



# Next generation

Annual Report Cooperative Agrico U.A.  
2017/2018

Say  
potato,  
say



# Next generation potato varieties.

## Varieties

From the moment the potato came to Europe from Peru and Chile at the end of the 16th century, attention has been devoted to the cultivation of the crop.

It was soon discovered that by sowing seed from berries in the field, the potato revitalised and the harvests were better afterwards. The viruses that weakened successive field generations did not pass down through the seeds. The very limited genetic differences meant that the varieties were susceptible to diseases. In the 1940s, *Phytophthora infestans* spread from North America to Europe, with disastrous consequences for the food supply.

At the end of the 19th century, a pesticide was discovered against *Phytophthora* and G. Veenhuizen started with selectively breeding potatoes. His best-known variety, **Eigenheimer** (1893), is still being cultivated. The enthusiasm this aroused prompted a large number of people and some organisations decide to start breeding themselves.

Gradually, varieties with improved characteristics developed, which were maintained through careful selection. In 1924, the first official Varieties List was compiled in the Netherlands.

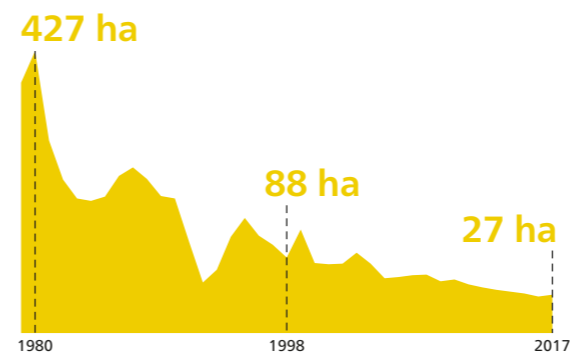
The number of varieties increased rapidly, parallel with the search for specific characteristics. In addition to the selection on agronomic aspects, more and more attention was paid to the application of the potato and to climate zones. A generation of varieties for distant export was developed followed by varieties specifically designed for processing into French fries. The search for resistance to *Phytophthora* was also in full swing.

Together with the affiliated breeders, Agrico's breeding company launches new varieties every year. After several decades of breeding work, we have succeeded in developing a range of varieties with good *Phytophthora* resistance: the 'next generation' varieties.

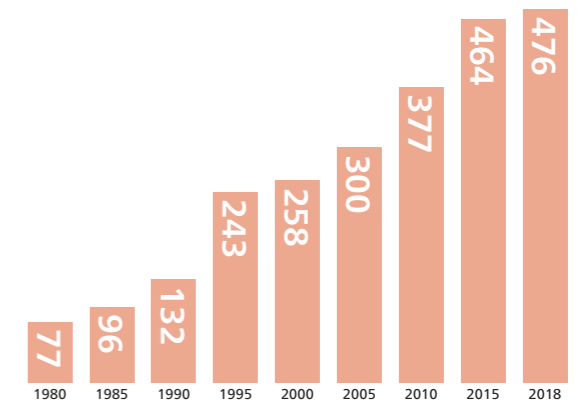
The annual report for this past financial year is illustrated on the basis of these 'next generation' varieties and is dedicated to our varieties. They are the mainstay of our company and the businesses of our members.

We wish you enjoyable reading.

## The development of Eigenheimer in the Netherlands



## Number of commercially-grown varieties in the Netherlands



The Annual Report is published in English and Dutch. In the event of inconsistencies between the English and the Dutch version, the Dutch version shall prevail.



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## **Coöperatie Agrico U.A. [Agrico U.A. Cooperative] financial statements 47**



## Foreword

In May 2018, the World Potato Congress (WPC) took place in Cuzco, Peru. There was a good reason why the Congress was held at this particular place. Cuzco is nicknamed the Imperial City. The name of the city comes from the Quechua word that means navel (of the earth). Cuzco is located at an altitude of about 3,360 metres in the Andes and was a holy city for the Incas. They already used to cultivate potatoes centuries ago. The potato plant grows there at an altitude at which many other plants can no longer grow. DNA research has shown that all old potatoes are descended from one wild potato variety from South Peru.

The Congress therefore went back to the origins of the potato. During the various meetings, a lot of attention was paid to the long life of the potato. There were interesting conversations with members of a cooperative that maintain old indigenous varieties. The visit to potato growers at an altitude of 4,000 metres was also impressive.

It is good to realise where our contemporary potato comes from and that, over the years, we have been able to use a lot of wild material in our own breeding programmes. The combination of our knowledge and this special material forms the basis for our 'next generation' varieties.

Our cooperative has been in existence for 45 years. We celebrated this jubilee in Nijkerk on 12 June, together with many of our members and employees. There were workshops on the breeding, buying and cooking of potatoes. The day ended in a plenary session with an introduction by Professor C. Veerman, in which he set out his vision on the future of agriculture in a European context.

The completion of the new building at Agrico Research was also a highlight of this financial year. We are once again sufficiently equipped to continue our efforts to grow fine potato varieties that contribute to the global food supply and ensure continuity for all our stakeholders.

This financial year, the varieties' presentation was dominated by our sales market in Portugal. During the presentation, we extensively discussed the inclusion of 10 promising varieties on the Varieties List. Ukraine will be the country that receives special attention in the fiscal year 2018/2019. Last summer, we organised an eventful Open Day in preparation for this, during which our 'next generation' varieties showed excellent results.

Despite the difficult political situation and economic problems, Ukraine offers great potential to sell seed potatoes and to commercialise our varieties.

Our company is mainly focused on the long term. This is not only due to the long period that the development of a new generation of varieties requires, but also because of our corporate format: the cooperative. The long term is guaranteed because we have long-term relationships with our members/growers, customers and employees. Members are often connected with us for a long time: several generations work together in one business and in the event of a business succession, the relationship with Agrico often continues. The relationship with our customers is also stable and here too we see the same picture as with our members. By acting in a professional manner, with an eye for personal attention and connectedness, we provide a strong basis for our common future.

In 2017/2018, we spent a lot of time developing our strategic vision for 2030 and within that the shorter-term objectives for the next five years. Both the Cooperative Board and the Board of Members have been closely involved in this. The plan is expected to be completed and approved in the autumn of 2018. This will create a guideline for future developments and decisions within the cooperative.

**In the longer term, we see sustainability as a 'license to produce'.**

After a detailed explanation by the Management Board of Leo de Kock, the meeting of the Board of Members of 23 March 2018 decided to invest in a new warehouse and a new office. The original investment plans have been significantly modified because the process behind the product flow to Albert Heijn has changed in the past two years. Leo de Kock now delivers directly to the distribution centres and has therefore become a stockholding company.



This places different demands on logistics and consequently also on storage, planning and automation. Construction is expected to commence around April 2019.

In 2017/2018, we made a major investment in controlling the quality of our product. The construction of the Quality Centre is almost complete. As of September 2018, we will inspect all test digging samples on the fully-automatic, optical tare and quality evaluation line. In addition, a sample from each lot is placed in a temperature-controlled space in order to identify a possible disease at an early stage and to determine its vitality. This way, we collect additional data about a lot and we can better control the sales of all lots of potatoes. Workspaces are also available for our product managers, including a well-equipped kitchen for testing. The Quality Centre helps us to reduce the number of complaints after shipment and to get the most out of the market.

Our project to raise potato cultivation in Kenya to a higher level is still severely hampered by the inspection requirements of the Kenyan phytosanitary service. All bacterial diseases are quarantine diseases according to Kenyan standards. Until the legislation governing the inspection has been amended, it is almost impossible to import Dutch seed potatoes and propagate them locally. The Dutch government, represented by the embassy, the NVWA (Food and Consumer Product Safety Authority) and the RFO (Regional Fisheries Organisation), are helping us wherever possible to find a solution. It is sad to note that although cultivation has been a great success agronomically, the distribution to the smallholders has been blocked, causing an important contribution to the food supply in Kenya to be lost.

We are increasingly putting the theme of sustainability on our agenda. In the longer term, we see sustainability as a 'license to produce'. Corporate Social Responsibility is therefore an important pillar in our strategy. In the 2017/2018 financial year, together with the Young Members Group, we set up a pilot project for crop optimisation. It proved to be very difficult to collect the right data in a useful way.

There is still a long way to go, but we are convinced that the collection and analysis of data, followed by the sharing of information, can make an important contribution to the further optimisation of cultivation methods and thus to the individual returns of members and the worldwide food supply.

For 2018/2019, the extreme drought period in north-western Europe will have a strong impact. Extreme weather conditions will cause us more and more problems in the coming years. But thanks in part to the geographical distribution of both the cultivation areas and of our market, the overall impact on the organisation as a whole can be contained.

In conclusion, we can say that our members and our employees have once again responded to the challenges in a highly satisfactory way. I would like to thank everyone who contributed to the success of the 2017/2018 financial year for their efforts. On to the next financial year with a focus on the 'next generation' varieties.

Jan van Hoogen  
Managing Director

Jan van Hoogen, Managing Director



Name:  
**Nofy**

Breeder:  
AKV Langholt

Parents:  
Stayer x AR 02-3921

Year of crossing:  
2008

Year of approval:  
2017

Description:  
A starch variety with a  
good yield and late blight  
resistant in foliage and  
tuber

Market:  
Europe

Dutch total crop area in 2017:  
3 ha



Nofy: next generation

Trial field



# Statistics

2017/18      2016/17      2015/16      2014/15      2013/14

## Financial x EUR 1,000

Consolidated net turnover	271,149	288,725	268,955	235,344	269,884
Gross margin	31,775	31,812	30,902	26,939	30,723
Results after tax	835	425	1,193	511	2,840
Fixed assets	23,755	21,913	21,473	20,551	21,781
Current assets	43,913	40,786	37,673	39,448	35,008
<b>Balance sheet total</b>	<b>67,668</b>	<b>62,699</b>	<b>59,146</b>	<b>59,999</b>	<b>56,789</b>
Reserves	26,217	25,974	26,104	25,603	24,982
Certificate capital	713	1,635	3,244	4,882	6,933
Share of third parties	1,532	1,590	1,255	920	1,108
<b>Total Group equity</b>	<b>28,462</b>	<b>29,199</b>	<b>30,603</b>	<b>31,405</b>	<b>33,023</b>
Subordinated loans of members	2,963	2,499	376	–	–
Solvency	46.4%	50.6%	52.4%	52.3%	58.2%
Cash flow from operating activities	7,647	7,193	1,593	3,625	7,398
Balance of cash and cash equivalents	19,164	18,474	11,520	16,508	14,219
Debts to members for produce delivered	14,309	12,741	11,620	7,611	8,001

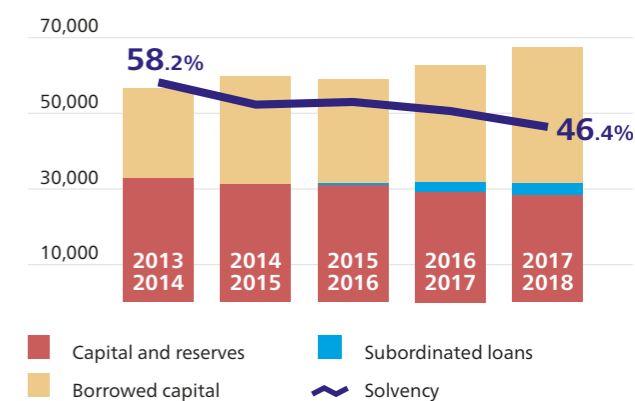
## Delivery

Acreage of seed potatoes	13,625	13,212	12,829	12,032	11,927
Quantity supplied	465,000	425,000	462,300	417,526	412,208
Acreage of ware potatoes	1,815	1,798	1,675	1,654	1,556
Quantity supplied	79,800	77,600	80,500	73,639	67,947

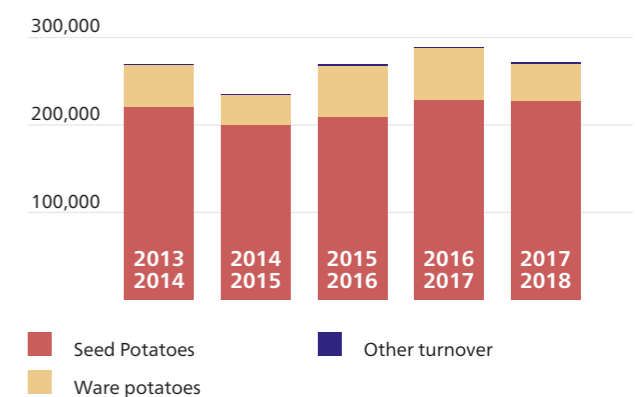
## Totals

Number of members	1,337	1,501	1,467	1,449	1,430
Number of businesses	752	886	890	894	883
Number of employees (in FTEs)	235	230	217	207	208

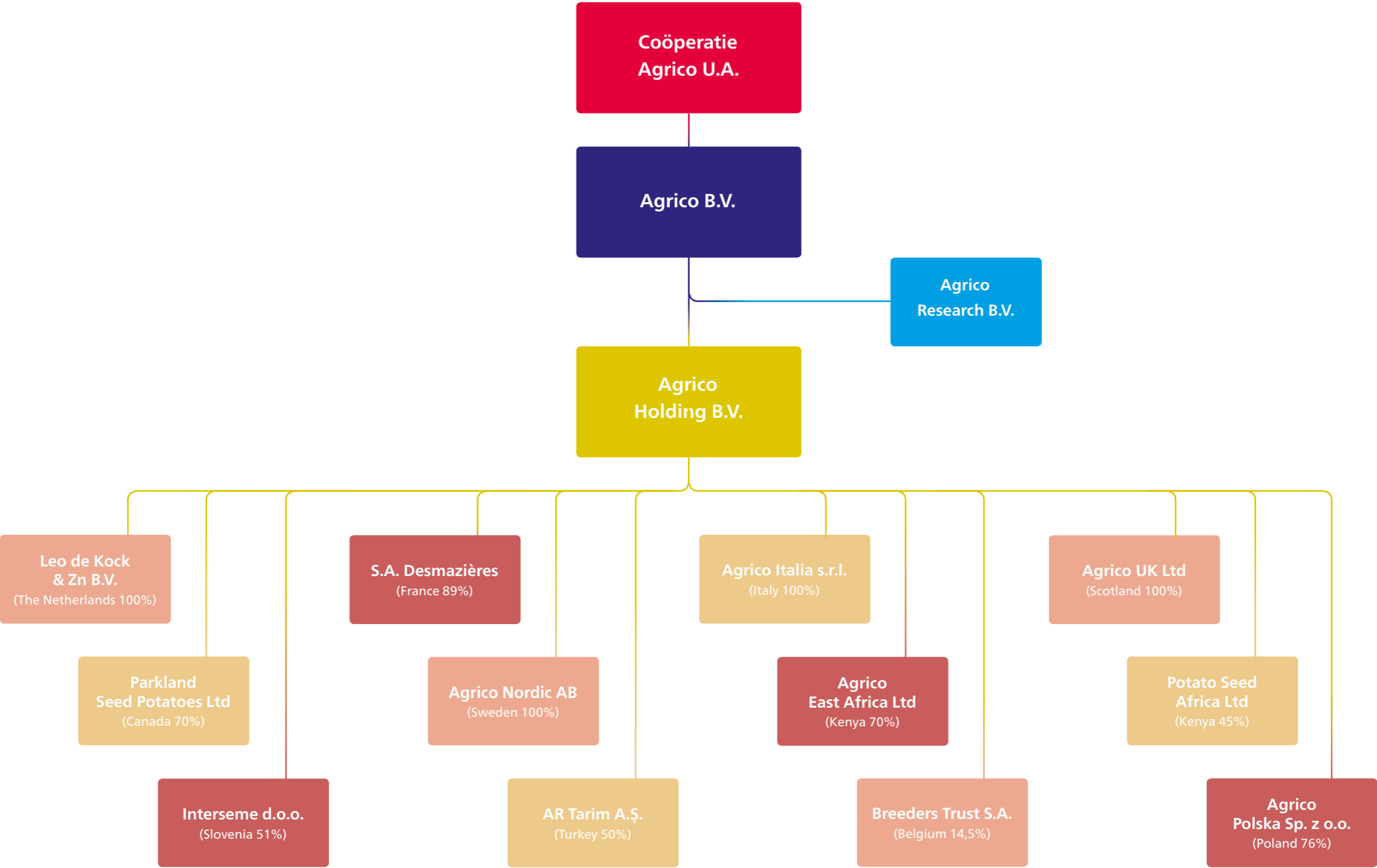
## Solvency



## Turnover



# Groupstructure





## Profile

Agrico is a cooperative enterprise, active in the seed and ware potato markets. The core business of our enterprise lies in the marketing of protected varieties of a product, either developed by Agrico itself or acquired from third parties for whom Agrico acts as a representative. In order to be able to do this, we run our own breeding station and we collaborate closely with breeders at home and abroad.

Because of our protected varieties, we want to be active in larger cultivation areas of countries where seed potatoes are certified and plant breeders' rights are recognised. We are a world player in the market-oriented development of potato varieties and in the cultivation and marketing of high-quality seed and ware potato varieties that are grown both conventionally and organically.

We aim to contribute as much as possible to the income of our members. The payment rates - either per 100 kg or per hectare - in comparison with the competition serve as a benchmark. A precondition is the continuity of the enterprise, which is expressed in a solvency ratio of at least 40% on the balance sheet date.

The basis of our strategy is growth. We want to grow in both quantitative and qualitative terms. Quantitatively in terms of our sales of the seed and ware potatoes of our members, the income flow from licences and the results of our subsidiaries. The spearheads of the qualitative growth are the development of our employees and the strategic themes Corporate Social Responsibility (CSR) and innovation.

Based on our mission and vision, we have defined core values that guide the daily actions of our employees. These core values are:

- Professional: our employee is a result-oriented professional who, on the basis of current know-how, influences situations and realises goals.
- Connected: our employee takes responsibility for the organisation and for his own actions. By working together in an open and honest manner and sharing knowledge, he or she builds on lasting relationships.
- Personal: our employee is reliable and genuinely involved, providing support and encouragement where possible.

We are convinced that overall attention for CSR will become a crucial prerequisite for effective business practice. In this way, we want to strengthen our brand and image, show social commitment and ask our growers in the long term to cultivate on the basis of the guidelines of the Sustainable Agriculture Initiative (SAI) platform.

Innovation through further digitisation has an impact on the processes in our company and on the effectuation of the relationship with our chain partners. The collecting and analysing of data and the sharing of information will be a spearhead in the coming years. We want to pay particular attention to market intelligence, process innovation and crop optimisation.



**Mission: A passion for potatoes!**

Based on our cooperative structure, we supply high-quality seed and ware potatoes worldwide, along with the required expertise. We develop varieties that are suitable for every location on earth where professional, successful and sustainable potato cultivation is possible. In this way we contribute to food security for a growing world population. We create value for our customers and the members of the Cooperative with respect for people and the environment.

**Vision: Growth is our ambition!**

By increasing in the professionalism of the organisation, we ensure a better quality of potato cultivation. This with maximum attention for innovation, people and the environment. Our growth stems from the increasing demand for seed potatoes worldwide.

We develop the best varieties for existing and new markets. For ware potatoes, both conventionally and organically grown, we achieve growth as a booster in the Dutch market. In an inspiring environment, we work towards optimum growth for all our stakeholders.



## Report of the Supervisory Board

The Supervisory Board of Agrico B.V. forms a personal union with the Board of Cooperative Agrico U.A. The Board consists of seven members, four of whom are from the circle of members.

### Composition

The composition of the Board has remained unchanged. During the General Meeting of 19 December 2017, Mr C.A.A.M. Gommeren was re-elected as a member of the Cooperative Board and thus also as a member of the Supervisory Board.

### Committees

The Supervisory Board works with a Remuneration Committee and participates in the Cooperative's Nomination Committee.

The Remuneration Committee includes Messrs G. Welling, C.A.A.M. Gommeren and A.H. Vermeulen. This committee is responsible for preparing the decision-making process concerning the remuneration policy. The Remuneration Committee met three times to discuss the performance and remuneration of the Director. Decisions on this issue have been taken by the full Board.

**The Supervisory Board and the Board of Members played an active role in the process of strategy formulation.**

The Nomination Commission consists of two members from the Supervisory Board, two members from the Board of Members and one member of the Agrico Works Council. The task of the Nomination Committee is to advise the Board of Members on new appointments and on reappointments of members of Board. The committee met several times in 2017/2018. This led to the nomination and reappointment of Mr C.A.A.M. Gommeren.

Once a year, a delegation of the Supervisory Board consults with the company's Works Council. This consultation also took place in 2017/2018 and was conducted in a friendly atmosphere. Mr A.H. Vermeulen and Mr G. Welling were present on behalf of the Board.

### Annual Report

Prior to the annual audit, the external auditor, EY, provided the Supervisory Board with detailed information on the agreed scope of the audit. At its meeting on 2 November, in the presence of the external auditor, the Supervisory Board discussed the financial statements drawn up by the Management Board. The realised turnover of 271 million euros is 6% lower than in 2016/2017, which was mainly due to a much lower turnover in ware potatoes. The volume of seed potatoes, on the other hand, increased by 9%. Equity was negatively impacted by the sharp fall in the price of the Turkish lira. The Supervisory Board has approved the annual accounts of Agrico B.V. and granted the Management Board discharge for its management. The auditor shared his findings with the Board.

The Board of Members discussed the financial statements of Coöperatie Agrico U.A. for the 2017/2018 financial year in the presence of the external auditor and intends to adopt them in December, after discussion at the central Members' Meeting. € 0.8 million will be added to the assets and 1.5 million euros is included in the balance sheet as a liability to the pool. The annual accounts have been audited by Ernst & Young accountants LLP, and provided with an unqualified opinion.



The financial year 2017/2018 is the last year that Mr J. Hetebrij will carry out the audit on behalf of Ernst & Young as external auditor for Agrico. In the past seven years, he has informed the Board about all aspects of the audit of the annual accounts in an expert and pleasant manner. The Supervisory Board would like to thank Mr. Hetebrij for the cooperation. Accountancy firm Ernst & Young will continue to provide the audit for 2018/2019.

### Meetings

The Supervisory Board met 11 times in 2017/2018. Consultation takes place prior to the meetings without the presence of the Management Board. The Board's tasks include discussing the strategy, the main risks for the company and the functioning of the internal risk management and control systems. Particular attention was paid to the risk policy of the company in general and the participating holdings, including Turkey and Kenya in particular. The Board has taken note of the measures taken by the Management Board to limit the negative effects of the internal and external factors.

The Group's financial reporting was discussed every quarter. The operation of the policy model that underlies the financing of the Group is evaluated annually. The evaluation has not led to any changes.

In financial year 2016/2017, a start was made on the investment plans for the expansion at Leo de Kock and for the Quality Centre at Agrico. For both investments, definitive proposals were drawn up in 2017/2018 and approved by the various administrative bodies.

During the financial year, the Board extensively discussed the contours of the strategic plan. This was part of the plan to give the Supervisory Board and the Board of Members an active role in the process of strategy formulation.

### Evaluation and education

The members of the Supervisory Board individually attend various meetings each year to meet other members, to be coached and to study specific subjects. In the course of each year, the Board pays attention to its self-evaluation.

In financial terms, the 2017/2018 financial year showed a large difference between members growing seed potatoes and members growing ware potatoes. The cultivation of seed potatoes has enjoyed a long period of good prices, while ware potato prices continue to vary greatly from year to year. The Board notes that, despite these differences, the Cooperative has also managed to perform well in the 2017/2018 financial year. The Supervisory Board would like to thank everyone for their dedication and involvement.

On behalf of the Supervisory Board  
Emmeloord, 16 November 2018



## Composition

On 31 July 2018, the Supervisory Board consisted of the following persons:

### **Mr A.H. Vermeulen (Chairman)**

Retiring and eligible for reappointment in 2019

Occupation: Crop grower

First appointment: 2011

### **Mr G. Welling (Vice-chairman)**

Retiring and not eligible for reappointment in 2018

Occupation: Business administrator

First appointment: 2010

### **Mr A.N.I.M. Kemmeren**

Retiring and not eligible for reappointment in 2018

Occupation: Crop grower

First appointment: 2007

### **Mr C.A.A.M. Gommeren**

Retiring and not eligible for reappointment in 2021

Occupation: Crop grower

Other positions: Agent for industrial potatoes

First appointment: 2013

### **Mr P.J. van Maldegem**

Retiring and not eligible for reappointment in 2019

Occupation: Crop grower

Other positions: Member of the Rabobank Noordenveld West Groningen members' council

First appointment: 2011

### **Mr G. Ensing**

Retiring and eligible for reappointment in 2019

Occupation: Independently established director, interim manager and banking advisor

Other positions: Chairman of the Supervisory Board of Stichting InteraktContour Groep

First appointment: 2015

### **Ms S.K. Hoekstra**

Retiring and eligible for reappointment in 2020

Occupation: Executive Director of WoonFriesland

Other positions: Chairman of the Supervisory Board of Univé Noord-Nederland verzekeraar N.V., member of the Board of Stichting platform wonen Leeuwarden

First appointment: 2016



# Management Report



# Introduction

At the beginning of the financial year, expectations were low. The potato harvest in Europe was abundant, the prices for early potatoes were considerably lower than normal and the demand for seed potatoes started hesitantly. The bad weather conditions during the harvest period then caused concern about the quality. The effect of this, especially in the marketing of seed potatoes, was felt until late in the season.

The fact that the 2017/2018 financial year still showed good results, especially for the growers of seed potatoes, is due to the growing demand from the processing industry and to the fact that the supply and demand of seed potatoes for the countries outside the EU turned out to be in balance. We were able to provide all destinations with seed potatoes on time.



Name:  
**Agata**

Breeder:  
Lantmännen SW seed

Parents:  
BM 72-0052 x Sirco

Year of crossing:  
1977

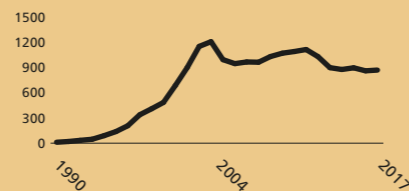
Year of approval:  
1990

Description:  
Early, rather firm cooking ware variety with an attractive, smooth skin and a high yield

Market:  
France, Spain, Italy and Brazil

Dutch total crop area in 2017:  
874 ha

Development in the Netherlands::



The price level for ware potatoes remained low throughout the financial year. Because a large proportion of the table potatoes were sold in the market via our subsidiary Leo de Kock, we were able to realise added value for the ware potato grower.

**We were able to sell a record quantity of seed potatoes.**

The group turnover decreased from 288.7 million euros to 271.1 million euros. This decrease is entirely due to the lower prices and the lower sales in the category ware potatoes. Although the average price for seed potatoes was also lower than in the 2016/2017 financial year, this decrease was compensated by higher sales in terms of tons. We were therefore able to sell a record quantity of seed potatoes.

The price of seed potatoes for all classes and sizes was 27.26 euros per 100 kilograms. This is 18% lower than in the record year 2016/2017 when the price was 33.43 euros. The decrease was partly compensated by the higher kilogram yield per hectare of 39.5 tons. For ware potatoes, the price for delivery in week 9 – on average 11.87 euros per 100 kilograms – was less than half compared to the 25.36 euros in the financial year 2016/2017.



## Investments

The plans prepared in the 2016/2017 financial year have been further worked out and partially realised in 2017/2018. The construction of the new greenhouse complex at Agrico Research has been completed during this financial year. The total investment did not overrun the 3.75 million euro budget. After the municipality of Noordoostpolder approved plans to build a Quality Centre on a plot near Agrico's Head Office, construction was started immediately. The aim was to have the test digging samples of the 2018 harvest processed in the new centre. The investment amounted to 2.3 million euros and was realised in its entirety in the 2017/2018 financial year.

The investment plan for the expansion of our small packaging company Leo de Kock has been finalised and approved. This expansion will be started in early 2019, and the approved budget is approximately 2.7 million euros.

## Financing

The method of financing the Cooperative is set out in policy rules. This includes, among other things, the fact that the size of the equity in mortmain is linked to the composition of the assets side of the balance sheet. The capital growth and hence the operating result of the Cooperative is thus arithmetically determined. If the operating balance exceeds the required increase, the excess, within set limits, will be included as a liability to the pools on the balance sheet and will be included in the payment for the following year. In 2017/2018, 0.8 million euros were added to equity and an amount of 1.5 million euros were entered as a liability to the pools.

If supplementary capital is required for future investment plans, for example, members may participate in a financing programme in the form of a subordinated loan to the Cooperative. In 2017/2018, this form of financing was opened twice with voluntary contributions. A total of 0.5 million euros was lent to the Cooperative.

In the past, certificates were issued to the members with a term of 25 years, which was later reduced to 15 years. The certificates form part of the equity and pay-outs can be made on the basis of a specific resolution. In 2017/2018, the Board of Members approved the resolution of the Board to pay out the 2002/2003 series E after adoption of the annual accounts. The investment involved is EUR 0.9 million.





## **Agrico Group**

At the end of the 2016/2017 financial year, the activities in our participating company SC Cartof Agrico SRL in Romania were discontinued. In the 2017/2018 financial year, the participation was sold to the local partners. The composition of the Group has further remained unchanged.

Almost all the companies in the Group achieved a positive to very positive result. The only exceptions were our holdings in Kenya and Canada. In Kenya there was a loss, because our project to raise potato cultivation to a higher level is being severely hampered by the inspection requirements of the Kenyan phytosanitary service. As a result, Dutch seed potatoes are partially rejected, the local production can only partly be sold as seed potatoes and the forecasted turnover was not realised.

In Canada there was a loss as a result of earlier contractual agreements with growers for the cultivation of seed potatoes for protected varieties. The harvest was so disappointing that the guaranteed price per hectare was not achieved and these contracts were therefore making a loss.

The result of our 50% interest in AR Tarim, Turkey, was adversely affected by the strong decline of the lira against the euro. Where the value of 100 lira still stood at 24.04 euros on 1 August 2017, by 31 July 2018 it was 17.36 euros, a decrease of 28%. After the balance sheet date, the price deteriorated even further, reaching a low of 12.71 euros on 13 August 2018.

**For 2018/2019, we expect a season with challenges, but are positive about the results.**

The financing of the operating capital was provided in euros by both shareholders, resulting in a substantial exchange loss in the profit and loss account of AR Tarim. The final result remained positive.

The fall in the exchange rate also had an impact on the value of the holding and thus on our equity. In the change in the 'Statutory reserve, exchange rate differences' item, an amount of 0.5 million euros is included in connection with this holding. The goodwill is now fully amortised. Given the political and economic situation in Turkey, as in the 2016/2017 financial year, the total exposure has been assessed and adjusted downwards for reasons of prudence.

Operationally, the company is successful. The operating result (EBIT) in lira for the 2017/2018 financial year has increased in comparison with 2016/2017 and amounted to 7.9% of the turnover.

## **Prospects**

The prolonged drought period during the growing season in the Netherlands and surrounding countries had major consequences for our growers and for the organisation. The prices for seed and ware potatoes will be considerably higher than in the 2017/2018 financial year, but are not expected to compensate for the loss of yield. The price level of both seed and ware potatoes has a ceiling. Above a certain level, buyers of seed potatoes will choose other crops and consumers will choose other food products rich in carbohydrates.

Except for quality problems, the total harvest of our seed and ware potatoes will be easily sold. We expect a season with challenges, but remain positive about the results.





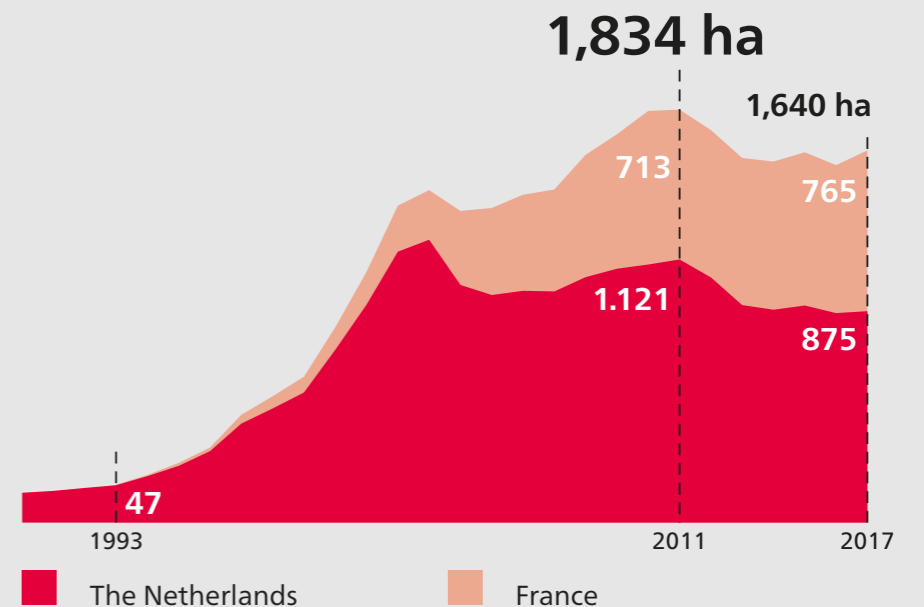
# The success of **Agata.**

Agata is a crossing from 1977. At the end of the selection period, we wanted to stop with the variety, but our agent in Italy wanted us to continue for another year and use the variety as the opposite number of the Primura, which is grown around Bologna.

At that time, the traditional cereal growers from the Champagne region in France were confronted with low cereal prices. They turned to the cultivation of table potatoes as an alternative.

Because of their unfamiliarity with potato cultivation, these growers adopted the advice that, unlike the traditional potato growers, they should grow potatoes at a ridge distance of 90 cm. If that had not happened, Agata would never have become the biggest variety in France. At a ridge distance of 75 cm the variety develops too much haulm.

With almost 2 million tons, France is now the largest exporter of ware potatoes. Agata has played a major role in this respect over the last 20 years.



## Research

The source of our varieties is our breeding company Agrico Research, which, together with the affiliated growers, adds new varieties to the Dutch List of Varieties of Field Crops every year. It is then up to the product managers and the commercial staff to make them a success in the market. In November 2017, we registered seven seedlings for Plant Breeders' Rights and the Varieties List. In 2017/2018 financial year, four varieties were admitted to the Varieties List.

The highlight of the 2017/2018 financial year was undoubtedly the opening of our new Greenhouse Complex on 6 April. The official opening was performed by the Mayor of the Noordoostpolder, Mr A. van der Werff. He unveiled a mural at the entrance of the greenhouse, made by one of our own employees: Hanneke van Middelaar.

The next day, as part of the national greenhouse-horticulture event 'Come to the Greenhouse', this was followed by an Open Day for interested parties. We have been able to show an estimated 2,000 people what potato breeding means and how versatile the potato is.

### Breeding

In the 2017/2018 financial year, the traditional breeding programme continued unchanged, with the various market segments of Agrico as breeding targets. Now that we have a greenhouse with a simulation of a short day length available, we have carried out trials with 14 varieties with different maturation periods. The results have been compared with the growth and performance of these varieties under what would be, for the Netherlands, normal conditions. The differences were considerable and say something about the possibilities of these varieties in (sub) tropical markets.

In 2017/2018, the following varieties were admitted to the Dutch List of Varieties of Field Crops:

- **Nofy** (AKV Langholt, Denmark), a medium late starch variety with good resistance to *Phytophthora*.
- **Ardeche** (Agrico Research), a medium late starch variety with good resistance to *Phytophthora* and also a good resistance to *G. pallida*.
- **Twister** (Mr G.W. te Winkel), an early ware potato variety with a good resistance to *Phytophthora* that is particularly suitable for organic production.

**Libero** (Lantmännern SW Seed B.V.) has not yet been admitted as a result of excessive high TGA content, due to unreliable results. This early French-fry variety with a broad resistance to potato cyst nematode will be tested again for TGA in 2018/2019.

The **Amaez** variety (Agrico Research) is a fairly early variety with a smooth, clear skin and a good yield. Registration for the variety has been applied for at the request of our Desmazières subsidiary.



### Affiliated breeders

In the 2017/2018 financial year, the Breeders' Association Solana welcomed two new young breeders as members. The total number of affiliated breeders is now 26. The annual study day on 6 December was dominated by Agrico Research's vision on potato varieties from seeds via HIP and SIP hybrids. During the General Meeting of the Breeders' Association, Ms B. van der Groen, Marketing Manager at Agrico, explained how and where the various young varieties are introduced to the market under the title 'Potatoes marketed to Retail'.

### Biotechnology and research projects

We focus our research capacity primarily on applications of marker-steered breeding. We have already made the choice to no longer invest energy in applications involving genetic modification. On 25 July 2018, the Court of Justice of the European Union decided that all organisms produced by new mutagenesis techniques will fall under the European GMO Directive. This therefore includes frequently discussed mutagenesis techniques such as CRISPR-Cas. It will take many years to bring about changes to this position.

We are also cautious about investments in developments in the domain of seed-propagated potato varieties. We are sceptical about the commercial promise of hybrid varieties, but we will continue our efforts for basic breeding at diploid level.

Starting in January 2018, together with five other seed potato companies, we will participate in a public-private partnership entitled 'Effect of the soil on the resilience of potato tubers against biotic stress'. The project will run from 2018 to 2021 and is a follow-up to the Erwinia demonstration project. The aim of the project is to find out whether the observed differences in 'resilience' of seed potato lots from any variety can be attributed to the microbial composition and whether antagonists from mother tubers can be isolated that can limit the infestation by bacterial diseases.

We have also started a collaboration with the Centre for Genetic Sources in the Netherlands (CGN) in Wageningen to help propagate seeds of wild tuber-bearing potato species. The collaboration with CGN will allow us, together with other breeding companies, to refresh 100 origins by seed multiplication and also to set up a fund to finance quarantine research on another 200 unique origins.

**The trials in our greenhouse with a short day length simulation give an impression of the possibilities of our varieties in (sub) tropical areas.**



Carolus: next generation



## Seed potatoes

The marketing of seed potatoes is our largest activity. In 2017/2018, this activity represented 84% of our total sales. Together with our subsidiaries, we serve the market with Dutch seed potatoes from our members and with locally-produced seed potatoes in the countries where our subsidiaries are located: France, the United Kingdom, Sweden, Poland, Slovenia, Kenya, Turkey and Canada. Our subsidiaries operate independently with their own profit responsibilities. They have a structure with a supervisory body, on which the Agrico Director has a seat. There are joint strategic consultations with the managements of all the companies three times a year.

### Netherlands – Agrico B.V.

Emmeloord, J.J. van Hoogen, 87 staff



### Produce

The size of the pool in the Netherlands was 13,625 hectares. This was an increase of 3% compared to the 2016 harvest. The kilogram yield per hectare increased by 4% to 39.5 tons, with the result that the total sales volume was over 30,000 tons higher than in 2016/2017. The percentage of seed potatoes grown above the recommended size was considerably higher than average. As a result, the produced part in the seed size was 4% lower than the production from harvest 2016.

**We have been able to expand our share in the export of Dutch seed potatoes.**

The wet harvest conditions had a major impact on sales throughout the season. At the start it was a huge challenge to have the seed potatoes shipped on time. Nevertheless, growers and organisation succeeded in shipping all the seed potatoes to our customers on time. Later in the season, the number of complaints, mainly focusing on emergence problems, increased considerably, which led to a substantial financial loss.

### Markt

We distinguish a number of market segments for the marketing of our seed potatoes: exports to destinations outside Europe, the European fresh market and finally the market for the industrial processing of potatoes. Generally speaking, we have specific varieties for each market segment.

The seed potato market outside Europe is by far the most uncertain market but forms an important basis in our total sales. In the 2017/2018 financial year, supply and demand in this market were in balance. The high percentage of 'big' limited the supply in the seed size, while the demand for our varieties was good. With **Arizona**, **Manitou** and **Rudolph** we have a strong range of varieties for this market. The price level was comparable with that of the 2016/2017 financial year.

As a result of the very high kilogram yields throughout Europe, there was a large volume of ware potatoes at low prices and there was therefore considerably less enthusiasm to buy seed potatoes. For the European fresh market this led to significantly lower sales of seed potatoes, especially of the **Agata** variety. The prices achieved were at a lower level than in the 2016/2017 financial year. Promising newcomers to this market are our **Constance**, **Esmee** and **Ranomi** varieties.

The large volume of ware potatoes also had a negative effect on the pricing of potatoes for the processing industry. Nevertheless, the demand for seed potatoes in this part of the market was good. This is because the processing industry in north-western Europe is continuously expanding its capacity. We have a strong position with our **Fontane**, **Markies** and **Agria** varieties. Thanks to long-term agreements with our customers, the seed potatoes of these varieties were completely sold out.

Despite the challenges that the season held, we were able to expand our share in the sales of Dutch seed worldwide and we were able to sell a good percentage of the total harvest as seed potatoes.



### Organically-grown seed potatoes

A small part of our seed potato acreage is grown organically. The average kilogram yield was quite high at 23.9 tons per hectare. The market for organic seed potatoes was good, partly because the sales to the processing industry grew strongly. We expect this growth to continue in the coming years.

The obstacle to the market development of organic seed potatoes continues to be the fact that, as yet, there is no obligation in Europe to use organic planting stock for the cultivation of organic ware potatoes. We expect that this will change in the coming years. With our 'next generation' varieties, we have a broad range of organic seed potatoes, which gives us confidence for the future of the organic seed potato cultivation in the Netherlands.

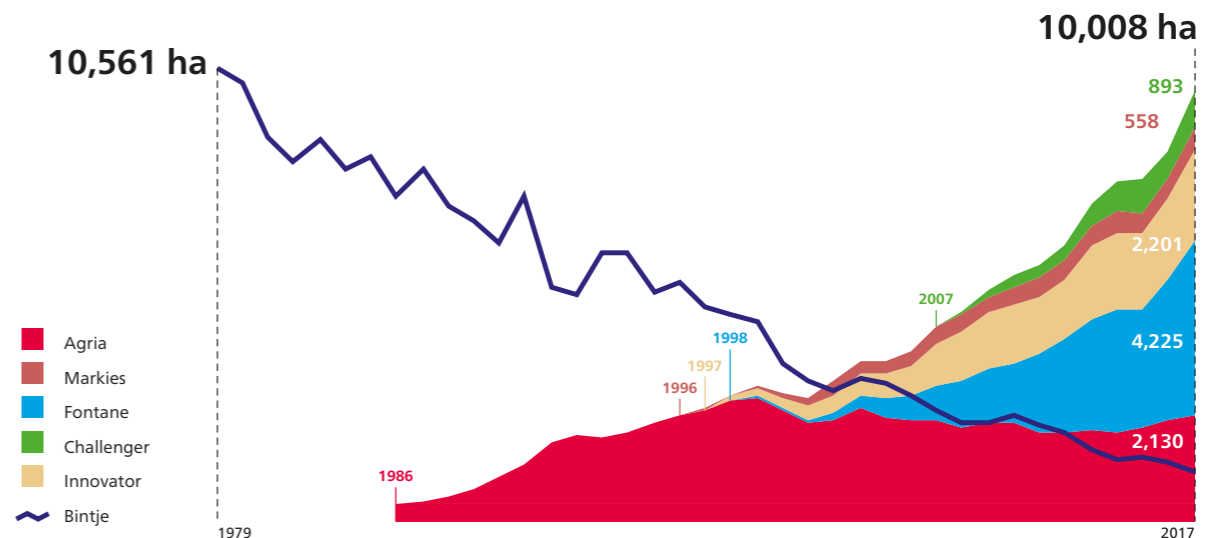
### Quality

The quality problems in 2017/2018, especially as a result of the harvest conditions, make it clear that, prior to delivery, more insight is needed into the quality and vitality of the seed potatoes. In the 2016/2017 financial year, the Board of Members has approved the investment in a Quality Centre. A start was made with the construction in February 2018, with the aim of being operational in August 2018.

The Centre incorporates the latest equipment in the field of quality inspection and measuring. Data and photos are recorded using 3D laser cameras. The equipment is linked to our information system, so that data is processed automatically and the results can be fed back electronically to the growers. The Quality Centre also features climate chambers with a capacity of 12,000 samples. Here, samples of each lot of potatoes from our growers are stored under a higher temperature and at a high humidity. By using these climate chambers, we gain insight into the vitality and germination power of the lot. In this way, we can market potato lots more accurately and more effectively and avoid complaints.

It is our aim to supply reliable products with the fewest possible problems – and at competitive prices – to our customers. In order for this process to run as efficiently as possible, it is necessary to be able to steer on performance indicators. The cooperation between grower and organisation is an essential part of the total process. If we are to fulfil our desire to increase the quality of both product and service, continuous attention for improvement is needed. We want to help our grower with this by means of a performance measuring system. This will provide the grower with insight into how he can improve his individual performance, which will in turn enhance the overall benefits the overall performance level of the organisation.

### Development of the area of seed potatoes of the varieties suitable for the processing industry.



## France – Desmazières

Monchy-le-Preux, G. Fontaine, 25 staff



Our subsidiary in France, Desmazières, achieved an excellent result in the 2017/2018 financial year. The turnover rose to 47.5 million euros and was thus higher than ever before. The success of the company lies in a careful market approach and the increase in the sales of seed potatoes for the processing industry. Although the demand for the **Agata** variety was lower in 2017/2018 than in 2016/2017, the variety remains an important basis for Desmazières. Breeder protection for the variety will cease as from the 2022 harvest. For the coming years, we expect a slow decrease in the sown area of this variety, but new varieties are expected to compensate for this decline.

The **Manitou** and **Excellency** varieties are doing very well in the fresh market. **Excellency** is mainly sold for home fries, while **Manitou** is exported as a ware potato from France to Southern Europe. The entire seed production could be sold as seed potatoes. However, there were also more complaints in France than usual.

In that respect, the company is an example for the other companies in the group.

## United Kingdom – Agrico UK

Castleton, A. Gibson, 13 staff



Given the overproduction of potatoes and the difficult market conditions, Agrico UK succeeded in achieving an excellent financial result. With lower sales and turnover, the result after taxes nevertheless came close to the record year 2016/2017.

Agrico UK not only sells seed potatoes of Scottish and English origin, but also Dutch and French. The company is aiming for a larger crop area of varieties such as **Arsenal**, **Markies**, **Fontane** and **Performer** in the United Kingdom.

A promising variety is **Bellanita**. This variety is included in the list of Tesco supermarket chain with an exclusivity agreement for a period of 5 years.

For their development of the internal organisation, Agrico UK has the bronze status of the 'Investors In People' quality mark. For 2018/2019, they want to achieve the silver status.



Name:

**Agria**

Breeder:

Kartoffelzucht Böhm

Parents:

Quarta x Semlo

Year of crossing:

1977

Year of approval:

1986

Description:

A medium late, yellow-fleshed processing variety with a good yield and a very stable quality

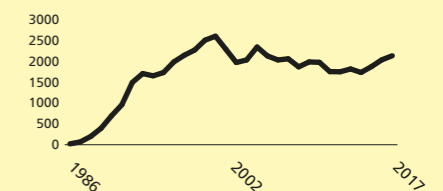
Market:

Worldwide

Dutch total crop area in 2017:

2.133 ha

Development in the Netherlands::



### Zweden – Agrico Nordic

Jönköping, H. Kolhammer, 3 staff



As in the 2016/2017 financial year, Agrico Nordic was successful in the 2017/2018 financial year. Almost the entire seed potato harvest could be marketed as seed potatoes. Based on the varieties **Fontane**, **Carolus** (mainly organically grown) and **Arsenal**, Agrico Nordic's sales are developing in the market for organic and other table potatoes and processing into French fries and crisps.

The production and marketing of seed potatoes of the **Anouk** variety doubled in 2017/2018. The prospects for this variety are good. There is a lot of interest in organically-grown potatoes in Sweden. The **Twister** variety, one of the 'next generation' varieties, has great potential.

### Polen – Agrico Polska

Łębork, D. Johnston, 8 staff



The area of seed potatoes in Poland in 2017/2018 was over 6,000 hectares, and our share in this area has increased, due to a larger crop area at Agrico Polska. The harvest conditions, particularly in the north-west, where characterised by extreme rainfall, with the result that the harvest was only completed in the course of November. In the end, a small part of the production was not lifted.

The weather situation had a negative effect on the quality of the product, the costs of storage and on the mood in the market for seed potato. The financial result was therefore lower than in the 2016/2017 financial year.

## The three top Agrico varieties in Poland are Markies, Kuras and Fontane.

The three top Agrico varieties in Poland are **Markies**, **Kuras** and **Fontane**. They account for 41% of the turnover. The strongest risers are **Ranomi**, **Arizona** and **Excellency**. Through agreements with important small packagers in Poland, we will further introduce these varieties on the Polish fresh market in the coming years.

### Slovenië – Interseme

Ljubljana, P. Štuhec, 4 staff



Interseme is the only subsidiary that has no local production of seed potatoes. The company imports Dutch seed and sells them in smaller packages. This is in line with the market conditions in Slovenia. Every year, Interseme shows a positive result, also in 2017/2018. Although the total sales in tons decreased slightly, the market share increased. Sales in the top five varieties **Arrow**, **Esmee**, **Constance**, **Rudolph** and **Manitou** rose in line with expectations.

The 'next generation' varieties are also being introduced in Slovenia. Use is made of demonstration fields at 7 different locations, where Open Days are organised in the summer.

### Canada – Parkland Seed Potatoes

Edmonton, K. Sawatzky, 4 staff



Our subsidiary in Canada, Parkland, unfortunately closed the 2017/2018 financial year with a loss. The reason for this is that the kilogram yield per hectare was much lower than calculated due to drought and difficult harvesting conditions. The contracts for the cultivation of protected varieties included a guarantee per hectare, which was not achieved. The contract structure has been adjusted for the 2018/2019 and this risk has been reduced. The success of the sharp increase in the total crop area of protected varieties therefore proved to be financially counterproductive.

The growth in the total crop area of Agrico varieties continues. **Anouk**, **Arizona**, **Constance** and **Volare** are the biggest growers.

The political climate in North America is uncertain. Although the trade agreement between Canada, the United States and Mexico is being renegotiated, we do not expect this to have a major impact on Canada's sales of seed potatoes to the United States.





## Kenia – Agrico East Africa

Nairobi, W. Dolleman, 8 staff



Both our subsidiary Agrico East Africa and our joint venture Potato Seed Africa had a somewhat negative result. Despite all the efforts of Agrico, the local partner and the Dutch government, it has not been possible to adjust the inspection requirements for seed potatoes. Kenya's phytosanitary service acts in accordance with the local rules, but these violate of the international regulations.

**The Markies variety produces a fantastic yield and therefore very popular with the small growers in East Africa.**

Despite these problems, Agrico East Africa has been able to market approximately 400 tons of locally-produced seed potatoes. The results in the follow-up crops from this seed are promising. The **Markies** variety is, also in light of the results of earlier trial fields, very popular. The other varieties that are propagated in Kenya are **Manitou**, **Destiny** and **Rudolph**. Without exception, the kilogram yields per hectare are high.

In the original set-up, Agrico East Africa, the local partner and the joint venture each had their own role in the process from cultivation to sale. In 2017/2018, it was decided to concentrate all the activities into the joint venture. This means that we will reduce the size of Agrico East Africa in 2018/2019.

## Turkije – AR Tarim

Kayseri, E.S. Sadak, 17 staff



The situation with regard to the exchange rate between the euro and Turkish lira deteriorated further in the 2017/2018 financial year. This had a major negative effect on the net result of our 50% interest in AR Tarim. That the result remained positive was due to the higher quantity of Dutch seed potatoes imported and to a much better market for locally-produced seed. EBIT increased by 78% compared with the 2016/2017 financial year.

AR Tarim produces seed potatoes for the local market themselves from high-quality Dutch material. In years with a difficult market, the sale of seed is barely profitable. Added value can mainly be achieved by supplying locally-produced basic seed. From the 2018/2019 financial year onwards, the emphasis will therefore be on the sale of basic seed potatoes of the **Agria** and **Arizona** varieties. With the varieties **Marquis** and **Fontane**, AR Tarim succeeds in gaining a position in the processing industry.

Expectations for the 2018/2019 financial year are positive. The adjustment of the policy with regard to the class of local seed potatoes, the good quality of the own product and a good market expectation are the basis for this. The uncertain factor remains the political situation combined with a falling lira exchange rate against the euro.





Name:  
**Markies**

Breeder:  
Dr R.J. Mansholt's breeding  
company

Parents:  
Fianna x Agria

Year of crossing:  
1985

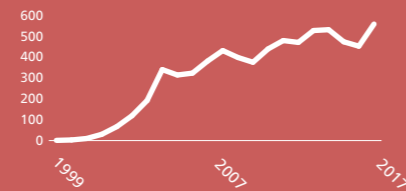
Year of approval:  
1999

Description:  
High yielding, all-round  
late maincrop variety for  
french fries, crisping, fast  
food (QSR market) and fresh  
consumption

Market:  
United Kingdom, Middle  
East, Kenya

Dutch total crop area in 2017:  
563 ha

Development in the Netherlands::



Markies



## Table potatoes

As a result of the very bumper potato harvests across Europe, there was a plentiful supply at low prices throughout the financial year. Due to the specific nature of the sale of table potatoes and our distinctive capacity, a slightly better price level could be achieved in this segment. For our varieties, we realised an average financial return per hectare of 6,500 euros for conventionally-grown table potatoes.

The price level of table potatoes was significantly higher than that of ware potatoes destined for export or for the processing industry. Every year, before the area with the growers is contracted, we conclude agreements with small packagers and supermarket chains about quantities.

Agrico is an important link in the chain from producer to consumer. The connection between the various links in the chain is becoming ever closer and parties are committing themselves. Despite the fact that the use of fresh potatoes is slowly but surely decreasing in the Netherlands, we have succeeded in strengthening our position and increasing sales. The important basis for this is formed by our varieties, reliability and quality. In order to be able to realise growth on the supply side as well, we have started a recruitment campaign among growers under the motto 'Come and talk to Agrico'.

For the 2018/2019 financial year, a start has been made with the production under the 'PlanetProof' quality mark. This label is another, more international name for 'Milieukeur' and focuses on soil, landscape and biodiversity, energy and water, production and consumption and climate. We expect this quality mark to be mandatory for all table potatoes grown from 2019/2020 onwards.

Our 'next generation' varieties will, in our view, prove to be a turning point in the cultivation of potatoes. The cultivation of these Phytophthora-resistant varieties reduces the use of crop protection chemicals against this disease by 80%. This will not only lower the cost price but will also make a positive contribution to the requirements in the domain of sustainability such as PlanetProof.

We have a wide range of varieties: from specialty to bulk. The **Artemis** variety is successful in the early segment, not only in the Dutch market but also in the Belgian supermarket. In the 'firm' segment, **Erika** is currently the most important variety. In 2017/2018, the first trials were carried out with **Laudine** and **Loreley**. The results are promising, which is why we want to introduce these varieties to the market in the coming years. The fairly firm **Danique** variety is currently in the trial stage. We have high expectations of this variety.

### Organically-grown table potatoes

The growing season for organic potatoes went well. The weather conditions were good and the Phytophthora pressure was relatively low. The kilogram yield per hectare of the non-resistant varieties was reasonable, but those of the resistant varieties were markedly higher.

As a result of these differences in kilogram yield per hectare, the variation in prices was considerable. The Pool Committee's starting point is to distribute the total payment capacity between the varieties, taking into account the cultivation risk and the kilogram yield per hectare. The average price was 32.58 euros per 100 kg resulting in an average financial return per hectare of 11,000 euros.

### The market for organic products is growing steadily and this is also evident for potatoes.

The market for organic products is growing steadily. This is also evident for potatoes. In the 2017/2018 financial year, the majority of the harvest could be sold in the Dutch supermarkets. Exports to Germany mainly took place in the winter period, whereas that had only started in the spring in other years.



A rapidly growing segment in the market of organic ware potatoes is the processing industry for the production of organic French fries and crisps. Thanks to our resistant varieties, which provide more certainty in terms of yield, percentage big size and dry matter, the enthusiasm increases. The need for this raw produce is expected to increase in the coming years.

If the resistant varieties such as **Twinner**, **Twister** and **Levante** meet the requirements of the consumer, there is no obstacle to their inclusion in the Dutch supermarket. This does mean, however, that attention and supervision is required with regard to the cultivation and storage of these varieties.

Our **Carolus** variety, despite its red 'eyes', is now fully accepted on the supermarket shelf as a replacement for the **Agria** variety. This does not mean that **Agria** will disappear, it is still the variety preferred by the crisps industry.

#### Nederland – Leo de Kock & Zn B.V.

Purmerend, J. Bijleveld, 55 staff



The 2017/2018 financial year was a very successful year for our company in small-packaged potatoes. Not only because of an excellent financial result, but especially because the company was extremely successful in renewing the entire range at its largest customer, Albert Heijn. After a long period of preparation, 35 different products were introduced to the Albert Heijn shops in the course of just three days during week 7 of 2018. In addition to new packaging in terms of prints, there was also a new technology for closing the bags. This allows for much more efficient packaging: the machines can run faster and less foil is used. The necessary investments were made in the 2017/2018 financial year.

Sales of organic potatoes increased by 25%. Unlike 2016/2017, sufficient produce of the right quality was available.

From May 2017, Leo de Kock started supplying directly to Albert Heijn's distribution centres. This meant that the company had to keep more produce in stock, but it also created more space in the time between actual delivery and production, which improved efficiency. The consequence is that Leo de Kock has requested and received approval for an investment to expand the warehouse space and renovate the office building. In addition, automation in the production will be further optimised in 2018/2019 and hardware and software for the administrative processes will be replaced. Investment plans are also being developed for the following years.

Potato shelf at Albert Heijn



# Internal organisation structure

## Staff and organisation

At home and abroad, every day, 275 employees are making an effort for Agrico to obtain good results and to continue to develop both themselves and the organisation. It is Human Resources' task, together with the Management, to create conditions in which both the employee and the organisation can benefit from their successful collaboration. In the 2017/2018 financial year, not only was there a follow-up on policy previously adopted, but attention was also paid to a number of new development.

## Generation policy

The generation policy task force developed new policy proposals in 2017/2018. Agreement has been reached with the Managing Board and the Works Council on a scheme that not only meets the wishes of all generations but is appropriate within Agrico's financial possibilities.

The aim of the scheme was to achieve an age-aware policy for all generations within the organisation. By exploring specific topics with a delegation from each generation, the members of the task force were able to understand the wishes and priorities of the respective generations.

**An age-aware personnel policy is a response to the wishes and priorities of the prospective generations.**

The policy has four components. The first concerns an adjustment of working time in combination with the abolition of the ATV scheme, which reduced working time. The second is a scheme for buying or selling leave days. In a scheme for older staff, a framework has been created within which employees can make choices about their working time during the last years before the state pension (AOW) age. This includes matters such as early retirement by saving leave days, fewer hours and demotion. Finally, a number of other working conditions have been adjusted in line with the scheme as a whole.

The scheme allows for individual agreements, taking into account the employee's position and personal circumstances. The policy will be presented to employees for approval in the autumn of 2018.

## Labour market communication

The theme of labour market communication was followed up in 2017/2018. It remains a challenge to recruit highly educated staff with an agricultural background into the primary process. In 2017/2018, our focus was mainly on generation Y. To increase the recognisability of our company among students, we presented ourselves at jobs markets organised by agricultural colleges and secondary schools. In addition, we actively participate when initiatives are developed to make our sector better known among the young people of generation Y. Finally, we participate in a consultation with schools to ensure that training programmes are more in line with the practicalities of work.

## Training

We continue to invest in the organisation's most important capital: the employees.

On the basis of personal ambitions, career opportunities within Agrico, and developments within the specific fields of specialisation, individual and departmental training programmes are followed. In-house language courses were also organised in 2017/2018. Interest in this remains high.

Discussions with the employees of the various generations have shown that everyone considers personal growth to be important. The generation policy task force therefore also looked at the subject of training and the transfer of knowledge. For example, a start has been made on an induction plan for new employees. Part of this is a programme in which the new employee shadows other employees in order to be able to perform his future job properly.



Agrico wants to position its brand more strongly in the market. To achieve this, employees must be aware of how we give substance to our brand. We have therefore provided an internal training course in 'conversation techniques for the public environment'. The training was given to employees who have commercial contacts, such as export managers, field staff, growers and management team members.

We invest not only in permanent employees but also in potential new colleagues. For example, incoming internship and graduation requests are always carefully considered. In the case of new projects, it is also considered whether an assignment can be given to a student. In 2017/2018, several Dutch and international graduate students and interns started with us. They did research on themes such as optimising the delivery of seed potatoes, the business performance of subsidiaries and the genotyping of a diploid mapping population. In addition, some students also had internships at our subsidiaries in Sweden and Kenya. For 2018/2019, we do not expect a significant quantitative adjustment of the staffing levels.

### Working conditions

The absenteeism rate at the three Dutch branches for 2017/2018 was as follows:

Agrico B.V.	2.1%
Agrico Research B.V.	4.8%
Leo de Kock B.V.	8.1%

The health of our employees in relation to the work continues to hold our attention. For example, the vitality incentive scheme remains a permanent condition of employment. Every employee is offered a vitality budget, in order to work on his or her vitality – within set goals – according to his or her own insight.

### Personnel Administration

We have renewed the ICT support for the salary and personnel administration. Via a digital portal, employees can not only view their salary statements, but as of 1 January 2019 they will also be able to apply for their leave days and view sick leave reports. At a later stage, the interview cycle of appointment, performance and appraisal reviews will be added to this.

This way of working allows HRM processes to be carried out more efficiently and effectively and gives employees and managers a digital portal through which more information is immediately available.



Name:  
**Rudolph**

Breeder:  
Agrico UK

Parents:  
Chieftain x Stirling

Year of crossing:  
1993

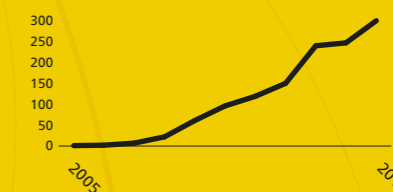
Year of approval:  
2005

Description:  
A medium late, ware variety with a red skin, a good heat tolerance and very high yield

Market:  
North Africa, Southern and Eastern Europe

Dutch total crop area in 2017:  
300 ha

Development in the Netherlands:



## Corporate Social Responsibility (CSR)

In 2017/2018, we continued to work on sustainable solutions based on our five strategic CSR pillars. In this way, we want to play a role in making the food chain more sustainable and contribute to the care for people, the environment and society.

Agrico wants to grow. It sometimes seems as if growth and sustainability do not go hand in hand, but nothing is further from the truth. We want to realise our growth in a sustainable manner. With our 'next generation' varieties, we can reduce the use of crop protection chemicals for Phytophthora by as much as 80%. For investments such as those made at our breeding station and in our Quality Centre, decisions are not only made on a commercial basis but also on the basis of sustainability.



Name:  
**Carolus**

Breeder:  
Agrico Research

Parents:  
Agria x AR 00-94-17

Year of crossing:  
2002

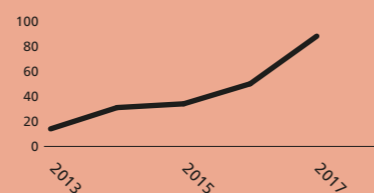
Year of approval:  
2013

Description:  
A medium late, multipurpose ware variety with attractive red eyes, suitable for conventional and organic growing

Market:  
Northwest Europe

Dutch total crop area in 2017:  
88 ha

Development in the Netherlands::



In 2017/2018, we developed a programme flyer in which the objectives of our CSR pillars were described in a clear manner. We also presented this flyer in April during the Open Day of our breeding station. As part of ISO-26000, we provide a report on CSR every year. This report is published on our website and at the NEN (Dutch Standards Agency).

### 1. Food supply & new markets

Two students have been dealing with issues concerning chain risk and chain efficiency in relation to sustainability. Both assignments were completed successfully.

We have joined the Bio-academy, a platform for knowledge seekers in the domain of organic farming under the motto: sharing knowledge, working together and connecting.

Our Young Members Group visited our customer in Italy to see and hear how sustainability is experienced in the Italian market and how they respond to it.

We have challenged the Slow Food Youth Network Netherlands (SFYN) to develop three potato concepts with the aim of interesting young people for the potato. After the presentation at our breeding station, the winning concept was presented at a food festival in Utrecht.



## 2. Environment & CO2 reduction

Within the framework of the European Energy Efficiency Directive (EED), we have had our Dutch branches audited on the consumption of energy. An advisory report has been compiled for energy-saving measures that will be implemented over the next four years. In addition to insight into the amount of energy consumed at the various branches, the report also contains the corresponding CO2 emissions.

The use of lease cars at Agrico has been outsourced. In 2017/2018, an analysis was made together with the leasing company about the greening of our fleet and the driving behaviour of our employees. We cannot pursue our activities without making use of cars, but we will respond to opportunities to do so in an environmentally friendly manner.



## 3. Health & Innovation

The realisation of the Quality Centre also makes sustainable innovation within our company tangible. By meeting the latest building requirements for modern refrigerated and temperature-controlled rooms, investing in a fully automatic tare and quality line and collecting energy from solar panels on the roof, sustainability is an integral part of the project.

Solar panels are also now in use at Agrico Research. The 384 panels are expected to generate approx. 100,000 kWh per year. That is about a quarter of the annual consumption. The panels are located on the flat roofs of the office and the laboratory, because they were the only ones that proved suitable without the need for additional structural arrangements. Some of the generated electricity is returned to the network.

Finally, also in the context of the new greenhouse complex, we invited chefs from local restaurants to hear about the potato breeding process and to determine – in culinary terms – which new varieties distinguish themselves in taste and preparation.



Name:  
**Levante**

Breeder:  
Agrico Research

Parents:  
AR 01-3218 x Almera

Year of crossing:  
2007

Year of approval:  
in aanmelding

Description:  
A late, quite firm ware potato variety with a nice yellow skin and late blight resistance in foliage

Market:  
Western European market for small packaged product

Dutch total crop area in 2017:  
0,5 ha



Levante: next generation





#### 4. Committed & healthy staff

In the 2017/2018 financial year, we attended several meetings with students at colleges to draw attention to Agrico as a potential future employer.

We see the knowledge development of our employees as a continuous process. A training budget is available per employee for training courses suitable for the present or future position.



#### 5. The grower central

Crop optimisation and smart farming are important developments for arable farms. We want to support our growers in these developments. Together with the Young Members Group, we carried out further research into the possibilities of crop optimisation in 2017/2018. We have come to the conclusion that collecting the right data is no easy task and that collaboration with other parties in the chain is necessary if the exercise is to be successful. Agrico will also participate in Wageningen University's smart farming project 4.0.



25% of Agrico Research's energy requirement is generated by its own 384 solar panels



Name:  
**Fontane**

Breeder:  
Lantmännens SW Seed

Parents:  
Agria x AR 76-034-03

Year of crossing:  
1987

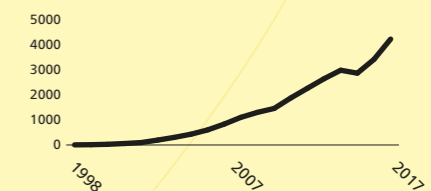
Year of approval:  
1998

Description:  
A medium late, very high-yielding variety for French fries and flake processing

Market:  
North-western European market for French fries

Dutch total crop area in 2017:  
4.250 ha

Development in the Netherlands::



# Management and Control



# Cooperative and Governance

Cooperative Agrico U.A. is a Cooperative operating under Dutch law with 1,337 Dutch members (886 businesses). The Cooperative is managed by the Cooperative Board, which is appointed by the Board of Members. The Cooperative holds all the shares of the two-tier board company Agrico B.V. Agrico B.V. handles the trading activities for the product that the members supply to the Cooperative. Moreover, Agrico B.V. acts as the holding company of the Group companies and participating interests.

From the viewpoint of corporate governance, the following bodies are relevant for Cooperative Agrico U.A. and for Agrico B.V.:

- the Board of Members of the Cooperative;
- the Cooperative Board or as the case may be the Supervisory Board of Agrico B.V.;
- the Management Board of Agrico B.V.

The Supervisory Board of Agrico B.V. represents a personal union with the Cooperative Board. Annually, the Cooperative organises the so-called Cooperation Day for the members of its various bodies. During this day, members can share experiences and discuss subjects that are important to everyone. In 2017/2018, attention was paid to the strategy formulation process within Agrico. In addition, the Pool Committees followed a course focusing on meeting techniques, while the Board of Members, under expert guidance, evaluated the decision-making process for major investments.

## The Board of Members of the Cooperative

The members of the Board of Members are nominated by the Board of Members and are appointed by the Central Assembly of Members. For its recommendations, the Board of Members is assisted by a Nomination Committee, which always includes two or three members of the Board of Members and one member of the Cooperative Board. On 31 July 2018, the Board of Members consisted of 18 members. The maximum term of office is two terms of four years.

The Cooperative Board needs the specific approval of the Board of Members for certain resolutions as defined in the Articles of Association. Approval is required for:

- amendments to the Articles of Association of the Cooperative;
- providing collateral;
- starting unrelated activities;
- major investments.



Name:  
**Manitou**

Breeder:  
Dr R.J. Mansholt's breeding  
company

Parents:  
Laura x Maranca

Year of crossing:  
1996

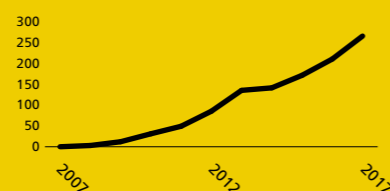
Year of approval:  
2007

Description:  
A medium late, ware variety  
with an attractive red skin,  
a high yield and suitable for  
home fries.

Market:  
North Africa, Western and  
Eastern Europe

Dutch total crop area in 2017:  
265 ha

Development in the Netherlands:



The Articles of Association prescribe under what circumstances and for what amounts, resolutions – including those mentioned above – need the approval of the Board of Members. Furthermore, the Board of Members is charged with the appointment of the members of the Cooperative Board, the adoption of the annual accounts, and the strategic long-term plan. Finally, resolutions which the Cooperative Board adopts in the capacity of Meeting of Shareholders of Agrico B.V. are subject to the approval of the Board of Members, which includes granting discharge to the Supervisory Board for their supervision and to the Management Board of Agrico B.V. for their management.

The Board of Members met on seven occasions during the 2017/2018 financial year. In addition to discussing and approving the annual accounts, the investments in the Quality Centre and at Leo de Kock were also important subjects. The Board of Members approved both investments. The proposal for Leo de Kock concerned a revised proposal. The changed methodology in the distribution to Albert Heijn necessitated an amendment of the original proposal. The Board of Members took note of Leo de Kock's business plan, partly on the basis of a presentation given by Director J. Bijleveld. Finally, the Board of Members is involved with some regularity in the content of Agrico's strategic plan.

### **A delegation from the Young Members Group attends every meeting of the Board of Members.**

The composition of the Board of Members did not change during the 2017/2018 financial year. However, four members were reappointed at the Central Assembly of Members in December 2017: Messrs J.W. Bakker, W.K. den Bakker, P.P.J.M. Cryns and G.M. Wuestenenk.

The Central Assembly of Members ended with an inspiring presentation by Professor Mathieu Weggeman, in which the focus was on the different generations. In the discussion that followed, a younger and an older member shared their personal experiences on this subject.

### **Young Members Group**

The Young Members Group of Agrico organised five meetings in 2017/2018.

A delegation from the Young Members Group attends every meeting of the Board of Members. They have no voting rights, but they can learn and participate.

The Young Members Group had guest speakers at a number of meetings: Mr T. van der Meer on the subject of the growing French-fry sector and the seed and ware potato sectors that are drifting apart, and Mr J.H. Hoogenboom on the Annual Report of the Cooperative. Agrico's strategy and the crop optimisation project were on the agenda for all meetings. Finally, the Young Members Group made a visit to our most important customer in Italy.

### **The Pool Committees**

Cooperative Agrico U.A. has three Pool Committees: one for conventionally-grown seed potatoes, one for conventionally-grown ware potatoes and one for organically-grown seed and ware potatoes. The Pool Committees consult with Agrico about the growing and purchasing conditions of the pool agreements with some regularity. Product group meetings are organised during the year, at which delegations from the organisation and the Pool Committees discuss the relationship between grower/member and the Cooperative with the members. The appendix to the cultivation agreement for the 2018 harvest was discussed and adopted by all the Pool Committees.

The Pool Committee for seed potatoes met six times. Subjects for discussion included the supply of planting stock and the Imazalil arrangement for the 2019 harvest.

The Pool Committee for conventionally-grown ware potatoes met five times. The Committee paid a great deal of attention to the Milieukeur label and decided to actively participate in this quality mark.

The Pool Committee for organically-grown seed and ware potatoes met five times. The Committee has appointed a new Chairman from among its members. An important subject was the cost-price calculation for organic potato cultivation. In addition, the Committee recommended a continued presence at the annual Bio fair in Zwolle.



## The Cooperative Board

The Cooperative Board is responsible for the every-day affairs of the Cooperative, including the promotion of the interests of the members. The Cooperative Board consists of seven members. The majority is drawn from the circle of members, the others are external members. In the 2017/2018 financial year, this ratio was four members and three external members. The members of the Board drawn from the circle of members may only be appointed if they supply at least 75% of their crop area to the Cooperative.

The Chairman is elected in office. The members of the Cooperative Board are appointed by the Board of Members on the recommendation of the Cooperative Board. During the General Meeting of December 2017, Mr C.A.A.M. Gommeren was elected as a member of the Cooperative Board.

The Cooperative Board also forms the Supervisory Board of Agrico B.V. The maximum term of office for Board Members is two periods of four years. The maximum term of office for the Chairman is three periods of four years. The Board of Members has the power to dismiss a Board Member. The Cooperative Board is supported by a director appointed by the Board, who also acts as the Managing Director of Agrico B.V.

The Cooperative Board met six times in 2017/2018. There were also three additional meetings with regard to the strategic plan.

## The General Meeting of Shareholders of Agrico B.V.

The shares of Agrico B.V. are owned outright by the Cooperative. As such, the Cooperative has full control over the General Meeting of Shareholders of Agrico B.V. The Cooperative Board exercises its voting rights on behalf of the Cooperative at the General Meeting of Shareholders, but needs the prior approval of the Board of Members.



Name:

**Arsenal**

Breeder:

Agrico Research

Parents:

AR 92-1147 x Silvester

Year of crossing:

1998

Year of approval:

2010

Description:

A late crisp variety with extensive resistance to PCN and a good yield

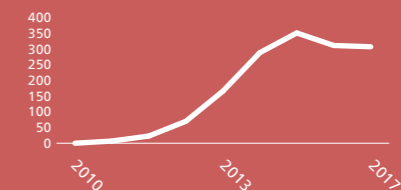
Market:

Global crisps market

Dutch total crop area in 2017:

308 ha

Development in the Netherlands:



### **The Supervisory Board of Agrico B.V.**

The Supervisory Board appoints the members of the Management Board of Agrico B.V., supervises their performance and the general course of affairs. The Supervisory Board advises the Management Board on request or on its own initiative. The Supervisory Board has laid down rules regarding its composition and all that needs to be regulated in connection with this supervisory body. Certain decisions of the Management Board, as prescribed in the Articles of Association of Agrico B.V., require the approval of the Supervisory Board. Such decisions include:

- the strategic long-term plan;
- major transactions, including entering into strategic alliances and real estate transactions;
- purchase and sale of holdings in Group Companies or minority holdings;
- major investments;
- taking out bank credits and providing collateral.

The Articles of Association of Agrico B.V. determine under what circumstances and for what amounts the above and other decisions qualify for approval by the Supervisory Board. The members of the Supervisory Board are appointed for a maximum period of two terms of four years. The members of the Supervisory Board are appointed by the General Meeting of Shareholders on the recommendation of a Nomination Committee. The Nomination Committee consists of the Chairman and one other member of the Supervisory Board, two members of the Board of Members and a member of the Works Council. As of 31 July 2018, the Supervisory Board consisted of seven members.

### **The Management Board**

The Management Board is responsible for the strategy, the policy and the operational activities within Agrico. The Management Board is appointed for an indefinite period of time. The conditions of employment for the Management Board are determined by the Supervisory Board.

Peru, 2018



# Personal Details

## Management Board

Jan van Hoogen, Managing Director

## Management team

P.J. Dijk, Manager Ware Potatoes and CMC (Cooperative, Marketing & Communications)

J.H. Hoogenboom, Manager Finance & Control

W.B. van der Werff, Commercial Manager Seed potatoes

H. van der Woude, Manager Operations

## Works Council

J. Wielenga, Chairman

A. Sikkema, Vice-Chairman

F.F. Drijfhout, Secretary

P.N. Zee

R.J. Lindenbergh

J. te Riele

T. Rotte

*Joined:*

T. Rotte

*Resigned:*

J. van Eijken

## Members of Merit

C.J.M. van Arendonk

Ph. van den Hoek

J.J.M. Pronk

J.J. Wolthuis

## Board of Members

J.W. Bakker (2021)

W.K. den Bakker (2021)

Ms M.C.G. Besseling (2020)\*

J. Bos (2020)

H. Coolman (2019)\*

P.P.J.M. Cryns (2021)

T. Hessels (2018)\*

J.R. Kielstra (2020)\*

H. Koopman (2018)\*

B. Minkhorst (2020)

Ms E.A. Noordam (2020)\*

J. Poppe (2020)

P.C. Roose (2018)\*

R.N.G. Stokman (2020)

A.M.J.M. van Tiggelen (2019)

M.P. Toringa (2019)

A.J. Verwer (2018)\*

G.M. Wuestenenk (2021)

## Supervisory Board/Cooperative Board

A.H. Vermeulen, Chairman (2019)\*

G. Welling, Vice-Chairman (2018)

C.A.A.M. Gommeren, Vice-Chairman of the Cooperative Board (2021)

A.N.I.M. Kemmeren, Secretary (2018)

G. Ensing (2019)\*

Ms S.K. Hoekstra (2020)\*

P.J. van Maldegem (2019)

\*Eligible for re-appointment

### **Young Members Group**

P. Kemmeren, Chairman (2021)  
G. Maters, Vice-Chairman (2021)  
R.A. Blijdorp (2020)\*  
J. den Boer (2020)  
M. Gebbink (2019)\*  
P. Hendriks (2021)\*  
J.N.B. Huisman (2021)\*  
Ms J. van der Knijff (2021)  
V. Koekoek (2020)  
S. Kok (2019)  
J. Monsma (2019)\*  
L. Sturm (2021)  
M. Verwer (2021)\*  
S. Visser (2019)  
P.M. Vogels (2019)\*

#### *Joined:*

R.A. Blijdorp  
P. Hendriks  
J.N.B. Huisman  
M. Verwer

#### *Resigned:*

N. Grijsen  
R. Hack  
N.H. Vermue  
L. de Winter

### **Appeals Committee**

M.H. van Stee, Chairman (2019)\*  
T. Brouwer, (2019)\*  
I.J. Meirink (2019)\*  
A.C.P.M. Nooren (2018)\*  
M.P.J.M. Sturm (2021)\*  
N.E. Wiertsema, (2021)\*

### **Variety Committee**

J.J. van Hoogen, Chairman  
Ms C. Koster, Secretary  
M. Vossen, Advisor  
J.T.M. Dekker, (2019)\*  
P. Konst (2021)\*  
F.J. Vos (2021)  
M. Winters (2021)\*

#### *Joined:*

P. Konst

#### *Resigned:*

E. Pot

### **Pool Committee for organically-grown seed and ware potatoes**

A.W. Maris, Chairman (2020)\*  
J.M. Bokdam (2022)  
P.C. Eilander, (2021)\*  
Ms A.E. Sulik (2022)\*  
W.L.C. Snippe (2019)\*

#### *Joined:*

Ms A.E. Sulik

#### *Resigned:*

M. Schieman

\*Eligible for re-appointment





### **Pool Committee for conventionally-grown ware potatoes**

M.G. Scholtens, Chairman (2019)\*

N.A. Flohil (2019)\*

J.J. van den Hoek (2021)\*

J.C. Jansen (2020)

R.A.M. Zijlmans (2022)

### **Pool Committee for conventionally-grown seed potatoes**

#### **Central Region**

J.J. van der Velde, Chairman (2019)\*

M.J. Bouma (2022)\*

M.N. Klaver (2022)\*

J.L. Vermeer (2022)

#### **Region South-west**

A.A.M. Bartelen (2022)\*

A.J. van der Wel (2019)\*

#### **Region North-west**

A.J. Goudsblom (2021)

J.C. van Heerwaarden, (2020)\*

#### **North Region**

A.J.W.M. Claassen, (2019)

W.R. Schuiling (2021)\*

J.B. Smits (2020)\*

G.F. Wiechers (2022)\*

#### *Joined:*

A.A.M. Bartelen

M.J. Bouma

M.N. Klaver

G.F. Wiechers

#### *Resigned:*

A.F.M. Braspenning

Mrs A.W.W. van Gastel-Topper

H.G. Kram

M. Zwiers

Agrico does not use target figures for women or any other specific target groups in management positions, but does aim to achieve diversity in the composition of its divisions and management bodies through recruitment and selection.



\*Eligible for re-appointment

## Risk Profile

Our activities are dependent on a broad range of risks. We recognise that risk management is an important part of entrepreneurship and have a risk assessment in place that is periodically updated. The material risks that threaten the Cooperative have been identified as accurately as possible in the assessment, as regards both probability and impact. The sum total of the measures below ensures that reasonable safeguards are in place, that strategic and operational objectives are achieved, that the financial and other reporting provided by the company is reliable, and that all relevant legislation is observed.



Demo field Kollumerwaard

Our overall risk profile is positively influenced by the fact that the activities mainly focus on a single product: the potato. Furthermore, over 80% of our purchasing consists of so-called pool agreements, which means there are hardly any high-risk buying or selling positions.

As a rule, we are cautious about taking business risks. The extent of a risk is determined by the degree of probability that the risk will materialise and its potential impact on Agrico's strategic and financial objectives.

### Phytosanitary effects

Given our operating activities, the quality and availability of the product are of major importance. One important associated risk is that the sale of potatoes can be influenced by phytosanitary problems. In collaboration with third parties, quality inspections take place based on internationally recognised and certified methods, and supplementary research focused on viral and bacterial diseases is carried out.

Other guarantees in this context are: our investment in a Quality Centre in the 2017/2018 financial year, sufficient distribution over the various growing areas, the supervision of growers and a payment system based on quality.

Our breeding station, Agrico Research, annually acquires breeding material and/or seed from its affiliated breeders, from gene banks and from rival companies. The introduction of a quarantine disease represents a major threat to the continuity of the development of our varieties. Seed that comes in must satisfy the required standards of the NAK (General Inspection Service for Agricultural Seed and Seed Potatoes) and the NVWA (Netherlands Food & Consumer Product Safety Authority). This means, among other things, that intensive sampling takes place for examination with regard to Brown rot and Ring rot. In addition, Agrico Research carries out an entry check on all breeding material and seed that enters the Agrico premises for further propagation.





### International entities

It goes without saying that the possibility of losing important customers influences our results. Because we sell our products worldwide, this risk is significantly reduced. Our policy focuses on building up and maintaining long-term relationships with our buyers.

We often deliver large quantities of potatoes to our customers within a short period of time. Although we consistently use safeguards such as advance payments, Letters of Credit and bank guarantees, our results are susceptible to payment risks. As a result of political instability in certain regions, these risks have increased in recent years. We work with a system of internal limits for each buyer. A provision has also been formed on the balance sheet for overdue accounts from previous financial years. The credit risk on deliveries for the past financial year is based on the most recently-available information on the creditworthiness of the customer.

### Compliance with laws and regulations

We have an extensive network of agents and distributors. The guidelines and regulations for fighting corruption are international and violation can have significant financial consequences. The British Bribery Act also entails consequences for companies with a subsidiary in the United Kingdom, consequently making this law applicable to us as well. A representation agreement which sets out arrangements for services and fees has been concluded with all partners abroad.

Our code of conduct is the basis of all our actions. Our Code of Conduct has been shared with staff at home and abroad and is part of the commercial consultations and the HR interview cycle. A whistle blowers' regulation is operational within Agrico.

In the 2017/2018 financial year, privacy legislation was amended and enacted in the General Data Protection Regulation. Its introduction has received due attention.

Name:

**Ranomi**

Breeder:

Agrico Research

Parents:

AR 93-033-79 x AR 95-0319

Year of crossing:

2003

Year of approval:

2014

Description:

An early ware variety with a good common scab resistance and a good, early yield

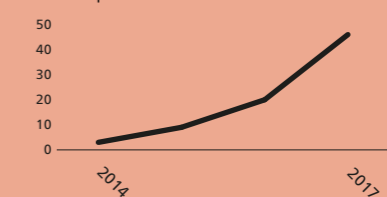
Market:

North-western Europe and Eastern Europe

Dutch total crop area in 2017:

46 ha

Development in the Netherlands:



### Provision of information

Well-functioning ICT systems are crucial for our company. The variation in products, the guiding of growers and the exchange of information between buyers, suppliers and growers is a complex operation. Any non-availability of our ICT systems can threaten our continuity within a relatively short period of time, which is why we have taken far-reaching measures to minimise this happening. In the event of a calamity, we can change over to a disaster recovery location within a few hours, ensuring that the business processes can continue. Moreover, a copy of all data is also stored at a third location. The performance of our ICT systems is continuously monitored by an external party.

Outside-in security and security from within are part and parcel of this. In the 2017/2018 financial year, the project to achieve complete renewal of the ICT support at Agrico B.V. was continued. In addition, the ICT facilities at our subsidiary Leo de Kock will be renewed in 2018/2019.



## Financial risks

For the funding of our activities, we are partly dependent on interest-bearing loans. The Cooperative is able to make use of committed banking credit facilities, allowing it to meet its borrowing requirements with a degree of flexibility. To cover the cyclic borrowing requirements, we have concluded a customised financing arrangement geared to these changing needs.

## Our policy focuses on building up and maintaining long-term relationships with our business partners.

Marketing potatoes worldwide entails currency risks. However, over 95% of our purchasing and sales transactions are paid in the corresponding currency. The risks focus on the American Dollar and the British Pound. The currency risks ensuing from operational and financing activities are hedged by means of forward exchange contracts.

Our holdings in Sweden, Canada, Poland, Kenya, Turkey and the United Kingdom are valued in the local currencies. Fluctuations in this currency affect our equity position. Even though the size of these companies within the group is relatively limited, the sharp fall in the price of the Turkish lira in the financial year 2017/2018 did have a negative effect on our assets of 1.8%.



Name:

**Arizona**

Breeder:

Agrico Research

Parents:

UK150-19D22 x Mascotte

Year of crossing:

1998

Year of approval:

2010

Description:

A medium early ware variety producing high yields, under various climatic conditions

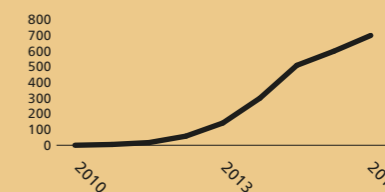
Market:

Worldwide

Dutch total crop area in 2017:

699 ha

Development in the Netherlands:



## Calamities

Agrico also recognises the danger whereby a calamity such as a fire or an explosion could result in a significant disruption of business continuity. In that sense the process of marketing potatoes leans on the measures described under the provision of information. From every location, staff members can work via the internet with the system at the disaster recovery location.

In the event of a calamity at our breeding station, dependent on the extent of the calamity, clones of first and second year seedlings will be lost (two breeding generations). In the long term this means a time delay in the process of variety development. A limited quantity of replacement material from third-year seedlings is available in a building quite separate from that where the corresponding material is stored. Fall-back material from all older seedlings is also stored at trial field locations. From the seventh field year onwards, in-vitro stocks are kept of all seedlings that are further multiplied at third-party companies. All in all, 8 of the 11 generations are genetically safeguarded to a greater or lesser extent.

The risks that Agrico recognises:

- Strategic risks: possible risks in connection with further growth and acquisitions are managed by means of a strategic plan and objectives for growth and funding.
- Operational risks: debtors' payment risks are managed by means of an active credit control procedure and security is required where possible.
- Financial risks: funding and currency risks are hedged by means of forward currency contracts and through the compilation of periodic liquidity forecasts. These activities, and the management of liquid funds, takes place mainly within Agrico B.V.
- Compliance risks: the risk of noncompliance with legislation and regulations is managed by working by codes of conduct, horizontal supervision and internal procedures.



# The **SUCCESS** of **Arizona.**

Before Arizona received its name, it was called the AR 98-313 clone. This shows that the variety was developed by Agrico Research and that the year of the cross was 1998. Exactly 20 years ago!

Arizona stood out particularly in the trial fields of Southern Europe and Northern Africa. It was therefore a variety for the export market.

Arizona was admitted to the Varieties List in 2010 and by 2018 the crop area has increased to 900 hectares. We now export Arizona to more than 60 countries all over the world. The main consumer countries are Algeria, Iraq, Italy and Libya, and a large number of countries in Eastern Europe are also buying more Arizona every year.

The cultivated area is expected to exceed 1,000 hectares in 2019. A unique phenomenon in the history of breeding potatoes: it is not often that a variety reaches the magical limit of 1,000 hectares of seed potato production in the Netherlands within 10 years of registration.



# Financial statements

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# Consolidated balance sheet

x EUR 1,000 (after proposed appropriation of net result)

Assets	31 July 2018	31 July 2017
<b>Fixed assets</b>		
<b>Intangible fixed assets (1)</b>	<b>134</b>	<b>612</b>
<b>Tangible fixed assets (2)</b>		
Buildings and land	15,353	11,693
Machinery and plant	2,390	1,526
Other fixed operating assets	2,082	1,446
Fixed assets underconstruction	–	2,077
Unproductive assets	586	586
	<b>20,411</b>	<b>17,328</b>
<b>Financial fixed assets (3)</b>		
Holdings	1,347	1,974
Other securities	5	8
Loans provided	154	204
Receivables from holdings	786	926
Other receivables	918	861
	<b>3,210</b>	<b>3,973</b>
<b>Net current assets/liabilities</b>		
<b>Stocks</b>		
Raw materials and production supplies	<b>2,338</b>	<b>1,964</b>
<b>Receivables (4)</b>		
Trade receivables	14,265	12,727
Receivables from holdings	237	655
Other receivables	5,714	4,994
Accrued income	2,195	1,972
	<b>22,411</b>	<b>20,348</b>
<b>Cash and cash equivalents (5)</b>	<b>19,164</b>	<b>18,474</b>
<b>Total assets</b>	<b>67,668</b>	<b>62,699</b>

Shareholders' equity & liabilities	31 July 2018	31 July 2017
<b>Group equity</b>		
Equity, capital and reserves (6)	26,930	27,609
Third-party interests in Group equity (7)	1,532	1,590
	<b>28,462</b>	<b>29,199</b>
<b>Provisions (8)</b>		
Pensions	298	496
Other provisions	344	379
	<b>642</b>	<b>875</b>
<b>Long-term debts (9)</b>		
Members' accounts*	2,963	2,499
Credit institutions	3,249	4,023
	<b>6,212</b>	<b>6,522</b>
<b>Current liabilities</b>		
Trade creditors	8,373	5,138
Taxes, contributions and social insurance schemes	360	821
Members (10)	16,702	14,301
Accrued liabilities (11)	6,917	5,843
	<b>32,352</b>	<b>26,103</b>
<b>Total liabilities</b>	<b>67,668</b>	<b>62,699</b>

\*concerns subordinated loans that form part of the guarantee capital of the Cooperative.





# Consolidated profit and loss account

x EUR 1,000

	2017/2018	2016/2017
<b>Gross margin</b>		
Net turnover of products sold to third parties (12)	271,149	288,725
Direct costs (13)	44,100	40,289
Purchase of products (14)	200,895	221,784
<i>Subtotal</i>	244,995	262,073
Other operating income (15)	<b>26,154</b>	<b>26,652</b>
	5,621	5,160
<b>Gross margin</b>	<b>31,775</b>	<b>31,812</b>
<b>Expenses</b>		
Wages, salaries and social security contributions (16)	15,454	14,868
Depreciation on intangible fixed assets and tangible fixed assets (17)	2,387	2,563
Other operating expenses (18)	11,110	11,496
	<b>28,951</b>	<b>28,927</b>
<b>Operating results</b>	<b>2,824</b>	<b>2,885</b>
<b>Overall income and expenditure</b>		
Results of holdings	87	115
Movement in value of financial fixed assets	52	50
Interest and similar income received	185	94
Interest and similar charges payable (19)	-164	-129
	<b>160</b>	<b>130</b>
<b>Pre-tax operating results</b>	<b>2,984</b>	<b>3,015</b>
Taxes (20)	-1,863	-2,128
<b>Operating results after tax</b>	<b>1,121</b>	<b>887</b>
Third-party interests in operating results	-286	-462
<b>Net result after taxes</b>	<b>835</b>	<b>425</b>



# Consolidated cash-flow statement

x EUR 1,000

	2017/2018	2016/2017
<b>Cash flow from operating activities</b>		
Operating results	2,824	2,885
Adjustments for:		
Depreciation and amortisation	2,407	2,563
Movement in provisions	-205	-78
Changes to working capital (excluding liquid assets and bank debts)	5,323	4,352
Cash-flow from operating activities	7,525	6,837
	10,349	9,722
Interest paid	-164	-393
Interest received	185	94
Tax on profits	-2,333	-2,230
	-2,312	-2,529
<b>Cash flow from operating activities</b>	<b>8,037</b>	<b>7,193</b>
<b>Used for investment</b>	<b>-5,046</b>	<b>-4,350</b>
<b>Used for financial activities</b>	<b>-2,207</b>	<b>4,219</b>
<b>Net cash flow</b>	<b>784</b>	<b>7,062</b>
Exchange rate and translation differences	-94	-108
<b>Movement in liquid assets</b>	<b>690</b>	<b>6,954</b>



# Consolidated cash-flow statement

x EUR 1,000

2017/2018

2016/2017

## Used for investment

Investment in tangible and intangible fixed assets	-6	-17
Investment in tangible and intangible fixed assets	-5,058	-3,069
Disposal of tangible fixed assets	37	641
Repayments on loans provided	50	50
Loans provided	-57	-1,787
Result of non-consolidated holdings	-12	-168
<b>Used for investment</b>	<b>-5,046</b>	<b>-4,350</b>

## Used for financial activities

Repayment of certificate capital	-1,564	-1,577
Dividend paid to minority shareholders	-333	-274
Loan repayments	-808	-53
Loans received	498	6,123
	-310	6,070
<b>Used for financial activities</b>	<b>-2,207</b>	<b>4,219</b>



# Principles for valuation and determination of results in the consolidated annual accounts

## Introduction and notes

These are the annual accounts of the Cooperative Agrico U.A., established on 2 April 1973 with registered office in Emmeloord, the Netherlands, and registered with the Chamber of Commerce under number 39025632. The most important activities of the Group are the development of potato varieties and the sale of seed and ware potatoes, primarily those produced by the members of the Cooperative. The Cooperative has drawn up both a consolidated and an unconsolidated balance sheet in accordance with the statutory provisions of Title 9 of Book 2 of the Dutch Civil Code and with other stipulations relating to the principles for financial reporting that are customary in the Netherlands. These annual accounts were drawn up on 16 November 2018.

## General

The principles that have been applied for the valuation of assets and liabilities and the determination of results are based on historical costs. Except where deviations are explained in the notes, all assets and liabilities have been included at their nominal value. Assets are included in the balance sheet when it is probable that economic benefit will accrue to the company in the future and the value can be reliably determined. Liabilities are included in the balance sheet when it is probable that the settlement of that liability will be accompanied by an outflow of resources and the value of that outflow can be reliably determined. Income and expenses are allocated to the period to which they relate.

## Opinions and estimates

In order to be able to apply the principles and rules for the compilation of the annual accounts, it is necessary that the Board of Cooperative Agrico should form an opinion about various matters, and that the Board makes estimates that can be crucial to the amounts included in the annual accounts. The principal opinions and estimates, including the associated assumptions, are the test of any provisions and the impairment of goodwill. Where this was necessary for the insight required by the provisions of Section 362.1 of Book 2 of the Dutch Civil Code, the nature of those opinions and estimates - including the associated assumptions - has been included in the notes to the relevant items in the annual accounts.

## Consolidation principles

The consolidated annual accounts for the year ending 31 July 2018 include the financial data of the Cooperative Agrico U.A. and its Group companies (further to be referred to jointly as Agrico). Unless otherwise specified, the Group companies are included in the consolidated annual accounts as a totality, and all underlying balance sheet items, income and expenditure within Agrico have been eliminated. The annual accounts of the Group companies are drawn up for the same financial year as that of the Parent company and consistent valuation principles have been applied. The initial consolidation and deconsolidation is effected at the time when policy-determining influence is transferred to Agrico or, respectively, when such policy-determining influence is transferred to a third party. The participations of third parties in Group companies (minority participations) are shown separately in the balance sheet and the profit and loss account. Any participation Agrico has in joint ventures whereby there is no such policy-determining influence, is shown under financial assets as participations.

## Participations in Group companies and minority participations

These shares are held by Agrico B.V. and are fully consolidated. Unless otherwise specified, these concern 100% participations and the participation remains unchanged since the previous financial year.

## The participations of Cooperative Agrico U.A. (an excluded liability cooperative) based in Emmeloord are:

Agrico B.V., Emmeloord, which in turn includes:

- Kweek- en Researchbedrijf Agrico B.V. [Agrico Breeding and Research], Emmeloord
- Agrico Holding B.V., Emmeloord, which includes:
  - Agrico Italia s.r.l., Bologna
  - Leo de Kock & Zn. B.V., Purmerend [NL]
  - S.A. Desmazières (89.12%), Monchy-le-Preux, France
  - Agrico UK Ltd., Castleton, Scotland
  - Agrico Polska Sp. z o.o. (76%), Łębork, Poland
  - Interseme d.o.o. (51%), Ljubljana, Slovenia
  - Agrico Nordic AB, Jönköping, Sweden
  - Parkland Seed Potatoes Ltd (70%), Edmonton, Canada
  - Agrico East Africa Ltd (70%), Nairobi, Kenya



### Not consolidated

- AR Tarim Tohumculuk ve Sanayi Ticaret A.Ş. (50%), Kayseri, Turkey
- Potato Seed Africa Ltd (45%), Nairobi, Kenya
- Breeders Trust S.A. (14.5%), Brussels Belgium

The participation in SC Cartof Agrico SRL in Romania was sold to the other two shareholders on 25 May 2018.

### Netting

An asset and an item of borrowed capital are only netted in the annual accounts if and insofar as:

- a sound legal instrument is available to facilitate the netting and simultaneous settlement of the asset and the item of borrowed capital; and
- there is a resolute intention to settle the balance itself or both items simultaneously.

### Principles for the translation of foreign currencies

The consolidated annual accounts are shown in euros, which is the Cooperative's functional and presentation currency. Each entity within the group determines its own functional currency, and the items in the annual accounts of each entity are valued on the basis of that functional currency.

Transactions in foreign currencies are valued during the first processing run against the rate of exchange for the functional currency on the transaction date. Monetary balance sheet items in foreign currencies are translated into the value in the functional currency on the balance sheet date. Non-monetary balance sheet items in foreign currencies, which are valued on the basis of historical costs, are translated into the value of the functional currency on the balance sheet date.

Exchange rate differences that occur on the settlement or translation of monetary items in foreign currencies are included in the profit and loss account, with the exception of exchange rate differences that ensue from the net investment in business operations outside the Netherlands or to loans which were taken in order to finance or effectively hedge the net investment in business operations outside the Netherlands. These exchange rate differences are included directly in the statutory reserve for exchange rate differences.

The assets and liabilities of business operations outside the Netherlands are translated into the presentation currency (the euro) on the balance sheet date at the then prevailing rate; the income and expenditure on the profit and loss account are translated at the approximated average exchange rate applicable during the financial year. The ensuing exchange rate differences are included directly in the statutory reserve for exchange rate differences. In the event of disposal of business operations outside the Netherlands, the relevant cumulative value of the translation differences - which is included under equity, capital and reserves - is accounted for in the profit and loss account as a component of the returns on sales.



Levante: next generation



### Financial instruments

Financial instruments included in the balance sheet are valued at their amortised cost price unless otherwise indicated. Off-balance sheet financial instruments, or derivatives concluded to hedge currency and risks, are valued in accordance with the value of the hedge position. The results on derivatives are accounted for together with the results of the hedge position. The Cooperative does not hold derivatives for speculative or trading purposes.

### Intangible assets

An intangible fixed asset is included in the balance sheet if:

- it is likely that the inherent future economic benefit of the asset will accrue to the group; and
- the costs of the asset can be reliably determined.

Expenditure for intangible fixed assets that does not satisfy the conditions for capitalisation (e.g. expenditure on research, internally developed varieties and logos) is accounted for directly via the profit and loss account. Intangible fixed assets are valued at the purchase price or production price less cumulative amortisation and, if applicable, cumulative extraordinary impairment losses. Amortisation of intangible fixed assets is carried out systematically on the basis of estimated economic life, with a maximum of twenty years. The economic life and the amortisation method used are appraised at the end of each financial year. If the estimated economic life is greater than twenty years, an extraordinary impairment test will be carried out from the moment of processing at the end of each financial year.

### Goodwill

The positive difference between the acquisition price of a participation and the share in the true value of the acquired identifiable assets and liabilities at the time the Group company was acquired is entered as 'Goodwill' on the balance sheet. On the balance sheet date of each financial year, it will be determined whether there are indications that the goodwill might be subject to an extraordinary impairment loss.

If such is the case, the extraordinary impairment loss on goodwill will be determined on the basis of an appraisal of the realisable value of the cash-generating entity (or group of cash-generating entities) to which the goodwill relates. If the realisable value of the cash-generating unit is lower than the book value of the cash-generating unit to which goodwill is attributed, an extraordinary impairment loss will be shown in the accounts.

### Research costs

Agrico carries out research into new varieties and into the adaptation of existing varieties. This research is primarily conducted within the Agrico Breeding and Research B.V. subsidiary. These activities focus primarily on research, rather than on development which would be eligible for capitalisation as defined in the Dutch 'Guidelines for Drawing up the Annual Report'. For this reason, the expenditure concerned is reported via the profit and loss account.

### Tangible assets

Buildings and land, machinery, plant and other fixed operating assets are valued at purchase price or production price, less cumulative depreciation and other losses. Subsidies and investment premiums are deducted from the purchase price of the asset(s) to which they relate. A tangible asset is derecognised after disposal or when no future performance units are expected to accrue from its use or disposal. The cost of benefit that ensues from the disinvestment is incorporated into the profit and loss account.

Depreciation is calculated as a percentage of the purchase price or production price according to the linear method on the basis of the economic life. No depreciation is effected against land and material fixed operating assets funded in advance but not yet completed. The cost of major maintenance work is added to the cost price as soon as such costs occur and the criteria for capitalisation are fulfilled.

The book value of components to be replaced is then deemed to be a disposal and accounted for in a lump sum via the profit and loss account. All other maintenance costs are accounted for directly in the profit and loss account.



### **Financial fixed assets**

Participations through which significant influence can be exercised on the business and financial policies are valued on the basis of the net asset value. Participations through which no significant influence can be exercised are valued at acquisition price or at their lower economic value. The valuation of the participations makes no allowance for deferred obligations in respect of tax levied at source. A provision is formed, where necessary, if a participation has a negative net asset value.

Insofar as it is deemed probable that they can be realised in the future, deferred tax assets, including those in the category of nettable fiscal losses, are valued at the tax percentage that applies at the moment of expected realisation.

Receivables are valued at amortised cost price less any provision deemed necessary for bad debts.

### **Depreciation or changes in value of fixed assets**

Agrico recognises intangible, tangible and financial fixed assets in accordance with principles for financial reporting that are generally accepted in the Netherlands. On the basis of these principles, fixed assets with a long life span need to be assessed for special impairments when changes or circumstances occur that give rise to a suspicion that the book value of an asset will not be recouped. The payback possibility of assets that are in use is determined by comparing the book value of that asset with the present value of the future net cash flow that said asset is expected to generate. If the book value is higher, the difference is booked off against the results. Assets available for sale are valued at book value, or sale value if lower, after deducting sales costs.

### **Net current assets**

#### **Stocks**

Stocks of raw materials and production supplies (packaging and spare parts) are valued at their purchase price, or market value if lower.

#### **Receivables**

Receivables are valued at amortised cost price less a provision for bad debts. Where amortisation is not possible, the amortised cost price corresponds with the nominal value.

#### **Liquid assets**

Liquid assets include cash, bank account balances and balances on deposit accounts with a term of less than twelve months. Liquid assets are shown at their nominal value.

### **Group equity**

#### **Third-party interests in Group equity**

A third party's minority interest is valued in accordance with the share of that third party in the net asset value.

### **Provisions**

Provisions are reported at their nominal value with the exception of provisions for pensions and similar obligations which are calculated by actuarial methods, and deferred tax obligations which are reported at their cash value. Provisions are formed for legally enforceable or constructive obligations which exist on the balance sheet date but whose actual value is uncertain; a reasonable estimate is then made of the value if it is probable that the obligation will ultimately need to be settled.

### **Pensions**

Operational subsidiaries of the Cooperative have various pension schemes, in accordance with local conditions and customs in the countries in which they are active. These are primarily defined contribution plans that are administered by an insurance company. Generally speaking, the schemes are funded from the premium payments made to the insurance companies concerned. The actuarial risk is borne entirely by the insurance company. The contributions payable are reported directly in the profit and loss account.



Any outstanding payment or refund is included respectively under the item current liabilities or receivables.

A provision will be formed for any obligations in addition to the premiums payable to the pension provider if, at the balance sheet date, there is a legally enforceable or constructive obligation to the pension provider and/or the employee, it is probable that settlement of the obligation will lead to an outflow of resources, and a reliable estimate can be made of the total value of the obligation. The provision for additional obligations to the pension provider and/or employee has been valued on the basis of the best estimate of the amounts that would be necessary to settle the obligations in question at the balance sheet date.

**The net result shown in the profit and loss account therefore has only a limited significance in the context of an appraisal of the financial results.**

#### **Deferred taxes**

Insofar as fiscal valuations deviate from the reported valuation principles, and deferred tax obligations ensue, a provision will be formed for such obligations on the basis of the tax percentage that applies at the expected moment of payment.

#### **Long-term liabilities**

Interest-bearing and non-interest-bearing long-term liabilities are reported at the amortised cost price plus any directly attributable transaction costs.

The interest payable is reported in the periods to which it relates.

#### **Current liabilities**

Trade creditors and other liabilities are initially reported at their true value and subsequently valued at the amortised cost price. Trade creditors and other liabilities relate to debts with a term of less than one year.

#### **Amortised cost**

The amortised cost price is the amount for which a financial asset or financial obligation is first recognised in the balance sheet, less any repayments on the principal, increased or reduced by the cumulative amortisation of the difference between the first amount and the repayment amount calculated via the effective interest method, and reduced by any write-off (direct, or by the creation of a provision) due to impairment or irrecoverability.

#### **Leasing**

The appraisal of whether or not an agreement contains a lease is made on the basis of economic reality at the moment the contract is entered into. The contract is deemed to be a lease agreement if performance of the agreement depends on the use of a specific asset or the agreement includes the right to use a specific asset. Payments for operational leasing are recognised in the profit and loss account as linear amounts spread over the period of the lease.





### **Determination of results**

The net result shown in the profit and loss account therefore has only a limited significance in the context of an appraisal of the financial results. The prices received by members for their products through the Cooperative are a better indicator of the financial results.

### **General**

Costs are determined with due consideration of the accounting principles mentioned above and are attributed to the financial year to which they relate.

### **Net turnover**

Net turnover relates to the proceeds from goods and services provided to third party, less the discount allowed to customers and excluding value-added tax (VAT).

Turnover is only reported insofar as there is a reasonable degree of certainty that future benefit will accrue to the enterprise and that benefit can be reliably estimated. Turnover is specified according to the destination market. Proceeds are reported when the significant risks and the ownership rights have been transferred to the buyer, when receipt of consideration is probable, and when the costs and the likelihood of return of the goods can be reliably estimated. The licences received from third parties outside the Netherlands are reported in accordance with the cash accounting system.

### **Purchase of products**

Payments to members for the products they have delivered are determined at the end of the financial year on the basis of information known on that date, taking into account any deductions necessary to cover the costs of the Group.

### **Staff costs**

The amounts payable to employees and the tax authorities by way of wages, salaries and social security contributions are incorporated into the profit and loss account on the basis of the applicable employment package.

### **Interest income and expenses**

Interest income and expenses are accounted for in the period to which they relate, taking into account the interest rate applicable to the assets and liabilities concerned.

### **Taxes**

Taxes and levies are calculated on the recognised operating result, taking into account tax exemptions and expenses that are wholly or partially non-deductible. The Cooperative and its Dutch Group companies form a fiscal entity. Netting of taxes within this entity is effected as if each company were subject to taxation on its own account. A provision has been formed for possible deferred tax liability arising from taxable temporary differences. Insofar as it is probable that taxable profit will be available for settlement, a deferred tax asset has been formed for all deductible temporary differences and unused tax losses carried forward.

### **Cash-flow statement**

The cash flow statement has been drawn up on the basis of the indirect method. Cash flows in foreign currencies are translated at the average rate of exchange. The purchase price of Group companies acquired and the sale price of Group companies sold are reported under cash flow from investments.



# Notes to the consolidated balance sheet

x EUR 1,000

## Intangible fixed assets (1)

The composition and the movements of the intangible fixed assets can be summarised as follows:

	Goodwill	Software	Other	Total 2017/2018	Total 2016/2017
Balance as at 01 August	412	200	–	612	1,440
Investments	–	6	–	6	17
Depreciation and amortisation	-412	-72	–	-484	-845
<b>Balance as at 31 July</b>	<b>–</b>	<b>134</b>	<b>–</b>	<b>134</b>	<b>612</b>
Purchase price	2,491	2,022	320	4,833	4,918
Cumulative amortisation	-2,491	-1,888	-320	-4,699	-4,306
<b>Balance as at 31 July</b>	<b>–</b>	<b>134</b>	<b>–</b>	<b>134</b>	<b>612</b>

The goodwill associated with acquisitions is amortised over a period of no more than five years. The item 'Depreciation and amortisation' includes an amount of EUR 177,900 (previous year: EUR 365,500) in connection with a supplementary amortisation of goodwill. The software included under intangible fixed assets is amortised over a period of between three and five years. The item 'Other' concerns an investment in a joint venture from which future income is uncertain. For reasons of caution, this intangible fixed asset will be amortised within one year.

## Tangible fixed assets (2)

The composition and movements of the tangible fixed assets can be summarised as follows:

	Buildings and land	Machinery and plant	Other fixed operating assets	Fixed operating assets under construction	Unproductive assets	Total 2017/2018	Total 2016/2017
Balance as at 01 August	11,693	1,526	1,446	2,077	586	17,328	17,472
Investments	2,388	1,508	1,162	–	–	5,058	3,069
Transfers	2,077	–	–	-2,077	–	–	–
Disposals	–	-4	-33	–	–	-37	-641
Deconsolidation of Group company	–	–	–	–	–	–	-818
Depreciation and amortisation	-792	-640	-491	–	–	-1,923	-1,730
Exchange rate differences	-13	–	-2	–	–	-15	-24
<b>Balance as at 31 July</b>	<b>15,353</b>	<b>2,390</b>	<b>2,082</b>	<b>–</b>	<b>586</b>	<b>20,411</b>	<b>17,328</b>
Purchase price	25,198	10,064	8,980	–	2,974	47,216	42,989
Cumulative depreciation	-9,845	-7,674	-6,898	–	-2,388	-26,805	-25,661
<b>Balance as at 31 July</b>	<b>15,353</b>	<b>2,390</b>	<b>2,082</b>	<b>–</b>	<b>586</b>	<b>20,411</b>	<b>17,328</b>

The expected economic life, and the associated depreciation period, for buildings is 20 to 40 years, for machinery and installations is 5 to 10 years, and for other fixed operating assets is 5 to 10 years. Unproductive assets include houses and immovable property destined for sale. Fixed operating assets under construction concerns investments in the new greenhouse complex. This had been completed by the end of the financial year under review and is now included in 'Buildings and land' and 'Machinery and plant'.



x EUR 1,000

### Financial fixed assets (3)

The composition and movements of the financial fixed assets can be summarised as follows:

	Participations	Other securities	Loans provided	Receivables from participations	Other receivables	Total 2017/2018	Total 2016/2017
Balance as at 01 August	1,974	8	204	926	861	3,973	2,561
Repayments	–	–	-462	–	–	-462	-213
Loans provided	12	–	–	220	57	289	1,787
Acquisition	–	–	–	–	–	–	168
Share in results for this financial year	-157	–	–	–	–	-157	-76
Exchange rate differences	-482	-3	–	–	–	-485	-417
Movement in provisions	–	–	412	-360	–	52	163
<b>Balance as at 31 July</b>	<b>1,347</b>	<b>5</b>	<b>154</b>	<b>786</b>	<b>918</b>	<b>3,210</b>	<b>3,973</b>

The item 'Participations' includes the 50% share in AR Tarim Tohumculuk ve Sanayi Ticaret A.Ş. in Izmir, Turkey, the 45% share in Potato Seed Africa Ltd. in Nairobi, Kenya and the 14.5% share in Breeders Trust S.A. in Belgium. The 51% participation in SC Cartof Agrico SRL in Braşov, Romania, was sold to the two other shareholders during this financial year. The item 'Other securities' concerns claims on cooperative associations in the form of shares. In addition, Agrico participates in various Private Sector Investments Programme (PSI) projects. The value of these interests (MABA Retail 25% and Agrico Algeria 25%) has been reported as zero.

EUR 0.9 million of the sum outstanding under 'Loans provided' is repayable within one (1) year. At the end of the financial year, the provision for Loans provided is valued at EUR 2.7 million (31 July 2017: EUR 3.2 million). The average interest rate for these loans is 0.2%. Receivables from participations relate to loans with a term of less than one (1) year; they are included after deduction of a provision in the sum of EUR 360,000 (31 July 2017: nil).

Other receivables relate to an investment account with the lease company in connection with Agrico's financing of its leased vehicles.

### Receivables (4)

Trade debtors are included after deduction of a provision for bad debts. As of 31 July 2018, said provision is valued at EUR 3.5 million (31 July 2017: EUR 3.4 million). The value of this provision is based on deliveries from the 2016 harvest and before that have not yet been paid, plus the provision deemed necessary for identified risks in connection with the 2017 harvest. Receivables from participations relate to short-term receivables (less than one (1) year) and do not bear interest. The other receivables and accrued income have a term of less than one (1) year and relate primarily to turnover tax, corporation tax, goods and field inventories.

### Cash and cash equivalents (5)

All cash and cash equivalents are at the disposal of the company.

### Equity, capital and reserves (6)

The consolidated operating results accruing to the company (operating results including results directly accruing to the Cooperative via equity, capital and reserves) amount to EUR 258,000. An explanation of the mutations in equity, capital and reserves can be found under the Notes to the Unconsolidated Balance Sheet of the Cooperative Agrico U.A.



x EUR 1,000

### Third-party interests in Group equity (7)

The interests of third parties in Group equity can be summarised as follows:

	Totaal 2017/2018	Totaal 2016/2017
Balance as at 01 August	1,590	1,255
Share in results for this financial year	286	462
Dividend	-333	-274
Deconsolidation of Group company	–	207
Movements in third-party interests	–	-61
Exchange rate differences	-11	1
<b>Balance as at 31 July</b>	<b>1,532</b>	<b>1,590</b>

### Provisions (8)

The composition and the movements of contingency provisions can be summarised as follows:

	Pension provision	Deferred tax liabilities	Anniversary liabilities	Total 2017/2018	Total 2016/2017
Balance as at 01 August	496	155	224	875	981
Deductions	-230	-28	-33	-291	-155
Additions	32	–	26	58	49
<b>Balance as at 31 July</b>	<b>298</b>	<b>127</b>	<b>217</b>	<b>642</b>	<b>875</b>

The provision for pensions relates to the funding of pension entitlements accrued via the pension insurance provider up to 1 January 2000. This scheme includes an unconditional 1.5% indexation and applies to employees who continue in the Company's service until retirement date.

Provisions are for the most part long-term.



x EUR 1,000

### Long-term debts (9)

The composition and the movements of long-term debts can be summarised as follows:

	Members accounts	Credit institution	Total 2017/2018	Total 2016/2017
Balance as at 01 August	2,499	4,023	6,522	521
Repayments	–	-808	-808	-52
Deconsolidation of Group company	–	–	–	-70
Loans provided	464	34	498	6,123
<b>Balance as at 31 July</b>	<b>2,963</b>	<b>3,249</b>	<b>6,212</b>	<b>6,522</b>
Repayment obligations can be summarised as follows:				
Within 1 year	–	849	849	823
From 1 to 5 years	2,963	2,400	5,363	5,699
<b>Balance as at 31 July</b>	<b>2,963</b>	<b>3,249</b>	<b>6,212</b>	<b>6,522</b>

The average interest rate payable on members' accounts is 2.0%, on credit institution loans 1.25%.

### Members (10)

	31 Julv 2018	31 Julv 2017
Members for produce delivered	14,309	12,741
Debt to the pool	1,460	–
Repayment of certificate capital	933	1,560
	<b>16,702</b>	<b>14,301</b>

For the most part, 'Members for produce delivered' relates to the balance that members leave in credit on their current account with the Cooperative. The average interest rate for these credit balances is 0.6%. The 'Debt to the pool' is an undivided remainder from the harvest of that financial year, which will be added to the potato pools for the following financial year.



x EUR 1,000

### **Accrued liabilities (11)**

The accrued liabilities have a term of less than one (1) year and consist primarily of obligations vis-à-vis staff and accrued expenses.

### **Liabilities and assets not included in the balance sheet**

Obligations with respect to operational lease liabilities amount to EUR 1.0 million. EUR 0.3 of this amount has a term of less than one (1) year. The remainder concerns obligations with a term of less than five (5) years.

Cooperative Agrico U.A., Agrico B.V., Agrico Holding B.V., Agrico Research B.V. and Leo de Kock & Zn B.V. form a fiscal entity in terms of corporation tax and VAT, and are consequently jointly and severally liable for obligations arising from the fiscal entity.

During the financial year 2015/2016, Agrico delivered seed potatoes to a customer in Jordan. A complaint was submitted about a portion of this delivery and payment for the entire delivery is outstanding. Agrico feels that the complaint is unfounded and that view was confirmed by the Court in Rotterdam during legal proceedings in April 2018. A provision has been included in the annual accounts for the entire sum.

In response, the Jordanian customer instituted legal proceedings in Jordan against Agrico and several individual persons. The case is still ongoing and - after the balance sheet date - the demands were increased with a civil claim. No provisions have been created for this claim. Partly on the basis of the positive decision of the Dutch Court, the Management does not expect any outflow of resources to ensue. The value of the claim is, as yet, unknown.

### **Surety**

Cooperative Agrico U.A. has credit facilities with several Dutch banks, and the value of these facilities is adjusted to suit the progress of the season. The following surety has been put up for the credit facilities provided to Cooperative Agrico U.A. by bankers:

- Joint and several liability obligations for the account of Cooperative Agrico U.A., Agrico B.V., Agrico Holding B.V., Agrico Research B.V., and Leo de Kock & Zn B.V.
- Assets declaration: 40% (the proportion of consolidated risk-bearing equity less intangible fixed assets in the consolidated balance sheet total).

Agrico B.V. is acting as guarantor in connection with a credit facility for Parkland Seed Potatoes Ltd in the sum of CAD 1.0 million.

Agrico Polska Sp. z o.o. is acting as guarantor for a credit facility for a local partner in the sum of PLN 1.6 million.

Cooperative Agrico U.A. has issued a '403 Declaration' for the holdings Agrico B.V. and Agrico Research B.V. Agrico Holding B.V. has issued a '403 Declaration' for the holdings Agrico Research B.V. and Leo de Kock & Zn B.V.



# Notes to the consolidated profit and loss account

x EUR 1,000

## Net turnover of products sold to third parties (12)

This concerns the invoiced turnover for seed and ware potatoes and suchlike from the 2017 harvest, after deduction of discounts, etc.

	2017/2018	2016/2017
Net turnover can be specified as follows:		
Seed potatoes	226,701	228,560
Consumption potatoes	42,984	58,587
Other turnover	1,464	1,578
	<b>271,149</b>	<b>288,725</b>
Market share of potato sales:	%	%
Netherlands	27.6	30.6
France	13.3	13.2
Other EU countries	33.4	32.6
Countries outside the EU	25.7	23.6
	<b>100.0</b>	<b>100.0</b>

## Direct costs (13)

This figure includes expenses with a direct link to sales, such as transport, commission, packaging, etc.

## Purchase of products (14)

This figure includes the payments made to members for potatoes they have delivered (pooled or otherwise), storage allowances paid to members, purchases from third parties, and the costs involved in the hive-off of the ware potato department. The share of members in this respect is valued at EUR 145.2 million (2016/2017: EUR 163.8 million).

## Other operating income (15)

This figure includes payments received by way of licences and subsidies.

## Wages, salaries and social security contributions (16)

	2017/2018	2016/2017
Salaries	12,063	11,524
Social security contributions	2,125	2,004
Pension costs, including changes in the pension provision	1,266	1,340
	<b>15,454</b>	<b>14,868</b>
Average number of employees in the Agrico Group:		
Netherlands	169	163
Foreign Group companies	66	67
	<b>235</b>	<b>230</b>



x EUR 1,000

### Depreciation and amortisation on intangible and tangible fixed assets (17)

	2017/2018	2016/2017
Intangible assets	484	845
Buildings and land	792	641
Machinery and plant	639	463
Other fixed operating assets	491	626
	2,406	2,575
Net result of the disposal of assets (profit or loss)	-19	-12
	<b>2,387</b>	<b>2,563</b>

### Other operating expenses (18)

	2017/2018	2016/2017
Other staff costs	2,643	3,038
Office expenses	1,316	1,374
Organisational costs	1,238	1,344
Sales costs	2,833	2,631
Accommodation and operational costs	1,849	1,901
Other costs	1,231	1,208
	<b>11,110</b>	<b>11,496</b>

### Interest and similar charges payable (19)

The item 'Interest and similar charges payable' includes a provision of EUR 16,500 (previous year: EUR 76,800) for exchange rate differences.

### Taxes (20)

Of the total tax levied on the results, EUR 2.5 million (2016/2017: EUR 3.8 million) relates to a loss incurred in the Netherlands and EUR 5.5 million (2016/2017: EUR 6.8 million) to profit on activities outside the Netherlands. The effective tax burden (62%) deviates from the nominal rate for the Netherlands (25%) because of:

- application of the holding exemption on the results from holdings.
- varying rates in other countries.
- uncertainty as to the receipt of tax refunds for certain losses and valuation differences, as a result of which no provision has been formed.
- other permanent differences between the fiscal and commercial principles for determining the results.

At the end of the financial year, the deductible tax losses for the Dutch fiscal entity amount to approx. EUR 10.3 million. The off-settable tax on this amount, calculated at the nominal rate of 25.0%, is EUR 2.6 million. This amount has not been included in the balance sheet.





# Unconsolidated balance sheet

x EUR 1,000 (after proposed appropriation of net result)

Assets	31 July 2018	31 July 2017
<b>Fixed assets</b>		
<b>Tangible fixed assets (1)</b>		
Buildings and land	1,694	1,731
Unproductive assets	446	446
	<b>2,140</b>	<b>2,177</b>
<b>Financial fixed assets (2)</b>		
Holdings in Group companies	35,476	33,421
	<b>35,476</b>	<b>33,421</b>
<b>Net current assets</b>		
<b>Receivables</b>		
Group companies	12,088	12,796
	<b>12,088</b>	<b>12,796</b>
<b>Liquid assets</b>		
	<b>182</b>	<b>215</b>
<b>Total assets</b>	<b>49,886</b>	<b>48,609</b>

Liabilities	31 July 2018	31 July 2017
<b>Equity, capital and reserves (3)</b>		
Reserves held pursuant to the Articles of Association	28,132	27,280
Certificate capital	713	1,635
Statutory reserve, participations	566	598
Statutory reserve, exchange rate differences	-2,481	-1,904
	<b>26,930</b>	<b>27,609</b>
<b>Long-term debts (4)</b>		
Members' accounts*	2,963	2,499
Credit institutions	3,200	4,000
	<b>6,163</b>	<b>6,499</b>
<b>Current liabilities</b>		
Members (5)	16,702	14,301
Other debts	91	200
	<b>16,793</b>	<b>14,501</b>
<b>Total liabilities</b>	<b>49,886</b>	<b>48,609</b>

\*concerns subordinated loans that form part of the guarantee capital of the Cooperative.



## Unconsolidated profit and loss account

x EUR 1,000

	2017/2018	2016/2017
Results from ordinary activities after taxes	-1,797	-541
Share in the operating results of participations	2,632	966
<b>Net result after taxes</b>	<b>835</b>	<b>425</b>

## Principles for valuation and determination of results in the unconsolidated annual accounts

### Introduction and notes

These are the unconsolidated annual accounts of the Cooperative Agrico U.A., established on 2 April 1973 with registered office in Emmeloord, the Netherlands, and registered with the Chamber of Commerce under number 39025632. These annual accounts have been compiled in accordance with the legislation and regulations prevailing in the Netherlands for financial reporting. Advantage has been taken of the facility provided under Section 362.8 of Title 9 of Book 2 of the Dutch Civil Code to apply the same principles in the unconsolidated annual accounts as have been applied in the consolidated accounts. With respect to the principles for the valuation of the assets and liabilities, and for the compilation of the profit and loss account, reference is made to the notes to the consolidated annual accounts, insofar as items are included in the unconsolidated accounts without further explanation.

### Applicability of Section 402 of Book 2 of the Dutch Civil Code

Since the profit and loss account for 2017/2018 for Cooperative Agrico U.A. has been incorporated into the consolidated annual accounts, the company accounts include only a summarised profit and loss account in accordance with Section 402 of Book 2 of the Dutch Civil Code.



# Notes to the unconsolidated balance sheet

x EUR 1,000

## Tangible fixed assets (1)

The composition and movements of the tangible fixed assets can be summarised as follows:

	Buildings and land	Unproductive assets	Total 2017/2018	Total 2016/2017
Balance as at 01 August	1,731	446	2,177	2,193
Investments	42	–	42	60
Depreciation and amortisation	-79	–	-79	-76
<b>Balance as at 31 July</b>	<b>1,694</b>	<b>446</b>	<b>2,140</b>	<b>2,177</b>
Purchase price	2,435	2,777	5,212	5,169
Cumulative depreciation	-741	-2,331	-3,072	-2,992
<b>Balance as at 31 July</b>	<b>1,694</b>	<b>446</b>	<b>2,140</b>	<b>2,177</b>

The expected economic life, and the associated depreciation period, for buildings is 20 to 40 years.

Unproductive assets include immovable properties destined for sale.

## Financial fixed assets (2)

The composition and movements of the financial fixed assets can be summarised as follows:

	Participations in group companies	Total 2017/2018	Total 2016/2017
Balance as at 01 August	33,421	33,421	32,995
Results of the financial year	2,632	2,632	966
Exchange rate differences	-577	-577	-540
<b>Balance as at 31 July</b>	<b>35,476</b>	<b>35,476</b>	<b>33,421</b>



x EUR 1,000

### Equity, capital and reserves (3)

The composition and the movements of equity, capital and reserves can be summarised as follows:

	Reserves pursuant to Art, 19,2 of the Art, of Assoc.	Certificate capital	Statutory reserve, participations	Statutory reserve, exchange rate differences	Total 2017/2018	Total 2016/2017
Balance as at 01 August	27,280	1,635	598	-1,904	27,609	29,348
Balance financial year	820	15	–	–	835	425
Repayments	–	-21	–	–	-21	-64
Repayment, Series E	–	-916	–	–	-916	-1,560
Other changes	32	–	-32	-577	-577	-540
<b>Balance as at 31 July</b>	<b>28,132</b>	<b>713</b>	<b>566</b>	<b>-2,481</b>	<b>26,930</b>	<b>27,609</b>

The reserves held pursuant to Article 19.2 of the Articles of Association are equal to the withheld balances of the Cooperative. No disbursement may be made from the statutory reserve for exchange rate differences beyond the level of the negative balance of that reserve.

The statutory reserve for participations has been created for losses and direct reductions in the capital, equity and reserves of the participations since the initial valuation in accordance with the capital mutation method because the value of those participations cannot easily be compulsorily disbursed or realised.

	Issue	Total	Repayment
Series F	2003/2004	713	2019/2020
		<b>713</b>	

Pursuant to Article 19.1 of the Articles of Association, certificates can be withdrawn by the Cooperative at any time against refund of the monies paid in.

Separate regulations determine that, in specific cases, the certificates can be withdrawn by the Cooperative Board against refund of monies paid in. These regulations can be amended by the Cooperative Board with the approval of the Board of Members.

The regulation determines that certificates can be withdrawn by the Cooperative against repayment in the following cases:

- 15 years after issue of the certificate series, with the approval of the Cooperative Board after receiving prior approval from the Board of Members;
- On the death of the certificate holder, with the approval of the Cooperative Board;
- On actual termination of a certificate holder's operating activities (at the request of the certificate holder).



x EUR 1,000

### Proposed appropriation of net operating results

Pursuant to Article 19.2 of the Articles of Association, it is proposed by the Cooperative Board that the positive operating result 2017/2018 (EUR 835,000) be divided and appropriated as follows:

	2017/2018	2016/2017
Release from appropriated reserve, ware potato pool	–	-159
Interest credited to certificate capital	15	15
Addition to Cooperative's reserve pursuant to Article 19.2 of the Articles of Association	820	569
	<b>835</b>	<b>425</b>

This proposal has been incorporated into the balance sheet dated 31 July 2018.

### Long-term debts (4)

The composition and the movements of long-term debts can be summarised as follows:

	Members accounts	Credit institutions	Total 2017/2018	Total 2016/2017
Balance as at 01 August	2,499	4,000	6,499	376
Repayments	–	-800	-800	–
Loans provided	464	–	464	6,123
<b>Balance as at 31 July</b>	<b>2,963</b>	<b>3,200</b>	<b>6,163</b>	<b>6,499</b>
Repayment obligations can be summarised as follows:				
Within 1 year	–	800	800	800
From 1 to 5 years	2,963	2,400	5,363	5,699
<b>Balance as at 31 July</b>	<b>2,963</b>	<b>3,200</b>	<b>6,163</b>	<b>6,499</b>

The average interest rate payable on members' accounts is 2.0%, on credit institution loans 1.25%.



x EUR 1,000

### Members (5)

	2017/2018	2016/2017
Members for produce delivered	14,309	12,741
Debt to the pool	1,460	–
Repayment of certificate capital	933	1,560
	<b>16,702</b>	<b>14,301</b>

For the most part, 'Members for produce delivered' relates to the balance that members leave in credit on their current account with the Cooperative. The average interest rate for these credit balances is 0.6%. The 'Debt to the pool' is an undivided remainder from the harvest of that financial year, which will be added to the potato pools for the following financial year.

### External auditor's fee (pursuant to Section 382a of Book 2 of the Dutch Civil Code)

The figure shown against 'Auditing costs' under 'Organisational costs' is related to the following services from Ernst & Young Accounts LLP:

	2017/2018	2016/2017
Audit of the annual accounts	160	170
Fiscal advisory services	25	10
Other non-auditing activities	7	7
	<b>192</b>	<b>187</b>



x EUR 1,000

### Remuneration of Directors and Supervisory Directors

In accordance with Section 383.1 of Title 9, Book 2 of the Dutch Civil Code, the figures for the Directors of Cooperative Agrico U.A. (who also act as Supervisory Directors of Agrico B.V.) are: EUR 141,600 (last year: EUR 144,600).

### Liabilities and assets not included in the balance sheet

Agrico U.A. is jointly and severally liable for obligations arising from the fiscal entity, in terms of both corporation tax and VAT levies in connection with turnover with Group members in the Netherlands.

Cooperative Agrico U.A., Agrico B.V., Agrico Holding B.V., Agrico Research B.V. and Leo de Kock & Zn B.V. form a fiscal entity in terms of corporation tax and VAT, and are consequently jointly and severally liable for obligations arising from the fiscal entity.

### Surety

Cooperative Agrico U.A. has credit facilities with several Dutch banks, and the value of these facilities is adjusted to suit the progress of the season. The following surety has been put up for the credit facilities provided to Cooperative Agrico U.A. by bankers:

- Joint and several liability obligations for the account of Cooperative Agrico U.A., Agrico B.V., Agrico Holding B.V., Agrico Research B.V., and Leo de Kock & Zn B.V.;
- Assets declaration: 40% (the proportion of consolidated risk-bearing equity less intangible fixed assets in the consolidated balance sheet total).

Cooperative Agrico U.A. has issued a '403 Declaration' for the holdings Agrico B.V. and Agrico Research B.V.

Emmeloord, 16 November 2018

J.J. van Hoogen  
Managing Director

C.A.A.M. Gommeren  
Member of the Board

A.H. Vermeulen  
Chairman of the Board

G. Ensing  
Member of the Board

A.N.I.M. Kemmeren  
Member of the Board

P.J. van Maldegem  
Member of the Board

G. Welling  
Member of the Board

S. Hoekstra  
Member of the Board



## Other information

### Important provisions in the Articles of Association

#### With regard to the apportionment of the balance (Article 15.2, subsection 6)

- a. The Board of Members decides with regard to the apportionment of any positive balance on the profit and loss account after hearing a proposal from the Cooperative Board.
- b. Any negative balance on the profit and loss account is deducted from the equity, capital and reserves of the Cooperative, specifically from those components as determined by the Board of Members after hearing a proposal from the Cooperative Board.

#### With regard to the apportionment of a positive balance after winding-up (Article 17.3)

1. If a positive balance proves to exist after winding-up and if any member certificates are still outstanding, this balance will first be used to disburse the amount subscribed to said certificates, including any appreciation on those certificates. If the balance is insufficient for this disbursement, the balance will be apportioned according to the ratio described in the previous sentence. If a balance remains after these payments have been made, it will be disbursed to those who were Members of the Cooperative on the date the Cooperative was dissolved. The remaining balance will be apportioned according to the ratio of the total of all disbursements made by the Cooperative to each of the members in respect of products for which a delivery obligation applied or had applied during the five (5) full financial years prior to dissolution, or during the entire period of membership if that had lasted less than five (5) years.
2. In the event of dissolution because of the total lack of Members, any positive balance will be disbursed to those who had ceased to be Members during the five (5) years immediately preceding the dissolution. If there are no such Members, the balance will be disbursed to those who had ceased to be Members during the seven (7) years immediately preceding the dissolution, and so on. The principle on which apportionment will be based corresponds to the principle described in the previous subsection.

### Independent auditor's report

To: The Board of Members of Cooperative Agrico U.A.

#### Report on the financial statements included in the annual report 2017/2018

##### *Our opinion*

We have carried out an audit of the annual accounts of the Cooperative Agrico U.A. of Emmeloord for the year ending 31 July 2018.

In our opinion, the financial statements included in this annual report are a true and fair representation of the size and composition of the capital and reserves of Cooperative Agrico U.A. as of 31 July 2018 and of the operating results for the period from 1 August 2017 to 31 July 2018, in accordance with the provisions of Title 9 of Book 2 of the Dutch Civil Code.

The annual accounts consist of:

- the consolidated and unconsolidated balance sheet as at 31 July 2018;
- the consolidated and unconsolidated profit and loss account for the period from 1 August 2017 to 31 July 2018;
- explanatory notes, which include an overview of the principles underlying the financial reports and other notes.

##### *The basis for our opinion*

We carried out our audit in accordance with Dutch law and with due consideration of Dutch auditing standards. Our responsibilities in that respect are set out in the section entitled 'Our responsibilities for the audit of the annual accounts'.

We are independent of the Cooperative Agrico U.A., as required by the Audit Firms (Supervision) Act [Wet toezicht accountantsorganisaties, Wta], the Regulation regarding the independence of Accountants in the case of Assurance Engagements [Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten, ViO] and other independence regulations prevailing in the Netherlands. We have also complied with the Regulation on the Code of Conduct and Professional Practice for Accountants [Verordening gedrags- en beroepsregels accountants, VGBA].





We are of the opinion that the administrative information we obtained was sufficient and suitable for use as the basis for our opinion.

#### *Scope of the Group audit*

Cooperative Agrico U.A. heads a group of entities. The financial information from this Group is included in the consolidated annual accounts of Cooperative Agrico U.A.

The Group audit focused primarily on the most significant components in terms of their volume within the Group and/or the specific risks associated with those components. In the case of Agrico B.V. and Leo de Kock B.V. & Zn., we carried out the audit inspection ourselves. We engaged other accountants for the audit at the S.A. Desmazières subsidiary. In the case of other Group components, we carried out appraisals or specific audit-related activities.

The work we carried out at components of the Group, combined with supplementary activities at a Group level, has provided us with sufficient and relevant audit information with regard to the financial situation so as to allow us to give an opinion about the consolidated annual accounts.

#### *Report on the other information included in the annual report*

In addition to the annual accounts and our audit opinion, the annual report also includes other information consisting of:

- the directors' report;
- other data.

On the basis of the work described below, we are of the opinion that this other information:

- is compatible with the annual accounts and includes no material inaccuracies;
- includes all information that is required on the grounds of Title 9 of Book 2 of the Dutch Civil Code.

We have studied the other information and have considered, on the basis of our knowledge and our understanding acquired from the audit of the annual accounts or in other ways, whether the other information contains material inaccuracies. Our work fulfils the requirements of Title 9 of Book 2 of the Dutch Civil Code and Dutch Audit Standard 720 (on the responsibilities of the auditor with regard to other information).

This work was not carried out in such depth as our auditing of the annual accounts.

The Board is responsible for compiling the other information, which includes the Directors' report and the other data, in accordance with Title 9 of Book 2 of the Dutch Civil Code.

#### **Description of responsibilities with regard to the annual accounts**

##### *Responsibilities of the Board with regard to the annual accounts*

The Board is responsible for the compilation of annual reports that give a true and fair view of the situation, in accordance with Title 9 of Book 2 of the Dutch Civil Code. In this context, the Board is responsible for such internal control mechanisms as it deems necessary with a view to making it possible to compile the annual accounts without material inaccuracy as a result of fraud or error.

In compiling the annual accounts, the Board must decide whether the Cooperative is able to continue its activities. On the basis of the aforementioned reporting system, the Board must compile the annual accounts on the basis of the going-concern assumption, unless the Board intends to liquidate the Cooperative or terminate its operational activities, or if termination is the only realistic alternative. In the annual accounts, the Board must provide an explanation of any events and circumstances which might give rise to reasonable doubt as to the continuity of the Cooperative's operational activities.

##### *Our responsibilities for the audit of the annual accounts*

Our responsibility is to plan and carry out our audit assignment in such a way that we acquire sufficient and suitable audit data for the opinion we offer.

Our audit is carried out with a high degree, but not an absolute degree, of certainty, as a result of which it is possible that our audit will not reveal all material inaccuracies and fraud.



Inaccuracies can occur as the result of fraud or errors and are deemed to be material if it can reasonably be expected that they, individually or collectively, could have an impact on the economic decisions that users take on the basis of these annual accounts. The materiality influences the nature, the timing and the extent of our audit work and the evaluation of the effect that recognised inaccuracies will have on our opinion.

We have carried out our audit in a professional and critical manner and have, where relevant, applied professional judgment in accordance with Dutch accounting standards, ethical regulations and the requirements of independence. Our audit included:

- identifying and estimating the risks that the annual accounts included material inaccuracies as a result of error or fraud, determining and carrying out audit work in response to those risks and acquiring audit information that was sufficient and suitable for use as the basis for our opinion. The risk that a material inaccuracy will not be discovered is greater in the case of fraud than in the case of errors. Fraud can exist through collusion, forgery of documents, failure to record transactions, intentional misrepresentation of affairs or a breach of the internal control mechanism;
- acquiring insight into the internal control mechanism that is relevant to selecting the most appropriate audit activities in the given circumstances. These activities do not serve to express an opinion about the effectiveness of the Cooperative's internal control mechanisms;
- the evaluation of the appropriateness of the principles used for financial reporting and the evaluation of the reasonableness of the estimates made by the Cooperative Board and the subsequent explanations in the annual accounts;
- determining that the continuity assumption applied by the Board is realistic. In addition, determining on the basis of the audit information acquired whether there are any events or circumstances which might give rise to reasonable doubt as to the continuity of the Cooperative's operational activities. If we conclude that there is uncertainty as to whether there is a material interest, we are under an obligation to include a reference to the relevant related notes in our audit report. If the notes are insufficient, we must adapt our audit report.

Our conclusions are based on the audit information acquired up to the date on which the audit report is issued. Future events or circumstances could, however, have led to a situation in which the enterprise can no longer uphold its continuity;

- evaluating the presentation, structure and content of the annual accounts and the notes included;
- evaluating whether the annual accounts provide a true and fair view of the underlying transactions and events.

Given our ultimate responsibility for the opinion, we are responsible for managing, supervising and conducting the audit of the Group. In this context, we have determined the nature and extent of the work for the various components of the group. A determining factor in this respect is the size and/or the risk profile of the component or its activities. On the basis of that assessment, we selected Group components for which we deemed an audit or appraisal of the comprehensive financial information or specific items to be necessary.

We communicated with the Board on matters such as the planned scope of the audit and about the significant findings that arose from our audit, including any significant deficiencies in the internal control mechanisms.

Zwolle, 16 November 2018

Ernst & Young Accountants LLP

(Signed by) J. Hetebrij RA (CPA)



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