principle.

Salaries and wages

Wages, salaries and social security charges are shown in accordance with the employment conditions in the statement of operating income and expenditure 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 statement of operating income and expenditure in the period in which they arise unless hedge accounting is applied.

Depreciation on intangible and tangible fixed assets

Intangible assets including goodwill and tangible fixed assets are amortised from the date they are available for use over the estimated future useful life of the asset. Land and investment property are not amortised. If there is a change in the estimate of the future useful life, the future depreciation is adjusted accordingly. Book profits and losses from the incidental sale of tangible fixed assets are included in depreciation.



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Interest income and charges

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

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 statement of operating income and expenditure, 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 FROM PARTICIPATING INTERESTS

The result is the amount by which the book value of the participation has changed since the previous financial statements in view of the profitability of the holding in so far as this is attributed to Coöperatie AVEBE U.A.

GOVERNMENT SUBSIDIES

Subsidies on investments in tangible fixed assets are deducted from the relevant asset and included as part of the depreciation in the statement of operating income and expenditure.

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 of accounting for changes in the value of derivative financial instruments depends on whether or not hedge accounting is applied with the derivative financial instrument.



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Coöperatie AVEBE U.A. applies 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. The foreign currency risks on a net investment in a foreign operation are hedged, with the exchange rate differences being taken to the reserve for exchange rate differences in the shareholders' equity.

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 net-investment 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 amor-

tised over the term of the contract. The non-effective component of the hedge relationship is accounted for directly in the statement of operating income and expenditure. Option premiums paid are capitalised under trade receivables and are amortised over the term of the option contract. The amortisation costs of the option premium are shown in the statement of operating income and expenditure 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 statement of operating income and expenditure.

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 statement of operating income and expenditure under the financial income and expenditure.

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.



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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

AS AT 31 JULY 2019



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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 as at 31 July 2018	514
Depreciation	-237
Book value as at 31 July 2019	277
Purchase value as at 31 July 2019	4,374

3 Tangible fixed assets

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

	Commercial buildings	Machinery and installations	Other fixed Assets	Operating land instruments	Total
Book value as at 31 July 2018	35,475	159,102	7,639	21,721	223,937
Investments	2,675	19,069	4,408	19,237	45,389
Exchange rate differences	-100	-131	-17	-7	-255
	38,050	178,040	12,030	40,951	269,071
Book value of disinvestments	-26	9	-	-	-17
Permanent impairments	-369	-484	-	-	-853
Depreciation	-2,302	-28,032	-2,694	-	-33,028
	-2,697	-28,507	-2,694	-	-33,898
Book value as at 31 July 2019	35,353	149,533	9,336	40,951	235,173
Purchase value as at 31 July 2019	104,362	656,295	52,272	40,951	853,880

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.



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4 Financial fixed assets

	31.7.2019	31.7.2018
A Other participating interests	151	1
B Other loans	1,495	1,227
	1,646	1,228

Movements of these items are as follows:

	A	B	Total
Book value as at 31 July 2018	1	1,227	1,228
Capital contribution	150	-	150
Loans granted	-	225	225
Interest	-	43	43
Book value as at 31 July 2019	151	1,495	1,646

The capital contribution relates to the acquired JoinData U.A. shares (7.14%). The other loans relate to mortgages issued to JoinData U.A. and the previously issued mortgages related to sale of land for the building of solar parks. The term of the loan to JoinData U.A. is 7.5 years. The interest rate is 3.25%.

The other loans include a mortgage loan. The term of the mortgage loan is twenty 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%.

5 Stocks

The stocks valued at a lower realisable value had a book value of EUR 6.3 million on the balance sheet date. The provision on stocks is EUR 8.5 million (previous year EUR 7.6 million). The supply relates to products made as a pilot product, products that do not meet the prescribed product requirements or products that are supplied on the basis of the age of the product.

6 Receivables

All receivables have a remaining term of less than one year. A provision for bad debt has been deducted from the trade receivables in the amount of EUR 4.7 million (previous year EUR 4.4 million). 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.



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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 Coöperatie AVEBE U.A.

Group equity

8 **Equity capital**

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	Taxation- deferrals	Pensions	Other	Total
Position as at 31 July 2018	3,098	223	1,392	9,161	13,874
Movements charged to the profit and loss account	1,157	-59	78	1,526	2,702
Withdrawals	-2,434	-	-	-953	-3,387
Exchange rate differences	-	-27	-	-	-27
Position as at 31 July 2019	1,821	137	1,470	9,734	13,162

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

Pension commitments

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 2018 was 117.3% (the policy funding level is 121.6%).

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 1.2 million (last year EUR 1.4 million).



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Other provisions

The other provisions are specified as follows:

	Anniversary, payments	Demolition and asbestos costs	Total
Position as at 31 July 2018	3,958	5,203	9,161
Movements charged to the profit and loss account	1,629	-103	1,526
Withdrawals	-508	-445	-953
Balance as at 31 July 2019	5,079	4,655	9,734

The anniversary benefits are governed by the internal regulations.

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 are

	31.7.2019	31.7.2018
Debts to credit institutions	153,747	149,440

In 2016 Coöperatie AVEBE U.A. took out a 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 credit facility can be broken down 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.

Current liabilities that are interest-bearing have a remaining term of less than one year. The fair value of the current liabilities approaches the book value owing to their short-term character.



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11 Other debts

This item includes a debt to members of EUR 5.2 million (previous year EUR 5.0 million). The debt to members item is made up as follows:

	31.7.2019	31.7.2018
Final payment to members	3,174	2,883
Return on premium	529	620
Share premium repaid	1,521	1,522
Repayment on depositary receipts	14	14
	5,238	5,039

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

The other debts item includes an interest item of EUR 3,717 in connection with the settlement of two interest rate swaps. This is a liability item with a term of 2.5 years.

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 59.6 million euros, 9.9 million of which matures within one year. A sum of EUR 31.2 million which matures within five years and a sum of EUR 18.5 million which matures after more than five years. The amounts included in the 2018/2019 profit and loss account for lease and rental agreements amount to EUR 9.3 million.

Guarantees have been issued for 0.9 million euros.

Coöperatie AVEBE has entered into commitments in the amount of EUR 6.5 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 mill) in bills of exchange had not yet been collected. These bills of exchange are still subject to interest commitments.

Assets not shown in the balance sheet

In 2008 Coöperatie AVEBE U.A. was allocated, free of charge, a certain number of emission rights concerning the annual carbon emission. These emission rights are freely negotiable. The actual emission and the emission rights obtained are reviewed retrospectively each year. If the actual emissions exceed the obtained emission rights, purchase and penalty clauses apply. 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.



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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.

	notional market amount	value
Forward exchange contracts	11,064	135
Currency call options	51,459	379
Interest Rate Swaps	135,000	-6,378
Floor, effective date 2.1.2019	135,000	1,675

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 2019 are entirely effective, no fair value changes are shown in the statement of operating income and expenditure.



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NOTES TO THE CONSOLIDATED STATEMENT OF OPERATING INCOME AND EXPENDITURE

12 Gross turnover

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

	2018/2019	2017/2018
Starch	155,938	149,567
Derivatives	393,877	389,966
By-products	60,773	74,318
	610,588	613,851

Gross turnover includes a currency result of minus EUR 741.

Breakdown of gross turnover by geographical regions:

	2018/2019	2017/2018
European Union	52%	52%
Rest of Europe	2%	2%
Rest of the world	46%	46%
	100%	100%

13 Other operating income

The other operating income item in the company statement of operating income and expenditure is made up as follows:

	2018/2019	2017/2018
Result on assets sold	1,172	17
Commissions, seed potatoes and other	7,853	3,460
	9,025	3,477

14 Personnel

The average number of people employed during the financial year averaged 1,313 (previous year 1,326). Of this number, 293 (previous year 295) working outside of the Netherlands. The social security charges include EUR 13,117 (previous year EUR 13,004) in pension charges. The average number of employees can be broken down according to the establishment at Coöperatie AVEBE U.A. as follows.

	2018/2019	2017/2018
Operations	1,038	1,054
Commerce	61	67
Group	214	205
	1,313	1,326



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15 Depreciation and other impairments

This item in the consolidated statement of operating income and expenditure comprises the following components:

	2018/2019	2017/2018
Depreciation tangible fixed assets	33,028	30,017
Permanent impairments	853	344
Depreciation intangible fixed assets	237	349
	34,118	30,710

Independent auditor's fee

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

	2018/2019	2017/2018
Audit of the financial statements	318	246
Other audit services	26	31
Non-audit services	3	9
	347	286

The above fees relate to the work carried out at Coöperatie AVEBE U.A. and the companies included in the consolidation by audit firms and external auditors as referred to in Section 1(1) of the Dutch Accounting Firms (Supervision) Act (*Wet toezicht accountantsorganisaties*) and the fees charged by the entire network to which the audit firm belongs. These fees relate to the auditing of the annual accounts for the financial year 2018/2019, regardless of whether the work was already carried out during the financial year.

16 Taxation

The corporation tax burden of EUR 0.9 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 62.3 million, previous year EUR 62.9 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 (15%) is different from the nominal tax rate (25-35%).



COMPANY BALANCE SHEET AS AT 31 JULY 2019

(FOLLOWING PROPOSED PROFIT APPROPRIATION)



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ASSETS	31.7.2019	31.7.2018	Ref
Fixed Assets			
Intangible fixed assets	277	483	17
Tangible fixed assets			18
Land and buildings	23,657	23,972	
Plant and machinery	89,326	96,889	
Other fixed operating assets	7,334	5,318	
Assets under construction	39,247	18,218	
	159,564	144,397	
Financial fixed assets			19
Participating interests in group companies	134,953	136,269	
Other participating interests	150	-	
Receivables from group companies	69,299	39,155	
Other loans	1,482	1,215	
	205,884	176,639	
Current assets			
Stocks			
Starch	26,544	34,327	
Derivatives	65,158	74,182	
Other by-products	6,135	3,530	
Other products	25,367	18,157	
	123,204	130,196	
Receivables			20
Trade receivables	68,001	63,334	
Other receivables	3,293	1,500	
Prepayments and accrued income	154	17	
	71,448	64,851	
Cash at bank and in hand	290	158	
Total assets	560,667	516,724	



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LIABILITIES	31.7.2019	31.7.2018	Ref
Equity capital			21
Share capital	23,030	23,030	
Share premium	25,932	27,390	
Other reserves	154,727	153,214	
	203,689	203,634	
Facilities			22
Reorganisation	1,821	3,098	
Others	9,357	8,791	
	11,178	11,889	
Current liabilities			
Debts to credit institutions	154,314	191,323	
Trade creditors	47,552	46,572	
Group companies	100,881	21,527	
Debts for pensions	3,827	3,167	
Taxation and social security premiums	874	1,507	
Other amounts payable	28,277	27,359	23
Accruals and deferred income	10,075	9,746	
	345,800	301,201	
Total liabilities	560,667	516,724	



COMPANY STATEMENT OF OPERATING INCOME AND EXPENDITURE



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	2018/2019	2017/2018	Ref
Gross turnover	587,560	591,289	24
Direct selling expenses	45,859	47,184	
Net turnover	541,701	544,105	
Movement in stocks of finished goods	-14,200	16,768	
Capitalised production	1,319	1,492	
Other operating income	6,382	472	
	-6,499	18,732	
Total operating income	535,202	562,837	
Raw materials and consumables	336,178	369,048	
Salaries	62,798	63,366	25
Social security charges	21,133	20,121	
Depreciation and other depreciation	23,307	23,434	26
Other operating expenses	81,304	73,766	
Total operating expenses	524,720	549,735	
Operating result	10,482	13,102	
Interest income and similar income	445	370	
Interest charges	-5,369	-7,527	
Balance of expenses	-4,924	-7,157	
Result on ordinary activities before taxation	5,558	5,945	
Taxation	-1	-2	27
Result participating interests	-333	1,886	
Cooperative result after taxation	5,224	7,829	



NOTES TO THE COMPANY BALANCE SHEET

AS AT 31 JULY 2019



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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 74](#) 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 as at 31 July 2018	483
Depreciation	-206
Book value as at 31 July 2019	277

Purchase value as at 31 July 2019	4,374
-----------------------------------	-------

18 Tangible fixed assets

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

	Commercial buildings	Machinery and installations	Other fixed Assets	Operating land instruments	Total
Book value as at 31 July 2018	23,972	96,889	5,318	18,218	144,397
Investments	1,758	11,550	3,949	21,029	38,286
	25,730	108,439	9,267	39,247	182,683
Book value of disposals	-26	8	-	-	-18
Permanent impairments	-369	-484	-	-	-853
Depreciation	-1,678	-18,637	-1,933	-	-22,248
	-2,073	-19,113	-1,933	-	-23,119
Book value as at 31 July 2019	23,657	89,326	7,334	39,247	159,564
Purchase value as at 31 July 2019	65,108	451,114	36,691	39,247	592,160



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19 Financial fixed assets

	31.7.2019	31.7.2018
A Participating interests in group companies	134,953	136,269
B Other participating interests	150	-
C Receivables from group companies	69,299	39,155
D Other loans	1,482	1,215
	205,884	176,639

Movements of these items are as follows:

	A	B	C	D
Book value as at 31 July 2018	136,269	-	39,155	1,215
Capital contribution	-	150	-	-
Loans granted	-	-	36,381	225
Share in net result after taxation	-333	-	-	-
Dividend received	-5,989	-	-	-
Exchange rate differences	-351	-	-	-
Value adjustment	5,357	-	-6,237	-
Interest	-	-	-	42
Book value as at 31 July 2019	134,953	150	69,299	1,482

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

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

	Holding in %
A.B Stadex	Malmö 100.00
Avebe America Inc.	Princeton (actually Cranbury) 100.00
Avebe Asia Pacific Holding B.V.	Veendam 100.00
Avebe European Sales Centre GmbH	Meerbusch 100.00
Avebe (Far East) PTE Ltd.	Singapore 100.00
Avebe Food Investments B.V.	Veendam 100.00
Avebe France S.A.	Evry 100.00
Avebe (Shanghai) Co Ltd	Shanghai 100.00
Avebe Italia S.r.l.	Milan 100.00
Avebe Japan Co. Ltd.	Yokohama 100.00
Avebe Kartoffelstärkefabrik Prignitz/Wendland GmbH	Dallmin 100.00
Avebe Nederland B.V.	Veendam 100.00
Avebe Nisasta Sanayii ve Ticaret Limited Sirketi	Izmir 100.00
Avebe North America Inc.	Dover (actually Cranbury) 100.00
Avebe S.A.	Barcelona 100.00
Avebe UK Ltd.	Goxhill 100.00
Averis Saatzucht GmbH	Visbek 100.00
Averis Seeds B.V.	Veendam 100.00
B.V. Livadia	Veendam 100.00
GFL Anlagen KG	Lüchow 100.00
GFL mbH	Lüchow 100.00
Solanic B.V.	Veendam 100.00
JoinData U.A.	Amersfoort 7.14



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20 Receivables

All receivables have a term of less than one year.

21 Equity capital

Share capital

	number of shares	
Position as at 31 July 2018	101,455	23,030
Correction for cancelled shares	-	-
Position as at 31 July 2019	101,455	23,030

During the financial year 5,568 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 506 shares under its own management.

Share premium reserve

Position as at 31 July 2018	27,390
Received upon transfer of shares	63
Repayment from proposed profit appropriation 2018/2019	-1,521
Position as at 31 July 2019	25,932

The share premium comprises two components: A free share (EUR 19.8 million, previous year EUR 19.8 million) and a share that is related to the issued shares (EUR 6.1 million, previous year EUR 7.6 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%.



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Statutory reserves

Position as at 31 July 2018	-
Exchange rate result hedging financial fixed assets	36
Conversion differences foreign group companies	-351
Transfer from other reserves	315
Position as at 31 July 2019	

Other reserves

Position as at 31 July 2018	153,214
Transfer to statutory reserve	-315
Cooperative Result 2018/2019	5,224
Return on share premium	-529
Final payment to members 2018/2019	-3,174
	1,521
Payment reserved for the surrender of shares to the cooperative and other	307
Position as at 31 July 2019	154,727

The balance of the statutory reserve conversion differences in the other reserves is minus EUR 13,840.
(prev. yr. negative EUR 13,649)

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
Position as at 31 July 2018	3,098	8,791	11,889
Movements charged to the profit and loss account	1,157	1,519	2,676
Withdrawals	-2,434	-953	-3,387
Position as at 31 July 2019	1,821	9,357	11,178

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

Other provisions

The other provisions are specified as follows:

	Anniversary payments	Demolition and asbestos costs	Total
Position as at 31 July 2018	3,655	5,136	8,791
Movements charged to the profit and loss account	1,622	-103	1,519
Withdrawals	-508	-445	-953
Position as at 31 July 2019	4,769	4,588	9,357

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



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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.

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 0.9 million. Of the issued guarantees, EUR 0.5 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 relating to operational lease and rental agreements amount to 53.4 million euros, 8.9 million of which matures within one year. For EUR 15.4 million the term is longer than five years.

The remaining amount of EUR 29.1 million matures within five years.

Coöperatie AVEBE has entered into commitments in the amount of EUR 6.5 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.

Assets not shown 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 CO₂. 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.



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NOTES TO THE COMPANY STATEMENT OF OPERATING INCOME AND EXPENDITURE

24 Gross turnover

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

	2018/2019	2017/2018
Starch	152,258	148,872
Derivatives	374,906	368,353
By-products	60,396	74,064
	587,560	591,289

Gross turnover includes a currency result of minus EUR 741.

Breakdown of gross turnover by geographical regions:

	2018/2019	2017/2018
European Union	54%	54%
Rest of Europe	2%	2%
Rest of the world	44%	44%
	100%	100%

25 Personnel

The average number of people employed during the financial year averaged 996 (previous year 1,009). The number of employees at year-end was 974 (previous year 993). None of these employees work abroad. The social security charges include EUR 11,843 (previous year EUR 11,533) in pension charges. The average number of employees can be broken down according to the establishment at Coöperatie AVEBE U.A. as follows.

	2018/2019	2017/2018
Operations	738	756
Commerce	44	48
Group	214	205
	996	1,009

26 Depreciation and other impairments

This item in the individual statement of operating income and expenditure comprises the following components:

	2018/2019	2017/2018
Depreciation tangible fixed assets	22,248	22,864
Permanent impairments	853	344
Depreciation intangible fixed assets	206	226
	23,307	23,434



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27 Taxation

The corporation tax burden of EUR 1 charged to the result is the balance of setoffs within the tax entity. The remaining offsettable losses and the temporary differences (totalling EUR 62.3 million, previous year EUR 62.9 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 2018/2019 to EUR 1,145 (previous year EUR 1,516). Remuneration for the Supervisory board amounted to EUR 295 (previous year EUR 259).

Distribution of results

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 premium in accordance with contract	529
Final payment members 2018/2019	1,878
Additional payment members	1,296
Addition to other reserves	1,521
	5,224

The proposed profit appropriation has been incorporated in the 2018/2019 annual accounts. The addition to the other reserves is intended for the repayment of the share premium. See 'Other information' on [page 102](#).



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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 2019. This repayment of EUR 1,521 has been incorporated in the 2018/2019 financial statements.



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INDEPENDENT AUDITOR'S REPORT

To the board of directors and the supervisory board of Coöperatie AVEBE U.A.

REPORT ON THE FINANCIAL STATEMENTS 2018/2019

OUR OPINION

In our opinion, the financial statements of Coöperatie AVEBE U.A. ('the Cooperative') give a true and fair view of the financial position of the Cooperative and the Group (the cooperative together with its subsidiaries) as at 31 July 2019, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

WHAT WE HAVE AUDITED

We have audited the accompanying financial statements 2018/2019 of Coöperatie AVEBE U.A., Veendam. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The financial statements comprise:

- the consolidated and company balance sheet as at 31 July 2019;
- the consolidated and company statement of operating income and expenditure for the year then ended; and
- the notes, comprising the accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

THE BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of Coöperatie AVEBE U.A. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).



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REPORT ON THE OTHER INFORMATION INCLUDED IN THE INTEGRATED ANNUAL REPORT 2018/2019

In addition to the financial statements and our auditor's report thereon, the integrated annual report 2018/2019 contains other information that consists of:

- Shared value;
- Our focus;
- Our results and ambitions;
- Governance and Assurance;
- The other information pursuant to Part 9 of Book 2 of the Dutch Civil Code; and
- Annexes consisting of:
 - Social materiality analysis;
 - Stakeholder dialogue and cooperation;
 - Comprehensive social and environmental key figures;
 - About the report; and
 - GRI Table.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS

The board of directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the Cooperatives' ability to continue as a going concern. Based on the financial reporting framework mentioned, the board of directors should prepare the financial statements using the going-concern basis of accounting unless the board of directors either intends to liquidate the Cooperative or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the Cooperatives' ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Cooperatives' financial reporting process.



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OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Zwolle, 31 October 2019

PricewaterhouseCoopers Accountants N.V.

Original has been signed by M.E. Zeephat RA



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- **SOCIAL MATERIALITY ANALYSIS**
- **STAKEHOLDER DIALOGUE AND COOPERATION**
- **COMPREHENSIVE SOCIAL AND ENVIRONMENTAL KEY FIGURES**
- **ABOUT THE REPORT**
- **GRI TABLE**



APPENDIX 1

SOCIAL MATERIALITY ANALYSIS



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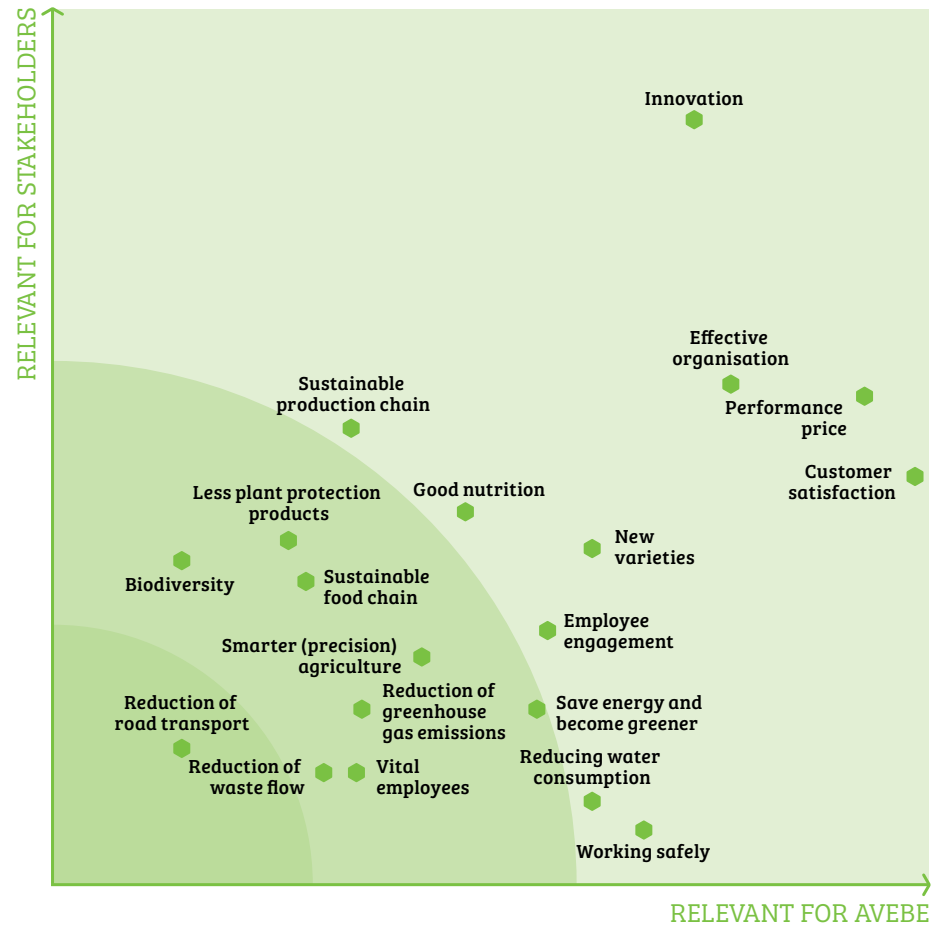
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Which topics are most relevant to Avebe? In the run-up to the new strategy, we discussed this with many internal and external stakeholders. This gave us an insight into the trends in society, the expectations that stakeholders have of Avebe and what our members and colleagues find relevant. To identify the specific information requirements for the report, we also carried out a materiality analysis in 2019.

Thirty colleagues from various departments (executive committee, Agro, Commerce, Operations, HR, etc.) gave their input via an online survey. Twelve external stakeholders (including growers, customers, supervisory board, NGO, one local resident, scientists) also indicated their priorities in an online survey. We also entered into discussions with five stakeholders to take their views on Avebe into account.

The subjects that have been identified as priorities in the analysis largely form the focal point of this integrated annual report. The higher the subject on the vertical axis, the more relevant it is to external stakeholders. The further to the right on the horizontal axis, the more relevant it is to Avebe's business success.





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Pillars

1 | HEADING FOR MORE VALUE



Material topics

Performance price

Deliver the highest possible price to members of the cooperative. This is always at the forefront of the decisions we make.

2 | GROWTH IN GOOD NUTRITION



Innovation

Product innovation focuses on more value, particularly in the food market, and on good nutrition.

Good nutrition

To promote a healthy and environmentally friendly lifestyle with plant-based food ingredients.

3 | MARKET-ORIENTED SUSTAINABLE POTATO GROWING



New varieties

The development of potato varieties that are more productive and more resistant to disease and drought.

Sustainable production chain

The use of sustainable fertilizers and crop protection methods, cycles and precision technologies in potato cultivation and optimisation of the yield per hectare.

4 | REDUCING THE ECOLOGICAL FOOTPRINT



Sustainable production chain

Improving our production processes by focusing on energy saving and greening, reducing water consumption and reducing waste flows such as tare and sludge.

5 | COOPERATION FOR THE CUSTOMER



Customer satisfaction

When all of us within Avebe - from grower to sales employee - put the customer at the heart of our operations, we will be successful. We do this by means of key account management, among other things, and by entering into long-term cooperation projects with customers.

Employee engagement

Working together and looking beyond the boundaries of your own field of expertise is an important starting point.

Enthusiastic and vital employees are essential in this respect and we pay attention to this in various ways. Employees also continue to learn and develop themselves.

Working safely

Work safely or don't work at all! We do this by offering safe working conditions within our own organisation.

Effective organisation

Achieving more value for all stakeholders through better cooperation. Cross-functional working between departments, optimising innovation processes and efficient production are central to this.



ANNEX 2 STAKEHOLDER DIALOGUE AND COOPERATION



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An ongoing dialogue with all stakeholders is one of Avebe's most important pillars for a successful cooperative. We set out to enter into durable and transparent relationships with parties interested in and/or important to Avebe. Support, mutual respect, transparency and reliability are vital aspects of this.

Stakeholder Group	Method of contact	Subject of discussion
Members	The members' council meets twice a year. With its Optimeel programme, Avebe facilitates knowledge sessions and demonstrations and organises annual starch potato days.	Subjects include the extreme drought in 2018, the Binding and Building 2.0 strategy and the financial results. New varieties, crop registration, trends and developments for optimal cultivation were also discussed.
Customers	In addition to the regular contact that our account managers maintain with customers, customers also regularly visit the Avebe Innovation Center.	The focus was on demonstrating new developments and cooperation on optimal product applications.
Sounding board group Including growers, scientists, politicians and administrators.	In 2018/2019, the sounding board group met four times. Since 2003, Avebe has been reflecting on its policy and strategy in relation to trends and developments in the market, society and politics.	The main themes were: the climate tables, the energy transition, the European elections of 2019 and the trend 'from country to customer'.
Knowledge institutions <i>These include the East Groningen Innovation Hub, Wageningen University & Research, the University of Groningen and Hanze University of Applied Sciences in Groningen.</i>	Avebe has various collaborations to promote knowledge exchange, as well as research projects with students and offers internships.	We organise a Student Challenge with the theme: Design the factory of the future! We have concluded an agreement with Hanze University of Applied Sciences Groningen with the aim of increasing social welfare in the northern region.
Water boards	We organised a visit for water board candidates to the location Gasselternijveen.	Social trends and developments and our strategic themes as input for the development of the Binding and Construction 2.0 strategy.



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Stakeholder Group	Method of contact	Subject of discussion
Social organisations <i>Including the World Nature Fund and the Agricultural Nature Association East Groningen.</i>	We had face-to-face talks and consulted them for the social materiality analysis.	The focus was on demonstrating new developments and cooperating for optimal product applications.
Neighbours	There are people who can experience nuisance from our activities living near each of our six factories. The frequency and structure of the consultations depends on the subjects.	We explain Avebe's strategy and developments. We also discuss themes such as malodour, noise and traffic. If there are any complaints, we look for a solution. In 2018/2019 there were more than 25 complaints (mainly about noise). We take immediate measures to tackle the source of noise nuisance (such as moving an alarm or lubricating fan parts).
Green Deal <i>Green Deal with the Province of Drenthe</i>	Avebe and the province of Drenthe sign the first Green Deal in Drenthe.	Rapid permit granting and subsidy for energy saving projects.
Industry associations	Avebe takes an active part in the boards and working groups of sector organisations.	Themes on the agenda include: agricultural policy, climate agreement, biodiversity, transition to a bio-based economy and protein transition. We keep up with trends in the sector and stand up for our interests and those of our growers.
Transporters	Avebe organises annual training courses for transporters at various locations.	Discussing and setting requirements, e.g. with regard to fuel consumption (at least Euro 5). Together with transport companies, we look for sustainable solutions. For the transporters of potatoes from the farmer to the factory, we are looking into the possibility of a pilot for hydrogen trucks. The reduction of kilometres is the focus of attention for internal transport between the production and storage locations. Last year, we spoke to an organisation that aims to make the shipping industry more sustainable on behalf of shippers for transport to customers.
Stakeholder consultation <i>NGOs, municipalities, cooperation parties, knowledge institutions, customers and politicians take part.</i>	To test our strategy, we intend to involve a varied group of stakeholders each year and to use this as a sounding board. This year, they were involved in the materiality analysis and five individual interviews were held.	The materiality analysis and interviews covered a wide range of people, planet and profit topics in order to test the opinions of stakeholders. This is how we stay abreast of what is going on in society and quickly identify trends and risks in order to respond to them.



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CHAIN TRANSPARENCY

Binding sustainability is also about chain responsibility and transparency: showing who you are and what you stand for.

- Through the Supplier Ethical Data Exchange (Sedex) registration system, we share our corporate social responsibility activities with our customers. To this end, we participate in an audit every four years.
- We have been benchmarked against the Farm Sustainability Assessment (FSA). This is a global standard of the Sustainable Agriculture Initiative (SAI). Our cultivation optimisation programme Optimeel, an Avebe system in which growers measure and report on sustainability criteria, has been compared with this standard. An independent party (CLM) concluded that Optimeel, in combination with Dutch legislation and delivery conditions, is equal to the silver FSA level.
- We validate our sustainability performance against the EcoVadis standard and score silver status.
- We are committed to the Multiannual Energy Efficiency Agreement (MEE covenant) and report to the Netherlands Enterprise Board (Rijksdienst voor Ondernemend Nederland).

INDUSTRY ASSOCIATIONS

- Association for Energy, Environment and Water (VEMW)
- Association for the Dutch Chemical Industry (VNCI)
- Dutch Food Industry Federation (FNLI)
- Arable farming sector organisation (BO Arable farming)
- Association of Dutch starch manufacturers (VNZ)
- Nutrient Platform EN
- Consultation Group Producers of Wet Feedingstuffs (OPNV)
- Biogas Industry Organisation (BBO)
- Starch Europe
- Biobased Circular Business Platform (BCB)



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BUILDING ON A POSITIVE IMPACT ON OUR SURROUNDINGS

We at Avebe are building on having a positive impact on our surroundings. This is in line with our ambition to take the next step towards adding value. Avebe supports a number of projects that work on vitality, health, sports and welfare or sustainability.

BOERENROCKFESTIVAL

One of the projects supported by Avebe is the **Boerenrockfestival** (Farmers Rock Festival), which is held annually on the site behind the production location in Gasselternijveen. The **Boerenrockfestival** attracts around 35,000 visitors from various countries. During this event, there's not only music from various local music bands, but there are also sports activities for the young visitors.

MOONLIGHT WALK VEENDAM

The Moonlight Walk Veendam is another big event that's not only fun, but also sporty. A six-kilometre hike through Veendam for a good cause. During this moonlight walk there's plenty to see and do. There are various choirs and spectacular acts. The walkers are also challenged to dress up in various eye-catching ways. The proceeds of the trip are going to the project **Muziek voor ouderen, uit en thuis** (Music for the elderly, home and away).

VILLAGE COOPERATIVE DE BRUG

As well as fun and sporting events, Avebe also supports projects that continuously add value to society. One of these projects is 'In 't veen sta je niet alleen' (In the peat there are people to meet) of the De Brug village cooperative in Gasselternijveen. This project plans activities to provide company for lonely elderly people and to give them a nice day. Volunteers work hard every week to get older people to come out of their shells and dispel the loneliness. Not only do they organise coffee mornings, they also make vegetable allotments and organise bigger activities such as the 'Walk & Talk'.

PASSION IN TECHNOLOGY

Another project Avebe contributes to is 'Passion in Technology'. This is a regional project of Winkler Prins, Dr. Aletta Jacobs College, Noorderpoort and Alfa-college, where a continuous technological-learning path is being set up. The aim of this project is to give technical education a quality boost. As well as a financial contribution, Avebe also supports the 'Passion in Technology' project by giving guest lectures. The financial contribution is invested in new teaching resources.



ANNEX 3 COMPREHENSIVE SOCIAL AND ENVIRONMENTAL KEY FIGURES



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NUMBER OF EMPLOYEES

Figures are based on head count with the reference date 31 July 2019 and include externals and trainees.

2018/2019	The Netherlands	Germany ¹	Sweden ¹	Others ¹	Total
Number of employees	1,156	127	74	67	1,424
% Fulltime employees	70%	-	-	-	-
Employee gender					
% Male	84%	76%	84%	45%	81%
% Female	16%	24%	16%	55%	19%
Number of employees with a permanent contract					
% Male	84%	-	-	-	-
% Female	16%	-	-	-	-
Number of employees with a fixed-term contract					
% Male	77%	-	-	-	-
% Female	23%	-	-	-	-
% of total agency workers	13%	-	3.9%	-	-
% of employees covered by collective agreement	67%	99%	100%	-	-

¹ Detailed information for Germany, Sweden and the other sales offices is not yet available due to different HR systems. We aim to report on this for all locations next year.





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ENERGY CONSUMPTION AND SHARE OF RENEWABLE ENERGY

	Total energy consumption ¹		Energy consumption per tonne of product ¹		Difference in energy consumption per tonne of product compared to last year	Share renewable energy ¹
	Electricity (MWh)	Gas (MWh, HHV)	Electricity (MWh/tonne)	Gas (MWh/tonne)		
2018/2019	224,659	729,734	0.28	0.92	+8% ²	8%
2017/2018	277,863	926,179	0.26	0.85	+0.2%	7%
2016/2017	254,510	855,220	0.25	0.85	-	7%

¹ The scope operated is the six production locations of Avebe (3 in the Netherlands, 2 in Germany, 1 in Sweden), including their water purification, excluding the third parties (other companies on the site), excluding the electricity generated by the combined heat and power plants (CHPs) and associated additional gas consumption.

² Sharp increase due to extremely short campaign. Although the total energy consumption was lower than in previous years, the smaller harvest results in higher relative consumption per tonne.

GREENHOUSE GAS EMISSIONS

	Total greenhouse gas emissions ¹	Greenhouse gas emissions per tonne of product ¹	Difference in greenhouse gas emissions per tonne of product compared to last year
	2018/2019	179,244	0.23
2017/2018	230,291	0.21	+3%
2016/2017	207,522	0.21	-

¹ This includes indirect emissions from the production of the consumed electricity, but excludes carbon emissions for exported electricity (produced by the combined heat and power plants). The emission factor for Guarantees of Origin for green electricity has been set at 0.

² Sharp increase due to extremely short campaign. Although total greenhouse gas emissions were lower than in previous years, the smaller harvest results in higher relative emissions per tonne.

WATER CONSUMPTION

	Total water consumption (m3)	Water consumption in litres per tonne of potatoes processed ¹	Difference in water consumption per tonne of potatoes processed compared to last year
	2018/2019	19,511,240	11,143
2017/2018	20,494,091	8,096	-10%
2016/2017	19,511,750	9,000	-

¹ Surface water, spring water, drinking water. Process water and demineralised water are made from the first three.

² Sharp increase due to extremely short campaign. Although the total water consumption is comparable to previous years, the smaller harvest results in a higher relative water consumption per tonne.



ANNEX 4

ABOUT THIS REPORT



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This annual report covers financial year 2018/2019, which began on 1 August 2018 and ended on 31 July 2019. Avebe Group reported its financial information annually and is now striving to publish an annual integrated annual report. This report was adopted by the members' council at the members' council meeting on 12 December 2019. The most recent previous annual report (2017/2018) was published on 13 December 2018.

No significant acquisitions or disposals took place during this period. This annual report presents the performance of Avebe Group, the social impact of this performance and the financial results. The scope and delineation of the content are based on the material subjects and on the information needs of stakeholders. Which sustainability topics have been included is determined on the basis of the following criteria:

- Materiality: to what extent do the topics influence the choices of stakeholders?
- Influence of and on Avebe: To what extent can Avebe Group influence the topics or do they influence business success?
- The availability of qualitative or quantitative information.

Unless stated otherwise, the results in this report relate to the activities of Avebe Group as a whole: the growers, factories, head office, sales offices, the Avebe Innovation Center and subsidiary Averis Seeds.

GUIDELINES

This report was drawn up in accordance with the statutory requirements for annual reporting of Book 2, Title 9, Article 391 of the Dutch Civil Code. The report has also been drawn up in accordance with the standards of the Global Reporting Initiative (GRI) and is in line with the GRI Standards level 'core'. To determine the content of the report, a [social materiality analysis](#) was carried out in accordance with the GRI.

EXTERNAL VERIFICATION OF SUSTAINABILITY INFORMATION

The sustainability information has been marginally tested by our accountant PricewaterhouseCoopers (PwC). The aim is to work towards verifying the sustainability of the company in the coming years. Every two years, we check our annual report against the transparency benchmark of the Ministry of Economic Affairs and Climate.



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GRI TABLE 2018/2019



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GRI Standard

Page reference

GRI 101: FOUNDATION 2016

GRI 102: GENERAL DISCLOSURES 2016

ORGANISATIONAL PROFILE

102-1	Name of the organisation.	Cover, p. 1 Editing, design and production 123
102-2	Activities, brands, products and services.	About Avebe, p. 8 and 9
102-3	Location of the head office.	About Avebe, p. 8
102-4	Number of branches and locations.	About Avebe, p. 8
102-5	Ownership structure and legal form.	Editing, design and production, p. 12
102-6	Markets and customers.	About Avebe, p. 8 and 10 The chain, p. 11
102-7	Size of the organisation.	The chain, p. 11
102-8	Information about personnel and other employees	Appendix 3 p. 113. Omission: extensive information is only available for Dutch employees.
102-9	Information on the supply chain.	The chain, p. 11
102-10	Significant changes in the organisation and its supply chain during the reporting period.	About Avebe, p. 10 Appendix 4 p. 115
102-11	Explanation of the precautionary principle.	Creating value, p. 12
102-12	External initiatives that the organisation supports or to which the organisation is affiliated.	Appendix 2 p. 110 and 111
102-13	List of important memberships (such as trade associations and/or national and international interest groups).	Appendix 2 p. 109-110



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Page reference

STRATEGY

102-14 Declaration by the highest decision-maker on the relevance of sustainable development to the organisation and its strategy. Foreword, p. 4

ETHICS AND INTEGRITY

102-16 Description of core values, principles, standards and behavioural norms. Organisational structure, p. 65

GOVERNANCE

102-18 Governance structure: The governance structure of the organisation, including committees under the highest governance body. And the committee responsible for decision-making on economic, environmental and social issues. Organisational structure, p. 64-68

STAKEHOLDER ENGAGEMENT

102-40 List of stakeholder groups involved by the organisation. Appendix 2 p. 109-112

102-41 Percentage of employees covered by a collective bargaining agreement. Appendix 3 p. 113

102-42 Principles for the identification and selection of stakeholders. Appendix 2 p. 109-112

102-43 The method by which stakeholders are engaged, including the frequency with which they are engaged by type and group of stakeholders. Appendix 2 p. 109-112

102-44 Main topics and issues that have emerged from stakeholder consultations and how the organisation has responded to them, including through its reporting. Appendix 2 p. 109-112



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REPORTING PRINCIPLES

102-45	Overview of all companies included in the consolidated financial statements that are not covered by this report.	N/A
102-46	Process for determining the content and specific demarcation of the report and the principles used for this purpose.	Appendix 1 p. 107-108
102-47	Material issues identified during the process of determining the content of the report.	Appendix 1 p. 107-108
102-48	Consequences of any rewording of information provided in a previous report and the reasons for such rewording.	N/A
102-49	Significant changes from previous reporting periods in scope and delineation.	The Avebe Innovation Center was an addition in 2018/2019.
102-50	Period covered by the report.	About this report. Appendix 4 p. 115 1 August 2018 to 31 July 2019
102-51	Date of publication of the most recent previous report.	About this report. Appendix 4 p. 115 13 December 2018
102-52	Reporting cycle.	About this report. Appendix 4 p. 115
102-53	Contact point for questions about the report or its contents.	About this report. Appendix 4 p. 115 communication@avebe.com
102-54	GRI application level.	About this report. Appendix 4 p. 115
102-55	GRI table.	Appendix 5 p. 116-122
102-56	External verification.	Audit opinion of the independent auditor p. 103-105. Appendix 4 p. 115



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GRI Standard	Disclosure	Referral	Omission
PERFORMANCE PRICE			
GRI 103 Management approach 2016	103-1 Explanation of the materiality of the subject and the delineation.	Binding & Building 2.0. p. 18	
	103-2 Management's explanation of the topic and its various aspects.	Towards more value p. 21-23	
	103-3 Management evaluation of the topic.	Towards more value p. 21-23	
GRI 201: Economic performance 2016	201-1 Direct economic value including the performance price to growers.	Towards more value p. 21-23	
INNOVATION			
GRI 103 Management approach 2016	103-1 Explanation of the materiality of the subject and the delineation.	Growth in good nutrition p. 27	
	103-2 Management's explanation of the topic and its various aspects.	Growth in good nutrition p. 27-29	
	103-3 Management evaluation of the topic.	Growth in good nutrition p. 26	
GRI 201: Economic performance 2016	201-1 Growth of profitable turnover.	Omission: this indicator is measured in the next financial year.	
Own indicator	Share of sales of products protected by patents.	Growth in good nutrition p. 27	
GOOD NUTRITION			
GRI 103 Management approach 2016	103-1 Explanation of the materiality of the subject and the delineation.	Growth in good nutrition p. 26-27	
	103-2 Management's explanation of the topic and its various aspects.	Growth in good nutrition p. 26-29	
	103-3 Management evaluation of the topic.	Growth in good nutrition p. 26	
Own indicator	The share of ingredients that is used for plant-based and environmental-ly friendly end products.	Growth in good nutrition p. 26	



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GRI Standard	Disclosure	Referral	Omission
NEW VARIETIES			
GRI 103 Management approach 2016	103-1 Explanation of the materiality of the subject and the delineation.	market-led sustainable potato cultivation p. 33	
	103-2 Management's explanation of the topic and its various aspects.	market-led sustainable potato cultivation p. 32	
	103-3 Management evaluation of the topic.	market-led sustainable potato cultivation p. 31-32	
Own indicator	Percentage of potato starch yield per hectare.	market-led sustainable potato cultivation p. 32	
Indicators	-	-	There is still no KPI for this topic. This will be formulated next year and then we will carry out a baseline measurement for 2019/2020.
SUSTAINABLE PRODUCTION CHAIN			
GRI 103 Management approach 2016	103-1 Explanation of the materiality of the subject and the delineation.	market-led sustainable potato cultivation p. 32-33 Reducing our ecological footprint p. 37	
	103-2 Management's explanation of the topic and its various aspects.	market-led sustainable potato cultivation p. 32-34 Reducing our ecological footprint p. 37-42	
	103-3 Management evaluation of the topic.	Reducing our ecological footprint p. 38-39	
GRI 305: Emissions 2016	305-5 Reduction of greenhouse gases in cultivation per tonne of potatoes.	-	This KPI is not yet being measured. However, the CoolFarmTool has been explored as a method and it is our ambition to make this measurable next year.
	305-5 Reduction of greenhouse gases in production per tonne of product manufactured.	Reducing our ecological footprint p. 38 Appendix 3 p. 114	



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GRI 302: Energy 2016	302-1 Energy consumption within the organisation.	Reducing our ecological footprint p. 39 Appendix 3 p. 114	
	302-3 Energy consumption per tonne of product manufactured.	Appendix 3 p. 114	
	302-4 Reduction of energy consumption.	Appendix 3 p. 114	
GRI 303: Water and residual flows 2018	303-5. Water use	Reducing our ecological footprint p. 39 Appendix 3 p. 114	
CUSTOMER SATISFACTION			
GRI 103 Management approach 2016	103-1 Explanation of the materiality of the subject and the delineation.	Cooperation for the customer, p. 45	
	103-2 Management's explanation of the topic and its various aspects.	Cooperation for the customer, p. 45	
	103-3 Management evaluation of the topic.	Cooperation for the customer, p. 45	
Own indicator	Number of customer complaints.	Cooperation for the customer, p. 45	
EMPLOYEE ENGAGEMENT			
	103-1 Explanation of the materiality of the subject and the delineation.	Cooperation for the customer, p. 48-49	
	103-2 Management's explanation of the topic and its various aspects.	Cooperation for the customer, p. 48-49	
	103-3 Management evaluation of the topic.	Cooperation for the customer, p. 48-49	
Own indicator	Score on biennial employee satisfaction survey.	Cooperation for the customer, p. 48-49	



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WORKING SAFELY

GRI 103 Management approach 2016	103-1 Explanation of the materiality of the subject and the delineation.	Cooperation for the customer, p. 46	
	103-2 Management's explanation of the topic and its various aspects.	Cooperation for the customer, p. 46	
	103-3 Management evaluation of the topic.	Cooperation for the customer, p. 46	
403: Employee health 2018	403-9 Accident frequency index.	Cooperation for the customer, p. 46	

EFFECTIVE ORGANISATION

GRI 103 Management approach 2016	103-1 Explanation of the materiality of the subject and the delineation.	Towards more value p. 24	No indicator or target has yet been set for this. We will firm up this subject once the plans for cross-functional work have taken further shape.
	103-2 Management's explanation of the subject and its various aspects.		
	103-3 Management evaluation of the topic.		

Indicators

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Publication date 12 December 2019

This annual report is a publication of Avebe and is also available in a German and Dutch (PDF) version.

Text: Avebe and Schuttelaar & Partners

Concept and design: Avebe and Schuttelaar & Partners

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