
2016/2017

ANNUAL REPORT





INTRODUCTION

We extract everything to be had!

Coöperatie AVEBE U.A. is a market-oriented cooperative of some 2300 starch potato growers. Since our inception we have been extracting starch and proteins from the potato, but these days we are using innovative methods to also make protein for foods, for example for vegetarian applications. And we haven't finished innovating yet. The potato offers a source of options for even more ingredients.

To us, sustainability means harmony between a company and the environment. We want to achieve optimum returns for our growers not just today, but also tomorrow and in the future. That's why we seek harmony between market orientation, a good income for our growers, a strong financial balance sheet, care for the environment and good employment practice.

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

CONTENTS

INTRODUCTION	3
READING GUIDE	5
KEY FIGURES	7
REVIEW KEY FINANCIAL FIGURES	8
COMPANY PROFILE	10
<i>MISSION, VISION AND GOALS</i>	11
<i>STRATEGY</i>	11
<i>BRANDS</i>	11
REPORT OF THE SUPERVISORY BOARD	12
COMPOSITION OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD	14
COMPOSITION OF THE DISTRICT- AND YOUTH COUNCIL	15
REPORT OF THE BOARD OF DIRECTORS	17
<i>REVIEW OF THE FINANCIAL YEAR AND INVESTING IN THE FUTURE</i>	20
<i>RESEARCH & DEVELOPMENT</i>	25
<i>RISKS & UNCERTAINTIES</i>	26
<i>CSR & SUSTAINABILITY</i>	29
FORECASTS OF THE BOARD OF DIRECTORS	33
FINANCIAL STATEMENTS 2016/2017	
Consolidated balance sheet at 31 July 2017	36
Consolidated profit and loss account	38
Consolidated cash flow statement	39
Notes general	40
Notes to the consolidated balance sheet	48
Notes to the consolidated profit and loss account	53
Balance sheet at 31 July 2017	54
Profit and loss account	56
Notes to the balance sheet	57
Notes to the profit and loss account	62
Other information	63
Contact	66
Publisher's details	67

READING GUIDE

Avebe publishes an annual report to inform its stakeholders about the financial results. This annual report covers the financial year 2016/2017 and is presented for adoption to the Members Council at the Members Council Meeting of 8 December 2017.

Structure

This year we are again publishing two documents in which we explain our annual figures.

The annual report provides a detailed explanation of the financial results of the past financial year and the strategy to a more limited extent. The document is available in three languages: Dutch, German and English.

More background information about the strategy and developments at Avebe is given in our Avebe Magazine. Here, the financial results are also presented but in summarised form so that the reader can see at a glance how we have performed. The magazine is available in four languages: Dutch, German, Swedish and English.

Guidelines

The 2016/2017 annual report was drawn up in accordance with the statutory requirements for annual reporting of Article 391 of Book 2, Title 9 of the Dutch Civil Code. We also test our annual report against the transparency benchmark of the Ministry of Economic Affairs. The annual report for 2014/2015 scored 50 of the 200 points. The annual report for 2015/2016 scored 63 of the 200 points.

Business principles

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

Latest news

The latest information about Avebe is available through our website and social media. Here you will also find the downloads of the magazine, the annual report and the Corporate Governance Code. Follow us on Twitter via the account @Avebe_group and LinkedIn (www.linkedin.com/company/avebe).

KEY FIGURES

2016/2017 2015/2016 2014/2015 2013/2014 2012/2013

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

Gross turnover	588.2	584.6	559.6	579.9	591.1
Net turnover	551.3	548.6	521.1	540.7	550.0
Operating result	14.3	12.7	17.6	15.1	20.0
Interest expenses	7.0	7.0	7.2	7.6	7.3
Cooperative result after taxation	6.3	6.5	11.8	8.3	11.4
Depreciation	30.3	29.0	23.6	25.8	25.2
Investments fixed assets	45.1	30.5	45.3	24.8	41.1
Group equity	202.4	201.4	199.6	195.0	192.3
Loan capital including provisions	211.0	211.6	230.6	200.3	244.0
Balance sheet total	413.4	413.0	430.2	395.3	436.3
Group equity as a % of balance sheet total	49.0%	48.8%	46.4%	49.3%	44.1%
Net cash flow before financing activities	11.6	25.3	-12.7	31.6	-5.3
Net debt	102.5	108.7	127.3	108.8	131.5
Personnel expenses ¹⁾	99.6	98.7	94.7	94.1	91.4
Average number of employees	1,294	1,306	1,314	1,311	1,308
Number of cooperative members	2,310	2,397	2,475	2,479	2,532
Number of shares issued	101,455	101,450	101,450	101,450	101,450
Performance price (EUR/ton) ²⁾	82.16	77.10	78.41	75.07	77.36

¹⁾ Including movements in 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 at a starch percentage of 19% (under water weight of 470 grams).

REVIEW KEY FINANCIAL FIGURES

Positive cooperative result

In financial year 2016/2017 AVEBE achieved a performance price of 82.16 euros per ton of starch potatoes. The financial year was concluded with a cooperative profit of 6.3 million euros.

Performance price

Approximately 97 per cent of the performance price was paid out directly to the members; this was 96 per cent in the previous financial year. The performance price was 77.10 euros per ton.

Through the proposed additional payment a further approx. 1.00 euro per ton of potatoes on fully-subscribed shares will be paid out, taking the pay-out ratio to around 98 per cent.

Financing

Avebe concluded a new financing agreement with its house bankers during the year under review. This agreement has a term of 5 years and will end on 24 November 2021.

Avebe has a line of credit of 220 million euros under this contract. The bank agreements have been slightly modified in such a way that solvency at year-end must be at least 40% and the debt/EBITDA must have a value of less than 4.

Result development

Net turnover rose by about 3 million euros compared to 2015/2016. This increase is the result of a lower volume, sold at higher average prices. The average sales prices for starch and starch derivatives increased by approximately 4 per cent compared to last year. There was an increase in the direct selling costs per ton. The costs of raw products and supplies increased in terms of costs per ton of sold product. This increase can be attributed to a higher payment for the potatoes received and a changed mix of products sold.

The added value - operating income less raw products and supplies - increased by approximately 1.7 million euros compared to the previous year. In relation to net turnover, the added value increased slightly from 43.5 per cent to 43.6 per cent.

Personnel expenses increased from 98.7 million euros in 2015/2016 to 99.6 million euros in 2016/2017. This

increase was caused by changes to the 2016/17 collective labour agreement and a change to the composition of the staff. The depreciation costs increased by 3.8 million euros in the year under review. This increase can be attributed to the operationalisation of the investments made in recent years.

The other operating costs decreased in the financial year from 98.6 million euros to 94.0 million euros. This decrease can be attributed mainly to lower costs directly related to production and lower costs of outsourced work.

These developments resulted in the operating result increasing as a percentage of turnover from 2.3 to 2.6 per cent.

Balance sheet

The balance sheet total increased in the year under review by 0.4 million euros to 413.4 million euros. This increase was caused by the net effect of an increase in the fixed assets and a decrease in stocks, receivables and liquid assets. The increase in the balance sheet total is reflected in a decrease in debts to banks and an increase in the creditor position and equity capital. Equity capital at the end of financial year 2016/2017 was 202.4 million euros compared to 201.4 million euros at year-end 2015/2016. This increase was caused by the addition of the net result for 2016/2017 to the other reserves following adjustment of the proposed profit appropriation and the repayment of some of the related share premium. An explanation of this is given on page 63 of this annual report.

Operating capital decreased by 20 million euros to 118 million euros. This decrease - on balance - in the operating capital can be attributed mainly to lower stocks and higher current liabilities. The interest-bearing liabilities decreased from 110.4 million euros in the previous financial year to 103.5 million at the end of the year under review.



	2016/2017	2015/2016	2014/2015	2013/2014	2012/2013
	In millions of euros				
Net turnover	551.3	548.6	521.1	540.7	550.0
Added value	240.5	238.9	238.7	235.7	222.1
Fixed expenses (salaries, social security charges, depreciation, other operating expenses) ¹⁾	224.0	226.4	219.7	207.7	200.8
Impairments	2.2	-0.2	1.3	12.9	1.3
Operating result	14.3	12.7	17.6	15.1	20.0
Cooperative result after taxation	6.3	6.5	11.8	8.3	11.4
Cash flow					
Net operational cash flow before financing activities	11.6	25.3	-12.7	31.6	-5.3
Profit and loss account ratios (as a percentage of net turnover)					
Added value	43.6%	43.5%	45.8%	43.6%	40.4%
Fixed expenses	40.6%	41.3%	42.4%	40.8%	36.7%
Operating result	2.6%	2.3%	3.4%	2.8%	3.6%
Balance sheet ratios					
Solvency	49.0%	48.8%	46.4%	49.3%	44.1%
Debt/EBITDA	2.2	2.6	3.0	2.1	2.8
Operating capital					
Nominal	118	138	157	155	164
As a percentage of net turnover	21%	25%	30%	29%	30%

¹⁾ Including movements in provisions.

Cash flow

Gross operational cash flow in 2016/2017 was approximately 8.2 million euros higher than in the previous financial year. This can be attributed mainly to the increase in depreciation and the reduction of the operating capital.

Cash flow from investment activities was

approximately 22 million euros higher than in the previous financial year as a result of the higher investments and lower divestments during the financial year.

Net operational cash flow therefore decreased on balance by 13.7 million.

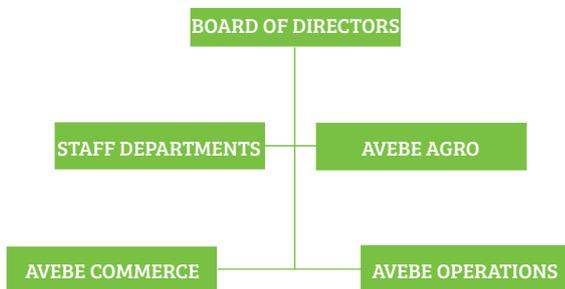
COMPANY PROFILE

Nearly a hundred years old and still bursting with ambition

Avebe started out in 1919 as a “Potato Sales Agency”, with the company arrange the sales for several independent cooperatives. Production was added half-way through the twentieth century, and this was followed by new products: starch derivatives. These are products in which the native starch is treated in such a way that it can be used in a wide variety of end-applications. Avebe has since developed into a multinational that delivers products based on starch potatoes : grown by some 2300 Dutch and German members.

Potato starch remains an important pillar, but we also consider other valuable raw products that the potato offers us. Avebe supplies products based on potato starch and potato protein for use in human food. We also sell applications for paper, construction, textiles, adhesives and animal feed. And we are active throughout the whole supply chain. From the development of new potato types at our cultivation company Averis Seeds B.V., via the production of ingredients based on starch potatoes at our production locations, to the trading of our end products via our worldwide sales offices.

The board of Avebe in the 2016/2017 financial year comprised chairman B.C. Jansen and vice-chairman E. Kraaijenzank, respectively CEO and CFO of Avebe. Mr Kraaijenzank was succeeded on 1 August 2017 by Mr R.P.F. van Laerhoven. The company is structured in staff departments for HR, Finance, Agro, Corporate & Legal Affairs, R&D and the line departments Commerce and Operations. The Supervisory Board oversees the management and policy of the cooperative and its subsidiaries. The Supervisory Board’s responsibilities also include the appointment, dismissal and remuneration of board members and the adoption of the budget. The Members Council, comprising of members elected from each district, gives the members a say on important subjects such as the appointment of the members of the Supervisory Board, the adoption of the financial statements and other decisions on subjects covered by the articles of association. They also take part in discussions on changes to the company.





MISSION, VISION AND GOALS

Avebe is a cooperative of starch potato farmers that concentrates on extracting starch and protein from potatoes. Innovative technologies make sure that we will also be able to extract other valuable constituents from the potato in the near future. Our aim is to guarantee continuity for our members and employees by being sustainable, cost-aware and innovative. We also work on being market-oriented by offering customers the desired mix of quality, reliability of delivery and price.

Our aim is to have our cooperative develop sustainably by:

- offering our members an optimum performance price;
- achieving extra yields of starch potatoes per hectare by optimising the cultivation process;
- being a reliable employer;
- finding the right balance between potato money and the investment budget;
- adding value to all ingredients from the potato.

STRATEGY

Avebe's strategy is aimed at continuity, for today and tomorrow. We have translated this into our "Binding and Building 2018" strategy. Sustainably binding means connecting people, planet and profit 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.

The Sustainable Binding & Building strategy consists of four pillars:

Market orientation

Market orientation means that we ensure that our raw product quantity is geared to the market demand. Moreover, Avebe supplies products that offer our customers added value.

Innovation

Avebe intends to be a solid and future-proof cooperative both now and in the future. For this purpose we critically examine our production processes. What can be done smarter, cleaner and quicker? We also look for ways of increasing our yields while using fewer resources. Growing potatoes more sustainably and developing new varieties with better properties. Product, application and technological innovations also play an important role. We are developing new products and come up with new applications for existing ones.

Sustainability

We strive for continuity and sustainability in the relationship with our members and customers. Within our strategy we have formulated seven goals to ensure that we achieve this ambition. We are saving energy and become more sustainable, work on increasing the harvest yields and have initiated programmes aimed at increasing the vitality and commitment of our employees.

Cost control

Finally, cost control is an important pillar supporting our strategy. 'First Time Right' and avoiding complaints are important starting points that we monitor continuously. We aim for cost price leadership in our basic processes and products.

BRANDS

Avebe produces solutions based on potato starch and proteins for human food, industry and animal feed. We have various brands for this purpose, including Eliane™, Etenia™, Solanic®, Casuacol™, Solvitose™ and Protamylasse™. A complete overview of all of our brands can be found on our website www.avebe.nl/producten.

REPORT OF THE SUPERVISORY BOARD

During the financial year 2016/2017 Avebe was able to obtain good prices for its products. The combination of a successful commercial policy and focus on cost control has resulted in a performance price of well over 82 euros per ton. The highest in its history.

The Supervisory Board is gratified to note this upward trend in the development of the performance price.

We are however well aware of the fact that this is also a precondition for obtaining sufficient raw products in the short and long term. A further rise in the performance price is necessary to ensure that the starch potato growing maintains its stable position in the income of our members.

The chosen strategy “Binding and Bulding” is continuously materializing. The strong focus on the potato as raw material and the shift towards the market for human food has led to a huge innovative drive that affects the entire organisation. The sharper focus on operational affairs such as ‘fewer complaints’ and ‘first time right’ is also bearing fruit.

The cooperation with an American partner agreed during this financial year offers us good opportunities to add more commercial value to our protein strategy by investing in a new factory. Our healthy financial position makes it possible for us to make such investments.

The Supervisory Board realises that the many changes and the sizeable investment projects are asking a lot of the company’s workforce. That underlines the importance of courses, training, vitality and safety. The key to our success is formed by properly qualified and motivated employees.

Personnel changes and committees (Board of Directors and Supervisory Board)

Mr R.P.F. van Laerhoven took over the position of CFO from Mr E. Kraaijenzank on 1 August 2017. Mr Kraaijenzank will be leaving Avebe during the annual meeting in December. He was Avebe’s CFO and vice-chairman of the board for over ten years. His knowledge and experience have been of great value to Avebe. He has made a substantial contribution to the current healthy financial situation and the cooperative’s promising future.

The Supervisory Board is very grateful to him for his contribution.

At the end of financial year 2017 the Supervisory Board had nine members. Six of them are members of the cooperative. Mr M. Möllering, Mr H.L. van Rozendaal and Ms M. Folkers-in ’t Hout joined the Supervisory Board following their appointment during the annual meeting of 19 December 2016.

All three have since followed an intensive inauguration programme. Mr H. Deuling and Mr F. Schepers stepped down during this annual meeting and are not re-electable.

We would like to thank them for their great commitment and constructive contribution to Avebe over a period of many years. Ms M. Veenendaal and Mr K.A. de Graaf stepped down by rotation at this annual meeting and are re-electable. Both were reappointed for a term of four years.

The Supervisory Board has three committees. They are the audit committee, the selection, appointment and remuneration committee and the appeals committee.

The audit committee comprises: K.A. de Graaf (chairman), P. Poortinga, H. Deuling (until 19 December 2016), H.W. Giere (from 14 February 2017) and M. Folkers (from 14 February 2017).

The selection, appointment and remuneration committee comprises: J.W. Hoekman (chairman), M. Veenendaal, F. Schepers (until 19 December 2016), J. Emmens (from 14 February 2017) and H. van Rozendaal (from 14 February 2017).

The appeals committee comprises: H. Deuling (chairman until 19 December 2016), K.A. de Graaf (chairman from 14 February 2017), H.W. Giere, J. Emmens, M. Möllering (from 14 February 2017) and H. van Rozendaal (from 14 February 2017).



Several members of the Supervisory Board followed an appropriate training programme for their personal development and quality assurance purposes. With regards to this quality assurance we will periodically assess the individual performance of each of the Supervisory Board's members. The overall performance of the entire Supervisory Board will also be assessed once every two to three years. We will engage an external expert for this purpose. Further agreements will be made on the basis of the findings. After closing the financial year and shortly before this annual report was adopted, we received the sad news that Mr Van Rozendaal had died after a short illness. We are very grateful to Mr Van Rozendaal for his commitment to our cooperative.

Activities

Six regular meetings were held during the financial year. Many different aspects of the organisation were discussed during these meetings between the Supervisory Board and the Board of Directors. Examples include the personnel policy, financing, commercial policy, investment and innovation projects, energy efficiency, sustainability, agro-related matters and various corporate governance subjects. Thoughts were also exchanged on the key aspects of the update of the strategy.

The Supervisory Board held another two meetings in the spring of 2017 to discuss the investment opportunity referred to above.

In June 2017 the Supervisory Board, the Board of Directors and the Executive Committee exchanged thoughts with the support of an external expert on various aspects of the cooperative's governance. There were two occasions on which a delegation from the Board of Directors (Veenendaal and Hoekman) was present at a consultative meeting with the Works Council. We are pleased to note that the Board of Directors and the Works Council consulted constructively in an open atmosphere. The audit committee met three times during the financial year. The external accountant attended part of all three meetings.

The selection, appointments and remuneration committee spent a lot of time during the year under review on the recruitment of a new CFO and three new supervisory directors. The committee also met once in a formal setting. The appeals committee considered thirty cases this year: twenty-six in the NL/WE growing area and four from the KPW area.

Financial statements

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

The Supervisory Board confirms that in view of the audit report, it approves the financial statements. The auditor has issued an unqualified audit report dated 3 November 2017.

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

- that the financial statements for 2016/2017 be adopted accordingly;
- that the Board's proposal concerning the appropriation of profits be approved;
- that the Board be discharged for the policy it has conducted.

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

To conclude

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

Together we are working on a strong and healthy Avebe. Both now and in the future.

Veendam, 2 November 2017

For the Supervisory Board
J.W. Hoekman, Chairman

COMPOSITION OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD

BOARD OF DIRECTORS

B.C. Jansen (58)
Chairman and CEO
appointed on 1 September 2008



Focus areas:
Operations, Commerce, Proteins & Fibres, HR,
Innovations

E. Kraaijenzank (61)
vice-chairman and CFO
appointed on 1 June 2007, to 1 August 2017



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

R.P.F. van Laerhoven (50)
CFO
appointed on 1 August 2017



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

SUPERVISORY BOARD

J.W. Hoekman, chairman
F. Schepers, vice-chairman ¹
H. Deuling, vice-chairman ¹
J. Emmens
H.W. Giere, vice-chairman ³
K.A. de Graaf
P. Poortinga
M. Veenendaal
H.V. van Rozendaal, vice-chairman ^{2/3/4}
M. Möllering ²
M. Folkers – in 't Hout ²
J.P. Russchen, Secretary

¹ stepped down on 19 December 2016

² appointed on 19 December 2016

³ appointed vice-chairman on 2 February 2017

⁴ to 29 September 2017

COMPOSITION DISTRICT-COUNCILS AND YOUTH COUNCIL

DISTRICT COUNCIL

NORTH

A. Prins, chairman
 D.D. Bouwman
 M. Folkers-in 't Hout ¹
 A.H. Houwing
 C. Kamphuis
 G.J. Laarman
 H. van Rhee
 S.P. Spanninga
 S. Wieringa, vice-chairman
 F. Wigchering

EAST

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

CENTRAL

J.R. Oosting, chairman
 A. de Boer
 J.A. Daling ²
 F. Dijksterhuis ¹
 H. van der Horst
 H. Houwing
 R.H. Kunst
 R. Otten
 H.J. Prins
 R.H. Roosjen, vice-chairman
 B.F.J.M. van der Sterren

SOUTH

H.G. Herbert, chairman
 P.J. Evenhuis
 J.H. Kersten, vice-chairman
 M.J.H. Koopman
 J.H.P. Lubberman
 W.H. Meijerink
 D.J. Meinen
 B. Michel
 A.J. van Roekel
 D. Woestenenk

KPW

C.H. Schulze, chairman
 C. Basedau
 H. Dammann
 M. Dralle
 O. Glöhe
 D. Möller, vice-chairman
 H. Saucke
 F. Schröder
 S. Schwedt
 M. Strathusen

WESER-EMS

M. Möllering, chairman ¹
 R. Bruns, vice-chairman/chairman ³
 K.H. Hoesen
 C. Kaiser ²
 C. Möller
 A. Röttger
 H. Schulte
 B. Specken ⁴
 H. Weinans ¹

¹ stepped down on 19 December 2016

² appointed on 19 December 2016

³ appointed chairman on 10 March 2017

⁴ appointed vice-chairman on 10 March 2017

YOUTH COUNCIL

NORTH

A.Groenwold
 S. de Haan
 H. Kammer, vice-chairman ³

EAST

B. Schuitema
 R. Speelman ²
 H. Wollerich, chairman
 J.W. Wollerich, vice-chairman ¹

CENTRAL

R. Buiters
 B. Elling ¹
 M. Wolf
 Vacancy (on 19.12.2016)

SOUTH

E. Bakker
 R. Kuper ¹
 G. Reinders
 J. Siebring ²

KPW

M. Hennings
 J. Keil
 S. Riemer

WESER-EMS

M. Krüssel

¹ stepped down on 19 December 2016

² appointed on 19 December 2016

³ appointed vice-chairman on 19 December 2016

HIGHEST PERFORMANCE PRICE IN THE HISTORY OF AVEBE

More **turnover** from **food derivatives** and **proteins**

REPORT OF THE BOARD OF DIRECTORS

In financial year 2016/2017 Avebe achieved a performance price of 82.16 euros per ton. This is the highest performance price in our history. Compared to last year (77.10 euros per ton) the performance price has risen by almost 7%. The year was concluded with a cooperative profit of 6.3 million euros.

The positive results can be attributed mainly to good market developments, the improved production results and the uniquely high starch percentage. The campaign price was also the highest ever. It was set in May 2017 at 65 euros per ton.

2016 harvest

The acreage made available by the members for growing starch potatoes remained stable compared to the previous year. It was an erratic growing season with a relatively late and slow spring followed by favourable growth conditions in the summer. Ultimately the field weight was lower, but this was offset by a very high starch content.

The quantity of starch produced was therefore at an average level comparable to the previous year. The balance of starch potatoes increased compared to the previous year, whereas the balance fell for other crops owing to the falling prices.

Market

Although the delivered volume was sufficient, we faced a market in which the supply was fairly tight across the line. As a result, the price for native, untreated potato starch rose during the course of the year. Following a cautious start, sales developed well and Avebe was able to benefit from this trend. The market for treated starch products, or food derivatives, developed well. Our decision to concentrate on the market for food ingredients is bearing fruit in this area. This effect is much less apparent for the derivatives for industrial applications.

Sales of our Solanic® food protein have risen sharply, not least owing to the extended production capacity. Another relevant development at Avebe Commerce is the ongoing professionalisation of the sales organisations in North and South America and Asia. Following the termination of the partnership with a major distributor, Avebe has continued to develop its own sales organisation in these regions. The positive results of this are now showing.

Investments

At almost 45 million euros, total investments were clearly higher than depreciation and also substantially higher than last year. Besides the investments in replacing existing production facilities, we invested substantially in innovation and in raising the quality of products and packagings. We once again extended the production capacity for Solanic® food nutrition, as well as the capacity for high-quality starch derivatives, such as Etenia™ for food.

Binding & Building

In our Binding & Building strategy we have formulated a number of clear objectives that we intend to meet in the years to come. We have again made progress in financial year 2016/2017. For example, we are continuously working on reducing the number of customer complaints. We are now receiving over 65% fewer complaints than in 2013. Regarding energy and CO₂ we are on course and this year succeeded in continuing to reduce our energy bill.

Our market objectives are aimed at generating more turnover from food derivatives and proteins with higher added value. This is a clear objective that is supported throughout the organisation and that calls for good cooperation between the innovation, marketing, sales and production departments. We are also on track with regards to sickness absence and employee satisfaction targets. There was a clear rise in the quality of production, which is illustrated by the sharp rise in products produced 'first time right'. We believe that placing the emphasis on the quality of our production and preventing customer complaints will ultimately lead to the most efficient way of producing.

We are less satisfied with our efforts to improve safety. We scored slightly lower on the safety index last year, despite our ambition to improve safety. This appears to be a consequence of the diversity of the projects and the pressure being placed on the organisation. It is important that we redouble our efforts in this area: like innovation, safety at work should come naturally to us.

In summary, we can describe the financial year 2016/2017 as a year in which we were able to continue to shape Avebe's strategy and in which we performed well in the market. There is no doubt that a clear course for our organisation has helped us to achieve this, and gives us confidence of our ability to continue to make progress

REVIEW OF THE
FINANCIAL YEAR &
INVESTING IN THE
FUTURE

REVIEW OF FINANCIAL YEAR & INVESTING IN THE FUTURE

Agro department

The 2016 harvest was characterised by a smaller volume of potatoes with a higher starch content on average.

A good operating result calls for a high starch yield per hectare. Our crop optimisation programme 'Optimeel' is intended to provide support in raising the yields of the starch potato crop and to strengthen the chain as a whole. This is achieved by gaining a clear understanding of the crop, comparing results, sharing knowledge and applying best practices.

The Optimeel programme consists of four parts: demonstration fields, crop registration, study groups and new starch potato varieties. We use the demonstration fields to compare and show the effects of crop measures in practice. Crop registration serves to compare farming activities and makes it possible for members to exchange knowledge. The study groups facilitate the exchange of cultivation choices and experiences and enable farmers to learn from each other, and new starch potato varieties involve sharing crop information from their introduction and knowledge in order to produce a crop recommendation.

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

A higher yield per hectare generally has a favourable effect on the earnings of our members and the continuity of the crop and raw product supply. It is also good for the environment to increase the starch yield and thus improve the CO₂ footprint per ton of potatoes.

Avebe welcomes the initiative in which the growing of starch potatoes can be made more sustainable, e.g. by reducing the use of crop protection agents.

Our subsidiary Averis Seeds concentrates intensively on the development and breeding of new starch varieties with resistance against various potato diseases. Avito is an example of a relatively new starch potato variety with improved Phytophthora resistance. The special aspect of this variety is that it can get by with considerably less Phytophthora spraying as compared to other starch potato types.

Commerce department

The year began with concerns about the low availability of potato starch. Last year, the same situation arose due to adverse weather conditions in Europe. The growing demand from the food industry, both in Europe and worldwide, placed mounting pressure on availability. At the same time, production of starch in Europe was rather limited. Avebe has succeeded in fulfilling all current contracts by careful stock management to ensure supply continuity to our customers and preserve adequate carry-over stock for the inter campaign period.

Avebe is continuing to invest in strengthening its sales and marketing organisation in Europe, the Middle East as well as in the Americas and Asia. The food industry in Asia, the Middle East and North African countries are rapidly developing, which results in increasing consumer demand for specialised products. We have also strengthened our worldwide sales representation and are helping customers by providing them with information on how to use our products. We are now in an even better position to enter into strong and lasting relationships with customers in the regions. Our direct presence makes it possible for us to respond to regional markets and translate the latest trends into market opportunities.

Our innovative approach has sharpened the focus on the most important market segments and applications, which enables customers to offer distinctive starch and protein solutions. Avebe is continuing to focus on serving customers with its traditional portfolio and on promoting developments in texture applications and health and nutritional value applications. These are new applications that make use of the unique properties of our starches, proteins and fibres.

For example: the combination of our Eliane™ potato starch and our Solanic® potato protein; a 'clean label' application for the meat industry, which maintains a high level of quality. Where cost effectiveness is always a must for customers and consumers, it is also clear that 'clean label' is being more emphatically demanded worldwide. The rising demand for 'free-from' foods is also of great importance. Consumers are becoming increasingly aware of the impact of food on their health and on food-related allergies and intolerances. This is why consumers are reading the label more carefully and want products that are free of allergens such as soya, egg or milk ingredients. We have developed a broad portfolio of special potato starches, proteins and fibres which enables us to meet this demand and also adapt the texture and flavour to regional requirements.

Operations department

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

The last potato campaign was stable. The quality, supply and processing of potatoes at our Dutch and German production locations was good. Despite that, Avebe is always looking for ways of continuing to improve the production process. During the inter-campaign – the period between the potato campaigns – employees at the production facility, process development engineers and management consider how processes can be made faster and better. By working together we have improved the process of producing potato protein for human consumption, which makes it possible for us to produce more of this protein within our existing capacity.

Besides process improvements, Avebe is also critically considering its water and energy consumption. In 2017 we signed the government's long-term energy efficiency agreement that contains agreements on improving energy efficiency. This helps us to save costs and meet our sustainability targets. We are drawing up an energy efficiency plan for each location in order to work on the sustainability of our energy consumption over the next four years. At our Gasselternijveen location we have taken a new membrane plant into use to save water and energy. Our aim is to save 100,000 cubic metres of water and 1,700 tons of CO₂ per campaign. A project is also underway at the Ter Apelkanaal location, aimed at first condensing the potato juice with a membrane filter. This project will contribute to our ability to reuse more water, evaporate less water and thus reduce our energy consumption.

During the year under review we managed to reduce the quantity of rejected product by over 40% by focusing sharply on 'first-time-right' and intervening more quickly when non-conformities arose. This has made an important contribution to saving costs. We have also seen the number of complaints about our products go down by over 25% compared to last year. The results that we have achieved with reducing rejection and complaints means that we are ahead of the targets we have set for ourselves.

Finally, a shift is taking place from operational tasks to more specialist functions. This trend started in previous years and we are investing in our employees by training them in the automation and information technology areas. All new employees are already being selected according to these criteria. At our locations we are focusing more and more on the production of starch and protein for food applications rather than animal food and industrial applications.

Human Resources Management department

Avebe is also undergoing intensive development in the HRM area. During the next few years a large group of employees will be leaving us on reaching the age of retirement. A significant number of them will not be replaced. This is explained in part by the shift from operational tasks to more specialist functions. Robotisation and computerisation are also reducing the number of people we need for operational tasks.

That is why we are continuing to focus sharply on staff planning: what type of work does Avebe offer, and what kind of people do we need to do it? We are investing significantly in career planning, training and the quality of our personnel. Our personnel play a role in this by being aware of their own abilities and opportunities and discussing them with their managers. Managers are given the resources they need to encourage and support employees. Avebe offers various courses and training programmes such as leadership courses and sharing knowledge and experiences in a leadership team. Also, with 'My HR' we are providing a new online setting that makes it easy for us to give both managerial and operational staff more insight into their development.

During the year under review we welcomed 73 new employees, which takes our average staffing level to 1294. As many as 81 students were given the opportunity to gain experience at Avebe and they in turn gave us some new insights. We also found a job at Avebe for an employee with limited access to the labour market.

Finally, we continue to underline the importance of being a social organisation. We work intensively in partnership with the works council and are consulting it more and more as a strategic discussion partner. We attach great importance to our employees being sustainably employable and offer a wide range of facilities for this purpose, ranging from career development to health checks and activities such as running clinics and company fitness.

Language for Life is a project in which local and national organisations have joined forces to reach out to people with reading and writing difficulties. As one of the participants in this project, Avebe offers employees the opportunity to improve their reading and writing skills. One of our employees is an experience expert and ambassador with the task of opening up illiteracy to discussion and encouraging colleagues to sign up for education.

Besides reading and writing difficulties, resilience and cooperation in the workplace remain an important focal area. For this purpose we have rolled out the programme 'The power of confidence' at all of our Dutch and Swedish locations. In his programme the manager works together with his team on improving mutual trust. The programme was brought about in partnership with the works council, which acts as an ambassador for it.

Avebe is fully engaged in innovation and development and is pleased to help others with this. Together with Agriterra we contribute to the ongoing professionalisation of farming cooperatives in developing countries. Agriterra twins these cooperatives with Dutch companies. During the year under review young managers from developing companies paid us a visit and young Avebe professionals gave presentations on optimising crops and on our HR policy. An inspiring experience on both sides!



The Management and Supervision (Public and Private Companies) Act and Sections 2:166 and 2:276 of the Netherlands Civil Code require a male-female ratio in the management and supervision of organisations. Although it is not strictly compulsory for Coöperatie AVEBE U.A. to comply with these laws, it does highlight the importance of a good division of men and women in its organisation. Approximately 17% of the senior management positions, including the Supervisory Board, are held by women.

The Board of Directors and Supervisory Board will take these requirements into consideration when making new appointments.

RESEARCH & DEVELOPMENT

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



RESEARCH & DEVELOPMENT

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

At the beginning of the supply chain we increase the crop yield by developing new varieties. See page 20 for more information.

We are also working on product, application and technology innovations. Depending on the variety, a potato still consists of about 75% potato juice. We continuously assess which other components we can use and how we can extract these ingredients from the potato juice during the production process. We always ask ourselves this question: how can we add maximum value to the potato and develop the best products and solutions for our customers? On top of working on new concepts internally, we also work intensively with our customers and with companies, universities and institutes such as Groningen University, Wageningen University and Hanze University of Applied Sciences.

We have identified trends such as reduced salt, reduced sugar, reduced animal products and improved traceability of our products. We respond to them by offering alternatives to animal-based ingredients. By way of example, we have developed a solution for the confectionary industry in which gelatin is replaced by a blend of potato starch and potato protein. This solution makes the product vegan. Another example is the development of a new product technology: 'Texturized Vegetable Protein' or vegetable-based meat. This technology consists of potato protein that can serve as a full alternative for meat. In 2017 we took part in the New Food Challenge in which companies with innovative ideas based on vegetable proteins stood to receive a significant subsidy. Avebe was ultimately one of the eight winners from 83 entries. The Ministry of Economic Affairs

granted the subsidy to Avebe to continue to develop this product and the associated technology. In the next phase the winners stand to gain 250,000 euros per project to market the product as quickly as possible.

We made progress with the traceability aspect by charting the life cycle analysis for each product. When we start a new project we identify which additives are needed, how much water and energy we need to use to develop the project and consider whether there is a more sustainable way of doing this. Also, our crop optimisation programme Optimeel ensures that crop records are kept, which gives both growers and the cooperative ways of making crop improvements.

In the spring of 2018 a number of Avebe's divisions, including Research & Development and Marketing, will be moving to the new Avebe Innovation Centre at the Zernike University Campus in Groningen. Here we have a fully-fledged innovation centre with a laboratory, testing facilities, offices and a customer innovation centre. We will also be able to increase our innovative strength here by working together with companies, start-ups, students and lecturers from Hanze University Groningen and Groningen University. Partnerships are gaining in importance in that they provide us with the option of hiring technologies and know-how or developing products together with others. This gives our people an ideal opportunity to work intensively with others on the development of new concepts in an inspiring setting.

RISKS & UNCERTAINTIES

Pursuing our strategy involves certain risks. For that reason Enterprise Risk Management (ERM) forms an integral part of Avebe's operational management and we make use of a clearly defined process with various standardised methods to chart, analyse and (where applicable) control the strategic, tactical and operational risks in a timely manner. Gaining an insight into these risks makes it possible for Avebe to make well-considered choices about which risks it is willing to take, which must be organisationally managed and which are financially covered wherever possible.

This section sets out the main risks and the accompanying control measures identified in the ERM process. This selection is based on the estimated impact in case of the incident as well as the estimated probability of the incident occurring.

ENERGY AND EMISSION COSTS RISK

Risk: Energy and emission costs risk

Description: Liberalisation of the energy markets has led to a considerable increase in the volatility of electricity and natural gas prices.

Control measures:

- Volatility risks for electricity and natural gas are hedged via futures contracts
- Policy has been formulated for the purchase of CO2 emission rights for electricity production

OPERATIONAL RISKS

Risk: Personal safety

Description: Injuries to employees or contractors. This can lead to personnel shortages, damage to Avebe's reputation and penalties imposed by the health & safety inspectorate. The attitude and behaviour of employees and reluctance to confront each other about unsafe situations.

Control measures:

- Avebe has introduced orange and blue zones, procedures for personal protection (and PPE) and safety inspection rounds.
- Employees are encouraged to report unsafe situations via an online system and the willingness to report and follow up the reports is monitored on a monthly basis.
- Performance of HAZOP (Hazard and Operability) studies and Explosion Safety Documents (EVDs) and optimisation of the Emergency Response Teams.
- Organisation of safety awareness days with specific workshops that address attitude and behaviour. This is supported by a communication campaign.

Risk: Incident involving quality and food safety

Description:

- Avebe supplies ingredients for the food industry. Products that fail to meet the correct specifications can result in customers suffering losses, in orders being withdrawn and even the loss of customers.

Control measures:

- Standard checking procedures.
- Audits, both internal audits on compliance with procedures and customer audits.
- Complaint reduction programme.
- Investments in guaranteeing food safety.
- Crisis management organisation.



Risk: Loss of a production line for longer than 3 months

Description: A continuity fault prevents a production line from producing. Causes of this risk include earthquake damage caused to buildings in which the production line is housed (especially at the Foxhol location), and wear of machine parts.

Control measures:

- The impact of an earthquake caused by fracking in the area is being investigated at the Foxhol location. Actions will be determined on the basis of the results.
- The production components will be maintained on the basis of periodic preventative maintenance and changed where necessary.
- The most important spare parts are kept in stock.
- Possibility of using other production lines.

Risk: Changes to laws and regulations with a serious impact on business operations

Description: Production may be hindered or only possible at a much higher cost owing to changes to laws and regulations.
The requirements for the disposal of tare in Germany are currently being tightened up, which will make the disposal process more difficult or more expensive.
Avebe uses chemicals and energy in the production process.
Changing requirements in the future could hinder production or lead to higher production costs.

Control measures:

- Cooperating with stakeholders for the alternative disposal of remnant products.
- Ambitious targets for reducing energy, and the related investments and monitoring system.

Risk: Long-term downtime/fault in IT systems

Description: The probability and implications of a continuity issue have been visualised in the IT system. A number of high-risk systems have been identified.

Control measures:

- Optimisation of the backup procedure
- Tightening up of the change management process.
- Addressing internal cyber risks and privacy legislation.

Risk: Insufficient base product for production (70-80% or less of the planned quantity)

Description: The main cause of these risks is the full or partial failure of the harvest. Possible causes include:
drought during the growing period or torrential rain during the harvest.
Drought is of a mainly regional nature, and usually affects the overall European potato harvest, which makes it virtually impossible to obtain replacement supplies..

Control measures:

- Intensive partnership between the various company divisions with a view to anticipating changing circumstances
- Last year possible scenarios were identified The impact and the necessary measures were considered

COMMERCIAL RISKS

Risk: **Loss of patents**

Description: Causes of this risk include Avebe losing court cases and infringements not being noticed by the customer or competitor.

Control measures:

- Monitoring potential patent violations by competitors via various sources
- Evaluation of the various court cases

Risk: **Closure of the cultivation firm Averis owing to quarantine diseases**

Description: The most important cause is contamination of the growing material owing to contamination with quarantine diseases outside of the location.

Control measures

- Implementation of additional hygiene measures.
- Limitation of supply and transport of cultivation materials and machinery.

Risk: **Insufficiently qualified personnel**

Description: This concerns a lack of knowledge and expertise. Personnel fail to meet the minimum performance requirements.

The most important cause of this is a lack of adequate knowledge management and the identification of process-critical activities.

Control measures:

- Setting up of a generic job classification system (focus on knowledge/skills and competencies).
- Introduction and securing of the assessment cycle.
- Talent management: specific attention manning key and critical positions.

FINANCIAL RISKS

Risk: **Financial risks***

Description: Avebe faces a variety of financial risks, such as currency, interest and credit risks.

Control measures

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

*See also page 45 of this report for a detailed explanation of the financial risks.

COMPLIANCE RISKS

Risk: **Compliance risks**

Description: Violation of legislation and integrity breaches.

Control measures

- Workshops for employees who represent the company externally.
- Sharing our Corporate Governance Code with stakeholders via the website.
- Sharing all codes with employees (Corporate Governance Code, Whistleblower Procedure, Internal Code of Conduct and Competition Handbook).
- Initiation of a project place internal data about product introductions and product changes in line.

CSR & SUSTAINABILITY

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



Accident-free workplace

Everybody who works at Avebe has to be able to return home safe and sound after a day's work. We operate according to the safety rules in the processing industry. To measure safety we use an accident frequency index, which is an international standard for the registration of accidents. The accident frequency index is used to set off the number of accidents involving lost working days against the number of hours worked. Last year a lot of attention was paid to personal protection equipment and the identification of safety zones. We have also started a safety campaign aimed at making employees aware constantly of their behaviour. For this purpose we organise sessions intended to make employees aware of the risks of certain, often routine, work.



Vital employees

Fit and healthy employees feel good and are sustainably employable. We measure their vitality on the basis of the factors commitment and sickness absence. We measure the commitment of our employees every two years by means of what is known as the Best Employers survey. This survey asks questions about the degree of pride in the organisation, the extent to which employees support the organisation's objectives, the space and opportunities given to employees to perform to the best of their ability, the extent to which they feel appreciated, satisfaction with the organisation and job satisfaction. The second factor is sickness absence. We want everybody who works at Avebe to be fit and to feel good at work. The raising of the age of retirement has added a new challenge. Avebe seeks to keep all of its employees fit and healthy and employable. For this purpose we offer all sorts of activities, such as the *Run Fit Fun* programme. Vitality is also about how you do your job. Do you have the right knowledge and skills? Avebe has introduced a clear interview cycle in which personal annual plans are formulated and evaluated with employees. That way we keep talking to each other and everybody remains sustainably employable.



Save energy and become greener

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

In 2017 Avebe signed the government's long-term energy efficiency agreement that contains agreements on improving energy efficiency. This helps us to save costs and meet our sustainability targets. We are formulating an energy efficiency plan for each location in order to make our energy consumption more sustainable over the next four years. Finally, we have decided to launch a project for the Sustainable Concentration of Potato Juice with Membranes, known as the 'DuCAM project'. The government issued a call for tenders for the Energy Innovation Demonstration subsidy. Avebe's tender came third and was granted a subsidy for this project. We expect to achieve substantial CO₂ savings at our location in Ter Apelkanaal.



Increased yield from the field

With our crop optimisation programme Optimeel we are looking to increase our yield from the field. Increasing the yield per hectare of land is a good way of improving our members' earnings. If we succeed in increasing our yields from the field with a reduced CO₂ emission per ton of potatoes, this will also be good for the environment. The yield per hectare has risen considerably compared to 2016, and this encourages our members to take part in the Optimeel programme. All Optimeel participants receive a payment of 150 euros with the aim of increasing the number of participants and gaining more insight into optimum growing conditions. The programme is also being offered to our German members with effect from 2017.



Reduction in road transport kilometres

By replacing road transport with alternative transport by train or boat we are setting out to reduce our transport kilometres, and thus cut back our CO₂ emissions. Road transport is one of the most CO₂ intensive ways of transporting goods. In 2016 the road transport between the German plants and the Netherlands was replaced by rail transport. A direct train connection was put in place for this purpose. This has yielded a saving of 500,000 road transport kilometres a year. A saving of about 3 million road kilometres has also been saved between the plants in Sweden and the Netherlands.



Reducing water consumption

Avebe uses biorefinery to extract components from the starch potato. Flushing these components out of the potato involves using a great deal of water. The realisation of the Inline Protostar in Gasselternijveen saved us half a million cubic metres of water in 2017. We have also commissioned a new membrane plant at the Gasselternijveen location, which helps us to save water and energy. Our aim is to save 100,000 cubic metres of water per campaign.



Sustainably binding

Finally, sustainably binding is all about chain responsibility and transparency: showing who you are and what you stand for. Avebe takes part in various registration systems, including the Supplier Ethical Data Exchange (Sedex), the long-term energy efficiency agreement of the Netherlands Enterprise Agency and Sustainable Agriculture Initiative certification (SAI). In 2016 we received a silver SAI certificate for the crop optimisation programme. Our sustainability



performance has also been validated in accordance with the EcoVadis standard. We have also been awarded silver status for this standard. We are also transparent with regard to our products. A life cycle analysis (LCA) provides an insight into the impact of our products on the environment. We continued to chart this during the year under review, and the LCA is almost ready for all of our products.

Sustainably binding is also about people, about social connections. Avebe occupies a central position in society and contributes not only by ensuring the safety, wellbeing and health of its own employees, but also by communicating on this subject transparently and in a dialogue with its neighbours on subjects such as liveability and regional developments. This is illustrated by the BID process in Malmö, where our location is working on the development of the urban district Sofielund, where our production facility is located, together with the local authorities, nearby residents and the business community. From 2017 onwards our annual report includes a sustainability section that we not only include in the annual report but also publish on our website, at trade fairs and in other channels.

FORECASTS OF THE BOARD OF DIRECTORS

Crop optimisation, innovation and
sufficient volume



FORECASTS OF THE BOARD OF DIRECTORS

In the year under review Avebe took another important step towards its strategic objective of achieving a performance price of 90 euros under normal conditions within the foreseeable future. The pillars of this strategy are innovation, sustainability, cost control and market orientation.

Next year Avebe will be continuing to work on achieving the objectives underlying these strategic pillars. The harvest, which is currently in full swing, plays an important role here. Avebe has managed to build a good sales market in the most important sectors, especially the food market. It is of great importance to ensure that we can continue to serve these markets with sufficient volume.

The growing conditions up to now have been changing, but can be described as average. The starch percentage and the volume are expected to reach a good level. On the other hand, difficult harvesting conditions with excessive rainfall are expected in August and September. The question is how much of this volume will be completely harvested and processed.

The sale of Avebe products is all about the development of new, innovative applications based on starch, protein and other raw products from the starch potato. The new Innovation Centre at the Zernike Campus in the city of Groningen will have an important role to play. Work is currently progressing according to plan and the new location is due to be taken into use in the later spring of 2018. This is an important development. It will enable us to combine our own innovative strength more effectively, and the partnership with other parties such as education and research institutes will become more accessible. This will help us to focus on added value products that make a significant contribution to the market.

The partnership with the growers will continue to concentrate on crop optimisation in the year to come. Avebe is using its own Optimeel programme for this. Optimeel is a broadly-based programme involving elements such as crop registration, demo and test fields and study clubs. The programme enables members to take a critical look at their own farming operation and to compare it with other farmers and provides pointers for improving yields. At the same time, the crop registration section makes an important contribution to our market orientation.

It enables Avebe to be transparent in respect of its customers. That makes it a two-edged sword on the way to maximum yields.

Breeding company Averis Seeds will continue to concentrate on the development of new varieties in keeping with the current strategy: the right resistances combined with a good yield. Attention will be paid to aspects including the ongoing development of phytophthora-resistant varieties.

During the year under review Avebe worked on ensuring that its people are sustainably employable. This is an important theme at Avebe. We attach importance to people staying fit and vital up to their retirement, but also to healthy ageing. Initiatives from the management, but also from the employees themselves, are important here. There will be a limited change to the size and composition of the workforce next year.

Avebe recently signed a new financing agreement. This creates room to speed up investments in consolidating and extending our position. This is necessary for starch specialties and other market-driven developments, such as the further development of the potential of high-value proteins. The new capacity provided by the extension of production that began last year has already sold out even before the project has been completed.

Other planned investments are intended to improve efficiency and achieve added value. Examples include our production facilities in Lüchow and Dallmin, where attention is being paid to adjusting receipts, but also to the processing of the potatoes.

A key item next year will be value creation. The partnership with all relevant stakeholders is of decisive importance to our ability to sustainably increase our returns.

For the Board of Directors,
B.C. Jansen
R.P.F. van Laerhoven

FINANCIAL STATEMENTS 2016 / 2017

All amounts are in thousands of euros unless otherwise stated.

CONSOLIDATED BALANCE SHEET

AT 31 JULY 2017

(after proposed profit appropriation)

ASSETS

	31-7-2017	31-7-2016	Ref
Fixed assets			
Intangible fixed assets	863	1,254	2
Tangible fixed assets			
Buildings and land	32,948	34,520	3
Plant and machinery	126,068	133,354	
Other tangible fixed assets	3,727	4,320	
Assets under construction	37,075	15,968	
	<u>199,818</u>	<u>188,162</u>	
Fixed assets investments			
Other participating interests	1	1	4
Other loans	1,186	12	
	<u>1,187</u>	<u>13</u>	
Current assets			
Stocks			
Starch	40,338	41,582	5
Derivatives	71,076	77,525	
By-products	3,392	4,789	
Other stocks	20,830	19,753	
	<u>135,636</u>	<u>143,649</u>	
Receivables			
Trade debtors	67,737	71,418	6
Taxation and social security contributions	1,952	-	
Other debtors	5,141	4,954	
Prepayments and accrued income	144	1,931	
	<u>74,974</u>	<u>78,303</u>	
Cash at bank and in hand	969	1,659	7
Total assets	<u>413,447</u>	<u>413,040</u>	



LIABILITIES

		31-7-2017	31-7-2016	Ref
Group equity	Capital and reserves	<u>202,389</u>	<u>201,369</u>	8
		202,389	201,369	
Provisions	Reorganisation	1,665	1,804	9
	Deferred taxation	420	558	
	Pensions	1,792	1,716	
	Other	<u>9,799</u>	<u>11,130</u>	
		13,676	15,208	
Current liabilities	Banks	103,323	107,388	10
	Trade creditors	62,643	55,287	
	Current account members	134	2,976	10
	Pensions	667	826	
	Taxation and social security contributions	-	551	
	Other debts	23,069	22,493	11
	Accruals and deferred income	<u>7,546</u>	<u>6,942</u>	
		197,382	196,463	
Total liabilities		<u>413,447</u>	<u>413,040</u>	

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	2016/2017	2015/2016	Ref
Gross turnover	588,210	584,594	12
Direct selling costs	36,898	36,014	
Net turnover	551,312	548,580	
Movement in stocks of finished goods	-9,090	-16,473	
Capitalised production	2,818	2,351	
Other operating income	5,654	4,432	13
	-618	-9,690	
Total operating income	550,694	538,890	
Raw materials and consumables	310,158	300,012	
Salaries and wages	74,759	74,439	14
Social security charges	24,844	24,292	
Depreciation and other impairments	32,576	28,820	15
Other operating expenses	94,020	98,630	
Total operating expenses	536,357	526,193	
Operating result	14,337	12,697	
Revenues of securities	-	1,666	
Interest and similar income	77	53	
Interest expenses	-7,074	-7,008	
Balance of financial income and expenses	-6,997	-5,289	
Result on ordinary activities before taxation	7,340	7,408	
Taxation	-1,071	-897	16
Cooperative result after taxation	6,269	6,511	

CONSOLIDATED CASH FLOW STATEMENT

		2016/2017	2015/2016	Ref
Operational cash flow	Cooperative result after taxation	6,269	6,511	
	Adjustments for:			
	Depreciation and other impairments	32,576	28,820	15
Movements in working capital	Movements in stocks	8,013	21,027	
	Movements in receivables	3,328	-9,428	
	Movements in current liabilities	7,886	3,115	
		<u>19,227</u>	<u>14,714</u>	
	Additions to provisions	563	1,479	
	Withdrawals from provisions	-1,960	-3,050	
	Movement in provisions	<u>-1,397</u>	<u>-1,571</u>	9
Gross operational cash flow		<u>56,675</u>	<u>48,474</u>	
Fixed assets cash flow	Investments in fixed assets	-45,113	-30,528	2 3 4
	Disposals of fixed assets	58	7,376	3
		<u>-45,055</u>	<u>-23,152</u>	
Net operational cash flow before financing activities		<u>11,620</u>	<u>25,322</u>	
Financing cash flow	Final payment to members	-2,283	-4,350	21
	Movement in loans to member-suppliers	-2,842	137	
	Repayment of share premium	-1,522	-1,522	21
	Return on share premium	-711	-803	21
	Received share premium	31	27	
	Others	419	475	21
		<u>-6,908</u>	<u>-6,036</u>	
Net cash flow		<u>4,712</u>	<u>19,286</u>	
	Exchange and conversion differences	-1,337	-560	
Movement in net debt		<u>3,375</u>	<u>18,726</u>	
Composition of the net debt				
	Net debt to banks at 1 August	105,729	124,455	
	Movement in net debt	-3,375	-18,726	
	Net debt to banks at 31 July	<u>102,354</u>	<u>105,729</u>	

NOTES GENERAL

1 ACCOUNTING POLICIES

OBJECTIVE

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

CONSOLIDATION POLICIES

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

CASH FLOW STATEMENT

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

FOREIGN CURRENCY

FUNCTIONAL CURRENCY

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

CONVERSION OF FOREIGN CURRENCY

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

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



AFFILIATED PARTIES

Affiliated parties are defined as all legal entities over which predominant control, joint control or significant control can be exerted. Legal entities that are able to exert dominant control are also deemed to be affiliated parties.

VALUATION POLICIES AND RESULT RECOGNITION

COMPARISON WITH THE PREVIOUS YEAR

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

GENERAL

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

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

ESTIMATES

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

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

INTANGIBLE FIXED ASSETS

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

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

Research and Development expenditure

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

Goodwill

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

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

Software

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

TANGIBLE FIXED ASSETS

Tangible fixed assets are valued at the acquisition price plus accompanying costs or manufacturing price, less depreciation. No amortization is applied to land. Government subsidies granted for investments are deducted from the acquisition price. Annual straight-line depreciation is based on the estimated useful life of buildings, which is twenty-five years for buildings and ten years for plant and machinery. Other tangible fixed

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

FIXED ASSETS INVESTMENTS

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

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

IMPAIRMENTS

Coöperatie AVEBE U.A. ascertains on each balance sheet date whether there are indications that an asset could be subject to a special downward value adjustment. If such indications are present, the realisable value of the asset is established. If it proves impossible to ascertain the realisable value of the individual assets, the realisable value of the cash flow generating entity to which the asset belongs is ascertained instead. A special downward valuation is applied if the book value of an asset is higher than its realisable value; the realisable value is the higher of the sale value and the going-concern value. The sale value is calculated with the aid of the active market. In cases where there is a lack of clarity about market data and/or future cash flows, the book value of assets is set as zero. A special downward valuation loss is charged directly as a loss to the profit and loss account. If it is established that impairments shown in the past no longer exist or have decreased, the increased book value of the asset in question is not set higher than the book value that would have been calculated if no impairment had been shown for the asset.

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

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

STOCKS

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

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

RECEIVABLES

Receivables are valued at the fair value of the consideration upon being processed for the first time. Trade receivables are valued at the amortised cost price after being processed for the first time.

If the receivable is deferred on the basis of an agreed extended payment term, the fair value is based on the cash value of the anticipated receipts and interest income is written to the profit and loss account on the basis of the effective interest rate. Provisions for bad debt are deducted from the book value of the receivable. Other securities shown under the receivables are valued at their fair value.

CASH AT BANK AND IN HAND

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

REVALUATION RESERVE

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

PROVISIONS

General

Provisions are formed for legally enforceable or actual commitments existing on the balance sheet date for which it is likely that an outflow of resources

will be required and the level of which can be reliably estimated. The provisions are valued at the best estimate of the amounts needed to settle the commitments on the balance sheet date. In the absence of statement to the contrary, the provisions are valued at the nominal value of the expenditure that will probably be required to meet the commitments.

Reorganisation

The reorganisation reserve relates to the estimated costs of reorganisation plans incurred before the end of the financial year and approved by the Supervisory Board concerning certain sections of the organisation, which have been communicated before the financial statements were drawn up.

Deferred taxation

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

Pensions

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

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

Other

The other provisions pertain to the provision for anniversary bonuses; demolition costs and other liabilities and risks that are related to the operational activities. The anniversary provision is accrued on a straight-line basis over the 15 years preceding the anniversary. The provision for demolition charges is based on the anticipated costs of the planned demolition of buildings and machinery during the next 5 years. The other provisions are formed for commitments and risks related to the business operations and are shown at their face value.

LIABILITIES

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

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

LEASING

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

RESULT RECOGNITION

General

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

Sale of goods

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

Net turnover

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

Operating result

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

Raw materials and consumables

This concerns the costs of raw materials and consumables of the sold products, or the costs of obtaining the sold products. The costs of raw materials and consumables are calculated on the basis of the FIFO (first-in, first-out) method. The amount shown under this item for the purchase of starch potatoes is based on the campaign price plus the bonuses and plus or less the effect of the calculation of the potato component in the finished product. Reference is made to the stocks item on page 38 for the valuation principle.

Personnel expenses

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

Exchange rate differences

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

Interest income and expenses

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

TAX ENTITY

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

TAXATION

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

RESULT ON PARTICIPATING INTERESTS

This item shows the profit on the other participating interests.

GOVERNMENT SUBSIDIES

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

FINANCIAL INSTRUMENTS

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

positions related to buying and selling in foreign currency.

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

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

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

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

Conversion hedging

Coöperatie Avebe U.A. hedges the exchange risks on net investments in foreign group companies and issued loans by means of forward exchange contracts. These forward exchange contracts are subject to cost price hedge accounting, with exchange differences being incorporated in the revaluation reserve for the effective component of the hedge relationship. The non-effective component of the hedge relationship is accounted for directly in the profit and loss account.

Transaction hedging

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

Interest risk hedging

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

Currency risk

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

Interest risk

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

Credit risk

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



NOTES TO THE CONSOLIDATED BALANCE SHEET

AT 31 JULY 2017

Fixed assets

2 Intangible fixed assets

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

Book value at 31 July 2016	1,254
Depreciation	-391
Book value at 31 July 2017	863
Purchase price at 31 July 2017	4,307

3 Tangible fixed assets

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

	Buildings and land	Plant and machinery	Other tangible fixed assets	Assets under construction	Total
Book value at 31 July 2016	34,520	133,354	4,320	15,968	188,162
Investments	1,712	19,903	1,218	21,107	43,940
Exchange differences	-28	-6	-7	-	-41
	<u>36,204</u>	<u>153,251</u>	<u>5,531</u>	<u>37,075</u>	<u>232,061</u>
Book value of disposals	-	-58	-	-	-58
Permanent impairments	-325	-1,900	-19	-	-2,244
Depreciation	-2,931	-25,225	-1,785	-	-29,941
	<u>-3,256</u>	<u>-27,183</u>	<u>-1,804</u>	<u>-</u>	<u>-32,243</u>
Book value at 31 July 2017	<u>32,948</u>	<u>126,068</u>	<u>3,727</u>	<u>37,075</u>	<u>199,818</u>
Purchase price at 31 July 2017	92,114	545,354	44,482	37,075	719,025

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

4 Financial fixed assets

	31-7-2017	31-7-2016
A Other participating interests	1	1
B Other loans	1,186	12
	<u>1,187</u>	<u>13</u>

Movements in these items are as follows:

	A	B
Book value at 31 July 2016	1	12
Loans issued	-	1,147
Interest	-	27
Book value at 31 July 2017	1	1,186

The other loans relate to mortgages issued in connection with the sale of land for the building of solar parks. The term is 20 years. The interest rate is 0%. The amounts are given for the cash value.

5 Stocks

The stocks valued at a lower realisable value had a book value of EUR 8.9 million on the balance sheet date. The provision on stocks is EUR 9.7 million.

6 Receivables

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

7 Cash at bank and in hand

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

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

Group equity

8 Capital and reserves

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

9 Provisions

The provisions are long-term unless otherwise stated.

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

	Reorganisation	Deferred taxation	Pensions	Other	Total
Position at 31 July 2016	1,804	558	1,716	11,130	15,208
Movements charged to the profit and loss account	414	-141	214	76	563
Withdrawals	-553	-	-	-1,407	-1,960
Exchange differences	-	3	-138	-	-135
Balance at 31 July 2017	1,665	420	1,792	9,799	13,676

The current part of the provisions amounts to EUR 3.4 million.

Pensions provision

The pension commitments in the Dutch entities relate to payable premiums for a number of closed groups of (former) employees.

The coverage ratio of Stichting Pensioenfonds Avebe on 31 December 2016 was 117.7%. (The policy-based coverage ratio is 114.4%)

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..

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 1.6 million (last year EUR 1.7 million).

Other provisions

The other provisions are specified as follows:

	Anniversary bonuses	Demolition costs	Total
Position at 31 July 2016	3,844	7,286	11,130
Movements charged to the profit and loss account	381	-305	76
Withdrawals	-356	-1,051	-1,407
Balance at 31 July 2017	3,869	5,930	9,799

The anniversary bonuses are provided for in the internal scheme for that purpose. The anniversary provision is accrued on a straight-line basis over 15 years.

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.

10 Current interest-bearing liabilities

	31-7-2017	31-7-2016
Current liabilities banks	103,323	107,388
Current account members	134	2,976
Total interest-bearing current liabilities	103,457	110,364

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

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

The new credit facility is subdivided as follows:

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

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

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

11 Other debts

This item includes a debt to members of EUR 4.5 million (previous year EUR 4.6 million). The debt to members item is made up as follows:

	31-7-2017	31-7-2016
Final payment to members	2,223	2,283
Return on share premium	711	803
Repayment of share premium	1,522	1,522
Repayment of certificates	14	14
	4,470	4,622

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

The other liabilities item includes an interest item of EUR 911 in connection with the settlement of two interest rate swaps. This is formed by the netting of an asset item of EUR 6,113 (term 2 years), a liability item of EUR 7,619 (term 5 years) and an asset item for the settlement of the costs of the old interest rate swaps of EUR 595 (term 2 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 EUR 39.6 million, EUR 8.0 million of which matures within one year. A sum of EUR 21.7 million within five years and a sum of EUR 9.9 million will mature after more than five years.

Guarantees have been issued for EUR 0.9 million.

Coöperatie AVEBE has entered into commitments in the amount of EUR 12.4 million in the context of current investments.

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

Assets not disclosed in the balance sheet.

In 2008 Coöperatie AVEBE U.A. was allocated, free of charge, a certain number of emission rights concerning the annual emission of 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.

In connection with an insurance claim on one of the production lines, the supplier in question has provided EUR 0.45 million in hours free of charge as part of the compensation for the loss. EUR 0.11 million of this had been used on the balance sheet date.

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 amount	market value
Forward exchange contracts	20,033	88
Currency call options	50,516	3,040
Interest rate swaps	50,500	-1,058
Floor, term 2-1-2019	135,000	925

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 2017 are entirely effectively, no fair value changes are shown in the profit and loss account.

NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

12 Gross turnover

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

	2016/2017	2015/2016
Starch	139,811	148,691
Derivatives	382,412	373,480
By-products	65,987	62,423
	<u>588,210</u>	<u>584,594</u>

Breakdown of gross turnover by geographical regions:

	2016/2017	2015/2016
European Union	54%	56%
Rest of Europe	2%	2%
Rest of the world	44%	42%
	<u>100%</u>	<u>100%</u>

13 Other operating income

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

	2016/2017	2015/2016
Result on assets sold	2,454	983
Commissions, seed potatoes and others	3,200	3,449
	<u>5,654</u>	<u>4,432</u>

14 Personnel

The average number of people employed during the financial year averaged 1,294 (previous year 1,306). Of this number, 275 (previous year 292) working outside of the Netherlands. The social security charges include EUR 13,374 (previous year EUR 12,649) in pension charges.

15 Depreciation and other impairments

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

	2016/2017	2015/2016
Depreciation tangible fixed assets	29,941	28,716
Permanent impairments	2,244	-196
Depreciation intangible fixed assets	391	300
	<u>32,576</u>	<u>28,820</u>

Independent Auditor's fee

The fees charged consist of the following components:

	2016/2017	2015/2016
Audit of the financial statements	212	223
Other audit activities	3	20
Non-audit services	10	12
	<u>225</u>	<u>255</u>

16 Taxation

The corporation tax burden of EUR 1.1 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 60.8 million, previous year EUR 63.8 million) between the business-economic financial statements and the tax return have not been valued owing to the uncertainty about future setoff options. That is why the tax burden is different from the nominal tax rate.

BALANCE SHEET AT 31 JULY 2017

(after proposed profit appropriation)

ASSETS

		31-7-2017	31-7-2016	Ref
Fixed assets				
Intangible fixed assets		709	978	17
Tangible fixed assets				
	Buildings and land	24,667	26,720	18
	Plant and machinery	92,514	99,344	
	Other tangible fixed assets	2,766	3,203	
	Assets under construction	30,870	13,702	
		<u>150,817</u>	<u>142,969</u>	
Financial fixed assets				
	Participating interests in group companies	69,357	73,753	19
	Loans to group companies	103,508	97,358	
	Other loans	1,174	-	
		<u>174,039</u>	<u>171,111</u>	
Current assets				
Stocks				
	Starch	31,236	28,264	
	Derivatives	62,052	67,713	
	By-products	1,983	4,324	
	Other stocks	17,065	16,133	
		<u>112,336</u>	<u>116,434</u>	
Receivables				
	Trade debtors	58,198	61,413	20
	Taxation and social security contributions	2,159	-	
	Other debtors	453	59	
	Prepayments and accrued income	131	2,011	
		<u>60,941</u>	<u>63,483</u>	
Cash at bank and in hand		221	672	
Total assets		<u>499,063</u>	<u>495,647</u>	



LIABILITIES

		31-7-2017	31-7-2016	Ref
Capital and reserves	Share capital	23,030	23,029	21
	Share premium account	28,715	30,205	
	Other reserves	150,644	148,135	
		<u>202,389</u>	<u>201,369</u>	
Provisions	Reorganisation	1,665	1,804	22
	Other	9,405	10,702	
		<u>11,070</u>	<u>12,506</u>	
Current liabilities	Banks	142,396	144,206	
	Trade creditors	51,549	47,235	
	Group companies	63,982	60,007	
	Current account members	134	2,976	
	Pensions	129	332	
	Taxation and social security contributions	-	1,056	
	Other debts	20,764	19,896	23
	Accruals and deferred income	6,650	6,064	
		<u>285,604</u>	<u>281,772</u>	
Total liabilities		<u>499,063</u>	<u>495,647</u>	

PROFIT AND LOSS ACCOUNT

	2016/2017	2015/2016	Ref
Gross turnover	569,992	567,676	24
Direct selling costs	46,863	46,282	
Net turnover	523,129	521,394	
Movement in stocks of finished goods	-5,031	-8,070	
Capitalised production	1,887	1,323	
Other operating income	2,795	1,338	
	-349	-5,409	
Total operating income	522,780	515,985	
Raw materials and consumables	340,085	329,168	
Salaries and wages	57,481	57,099	25
Social security charges	19,364	18,894	
Depreciation and other impairments	25,912	28,342	26
Other operating expenses	69,795	73,537	
Total operating expenses	512,637	507,040	
Operating result	10,143	8,945	
Interest and similar income	337	354	
Interest expenses	-7,070	-7,003	
Balance of financial income and expenses	-6,733	-6,649	
Result on ordinary activities before taxation	3,410	2,296	
Taxation	-3	-5	27
Result on participating interests	2,862	4,220	
Cooperative result after taxation	6,269	6,511	

NOTES TO THE BALANCE SHEET

AT 31 JULY 2017

General

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

17 Intangible fixed assets

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

Book value at 31 July 2016	978
Depreciation	-269
Book value at 31 July 2017	709
Purchase price at 31 July 2017	3,628

Tangible fixed assets

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

	Buildings and land	Plant and and machinery	Other tangible fixed assets	Assets under construction	Total
Book value at 31 July 2016	26,720	99,344	3,203	13,702	142,969
Investments	621	14,760	1,001	17,168	33,550
	<u>27,341</u>	<u>114,104</u>	<u>4,204</u>	<u>30,870</u>	<u>176,519</u>
Book value of disposals	-	-59	-	-	-59
Permanent impairments	-325	-1,900	-19	-	-2,244
Depreciation	-2,349	-19,631	-1,419	-	-23,399
	<u>-2,674</u>	<u>-21,590</u>	<u>-1,438</u>	<u>-</u>	<u>-25,702</u>
Book value as at 31 July 2017	24,667	92,514	2,766	30,870	150,817
Purchase price at 31 July 2017	57,000	386,811	30,316	30,870	504,997

19 Financial fixed assets

	31-7-2017	31-7-2016
A Participating interests in group companies	69,357	73,753
B Loans to group companies	103,508	97,358
C Other loans	1,174	-
	<u>174,039</u>	<u>171,111</u>

Movements of these items are as follows:

	A	B	C
Book value at 31 July 2016	73,753	97,358	-
Loans issued	-	6,150	1,147
Share in net result	2,862	-	-
Received dividend	-5,370	-	-
Exchange differences	-1,888	-	-
Interest	-	-	27
Book value at 31 July 2017	69,357	103,508	1,174

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

	Holding in %	
A.B Stadex	Malmö	100.00
Avebe America Inc.	Princeton	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	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
v.o.f. Hunzestroom	Gasselternijveen	50.00
v.o.f. Dobbestroom	Ter Apelkanaal	50.00

20 Receivables

All receivables have a term of less than one year.

21 Capital and reserves

Share capital	number of shares	
Balance at 31 July 2016	101,450	23,029
Adjustment cancelled shares	<u>5</u>	<u>1</u>
Balance at 31 July 2017	<u>101,455</u>	<u>23,030</u>

During the financial year 8,770 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 2,975 shares under its own management.

Share premium reserve		
Balance at 31 July 2016		30,205
Received upon transfer of shares	32	
Repayment from proposed profit appropriation 2016/2017	<u>-1,522</u>	
Balance at 31 July 2017		<u>-1,490</u>
		<u>28,715</u>

The share premium comprises two components: A free share (EUR 19.6 million, previous year EUR 19.5 million) and a share that is related to the issued shares (EUR 9.1 million, previous year EUR 10.7 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%.

Legal reserves	Revaluation reserve	
Balance at 31 July 2016		-
Exchange rate result hedging financial fixed assets		645
Exchange differences on net investments in foreign group companies		-1,888
Transfer from other reserves		<u>1,243</u>
Balance at 31 July 2017		<u>-</u>
Other reserves		
Balance at 31 July 2016		148,135
Transfer to the revaluation reserve		-1,243
Cooperative Result 2016/2017	6,269	
Return on share premium	-711	
Final payment to members 2016/2017	<u>-2,223</u>	
		3,335
Payment received for the surrender of shares to the cooperative and others.		<u>417</u>
Balance at 31 July 2017		<u>150,644</u>

The balance of the statutory reserve exchange differences in the other reserves is minus EUR 10,955.

22 Provisions

The provisions are long-term unless otherwise stated.

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

	Reorganisation	Other	Total
Balance at 31 July 2016	1,804	10,702	12,506
Movements charged to the profit and loss account	414	110	524
Withdrawals	-553	-1,407	-1,960
Balance at 31 July 2017	1,665	9,405	11,070

The current part of the provisions amounts to EUR 3.2 million.

Pension commitments

The pensions commitment is designated for:

- Employees born before 1 January 1950;
- A number of individual cases; and
- A number of pensioners.

Other provisions

The other provisions are specified as follows:

	Anniversary bonuses	Demolition charges	Total
Balance at 31 July 2016	3,482	7,220	10,702
Movements charged to the profit and loss account	416	-306	110
Withdrawals	-356	-1,051	-1,407
Balance at 31 July 2017	3,542	5,863	9,405

The anniversary bonuses are provided for in the internal scheme for that purpose. The anniversary provision is accrued on a straight-line basis over 15 years.

The provision for demolition costs is formed for the anticipated costs of the planned demolition of a number of buildings and machines at Avebe locations in the Netherlands in the next 5 years.

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 0.6 million relates to consolidated participating interests.

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



The long-term commitments related to operational lease and rental agreements amount to EUR 32.5 million, of which EUR 6.9 million matures within one year. For EUR 6.0 the term is longer than 5 years. The remainder of EUR 19.6 million matures within one year.

Coöperatie AVEBE U.A. has entered into commitments in the amount of EUR 11.4 million in the context of current investments.

Declaration of liability

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

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

Assets not disclosed in the balance sheet

In 2008 Coöperatie AVEBE U.A. was allocated, free of charge, a certain number of emission rights concerning the annual emission of 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.

NOTES TO THE PROFIT AND LOSS ACCOUNT

24 Gross turnover

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

	2016/2017	2015/2016
Starch	128,281	166,265
Derivatives	375,928	339,325
By-products	65,783	62,086
	<u>569,992</u>	<u>567,676</u>

Breakdown of gross turnover by geographical regions:

	2016/2017	2015/2016
European Union	61%	58%
Rest of Europe	2%	2%
Rest of the world	37%	40%
	<u>100%</u>	<u>100%</u>

25 Personnel

The average number of people employed during the financial year averaged 998 (previous year 993), The number of employees at year-end was 986 (previous year 986), None of these employees work abroad. The social security charges include EUR 11,705 (previous year EUR 10,949) in pension charges.

26 Depreciation and other impairments

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

	2016/2017	2015/2016
Depreciation tangible fixed assets	23,399	22,051
Permanent impairments	2,244	6,114
Depreciation intangible fixed assets	269	177
	<u>25,912</u>	<u>28,342</u>

27 Taxation

The corporation tax burden of EUR 3 charged to the result is the balance of setoffs within the tax entity. The remaining offsettable losses and the temporary differences (totalling EUR 60.8 million, previous year EUR 63.8 million) between the business-economic financial statements and the tax return have not been valued owing to the uncertainty about future setoff options. That is why the tax burden is different from the nominal tax rate (25%).

Remuneration of Directors and members of the Supervisory Board

Remuneration for the Board of Directors amounted in 2016/2017 to EUR 1,119 (previous year EUR 1,450). Remuneration for the Supervisory board amounted to EUR 273 (previous year EUR 273).

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

Return on contractual share premium	711
Final payment to members 2016/2017	2,223
Addition to other reserves	3,355
	<u>6,269</u>

The proposed profit appropriation has been incorporated in the 2016/2017 annual accounts.



OTHER INFORMATION

Liability of the members

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

Appropriation of net result

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

Share premium reserve

In keeping with the board decision of 17 December 2009, a 10% share premium was repaid on the basis of the result and the balance sheet on 31 July 2017. This repayment of EUR 1,522 has been incorporated in the 2016/2017 financial statements.

AUDIT REPORT BY THE INDEPENDENT AUDITOR

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

Verklaring over de jaarrekening 2016/2017

Ons oordeel

Naar ons oordeel geeft de jaarrekening van Coöperatie AVEBE U.A. een getrouw beeld van de grootte en de samenstelling van het vermogen van de groep op 31 juli 2017 en van het resultaat voor het jaar geëindigd op 31 juli 2017 in overeenstemming met Titel 9 Boek 2 van het in Nederland geldende Burgerlijk Wetboek (BW).

Wat we hebben gecontroleerd

Wij hebben de in dit jaarverslag opgenomen jaarrekening 2016/2017 van Coöperatie AVEBE U.A. te Veendam ('de coöperatie') gecontroleerd. De jaarrekening omvat de geconsolideerde jaarrekening van Coöperatie AVEBE U.A. en haar dochtermaatschappijen (samen: 'de groep') en de enkelvoudige jaarrekening.

De jaarrekening bestaat uit:

- de geconsolideerde en enkelvoudige balans per 31 juli 2017;
- de geconsolideerde en enkelvoudige exploitatierekening voor het jaar geëindigd op 31 juli 2017; en
- de toelichting met een overzicht van de gehanteerde grondslagen voor financiële verslaggeving en overige toelichtingen.

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

De basis voor ons oordeel

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

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

Onafhankelijkheid

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

Verklaring over de in het jaarverslag opgenomen andere informatie

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

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

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

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

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

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

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

Verantwoordelijkheden met betrekking tot de jaarrekening en de accountantscontrole

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

Het bestuur is verantwoordelijk voor:

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

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

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

Onze verantwoordelijkheden voor de controle van de jaarrekening

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

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

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

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

Groningen, 3 november 2017
PricewaterhouseCoopers Accountants N.V.

A.L. Koops-Aukes RA

ADDRESSES

Coöperatie AVEBE U.A.

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

EUROPE

Avebe EUROPEAN SALES CENTRE GMBH

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

AMERICA

Avebe America Inc.

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

ASIA PACIFIC

Avebe (FAR EAST) PTE LTD.

51 Bras Basah Road Manulife Centre # 04-06
Singapore 189554
Tel (65) 6238 2673
Fax (65) 6238 0017

Avebe (SHANGHAI) CO., LTD

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

Avebe (Far East) Pte Ltd – Taiwan Rep office

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

Avebe JAPAN CO. LTD.

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

TURKEY/MIDDLE EAST/INDIA

Avebe NISASTA LTD. STI.

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



This annual report is a publication of Avebe Communication and is also available in a German and Dutch (PDF) version. (communication@avebe.com)

©Coöperatie AVEBE U.A.

No part of this publication may be reproduced without the permission of Coöperatie AVEBE U.A.

