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2015/2016

# ANNUAL REPORT







# INTRODUCTION

## Sustainably Binding and Building

Coöperatie AVEBE U.A. (referred to below as Avebe) is approaching its centenary. That is something we are proud of. There have been many changes in the past hundred years, but one thing has stayed the same: we are bursting with ambition. We want to remain attractive to starch potato growers both now and in the future. For that purpose we maintain close relationships with growers, customers, employees and our surrounding community.

Avebe sets out to pay its members an optimum performance price for the starch potatoes they deliver. We do this by sustainably adding value to as many components of the potato as possible. This is a precondition for our continuity from both a financial and ecological viewpoint.

Market orientation, innovation, sustainability and cost control form our strategic spearheads.

We believe that successful innovation of products and processes is vital to the cooperative's continuity. We regard innovation not as a task but as a way of life. We are constantly looking for ways to increase yields with fewer resources; to grow more sustainably; to develop new varieties with better properties.

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# READING GUIDE

Avebe publishes an annual report each year to inform its stakeholders about the financial results. This annual report covers financial year 2015/2016 and will be presented for adoption to the Members Council at the Members Council Meeting of 19 December 2016.

## Structure

Since financial year 2013/2014 Avebe has published two documents: an annual report and an annual review.

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 is given in our annual review. The financial results are also presented in clearly summarised form so that the reader can see at a glance how we have performed. The annual review is available in four languages: Dutch, German, Swedish and English.

## Guidelines

Account was taken of the guidelines for sustainability reporting (GRI) in the formulation of the 2015/2016 annual report. Our aim is to meet as many of the GRI guidelines as possible in the years to come. We also report in accordance with the statutory requirements for annual reporting of Book 2, Title 9, Article 291 of the Dutch Civil Code.

As well as the guidelines for sustainability reporting, we also test our annual report against the transparency benchmark of the Dutch Ministry of Economic Affairs.

## Business principles

Avebe has developed and implemented a Corporate Governance-code. The code 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. The whistleblower scheme is also in effect.

## Latest news

The latest information about Avebe is made available on our website and in social media. Here you will also find the downloads of the annual review, the annual report and the Corporate Governance code. Follow us on Twitter via the account @AVEBEGroup and LinkedIn.com/company/avebe.

# AVEBE IN FIGURES

## number of employees

	average number	average female	average male
2011/12	<b>1352</b>	<b>14.7 %</b>	<b>85.3 %</b>
2012/13	<b>1308</b>	<b>14.9 %</b>	<b>85.1 %</b>
2013/14	<b>1311</b>	<b>15.1 %</b>	<b>84.9 %</b>
2014/15	<b>1314</b>	<b>17.9 %</b>	<b>82.1 %</b>
2015/16	<b>1306</b>	<b>18%</b>	<b>82%</b>

## ACCIDENT FREQUENCY

THE NUMBER OF ACCIDENTS PER 1000 EMPLOYEES IN WHICH MEDICAL TREATMENT WAS SOUGHT



**SICKNESS ABSENCE**  
still at **4**  
PERCENT

## performance price past 5 years

performance price (€) at 19% starch	2015/16	2014/15	2013/14	2012/13	2011/12
<b>potato money</b>	<b>74.20</b>	<b>73.32</b>	<b>71.27</b>	<b>72.54</b>	<b>63.91</b>
subsequent payment and return	1.38	2.27	1.77	2.16	5.48
total paid	75.58	75.59	73.04	74.70	69.39
unallocated result	1.52	2.82	2.03	2.66	7.55
<b>PERFORMANCE PRICE</b>	<b>77.10</b>	<b>78.41</b>	<b>75.07</b>	<b>77.36</b>	<b>76.94</b>

## solvency

	2015/16	2014/15	2013/14
<b>group equity</b>	<b>201.4</b>	199.6	195
<b>borrowed capital</b>	<b>211.6</b>	230.6	200.3
<b>total capital including provisions</b>	<b>413.0</b>	430.2	395.3
<b>solvency</b>	<b>48.8%</b>	46.4%	49.3%

energy consumption  
**our aim** **25%**  
**CO<sub>2</sub> REDUCTION**  
2017/2018

**6** MILLION LOWER energy costs

ACHIEVED UP TO AND INCLUDING 2016

**15%** less CO<sub>2</sub>

**1.8** million LOWER energy costs

## KEY FIGURES

2015/2016    2014/2015    2013/2014    2012/2013    2011/2012  
 Consolidated unless otherwise indicated (in millions of euros where applicable)

Gross turnover	<b>584.6</b>	559.6	579.9	591.1	595.5
Net turnover	<b>548.6</b>	521.1	540.7	550.0	554.1
Operating result	<b>12.7</b>	17.6	15.1	20.0	50.4
Interest expenses	<b>7.0</b>	7.2	7.6	7.3	5.6
Cooperative result after taxation	<b>6.5</b>	11.8	8.3	11.4	32.1
Depreciation	<b>29.0</b>	23.6	25.8	25.2	24.3
Investments fixed assets	<b>30.5</b>	45.3	24.8	41.1	43.4
Group equity	<b>201.4</b>	199.6	195.0	192.3	191.5
Loan capital including provisions	<b>211.6</b>	230.6	200.3	244.0	244.1
Balance sheet total	<b>413.0</b>	430.2	395.3	436.3	435.6
Group equity as a % of balance sheet total	<b>48.8%</b>	46.4%	49.3%	44.1%	44.0%
Net cash flow before financing activities	<b>25.3</b>	-12.7	31.6	-5.3	-15.0
Net debt	<b>108.7</b>	127.3	108.8	131.5	115.8
Personnel expenses <sup>1)</sup>	<b>98.7</b>	94.7	94.1	91.4	95.1
Average number of employees	<b>1,306</b>	1,314	1,311	1,308	1,352
Number of cooperative members	<b>2,397</b>	2,475	2,479	2,532	2,633
Number of shares issued	<b>101,450</b>	101,450	101,450	101,450	101,374
Performance price (EUR/ton) <sup>2)</sup>	<b>77.10</b>	78.41	75.07	77.36	76.94

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

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

# REVIEW KEY FINANCIAL FIGURES

## Positive cooperative result

In financial year 2015/2016 Avebe achieved a performance price of 77.10 euros a ton of starch potatoes. The financial year was concluded with a cooperative profit of 6.5 million euros.

## Performance price

Approximately 96% of the performance price was paid out directly to the members; this was 93% in the previous financial year. The performance price was 78.41 euros a ton at that time. Through the proposed additional payment a further approx. 1.02 euros a ton of potatoes on fully-subscribed shares will be additionally paid out, taking the pay-out ratio to around 98%.

## Financing

The financing agreement that Avebe made with the banks last year has been extended by one year to 26 November 2016. Verbal agreement has now been reached with the banks on a new long-term financial contract. The details of this are currently being incorporated in a new contract.

## Result development

Net turnover rose by about 25 million euros compared to 2014/2015. This rise can be attributed to a higher sold volume and an average increase in the sales prices. The average sales prices for starch and starch derivatives rose by approximately 1.5% compared to last year. The direct sales costs per ton fell slightly. The costs of raw products and ancillary materials rose slightly in costs per ton of sold product. This rise can be attributed to an altered mix of sold products.

The added value - operating income less raw products and ancillary products - remained virtually unchanged compared to last year. In relation to net turnover, the added value fell from 45.8% to 43.5%. The decrease in added value was caused largely by the sales mix.

Personnel expenses rose from 94.7 million euros in 2014/2015 to 98.7 million euros in 2015/2016. This rise was caused by changes to the 2015 collective labour agreement and a change to the composition of the staffing establishment. The depreciation costs rose by over 4 million euros in the year under review. This rise can be fully attributed to the operationalisation of the investments made in recent years.

The other operating costs fell in the financial year from 101.4 million euros to 98.6 million euros. This decrease can be attributed mainly to lower maintenance and insurance costs.

These developments resulted in the operating result decreasing as a percentage of turnover from 3.4% to 2.3%.

## Balance sheet

The balance sheet total fell in the financial year by 17 million euros to 413.0 million euros. This decrease is explained by the effect on balance of a slight increase in fixed assets and receivables and a sharp reduction of the stocks. The decrease in the balance sheet total is reflected in the decreased debts to banks and an increase in the creditor position and equity capital. Equity capital at the end of financial year 2015/2016 was 201.4 million euros compared to 199.6 million euros at year-end 2014/2015. This increase was caused by the addition of the net result for 2015/2016 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 59 of this annual report.

Operating capital fell by 19 million euros to 138 million euros. This decrease - on balance - in the operating capital can be attributed to lower stocks and short-term liabilities, with the decrease in stocks surpassing the decrease in short-term liabilities. The interest-bearing liabilities fell from 128.8 million euros in the previous financial year to 110.4 million at the end of the year under review.



	2015/2016	2014/2015	2013/2014	2012/2013	2011/2012
	In millions of euros				
Net turnover	548.6	521.1	540.7	550.0	554.1
Added value	238.9	238.7	235.7	222.1	281.1
Fixed expenses (salaries, social security charges, depreciation, other operating expenses) <sup>1)</sup>	226.4	219.7	207.7	200.8	219.4
Impairments	-0.2	1.3	12.9	1.3	11.3
Operating result	12.7	17.6	15.1	20.0	50.4
Cooperative result after taxation	6.5	11.8	8.3	11.4	32.1
<b>Cash flow</b>					
Net operational cash flow before financing activities	25.3	-12.7	31.6	-5.3	-15.0
<b>Profit and loss account ratios</b> (as a percentage of net turnover)					
Added value	43.5%	45.8%	43.6%	40.4%	50.7%
Fixed expenses	41.3%	42.4%	40.8%	36.7%	41.6%
Operating result	2.3%	3.4%	2.8%	3.6%	9.1%
<b>Balance sheet ratios</b>					
Solvency	48.8%	46.4%	49.3%	44.1%	44.0%
Debt/EBITDA	2.6	3.0	2.1	2.8	1.3
<b>Operating capital</b>					
Nominal	138	157	155	164	168
As a percentage of net turnover	25%	30%	29%	30%	30%

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

### Cash flow

Gross operational cash flow in 2015/2016 was approximately 16.0 million euros higher than in the previous financial year. This can be attributed mainly to the reduction of the operating capital. Cash flow from investment activities was approximately 22 million euros lower than in the previous financial year as a result of the lower investments during the financial year. Net operational cash flow therefore rose on balance by 38 million.

Cash flow from the financing activities was dominated in the year under review by payments to members in the form of a final payment, share premium return and the repayment of related share premium.

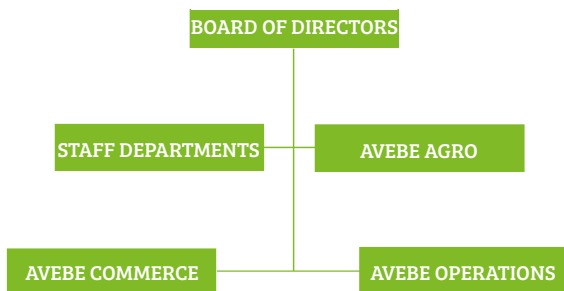
# COMPANY PROFILE

## 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. Half-way through the twentieth century new products were added to this: 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 company that delivers products based on starch potatoes worldwide: grown by almost 2,500 Dutch and German members.

Potato starch is 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 or provisions. We also sell applications for paper, construction, textiles, adhesives and animal feed. This means that we are active throughout the whole supply chain. From the development of new potato types at our cultivation company Averis Seeds B.V., 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 comprises chairman B.C. Jansen and vice-chairman E. Kraaijenzank, CEO and CFO of Avebe respectively. The company is structured around staff departments for HR, Finance, Agro, Corporate 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 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 market-oriented cooperative of starch potato farmers who concentrate on extracting starch and protein from potatoes. Innovative technologies are used to ensure that we will also be able to extract other valuable constituents from the potato. Put simply, we extract everything to be had.

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 together and entering into sustainable relationships. Sustainably building means working sustainably on a solid and future-proof cooperative with products that offer added value for our customers.

We give shape to the Binding & Building strategy on the basis of four pillars:

#### Market orientation

Market orientation means that we ensure that our raw product is geared to the market demand. Avebe also supplies products that give 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 more smartly, cleanly or quickly? We also constantly look for new ways of increasing our yields with fewer resources. More sustainably developing potatoes with better properties. Product innovations also have an important role to play. We are developing many new products and discovering 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 7 separate goals that are intended to ensure that we achieve this ambition. We are saving energy and becoming more sustainable, working 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 underlying our strategy. 'First Time Right' and avoiding complaints are important starting points that we continuously monitor. We aim for cost price leadership in our basic processes and products.

#### BRANDS

We at Avebe produce 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 is given at our website [www.avebe.nl/producten](http://www.avebe.nl/producten).

# REPORT OF THE SUPERVISORY BOARD

**Avebe's financial year 2015/2016 can be characterised as a year of many faces.**

**The sizeable investments and the opening of the new, innovative factories have made heavy demands on the organisation's time and attention.**

Also, the beginning of the campaign did not go as smoothly as it might have done, not least owing to external factors such as the weather conditions. The global prices on the market for agricultural raw products generally failed to gain upward momentum last year, resulting in a structurally low price level. Despite this, an effective commercial policy made it possible to maintain the performance price at a relatively good level at just over 77 euros a ton. The starch potatoes therefore remained a stable factor in our members' income last year.

The Board of Directors and the Supervisory Board met on several occasions to discuss the strategic plan Binding & Building. The desired development of Avebe into a company focused more on human food features many different aspects. They range from attracting qualified people to the education, training and safety policy. The entire organisation has to move with and adapt to this process. Maximum commitment on the part of personnel and members is a vital aspect of this. Changes in the strategic direction are often complex and call for more money, time and staff attention than originally thought.

Avebe's healthy financial situation makes it possible for us to make substantial investments in the future. Investments in the protein strategy and in new starch derivatives give us a good starting point from which to strengthen the market position. This enhances our ability to stand out from the crowd and gives us better prospects of increasing the added value throughout the supply chain.

In this field of tension it is important for us to realise that this is in part made possible by the more traditional products, which can be regarded as the carrier underlying the current performance price. Maintaining a good balance between optimising the "everyday aspects" and innovation for the future is therefore of paramount importance.

In addition to the usual discussions on the strategy and investments, various organisational aspects were raised during last year's Board meetings. These aspects included the safety policy, talent management, risk management, the operations update, energy savings and sustainability. The new NCR Code for Corporate Governance was also discussed.

It has been agreed within the Supervisory Board that we will periodically assess the individual performance of each of its members. These assessments were carried out for some of the supervisory directors during the year under review. Further agreements will be made on the basis of the findings.

During the Annual Meeting of 16 December 2015 Mr J. Emmens was appointed by the Members Council as a member of the Supervisory Board for a period of four years. Mr G. Wichers stepped down by rotation at this meeting and was not eligible for reappointment. We are grateful to Mr Wichers for his considerable commitment and dedication to Avebe. Especially for his contribution to the audit committee over the years.

It was also announced during this annual meeting that Mr Van Dalen would be temporarily stepping down as a supervisory director at Avebe with effect from 1 January 2016. Towards the end of the financial year it was decided that he would not be returning after all. The Supervisory Board is grateful for Mr Van Dalen's expert contribution.

At the end of financial year 2016 the Supervisory Board had eight members. Five of them are members of the cooperative. Six meetings were held during the financial year.

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



The audit committee comprises: K.A. de Graaf (chairman), G. Wichers (until 16 December 2015), H. van Dalen (until 16 December 2015), P. Poortinga (from 16 December 2015) and H. Deuling (from 16 December 2015). The committee met three times during the financial year. The external auditor attended part of all of the meetings.

The remuneration and appointments committee comprises: J.W. Hoekman (chairman), M. Veenendaal, F. Schepers and H. Deuling (until 16 December 2015). This committee held a total of two meetings during the year under review.

The approvals and appeals committee held three hearings this year. The committee comprises H. Deuling (chairman), K.A. de Graaf, H.W. Giere, P. Poortinga (until 16 December 2015) and J. Emmens (from 16 December 2015).

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

The Supervisory Board confirms that in view of the audit report, it approves the financial statements.

The auditor has issued an unqualified audit report dated 1 November 2016. The Supervisory Board proposes to the Members' Council that the financial statements be adopted accordingly. The Supervisory Board approves the board of directors' proposal concerning the appropriation of profits.

Finally, on behalf of the Supervisory Board I would like to thank all personnel and members for their efforts during the past financial year. Stronger together.

For the Supervisory Board  
J.W. Hoekman, Chairman  
Veendam, 1 November 2016

# COMPOSITION OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD

## BOARD OF DIRECTORS

B.C. Jansen, Chairman and CEO

E. Kraaijenzank, Vice chairman and CFO

## SUPERVISORY BOARD

J.W. Hoekman, Chairman

F. Schepers, Vice-chairman

C.H. van Dalen <sup>1</sup>

H. Deuling, Vice chairman

J. Emmens <sup>2</sup>

H.W. Giere

K.A. de Graaf

P. Poortinga

M. Veenendaal

G.H. Wichers <sup>3</sup>

J.P. Russchen, Secretary

<sup>1</sup> temporarily stepped down on 01.01.2016 and subsequently resigned

<sup>2</sup> appointed on 16.12.2015

<sup>3</sup> stepped down on 16.12.2015



# COMPOSITION DISTRICT BOARD

## NORTH

G. Draijer, Chairman<sup>1</sup>  
 D.D. Bouwman  
 M. Folkers-in 't Hout<sup>2</sup>  
 A.H. Houwing  
 C. Kamphuis<sup>2</sup>  
 J.A. Kamphuis<sup>1</sup>  
 G.J. Laarman  
 A. Prins<sup>3</sup>  
 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, Chairperson  
 A. de Boer<sup>2</sup>  
 F. Dijksterhuis  
 J. Emmens, Vice-chairman<sup>1</sup>  
 H. van der Horst  
 H. Houwing  
 R.H. Kunst  
 R. Otten  
 H.J. Prins  
 R.H. Roosjen<sup>4</sup>  
 B.F.J.M. van der Sterren

## SOUTH

H.G. Herbert, Chairperson  
 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. Glühe  
 D. Möller, Vice-chairman  
 H. Saucke  
 F. Schröder<sup>2</sup>  
 S. Schwedt  
 M. Strathusen

## WESER-EMS

M. Möllering, Chairman  
 R. Bruns, Vice-chairman  
 K.H. Hoesen  
 C. Möller  
 A. Röttger  
 H. Schulte  
 B. Specken  
 H. Weinans  
 Vacancy<sup>5</sup>  
 Vacancy<sup>5</sup>

<sup>1</sup> stepped down on 17.12.2015

<sup>2</sup> appointed on 17.12.2015

<sup>3</sup> appointed chairman on 15.03.2016

<sup>4</sup> appointed as vice chairman on 17.05.2016

<sup>5</sup> Vacancy on 17.12.2015 cancelled by amendment to the articles of association as a result of a resolution of the members council, to the effect that the Wester-Ems district elects 7 district council members from its midst.

# PERFORMANCE PRICE AMONG THE TOP THREE IN THE HISTORY OF AVEBE

Clear **progress** has been made  
in the **area of safety** and **vitality**



# REPORT OF THE BOARD OF DIRECTORS

In financial year 2015/2016 Avebe achieved a performance price of 77.10 euros a ton. This represents a fall of 1.7% compared to the record year preceding this one (78.41 euros a ton). Despite that, the performance price is one of the top three in Avebe's history. The year was concluded with a cooperative profit of 6.5 million euros.

Avebe succeeded in performing in a stable manner in an agricultural setting in which many crop prices were under pressure. The cultivation conditions resulted in lower payments on the performance components (starch content, quality, etc.), which made it even more important for us to make a good contribution to our members' income by means of a higher campaign price.

## 2015 harvest

The 2015 harvest was notable for the highly variable conditions. The campaign got off to a difficult start owing to the poor weather conditions. During the campaign there were problems with the power supply at various points, caused by the formation of ice on the power lines which resulted in power cuts. The ultimate result was an average quantity of available potato starch. Compared to the pivotal crop wheat the competitive strength of starch potatoes once again increased. The balance of starch potatoes is almost 1000 euros higher per hectare than wheat.

## Market

The reduced availability of potato starch in Europe led to higher market prices, especially for native starch. The market for protein also developed well. We are seeing that the demand for vegetable protein is gaining from the growing demand for foods that are gluten-free, halal and/or kosher and do not contain any animal ingredients. The price of the dollar remained favourable, although the effect declined somewhat during the course of the financial year. Following the end of the partnership with Ingredient new sales offices were opened in North America and Dubai in order to improve the sales support in these regions.

## Investments

Total investments were lower than last year at 33 million euros, but exceeded the depreciation. As well as the investments in replacing and improving the existing means of production, investments were made in expanding the potato protein capacity for the food market. We also invested in a new production line for high quality proteins for animal feed (Protastar) at the Gasselternijveen location, where a substantial energy saving is also achieved.

## Strategy and organisation

We made further progress with achieving the strategic objectives of Binding and Building 2018. The four pillars of the strategy are market orientation, cost control, sustainability and innovation. Gearing the necessary quantity of raw product to the market demand is an important precondition for a good performance price. Clear progress was made last year with improving safety and vitality in the workplace. There was once again a fall in sickness absence and the number of accidents. Good progress was once again made in the area of quality in the production process and there was a fall in the number of complaints received from customers. Finally, the number of road kilometres was reduced by making more use of train transport.

To summarise, financial year 2015/2016 can be described as a year in which a good performance price was achieved despite the difficult growing conditions and the problems with commissioning new production lines.

# REVIEW OF FINANCIAL YEAR & INVESTING IN THE FUTURE

## AGRO

The past growing year was marked by challenging weather conditions. For some of our members the conditions were optimal and enabled them to ultimately achieve above-average starch yields per hectare. Members in other regions faced heavy rainfall in the spring, resulting in a lower yield, or in some cases no harvest at all. These changeable weather conditions reduced the starch contents compared to previous years, whereas the overall yields were comparable to or slightly higher than the long-term average. This ultimately resulted in an average starch yield.

Avebe operates an ABC system to ensure that the quantity of potatoes supplied is geared as closely as possible to the market demand. Each member commits to supplying the A volume. This is a volume set by the member himself between 4 (supply obligation) and 5 (supply right) tons of potato starch per share. Up to 5 tons per share is the B volume and everything above this is C volume. This system worked well during the past financial year: approximately 96% was supplied as A volume, 3% as B volume and 1% as C volume.

Together with our members we work on improving the returns on starch potato growing. This is known in the Netherlands as 'Optimeel'. The programme consists of study groups, test and demo fields and a cultivation registration system. That way we support the farmers to choose suitable types in order to ultimately raise the yields per hectare. Gaining knowledge from the test and demo fields and combining it with the practical data from the cultivation registration system enables us to provide each farmer with advice tailored to its requirements. Last year we once again invited members to take part in this programme. The number of groups has now been increased and many of the tests are being repeated to gain more information about the growing conditions and how to optimise them.

Finally, Averis Sees B.V. - Avebe's cultivation and seed potato company - took a further step towards the introduction of a new type called Avito last year. This type offers improved resistance to the potato disease phytophthora. Potato diseases continue to pose a threat to potato harvests and the initial results show that Avito is an example of a new generation of potato types that require less crop protection agents.

## COMMERCE

The year began with concerns about whether potato starch would be sufficiently available. The forecasts showed that various European farming areas were contending with the effects of unfavourable weather conditions. We responded to this with appropriate measures aimed at managing a possible raw product shortage and securing continuity. Effective mutual cooperation at Avebe and a cautious commercial policy made it possible for us to secure our fixed customer base and guarantee an efficient production process. Taking quality and reliability as our starting points we were able to offer our customers that they are entitled to expect of us.

Our innovative approach enables us to sharpen our focus on the most important market segments and applications in which our customers can benefit from the distinctive added value of potato starch and protein. We see that our customers are being forced to respond increasingly frequently and quickly to the wishes and the requirements of the end-user, the consumer, in a competitive environment.

There is growing demand for alternative solutions to ingredients of animal origin, such as gelatine and protein, driven by consumer awareness. We are convinced that 'free-from' and 'vegan' are important concepts in Europe and America and that they are here to stay. Avebe has therefore developed a series of special potato starches and proteins that meet these requirements and which can be adapted in terms of texture and flavour for each region. We are satisfied with the result and are now turning to new and promising applications to get as much as possible out of the potato.

The clean label solutions are gaining ground, which is in line with current trends in the food market. Avebe plans to approach this market with modified starch featuring outstanding functionality and which is process-stable but meets the clean labelling trend. We have now succeeded in adding a number of successful products to our portfolio in this segment.

We are also currently working on a number of promising developments for industrial applications, including food packagings. In response to growing consumer awareness, synthetic packagings are losing ground to packagings made of natural materials. Starch presents an excellent alternative in this area.

In 2015 we opened a new office in Cranbury, New Jersey, to expand our presence on the North and South American continent. For the same reason we have opened an office in Dubai to ensure that we are properly represented in that region, too. This makes it easier to actively maintain and extend relationships with customers in the region. It also offers us more ways of translating the latest trends into products with added value.

Growth in Asia continued during the year under review. The market for convenience products is growing in response to rapid urbanisation in China. This includes products such as ready meals to serve a growing working population. One of the biggest challenges in this segment is to retain a good texture. Eliane™ GEL100, a new Avebe product, offers an outstanding solution for this and enables us to achieve new sales.

## OPERATIONS

Avebe intends to be a solid and future-proof cooperative both now and in the future. Producing under safe conditions at the right costs and at the right quality are important spearhead policies. Substantial investments were made in the process of embedding safe production in the organisation at all of our locations. The improvement of the basic processes was continued in the area of 'First Time Right', optimising the campaign planning and sustainability.

Improving the basic processes has reduced the number of customer complaints, First Time Right product has been improved and the costs of obsolete stock have sharply decreased. The logistics process has been made more sustainable by means of train transport to customers. This substantiates our objective of sustainable distribution by avoiding road kilometres.

The innovative strategy being pursued in the area of potato protein was given further shape at the Gasselternijveen location. New production capacity is being built here, including the new Inline Protastar factory. This factory will make it possible for the Protastar protein, which is used for high quality animal feed, to be produced at a single location. This enables us to save 11,000 tons of CO<sub>2</sub> and 40,000 transport kilometres. Also, the factory for the extraction of the Solanic® proteins was taken into use for the first time during this campaign. During the oncoming campaign the emphasis will be placed on achieving even higher quality, continuing to improve safety and on extending the protein strategy.

We are looking with confidence to the oncoming campaign. The strategic focus is being placed on continuing to reduce complaints, improving First Time Right production and raising safety awareness. Sustainability also remains an important pillar on which we are working on reducing water consumption and recycling remnant streams.

## HUMAN RESOURCE MANAGEMENT

Avebe's strategy of extracting all valuable ingredients from the potato applies just as well to our personnel policy. We continuously build on a learning and vital organisation. Our strategic focus on innovation creates new challenges, ranging from technical issues at the production locations to the development of new applications in the laboratory and their marketing. These are developments that call for new knowledge and skills. For that reason Avebe invests a good deal in career planning, training and the quality of its personnel. Talent management occupies a high position on the agenda.

We welcomed 57 new employees during the past financial year. We also provided work placements for 68 students. Creating opportunities for people with limited access to the job market is also something that we take seriously. Avebe provided job positions for seven people from this group. 66 employees in the Netherlands and 10 from other countries left Avebe.

Offering employees opportunities in terms of training, growth and employability ensures that they are sufficiently qualified and fit for their work. Today, tomorrow and in the longer term. To us, vitality means more than health alone. It is about job satisfaction and being good at what we do. Being able to work enthusiastically and effectively contributes to vitality among employees. This was the reason for introducing the programme entitled The speed of trust. We talk to our employees about how to increase trust in themselves, their colleagues and Avebe as a whole, which could lead to a more enjoyable and efficient way of working together. We expect our employees to take the initiative and responsibility for their own wellbeing and development. These themes are therefore addressed three times a year in the interview cycle.

During the year under review Avebe invested specifically in a preventative health policy. All employees were given the opportunity to undergo a preventative medical examination and vitality coaches were trained internally. The working conditions service was used for reintegration and also to prevent sickness absence levels from rising. Finally, Avebe encourages and supports all sorts of vitality activities, including running clinics and competitions such as the Ladies Run, the Groningen 4 Mile and Run4Ideas in Dusseldorf.

Last year another employee satisfaction survey was held. This showed that compared to the previous survey in 2014 employees feel more committed to Avebe. This can be attributed mainly to the improved communication within the organisation, the role of the management in the workplace and more clarity about tasks and responsibilities. The average score rose accordingly from 7.4 to 7.6. Communication between the various departments and locations remains point on which there is room for improvement.

The Management and Supervision (Public and Private Companies) Act and Sections 2:166 and 2:276 of the Dutch 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 it makes new appointments.



# RESEARCH & DEVELOPMENT

Innovation is one of the strategic pillars. Avebe sets **out to extract everything from the potato** in order to maximise the **performance price** for its **members**.



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This means, for example, that we generate more yields with fewer resources and produce more efficiently and cleanly at our production locations. We also develop new applications in order to add value to all ingredients of the potato.

In the agricultural area innovation is all about the development of new potato types that are even more resistant to diseases and generate higher yields. For this purpose Avebe has its own breeding and seed potato company, Averis Seeds B.V. The introduction of Avito, a variety with a greatly improved resistance to phytophthora, is a good example of these developments. The latest technologies are used for the development of new varieties, but always on a traditional basis. Last year specialists of Avebe, Averis and our members worked in intense partnership on carrying out practical tests on promising types at an accelerated rate so that our members would have access to the latest types that contribute to higher returns at an earlier stage.

An example of a successful product innovation is a new application of the product Etenia™. The unique aspect of this product is that it can quadruple the yield of cream cheese, quark and Greek yoghurt. In the traditional dairy process 100% raw product (milk) yields just 25% of product (quark, yoghurt, etc.). The other 75% is sour whey, which has virtually no value for the producer. Etenia™ ensures that the product is able to obtain 4 times more end-product from the same quantity of milk because sour whey is no longer produced.

This year we announced that we would be combining our innovative strengths in a new centre at the Zernike university complex in Groningen. This will be a complete innovation centre with a laboratory, a test facility, offices and a customer innovation centre. We are merging our existing laboratory facilities in Veendam and Foxhol, which will make it possible for us to work even more intensively with scientists, students and PhD students of Groningen University and the Hanze University of Applied Sciences. The new location will accommodate about 100 Avebe employees in R&D, Marketing and Sales and is planned for 2017.

# RISKS & UNCERTAINTIES

Pursuing our strategy involves all sorts of risks. For that reason Enterprise Risk Management (ERM) forms an integral part of Avebe's operational management and we make use of various standardised methods to chart, analyse and (where applicable) control the strategic, tactical and operational risks in a timely manner.

Responsibility for this process is held by the 'risk owner', usually the business manager. He is supported by a risk coordinator. This coordinator is responsible for facilitating the risk management process, which includes monitoring the improvement activities and the reports. The Risk & Insurance Manager then collects all of the information and discusses it periodically with the Board of Directors. He also assesses the risk profiles and considers the extent to which Avebe is willing to take the risks in question.

## Main risks

The main risks and the accompanying control measures identified in the ERM process are shown in the table below. This selection is based on the potential impact if the incident takes place and the management's estimation of the probability of it occurring.

## OPERATIONAL RISKS

Risk	Description	Control measures
Safety incident	Serious injury of employees or contractors. This can lead to the loss of personnel, reputational damage and penalties imposed by the health & safety inspectorate. Causes include insufficient clarity about tasks, powers and responsibilities, for example. The attitude and behaviour of employees and access to the installations also play a role here.	<ul style="list-style-type: none"> <li>Avebe has introduced orange and blue zones, procedures for personal protection (and PPE) and safety inspection rounds.</li> <li>It is easier for employees to report unsafe situations using an online system.</li> <li>Implementation of HAZOP (Hazard and Operability) studies as well as Explosion Safety Documents (ESDs) and the Emergency Response Teams have been optimised.</li> <li>Organisation safety days, where work is done on changing attitudes and behaviour.</li> </ul>
Incident involving quality and food safety	Avebe produces ingredients for the food industry. Reduced quality and contamination of the product may lead to complaints, the cancellation of orders and possibly the loss of customers.	<ul style="list-style-type: none"> <li>Optimisation of standard audit procedures.</li> <li>Focus on complaint reduction.</li> <li>Investments made in guaranteeing food safety.</li> <li>Setup of crisis management organisation.</li> </ul>
Understaffing on the production line	Understaffing of the production lines leads to negative financial results. The causes may be found in a low sales volume or inadequate production volume owing to faults.	<ul style="list-style-type: none"> <li>Sales &amp; Operations planning process: the implementation of the strategy aimed at preventative rather than corrective maintenance.</li> <li>Marketing segment plans for food and non-food as additional measures for reducing this risk.</li> </ul>





Risk	Description	Control measures
Loss of a production line for longer than 3 months	A continuity fault prevents a production line from producing. Causes of this risk may include: earthquake damage caused to buildings in which the production line is housed (especially at the Foxhol location) and worn machinery components.	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The production components will be maintained on the basis of periodic preventative maintenance and changed where necessary.</li> <li>• The most important spare parts are kept in stock.</li> <li>• Ability to outsource production to other production lines</li> </ul>
Long-term downtime/fault in IT systems	The probably and implications of a continuity issue have been visualised in the IT system. A number of high-risk systems have been identified.	<ul style="list-style-type: none"> <li>• Optimisation of backup procedure.</li> <li>• Tightening up of the change management process.</li> <li>• Addressing cyber risks and privacy legislation internally.</li> </ul>
Insufficient base product for production (70-80% or less of the planned quantity)	The most important cause of this risk is the failure (or partial failure) of the harvest. 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 buy replacement supplies.	<ul style="list-style-type: none"> <li>• Intensive partnership between the various company divisions with a view to anticipating changing circumstances</li> <li>• Last year possible scenarios were identified. The impact and the necessary measures were considered.</li> </ul>
<b>COMMERCIAL RISKS</b>		
Loss of patents	Causes of this risk include Avebe losing court cases and infringements not being noticed by the customer or competitor.	<ul style="list-style-type: none"> <li>• Monitoring potential patent violation by competitors via various sources.</li> <li>• Evaluation of the various court cases.</li> </ul>
Closure of the breeding firm Averis owing to quarantine diseases	The most important cause is contamination of the growing material owing to contamination with quarantine diseases outside of the location.	<ul style="list-style-type: none"> <li>• Implementation of additional hygiene measures.</li> <li>• Limitation of supply and transport of breeding materials and machines.</li> </ul>
Insufficiently qualified personnel	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.	<ul style="list-style-type: none"> <li>• Setting up of a generic job classification system (focus on knowledge/skills and competencies).</li> <li>• Introduction and securing of the assessment cycle.</li> <li>• Talent management: specific attention manning key and critical positions.</li> </ul>

**FINANCIAL RISKS****Risks**

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 out credit insurance to reduce the credit risk on sales

**COMPLIANCE RISKS**

Compliance risks

Violation of legislation and integrity breaches

- 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

Avebe's strategy Sustainably Binding & Building is aimed at continuity, for today and tomorrow. Sustainably Binding means connecting people, planet and profit together and entering into sustainable relationships. Sustainably Building means working sustainably on a solid and future-proof cooperative with products that offer added value for our customers.

One of the strategic pillars is sustainability, under which we work on the one hand towards an optimum performance price for our members and critically examine our processes on the other. In our sustainability policy we make a distinction between the themes: safety, energy, vitality, cultivation, logistics, market, water and sustainably binding. By taking a transparent approach to our stakeholders we set out to connect with them and take responsibility in the supply chain. Where possible we set out to save energy and make it greener.

## Primary objectives

Theme	2018 objective	Achieved in 2015/2016
<b>Safety</b>	Accident frequency index <0.5	0.8
<b>Saving and greening energy</b>	25% less CO <sub>2</sub>	Reduced by around 15%*
<b>Vitality</b>	Sickness absence: < 5% Commitment: >7.5	Sickness absence: 4% Commitment: 7.6
<b>Cultivation</b>	Increased yield per hectare	1.5% moving average over 10 years
<b>Logistics</b>	Reducing transport kilometres (2 million kilometres)	(1.7 million kilometres)
<b>Water</b>	Reducing water consumption	Action plan to save 1 million m <sup>3</sup> of water
<b>Sustainably binding</b>	Transparency and connection of the main stakeholders	<ul style="list-style-type: none"> <li>• Further clarifying the footprint per product</li> <li>• Update of Corporate Governance Code shared with stakeholders</li> <li>• Company visits organised for members, politicians, directors, nearby residents and other stakeholders</li> <li>• Knowledge transfer during field days for farmers</li> <li>• Informing customers via external newsletters</li> </ul>

\* including the purchasing of solar energy for the production locations where we do not generate our own electricity

Our stakeholders expect us to be transparent and take responsibility in the supply chain. During the past financial year much has been done on continuing to update an ecological profile (EPD) for each product in order to clarify the footprint per product. Customers use these EPDs to calculate the environmental impact of their own products. As well as this, Avebe has been collecting sustainability data for its own farming operations since 2014/2015. The data is collected in accordance with the international initiative SAI Platform (Sustainable Agricultural Initiative) by an independent institute. We were awarded Silver status for this in 2016. This internationally recognised status makes it easier to do business with buyers worldwide.

# MEETING OBJECTIVES STEP- BY-STEP

Facing the future with down-to-earth  
optimism



# FORECASTS BOARD OF DIRECTORS

The current Binding & Building strategy is aimed at 2018. We have set ourselves the goal of achieving a performance price of 90 euros a ton under normal circumstances for our members during the next few years. We plan to achieve this goal step-by-step in the years to come.

The 2016/2017 campaign got off to a good start. A long planting season led to initially large differences in the field. This was levelled out somewhat by the favourable farming conditions. The high temperatures in September made the farming yield somewhat lower than in previous years, but the starch percentages are higher than average.

During the new financial year 2016/2017 the recent investments in the new production lines for food protein will need to be stepped up, not least in response to the highly encouraging market demand.

The current financing agreement with the banks ends on 26 November 2016. Avebe has since reached agreement with its house bankers for the financing during the next years. This is due to be ratified in a new financing agreement.

The planned level of investment for financial year 2016/2017 is 45 million euros.

We will be devoting a large part of this budget to innovation. The further upscaling of the potato protein capacity for foods in particular will make it possible for us to achieve our strategic objective. But extending the capacity for starch derivatives will also call for plenty of attention and investments.

We will also be investing in improving quality.

We will of course be continuing to work on making Avebe a company where safety, quality and vitality are sustainably substantiated.

The sustainability programmes will be further tightened up and extended.

There is a need to continue to improve the exchange of information between growers and Avebe. Customers are more frequently asking for more information about the origin of products. With Optimeel we have already taken steps in this direction and are continuing to develop.

Optimeel therefore is and remains an important spearhead in the optimisation of the growing operations.

During the next financial year we will be continuing to pursue our strategy unabated.

Concrete targets have been formulated for each of the strategic pillars (market-orientation, innovation, sustainability and cost control) and clear progress has been made. It is of great importance to continue on this basis. We are working on numerous new initiatives aimed at reducing the amount of energy we use in particular.

Continuing to upgrade all components of our starch potatoes creates huge potential that we will be able to tap in the steps during the years to come.

Next year we will evaluate our Binding and Building strategy and adapt it where necessary.

One thing is for sure: it will be even more ambitious than it is at present. That way we will not only be working on an optimum result for our members today, but will be continuing to strengthen and secure it in the future.

We can only achieve this in close partnership with our members and personnel. Together we have already taken a number of steps in the right direction, and we will now be looking to the future with down-to-earth optimism.

For the Board of Directors,

B.C. Jansen

E. Kraaijenzank



# FINANCIAL STATEMENTS 2015 / 2016

All amounts are given in the tables in thousands of euros unless otherwise stated.

## CONSOLIDATED BALANCE SHEET

AT 31 JULY 2016

(after proposed profit appropriation)

### ASSETS

		31-7-2016	31-7-2015	Ref
<b>Fixed assets</b>				
<b>Intangible fixed assets</b>		1,254	946	2
<b>Tangible fixed assets</b>	Buildings and land	34,520	34,514	3
	Plant and machinery	133,354	103,100	
	Other tangible fixed assets	4,320	3,721	
	Assets under construction	15,968	45,516	
		<u>188,162</u>	<u>186,851</u>	
<b>Fixed assets investments</b>	Other participating interests	1	1	4
	Other loans	12	12	
		<u>13</u>	<u>13</u>	
<b>Current assets</b>				
<b>Stocks</b>	Starch	41,582	56,362	5
	Derivatives	77,525	78,976	
	By-products	4,789	5,031	
	Other stocks	19,753	24,307	
		<u>143,649</u>	<u>164,676</u>	
<b>Receivables</b>	Trade debtors	71,418	61,722	6
	Taxation and social security contributions	-	2,722	
	Other debtors	4,954	11,450	
	Prepayments and accrued income	1,931	345	
		<u>78,303</u>	<u>76,239</u>	
<b>Cash at bank and in hand</b>		1,659	1,477	7
<b>Total assets</b>		<u>413,040</u>	<u>430,202</u>	





## LIABILITIES

		31-7-2016	31-7-2015	Ref
<b>Group equity</b>	Capital and reserves	<u>201,369</u>	<u>199,550</u>	8
		201.369	199,550	
<b>Provisions</b>	Reorganisation	1,804	3,271	9
	Deferred taxation	558	679	
	Pensions	1,716	2,163	
	Other	<u>11,130</u>	<u>10,717</u>	
		15.208	16,830	
<b>Current liabilities</b>	Banks	107,388	125,932	10
	Trade creditors	55,287	53,966	
	Current account members	2,976	2,839	10
	Pensions	826	2,833	
	Taxation and social security contributions	551	-	
	Other debts	22,493	22,248	11
	Accruals and deferred income	<u>6,942</u>	<u>6,004</u>	
		196.463	213,822	
<b>Total liabilities</b>		<u>413,040</u>	<u>430,202</u>	

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

	2015/2016	2014/2015	Ref
<b>Gross turnover</b>	<b>584,594</b>	559,573	<b>12</b>
Direct selling costs	<u>36,014</u>	<u>38,504</u>	
<b>Net turnover</b>	<b>548,580</b>	521,069	
Movement in stocks of finished goods	-16,473	13,916	
Capitalised production	2,351	1,413	
Other operating income	<u>4,432</u>	<u>3,199</u>	<b>13</b>
	<u>-9,690</u>	<u>18,528</u>	
<b>Total operating income</b>	<b>538,890</b>	539,597	
Raw materials and consumables	<b>300,012</b>	300,946	
Salaries and wages	<b>74,439</b>	71,533	<b>14</b>
Social security charges	<b>24,292</b>	23,135	
Depreciation and other impairments	<b>28,820</b>	24,930	<b>15</b>
Other operating expenses	<u>98,630</u>	<u>101,405</u>	
<b>Total operating expenses</b>	<b>526,193</b>	521,949	
<b>Operating result</b>	<b>12,697</b>	17,648	
Revenues of securities	<b>1,666</b>	2,087	
Interest and similar income	<b>53</b>	90	
Interest expenses	<u>-7,008</u>	<u>-7,258</u>	
<b>Balance of financial income and expenses</b>	<b>-5,289</b>	-5,081	
<b>Result on ordinary activities before taxation</b>	<b>7,408</b>	12,567	
Taxation	<b>-897</b>	-798	<b>16</b>
<b>Cooperative result after taxation</b>	<b>6,511</b>	11,769	

## CONSOLIDATED CASH FLOW STATEMENT

		2015/2016	2014/2015	Ref
<b>Operational cash flow</b>	Cooperative result after taxation	6,511	11,769	
	Adjustments for:			
	Depreciation and other impairments	28.820	24,930	15
<b>Movements in working capital</b>	Movements in stocks	21,027	-16,700	
	Movements in receivables	-9,428	2,156	
	Movements in current liabilities	3,115	11,021	
		<u>14.714</u>	<u>-3,523</u>	
	Additions to provisions	1,479	3,029	
	Withdrawals from provisions	-3,050	-3,676	
	Movement in provisions	<u>-1.571</u>	<u>-647</u>	9
<b>Gross operational cash flow</b>		<u>48,474</u>	<u>32,529</u>	
<b>Fixed assets cash flow</b>	Investments in fixed assets	-30,528	-45,292	2 3
	Disposals of fixed assets	7,376	105	3
	Other movements in financial fixed assets	-	-1	4
		<u>-23,152</u>	<u>-45,188</u>	
<b>Net operational cash flow before financing activities</b>		<u>25,322</u>	<u>-12,659</u>	
<b>Financing cash flow</b>	Final payment to members	-4,350	-2,970	21
	Movement in loans to member-suppliers	137	-78	
	Repayment of share premium	-1,522	-1,522	21
	Return on share premium	-803	-894	21
	Received share premium	27	-	
	Others	475	333	21
		<u>-6,036</u>	<u>-5,131</u>	
<b>Net cash flow</b>		<u>19,286</u>	<u>-17,790</u>	
	Exchange and conversion differences	-560	-745	
<b>Movement in net debt</b>		<u>18,726</u>	<u>-18,535</u>	
<b>Composition of the net debt</b>				
	Net debt to banks at 1 August	124,455	105,920	
	Movement in net debt	-18,726	18,535	
	Net debt to banks at 31 July	<u>105,729</u>	<u>124,455</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.

#### 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.

#### 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. 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 2016

### 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 2015		946
Investments	680	
Depreciation	-300	
Permanent impairments	-72	
		<u>308</u>
<b>Book value at 31 July 2016</b>		<b><u>1,254</u></b>
Purchase price at 31 July 2016		4,473

Software is amortized over five years.

#### 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 2015	34,514	103,100	3,721	45,516	186,851
Investments	3,030	53,878	2,474	-29,534	29,848
Exchange differences	-30	-32	-1	-14	-77
	<u>37,514</u>	<u>156,946</u>	<u>6,194</u>	<u>15,968</u>	<u>216,622</u>
Book value of disposals	-12	-	-	-	-12
Permanent impairments	-570	946	-108	-	268
Depreciation	-2,412	-24,538	-1,766	-	-28,716
	<u>-2,994</u>	<u>-23,592</u>	<u>-1,874</u>	<u>-</u>	<u>-28,460</u>
<b>Book value at 31 July 2016</b>	<b><u>34,520</u></b>	<b><u>133,354</u></b>	<b><u>4,320</u></b>	<b><u>15,968</u></b>	<b><u>188,162</u></b>
Purchase price at 31 July 2016	96,457	543,833	43,450	15,968	699,708

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.

The permanent impairment on the item machinery and equipment concerns the balance of a reversal of EUR 7.4 million from previous years and depreciations in the current financial year.



#### 4 Financial fixed assets

	31-7-2016	31-7-2015
A Other participating interests	1	1
B Other loans	12	12
	<u>13</u>	<u>13</u>

The term of these items is longer than 1 year.

#### 5 Stocks

The stocks valued at a lower realisable value had a book value of EUR 8.8 million on the balance sheet date.

#### 6 Receivables

All receivables have a remaining term of less than one year. A provision for bad debt has been deducted from the trade receivables. 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 2015	3,271	679	2,163	10,717	16,830
Movements charged to the profit and loss account	398	-110	115	1,076	1,479
Withdrawals	-1,865	-	-522	-663	-3,050
Exchange differences	-	-11	-40	-	-51
<b>Position at 31 July 2016</b>	<b>1,804</b>	<b>558</b>	<b>1,716</b>	<b>11,130</b>	<b>15,208</b>

The current part of the provisions amounts to EUR 2.9 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 2015 was 115.7%. (The policy-based coverage ratio is 116.6%)

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 1.7 million (last year EUR 1.8 million).

### Other provisions

The other provisions are specified as follows:

	Anniversary bonuses	Demolition costs	Total
Position at 31 July 2015	3,621	7,096	10,717
Movements charged to the profit and loss account	485	591	1,076
Withdrawals	-262	-401	-663
<b>Position at 31 July 2016</b>	<b>3,844</b>	<b>7,286</b>	<b>11,130</b>

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.

#### 10 Current interest-bearing liabilities

	31-7-2016	31-7-2015
Current liabilities banks	107,388	125,932
Current account members	2,976	2,839
<b>Total interest-bearing current liabilities</b>	<b>110,364</b>	<b>128,771</b>

Coöperatie AVEBE U.A. has a credit facility for a total sum of EUR 210.6 million with its principal bankers under the following agreements:

- Minimum solvency of 30%, and
- A maximum net Debt/EBITDA ratio of 3.5.

On the balance sheet date Coöperatie AVEBE U.A. had met all of the conditions.

Specific rules for calculating the ratios have been agreed with the banks. The credit facility can be broken down as follows:

- A three-year committed line of EUR 74.6 million on which EUR 1 million is repaid each quarter, with a final payment of EUR 74.6 million on 26 November 2016.
- A current account line of EUR 136 million, including a guarantee line of EUR 6 million.

The term of the current credit facility runs until 26 November 2016, which is confirmed annually.

Coöperatie AVEBE U.A. has since reached agreement with its house bankers on a new 5-year contract.

#### Other debts

- 11 This item includes a debt to members of EUR 4.6 million (previous year EUR 6.8 million). The debt to members item is made up as follows:

	31-7-2016	31-7-2015
Final payment to members	2,283	4,350
Return on share premium	803	894
Repayment of share premium	1,522	1,522
Repayment of certificates	14	19
	<b>4,622</b>	<b>6,785</b>

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

#### Off-balance sheet commitments

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

The long-term commitments relating to operational lease and rental agreements amount to EUR 41.7 million, EUR 7.8 million of which matures within one year. A sum of EUR 21.0 million within five years and a sum of EUR 12.9 million will mature after more than five years.

Guarantees have been issued for EUR 441,000.

Coöperatie AVEBE has entered into commitments in the amount of EUR 6.8 million in the context of current investments.

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

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

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

**Financial instruments**

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

	notional amount	market value
Forward exchange contracts	24,601	184
Currency call options	49,079	1,207
Interest rate swaps	80,000	-11,815

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 2016 are entirely effectively, no fair value changes are shown in the profit and loss account.

Coöperatie AVEBE U.A. has taken out Interest Rate Swaps (IRS) in order to convert the interest on short-term debts into a fixed interest rate. The IRS contracts have been entered into for a total sum of EUR 80 million, and mature in 2019.



## NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

### 12 Gross turnover

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

	2015/2016	2014/2015
Starch	148,691	133,105
Derivatives	373,480	365,415
By-products	62,423	61,053
	<u>584,594</u>	<u>559,573</u>

Breakdown of gross turnover by geographical regions:

	2015/2016	2014/2015
European Union	56%	57%
Rest of Europe	2%	3%
Rest of the world	42%	40%
	<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:

	2015/2016	2014/2015
Result on assets sold	983	-
Commissions, seed potatoes and others	3,449	3,199
	<u>4,432</u>	<u>3,199</u>

### 14 Personnel

The average number of people employed during the financial year averaged 1,306 (previous year 1,314). Of this number, 292 (previous year 296) working outside of the Netherlands. The social security charges include EUR 12,649,000 (previous year EUR 12,367,000) in pension charges.

### 15 Depreciation and other impairments

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

	2015/2016	2014/2015
Depreciation tangible fixed assets	28,716	23,182
Permanent impairments	-196	1,324
Depreciation intangible fixed assets	300	424
	<u>28,820</u>	<u>24,930</u>

#### Auditor's fee

The fees charged consist of the following components:

	2015/2016	2014/2015
Audit of the financial statements	223	222
Other audit activities	20	15
Non-audit services	12	15
	<u>255</u>	<u>252</u>

### 16 Taxation

The corporation tax burden of EUR 0.9 million charged to the result is the balance of taxation paid and payable abroad and movements in relation to deferred taxation. The remaining offsettable losses and the temporary differences (totalling EUR 63.8 million, previous year EUR 54.7 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 2016

(after proposed profit appropriation)

### ASSETS

		31-7-2016	31-7-2015	Ref
<b>Fixed assets</b>				
<b>Intangible fixed assets</b>		978	547	17
<b>Tangible fixed assets</b>				
	Buildings and land	26,720	27,410	18
	Plant and machinery	99,344	96,379	
	Other tangible fixed assets	3,203	2,462	
	Assets under construction	13,702	23,183	
		<u>142,969</u>	<u>149,434</u>	
<b>Financial fixed assets</b>				
	Participating interests in group companies	73,753	70,457	19
	Loans to group companies	97,358	88,358	
		<u>171,111</u>	<u>158,815</u>	
<b>Current assets</b>				
<b>Stocks</b>				
	Starch	28,264	37,286	
	Derivatives	67,713	67,573	
	By-products	4,324	3,513	
	Other stocks	16,133	16,584	
		<u>116,434</u>	<u>124,956</u>	
<b>Receivables</b>				
	Trade debtors	61,413	54,197	20
	Taxation and social security contributions	-	1,835	
	Other debtors	59	191	
	Prepayments and accrued income	2,011	392	
		<u>63,483</u>	<u>56,615</u>	
<b>Cash at bank and in hand</b>		672	108	
<b>Total assets</b>		<u>495,647</u>	<u>490,475</u>	

## LIABILITIES

		31-7-2016	31-7-2015	Ref
<b>Capital and reserves</b>	Share capital	23,029	23,029	21
	Share premium account	30,205	31,700	
	Other reserves	148,135	144,821	
		<u>201,369</u>	<u>199,550</u>	
<b>Provisions</b>	Reorganisation	1,804	3,271	22
	Pensions	-	400	
	Other	10,702	10,218	
		<u>12,506</u>	<u>13,889</u>	
<b>Current liabilities</b>	Banks	144,206	155,448	
	Trade creditors	47,235	42,553	
	Group companies	60,007	49,856	
	Current account members	2,976	2,839	
	Pensions	332	2,363	
	Taxation and social security contributions	1,056	-	
	Other debts	19,896	18,634	23
	Accruals and deferred income	6,064	5,343	
		<u>281,772</u>	<u>277,036</u>	
<b>Total liabilities</b>		<u>495,647</u>	<u>490,475</u>	

## PROFIT AND LOSS ACCOUNT

	2015/2016	2014/2015	Ref
Gross turnover	567,676	550,878	24
Direct selling costs	46,282	49,848	
<b>Net turnover</b>	<b>521,394</b>	<b>501,030</b>	
Movement in stocks of finished goods	-8,070	5,264	
Capitalised production	1,323	832	
Other operating income	1,338	640	
	-5,409	6,736	
<b>Total operating income</b>	<b>515,985</b>	<b>507,766</b>	
Raw materials and consumables	329,168	320,311	
Salaries and wages	57,099	55,124	25
Social security charges	18,894	18,057	
Depreciation and other impairments	28,342	19,410	26
Other operating expenses	73,537	81,098	
<b>Total operating expenses</b>	<b>507,040</b>	<b>494,000</b>	
<b>Operating result</b>	<b>8,945</b>	<b>13,766</b>	
Interest and similar income	354	378	
Interest expenses	-7,003	-7,246	
<b>Balance of financial income and expenses</b>	<b>-6,649</b>	<b>-6,868</b>	
Result on ordinary activities before taxation	2,296	6,898	
Taxation	-5	-87	27
Result on participating interests	4,220	4,958	
<b>Cooperative result after taxation</b>	<b>6,511</b>	<b>11,769</b>	

## NOTES TO THE BALANCE SHEET

AT 31 JULY 2016

### 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 36 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 2015		547
Investments	680	
Depreciation	-177	
Permanent impairments	-72	
		<u>431</u>
<b>Book value at 31 July 2016</b>		<b>978</b>
Purchase price at 31 July 2016		3,794

#### 18 Tangible fixed assets

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

	Buildings and land	Plant and and machinery	Other tangible fixed assets	Assets under construction	Total
Book value at 31 July 2015	27,410	96,379	2,462	23,183	149,434
Investments	1,537	27,354	2,230	-9,481	21,640
	<u>28,947</u>	<u>123,733</u>	<u>4,692</u>	<u>13,702</u>	<u>171,074</u>
Book value of disposals	-12	-	-	-	-12
Permanent impairments	-424	-5,511	-107	-	-6,042
Depreciation	-1,791	-18,878	-1,382	-	-22,051
	<u>-2,227</u>	<u>-24,389</u>	<u>-1,489</u>	<u>-</u>	<u>-28,105</u>
<b>Book value as at 31 July 2016</b>	<b>26,720</b>	<b>99,344</b>	<b>3,203</b>	<b>13,702</b>	<b>142,969</b>
Purchase price at 31 July 2016	62,455	390,349	30,064	13,702	496,570

#### 19 Financial fixed assets

	<b>31-7-2016</b>	<b>31-7-2015</b>
A Participating interests in group companies	<b>73,753</b>	70,457
B Loans to group companies	<b>97,358</b>	88,358
	<u><b>171,111</b></u>	<u>158,815</u>

Movements of these items are as follows:

	A	B
Book value at 31 July 2015	70,457	88,358
Loans issued	-	9,000
Share in net result	4,220	-
Exchange differences	-924	-
<b>Book value at 31 July 2016</b>	<b>73,753</b>	<b>97,358</b>

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

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

## 20 Receivables

All receivables have a term of less than one year.

## 21 Capital and reserves

Share capital	number of shares	
<b>Balance at 31 July 2015 and 31 July 2016</b>	<b>101,450</b>	<b>23,029</b>

During the financial year 5,219 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 2,689 shares under its own management.

### Share premium reserve

Balance at 31 July 2015		31,700
Received upon transfer of shares	27	
Repayment from proposed profit appropriation 2015/2016	-1,522	
		<u>-1,495</u>
<b>Balance at 31 July 2016</b>		<b><u>30,205</u></b>

The share premium comprises two components: A free share (EUR 19.5 million, previous year EUR 19.5 million) and a share that is related to the issued shares (EUR 10.7 million, previous year EUR 12.2 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 2015		-
Exchange rate result hedging financial fixed assets		338
Exchange differences on net investments in foreign group companies		-924
Transfer from other reserves		586
<b>Balance at 31 July 2016</b>		<b><u>-</u></b>

### Other reserves

Balance at 31 July 2015		144,821
Transfer to the revaluation reserve		-586
Cooperative Result 2015/2016	6,511	
Return on share premium	-803	
Final payment to members 2015/2016	-2,283	
		<u>3,425</u>
Exit fee received and others		475
<b>Balance at 31 July 2016</b>		<b><u>148,135</u></b>

The balance of the statutory reserve exchange differences in the other reserves is minus EUR 8,984,000.

**22 Provisions**

The provisions are long-term unless otherwise stated.

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

	Reorganisation	Pensions	Other	Total
Balance at 31 July 2015	3,271	400	10,218	13,889
Movements charged to the profit and loss account	398	-10	1,068	1,456
Withdrawals	-1,865	-390	-584	-2,839
<b>Balance at 31 July 2016</b>	<b>1,804</b>	<b>-</b>	<b>10,702</b>	<b>12,506</b>

The current part of the provisions amounts to EUR 2.8 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 2015	3,267	6,951	10,218
Movements charged to the profit and loss account	477	591	1,068
Withdrawals	-262	-322	-584
<b>Balance at 31 July 2016</b>	<b>3,482</b>	<b>7,220</b>	<b>10,702</b>

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 441,000. Of the issued guarantees, EUR 156,000 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 33.9 million, of which EUR 6.9 million matures within one year. For EUR 8.4 the term is longer than 5 years. The remainder of EUR 18.6 million matures within one year.

Coöperatie AVEBE U.A. has entered into commitments in the amount of EUR 5.1 million in the context of current investments.

**Declaration of liability**

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

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

**Assets not disclosed in the balance sheet**

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

## NOTES TO THE PROFIT AND LOSS ACCOUNT

### 24 Gross turnover

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

	2015/2016	2014/2015
Starch	166,265	148,369
Derivatives	339,325	341,687
By-products	62,086	60,822
	<u>567,676</u>	<u>550,878</u>

Breakdown of gross turnover by geographical regions:

	2015/2016	2014/2015
European Union	58%	61%
Rest of Europe	2%	3%
Rest of the world	40%	36%
	<u>100%</u>	<u>100%</u>

### 25 Personnel

The average number of people employed during the financial year averaged 993 (previous year 998). The number of employees at year-end was 986 (previous year 984). None of these employees work abroad. The social security charges include EUR 10,949,000 (previous year EUR 10,819,000) in pension charges.

### 26 Depreciation and other impairments

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

	2015/2016	2014/2015
Depreciation tangible fixed assets	22,051	17,785
Permanent impairments	6,114	1,324
Depreciation intangible fixed assets	177	301
	<u>28,342</u>	<u>19,410</u>

### 27 Taxation

The corporation tax burden of EUR 5,000 charged to the result is the balance of setoffs within the tax entity. The remaining offsettable losses and the temporary differences (totalling EUR 63.8 million, previous year EUR 54.7 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 2015/2016 to EUR 1,450,000 (previous year EUR 1,515,000).

Remuneration for the Supervisory board amounted to EUR 272,500 (previous year EUR 285,000).



## 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. 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	803
Final payment to members 2015/2016	2,283
Addition to other reserves	3,425
	<u>6,511</u>

The proposed profit appropriation has been incorporated in the 2015/2016 annual accounts.

### 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 2016. This repayment of EUR 1,522,000 has been incorporated in the 2015/2016 financial statements.

## AUDIT REPORT BY THE INDEPENDENT AUDITOR

To the Members and the Supervisory Board of Coöperatie AVEBE U.A.

### Report on the financial statements 2015/2016

#### Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Coöperatie AVEBE U.A. as at 31 July 2016, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

#### What we have audited

We have audited the accompanying financial statements 2015/2016 of Coöperatie AVEBE U.A., Veendam ('the company'). The financial statements include the consolidated financial statements of Coöperatie AVEBE U.A. and its subsidiaries (together: 'the Group') and the company financial statements.

The financial statements comprise:

- the consolidated and company balance sheet as at 31 July 2016;
- the consolidated and company income statement for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information.

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

#### The basis for our opinion

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

We are independent of Coöperatie AVEBE U.A. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands.

Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

#### Responsibilities of the management board and the supervisory board

The management board is responsible for:

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



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

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

#### **Our responsibilities for the audit of the financial statements**

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

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

#### **Report on other legal and regulatory requirements**

##### **Our report on the directors' report and the other information**

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the directors' report and the other information):

- we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed;
- we report that the directors' report, to the extent we can assess, is consistent with the financial statements.

Utrecht, 1 November 2016

PricewaterhouseCoopers Accountants N.V.

P. Jongerius RA

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