



Annual Report
HZPC Holding B.V.
2016/2017



Colophon

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In the case of any discrepancies between the English and
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Message from the CEO



Dear growers, shareholders, employees and contacts

*Like a fresh potato plant in fertile soil.
This is how HZPC Holding is developing.
Our company is very healthy and is
growing and flourishing.
2016/2017 was a good year for HZPC.
What's more, it was one of the best years
in the history of our company.*

The operating results are very satisfactory. This applies to sales and turnover, as well as to the volume of seed potatoes sold and the prices we were able to pay to our growers. HZPC's strategy is, and remains, focused on growth on all fronts.

We hereby take an increasingly active role in the entire chain. Our company introduces new potato varieties and is present in the chain from cultivation, sale and processing, through to the consumer's plate. We think alongside, and are a partner for, stakeholders such as growers, retailers, manufacturing and retail.

As a company, we try to respond to developments in international markets. Over the years, our company has transformed from a Dutch exporter of seed potatoes into a European player, and subsequently into a global market leader.

We are convinced that potatoes can play a major role in the worldwide demand for food. It is crucial that we make even faster progress with plant breeding and market development in the coming years.

We will succeed because we have a strong, resilient organisation and highly qualified employees. The company acquisitions we have made are integrating well and contribute to an expansion of revenue and profit. The newly introduced organisational structure of a holding with business areas also fits well with our company.

We took a big step forward in the past year. There is a solid foundation upon which we can grow in the future. On behalf of the Executive Board, I would like to thank all our colleagues and growers around the world for their commitment and their indispensable contribution to this.

Yours sincerely,

Gerard Backx, CEO

1 A healthy business

Financial records

The financial results of HZPC Holding over the year 2016/2017 are very satisfactory. In terms of sales and gross profit, it was even a record year. Trade volume also saw a sharp increase. For a number of years, there has been a growth in the acreage of produced and traded seed potatoes. HZPC Holding approached a milestone of 800,000 tonnes sold and seed potatoes sold under license in the past year.

Our revenue autonomously rose by a few percent again. Thanks to two successful acquisitions in the previous financial year, we even experienced a leap in turnover. Our business area Stet Holland in Emmeloord took over a large part of KWS Potato's assets and seed potato activities in this period. The integration thereof is going well. The acquisition contributed to the increase in tonnage, turnover and profit of the company. The acquisition in Russia, where we converted a minority stake in the joint venture HZPC Sadokas into a full participation, also contributed to the growth of our company.

HZPC Holding has a good capital position with a solvency of 41.1%. Turnover of 318.2 million euros was recorded in the past year. The gross margin of the organisation increased to 59.0 million euros. Net profit before taxes amounts to 11.7 million euros, net profit after taxes amounts to 8.5 million euros. For a trading company of our type, that is a very positive development. Return on equity positively exceeds our goals by 18.3%.

A good price for growers

In Western Europe, our seedling growers have generally achieved a lower yield in volume over the past year. However, the prices per kilogramme that these growers received from the various HZPC companies were higher than average in most countries in Europe, which enabled these growers to achieve a good financial return. Outside Western Europe, conditions differed strongly by region.



***'You can prune and harvest,
but you must always grow'***

GERARD BACKX, CEO

The good performance also has an effect on the trust of the certificate holders and the stock exchange value. The certificate value rose again by a maximum of two increments of 10 percent. This brings the stock exchange value to 129.8 million euros. There is much appreciation of, and trust in, the organisation, its future and the strategy.

Investment in talent and organisation

In line with our business strategy, we have invested quite a bit in different markets, market development, Research & Development, new technologies, and in product development. We also continue to invest in the quality of our organisation. Operating costs increase with growth; the number of employees is expanding steadily.

The organisational structure of a holding with business areas, introduced this financial year, also suits the business well. For Stet Holland employees, last year was mainly about integration, which is developing according to plan.

HZPC is proud of its employees. We have highly qualified staff. Their knowledge and skills contribute significantly to the company's progress.

The number of employees has grown to over 340 FTE in the past year. This has to do with acquisitions, but also with autonomous growth. Internationalisation and new technologies are increasingly demanding more from employees. This requires talent development and the attraction of specialists and high potential individuals.

2 HZPC, a global player

HZPC is active in more than eighty countries. Over the past fifteen years our company has transformed from a Dutch exporter of seed potatoes into a European player, and subsequently into a global market leader. We must however point out that we have a market share of only a few percent globally. Nevertheless, it is our ambition to become, and remain, a global player. We want to be active in every corner of the globe, in a sustainable way, with the best products.

Europe

Northwest Europe had a moderate yield in seed potato crops last year. We nonetheless managed to market almost the same volume. Growers of consumer potatoes also accepted above-average seedlings, mainly due to the strong demand of the French fries industry.

Our sales continue to grow, even close to home, such as in Germany and Great Britain. In Germany, we realise this by being more active with our offer of yellow-fleshed varieties. The market in France is stable. In southern Europe we have an excellent market share. Here we are focused on maintaining our position, with sound marketing and good varieties.

Western economies have been relatively stable over recent decades. Recently, however, there has been increasing political and administrative turmoil. Both in the United States and in Western Europe. Political-administrative systems are changing rapidly. For example, Brexit is a negative development for internationally operating companies. Our company attaches great importance to the open market of the European Union and its currency.

Russia

Despite frosty relations between the European Union and Russia and mutual trade embargoes, our company is gaining a stronger position on the Russian market. It is a marketing area with great potential. In its trade boycott against Russia, the EU makes an exception for seed potatoes and seed, while to date, the Russian

government has, in its boycott of EU products, also made a conditional exception for seed potatoes.

In Russia, HZPC has now transformed its participation in the HZPC Sadokas joint venture into a 100% shareholding. In this way, we have been able to get to know the Russian market well and get our foot in the door with the introduction of our varieties. By acquiring the seed potato activities of KWS Potato, Stet has also acquired a trading house in Russia. HZPC Sadokas and Stet Russia are facing the challenge of further expanding local seed potato cultivation in the country.

Middle East

In the Middle East and North Africa, HZPC is used to unstable conditions. As a result, prices are often under pressure and it is difficult to sell products and reach growers. However, we have decades of experience in this region and still manage to maintain good market shares here too.

Things were even more turbulent over the past year in a number of Arab countries. The fact that we are currently selling more seed potatoes in war-torn Syria than in recent years is quite an achievement. It would be easier to pull out of these

HZPC maintains food supply in Syria

types of areas and operate only in balanced and calm markets. Even simply because of the troublesome logistics and payment issues with which one is faced there. On the other hand, HZPC has decided to do everything it can in this kind of country to keep the food supply for the population intact as long as possible. We feel a responsibility for this as a food producer.

Because even in war zones we want to realise our company's mission: feeding the world.

America

In North and South America we see opportunities for growth and in providing added value through the introduction of new varieties. As a company that has grown up with yellow-fleshed varieties, HZPC has also grown and developed its own white-fleshed varieties over the past fifteen years. These are promising varieties that provide us with good opportunities for growth, especially in the United States, where market demand is strongly dominated by white-fleshed potatoes.

Although the market is fairly saturated in volume, our share is seeing cautious growth and we are rolling out further plans for the US market. In South America, we have strengthened our position by expanding our shareholding from 80% to 100%.

India

So far, in Asia, costs exceed benefits. The enormous population and the still relatively limited consumption of potatoes per capita, however, offer great opportunities. In India we are quickly building a market share. Our company entered into a joint venture with the Mahindra group three years ago. This cooperation with a strong partner offers us access to local markets.

A number of our varieties have now been admitted and in Mohali, the new production facility for minitubers was put into operation in the past year. At present, our activities in India are not yet profitable. But we expect to be able to sell 100,000 tonnes of high quality seed potatoes within 10 years at good prices.

India will undoubtedly contribute significantly to the company's revenue and profitability. Nevertheless, in November 2016

there was a temporary hiccup. The national government in India suddenly decided to withdraw old banknotes. Through demonetisation, the potato trade, which is entirely based on cash, was crippled. As a result, we failed to achieve our budgeted sales. However, we regarded this as an incident and have since then enthusiastically continued our path to success in India.

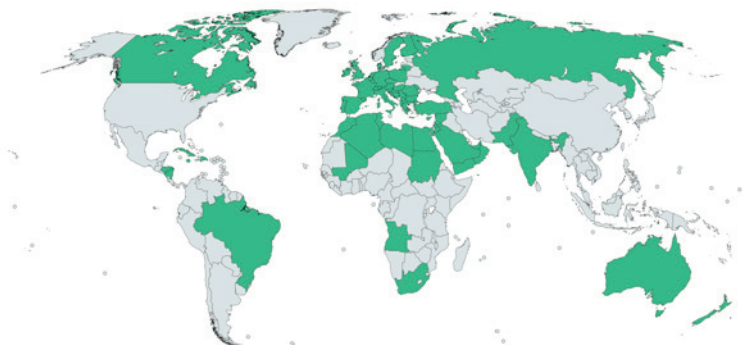
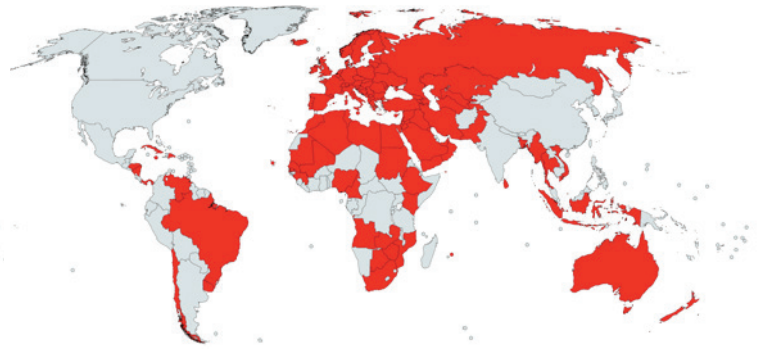
China

The establishment of our own seed potato company will also be our goal in China in the near future, a country where the potato market continues to grow. We are currently conquering

market share by licensing, especially to supply the French fries industry. We are also striving for a position in the much larger fresh market. Yield in China is taking a little longer, but here too we are confident and our expectations are high.

Central-Africa

HZPC also sees a challenge in Central Africa. There are large potato growing areas waiting for us in countries such as Tanzania, Nigeria, Uganda and Rwanda. These are interesting markets, but with considerable logistical challenges. Patience is very much required here.



3 A strong position in the chain

HZPC has an important role in the potato production and processing chain. We want to maintain and further strengthen this position. We do this by not only being a supplier of seed potatoes; we are also an innovative developer of new varieties and a knowledge partner in new market concepts.

It is our aim to get more insight into the chain. From the development of new potato varieties, cultivation, processing, packaging, retail, all the way to the consumer's plate. We want to take into account the wishes and aspirations of stakeholders in the entire chain from the earliest breeding stages.

To this end, HZPC contacts growers around the world and exchanges information with major food service and supermarket chains. An insight into the wishes of the customers is becoming increasingly important.

Research & Development

Innovation, research and product development are essential to our business. With a portfolio of more than 80 varieties, we can be proud of the performance of Research & Development. We are committed to the further cultivation of potatoes and the introduction of new, even better varieties. Our company also wants to continue producing the best varieties and the best seedlings in the future. We mainly select varieties that are doing well in areas where we see opportunities for further expansion. Developing new varieties, however, takes a lot of time; often longer than ten years. In order to remain profitable in the long term too, it is wise to continue investing in research, which can shorten development time.

Backed by excellent operating results, HZPC Holding is gradually increasing its research budget. Every year, the R&D budget is increased by about 8%. We strive to spend about 16% of the gross margin on research and product development. In the short term, HZPC is able to serve all markets as required. Our company develops potato varieties

that are suitable for all possible climatic and soil conditions. We have seedlings that guarantee a good yield, are resistant to diseases and can withstand less water and fertilizers.

In search of genetic combinations

HZPC works with the latest and most advanced breeding technology. In our research programmes we work with genomic selection, hybrid breeding, biometrics, bio-informatics and molecular biology. We are also investigating the possibilities of growing potatoes from seed. Whether it's possible to compete with seedlings is still uncertain.

These may look like revolutionary methods, but we largely use breeding technology that has been applied to other crops for a long time. In the search for new genetic combinations, there is still much to be done. We assume that the yield per hectare can eventually double, even in Western Europe.

Appeal to national and European politics

However, traditional techniques are insufficient. This is why it is worrying that innovation in our sector, and the application of modern processing techniques, has been blocked by European laws and regulations for years. If the Netherlands, as a potato country, wants to maintain its strong position in the world, it has to give the breeders enough space.

HZPC sees a great need for rapid political decision-making on this issue. We are convinced that banned methods such as cisgenesis and CRISPR carry no significant risks and can make a significant contribution to the cultivation of sustainable varieties for the future. Waiting longer for new legislation is not sustainable for our company. In that case, we will strongly consider moving certain research activities from HZPC Research & Development in Metslawier to the United States.

The breeding of potatoes is seeing relatively little progress. That is our concern. The development is currently too slow



'If the Netherlands wants to maintain its strong position as a potato country, then political decision-making is necessary with regard to the approval of modern breeding technology'

GERARD BACKX, CEO

compared to, for example, rice, cereals, beans and corn. If we do not move forward, we will be overtaken. Our sector needs to ensure faster progress in the area of plant breeding. The potato yield requires continuous improvement otherwise the crop will become too expensive. For the global food supply, that would be very regrettable.

Creativity in the organisation

In addition to new breeding techniques, Research & Development is also developing other innovations. For example, we are developing tools that are well-suited to breeding processes, storage and processing. In this way we are also taking responsibility for innovation that benefits other stakeholders in the chain.

HZPC Holding has (through SBDA) a separate holding in the private company Solentum. This start-up focuses on the development of measurement methods based on, inter alia, sensor technology. Using sensors, scanning devices, and apps, relevant data is recorded during crop rotation, harvesting, during sorting and in storage. This data includes temperature, moisture levels, CO₂ levels and expected yields.

Technologies have also been developed under the name of SolEye®, and these are being successfully utilised in processing stages in the French fries industry. Within the foreseeable future, our company will be faced with the question as to whether these creative projects fit our core business, and whether we should take them on ourselves, or in cooperation with partners.

Healthy fries

Fries and crisps remain ever-popular with consumers. Our sales in this market are growing faster than our sales in the fresh market. An important trend is the need for healthy and 'conscious' food. Potatoes are healthy in any case, but

much progress remains to be made when it comes to their preparation. This is especially true in the preparation of French fries. Under the project name Fries4all we are working with two partners on potatoes with lower levels of carbohydrates, fat and calories. We have already managed to develop French fries that do not require deep-frying. With an airfryer, 30% to 40% healthier French fries are prepared, while also maintaining the crisp, fresh potato flavour.

New dishes

The potato is slowly beginning to lose its permanent place in every meal in Europe and America – at least as far as classic, traditional preparation is concerned. Together with our partners in the chain, we want to ensure that consumers in prosperous countries continue to regard the potato as important and tasty. HZPC is therefore interested in developing new products from raw potatoes. Simply put, we want to make the potato more 'sexy'. The potato lends itself to more than just cooking and deep-frying. It can also be processed into convenience foods, or into dishes with which the classic potato is currently still competing, such as pasta.

Under the name Woksi® tests are currently being carried out with a potato product that is processed into a type of spaghetti or noodles. Woksi® can be prepared in the wok, or used in salads, for example. HZPC has patented Woksi® and sees opportunities for large-scale production and sales. However, we do not intend to take on production ourselves, and are therefore seeking to cooperate with another chain partner. After all, we are expanding the potato's marketing and application possibilities.

'We have seedlings that guarantee a good yield, are resistant to diseases and can withstand less water and fertilisers'

4 Feeding the world



HZPC Holding is committed to sound business management, long-term growth and performance, and a good price for its growers. In addition, we feel a responsibility for the global food supply. We want to realise a mission that is greater than just corporate interest; our motto is, feeding the world.

Our passion

Potatoes are our passion. The potato is a beautiful crop with a high nutritional value. Potatoes can help feed the growing world population. HZPC feels it has a social duty to make the best quality seed potatoes available to all people in all corners of the world. Professional arable farmers, but also small semi-professional growers. The vast majority of global production still consists of proprietary locally propagated material. If growers gain access to better seedlings, the yield can increase dramatically.

Potatoes are very nutritious and relatively easy to cultivate. Partly due to the introduction of new varieties, 'our' crop is suitable for almost all soil and climatic conditions. The potato has a short growth cycle and, more importantly, requires much less water than other crops. No wonder that sales continue to grow.

Taking responsibility

HZPC Holding is a company that wants to take responsibility for people and the environment. We take Corporate Social Responsibility seriously.

The policy is based on three pillars: environmental stewardship, contribution to food security and social impact. CSR reports were published in 2014 and 2016 and in 2016, Stet obtained the ISO 26000 certificate. Corporate social responsibility is part of our company's DNA. A new CSR report will be published in 2018, which will report on our efforts in this area.



**'We have the drive
to make a difference
in global food supply'**

GERARD BACKX, CEO



‘HZPC SBAE wants to make a premium offer - always and everywhere’

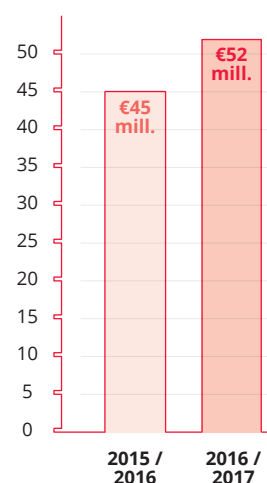
**STRATEGIC BUSINESS AREA EUROPE
LILIAN ESCALON - DIRECTOR**

5 Strategic Business Area Europe (SBAE)

Lilian Escalon - Director ‘SBAE has had a great year. Sales increased almost everywhere in 2016/2017, as did financial revenues. A cold spring and a dry growing season limited the growers’ crop yields in the Netherlands and Europe. Total production was 35,000 tonnes lower than in the previous year. SBAE nonetheless managed to achieve all its goals.’

There was significant demand from the fries and crisps industry and prices were good. HZPC Holland achieved a historical record by selling 92% of the total volume as seed potatoes. In a year of production deficits, an excellent performance has been achieved through sales, operational support and logistics. Despite a lower production, our growers received a significantly higher price.’

Financial growth



SBAE’s gross margin, including licenses, grew from 45 million euros in 2015/2016 to 52 million euros in 2016/2017. 52 million euros in 2016/2017.

Top 5 portfolio of commercial varieties



Innovator



Challenger



Fabula



Sifra



Colomba

French fries Sector



Potato variety of the year

Challenger is the largest grower in the Netherlands, Belgium, France and Great Britain. A total of 40,000 tonnes of this variety were sold over the past year (plus 15% compared to 2015/2016).

Success Factors

- High quality as a French fries potato
- Support for growers to apply best practices
- Strong promotion of variety in the French fries sector

The Dutch and the Belgians: world champions at French fries production

The demand for fries is booming worldwide. The production and export of fries from the Netherlands, Belgium and Northern France are in full swing. This region is a leader in the international fries market. Why are deep-frozen fries from Northern Europe the world's most affordable?

- Weather conditions
- Level of the growers
- Efficient processing industry
- Modern chain

Traditional Sector

Developing countries in Eastern Europe, North Africa, Middle East and Asia

Fabula and Sifra:
both varieties have grown by **10%**



The Traditional sector performed well this year. What is striking, is the dynamics and growth of our sales in Asia, which more than compensate for the slight decline in some sales on the African continent.



Global developments

- Global population growth
- Increasing demand for food
- Increasing prosperity
- Political unrest
- Low oil price
- Lack of hard currency

Retail Fresh Sector

Colomba has only been on the market for five years and has specific qualities:

For the grower

- Easy to grow
- Can be planted and harvested early
- Grows well in many European countries
- It did well in Eastern Europe last year too
- Harvest yields many kilograms

For the packer

- Nice format
- Easy to process
- Doesn't break easily

For the supermarket

- Light, attractive colour
- Good flavour

6 Stet Holland



Peter Ton, director: 'For Stet Holland, the main theme of 2016/2017 was the acquisition of the seed potato activities and assets of KWS Potato. It was formally completed at the beginning of the year under review. We can speak of a successful asset deal, which immediately contributed to our growth and performance.'

The integration of both companies has gone very well. Within only one year, we can confirm that the acquisition is complementary to our company in many respects. The number of employees at Stet Holland has almost doubled. These are highly qualified and motivated colleagues, who bring their own enriching 'DNA'.

'We have become more complete thanks to an attractive company acquisition'

PETER TON, DIRECTOR OF STET HOLLAND

The confidence of the incoming growers group in Stet Holland is high. No growers left due to the acquisition at the end of the year. The acquisition also brought a nice portfolio of varieties, which enables us to offer an even broader range to our customers.

The financial results of the past year are greater than we expected. Stet Holland has become even more complete and stronger. We want to maintain and strengthen this position.'

Stet Holland doubled in size over the last two years

- Grower group from 100 to 200 companies
- Employees in the Netherlands from 17 to 26
- Employees abroad from 7 to 10
- A doubling in sales
- Financial result well above expectation

The VR 808



One top product that was acquired is the VR 808. Light yellow and bright in colour. This variety is even considered as the 'new standard' for the production of fries.

Challenge

Developments in the French fries industry are impressive. The current or cautiously expanding surface area in the Netherlands and Europe is unable to keep up with the demand of the processing companies. This causes pressure on international markets. This area presents a major challenge for our company and the entire sector over the coming years.



Trading activities of KWS Potato were taken over in:

the Netherlands, Great Britain, France, Poland, Russia.

Acquisition of new varieties

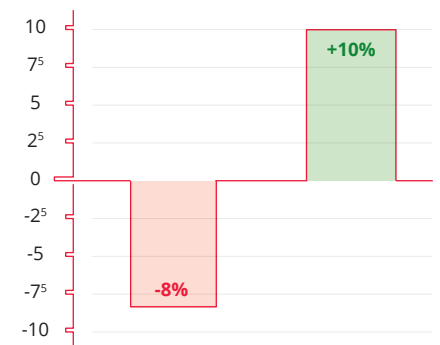
Stet Holland was particularly strong in terms of varieties for the fresh market. The company acquisition also added a new portfolio. These are varieties that already have a market position. They also present opportunities for our R&D programme. The acquired varieties are particularly popular with the French fries and crisps processing industry.

Weather conditions

Weather conditions were unfavourable in the past year. The pre-season was cold and the growing season was dry.

High market demand

Tonnage yield -8 percent
Financial yield +10 percent



The remaining harvest yield was well-compensated in our financial compensation to our growers.

'The hunger of the processing industry is almost impossible to satisfy'

PETER TON, DIRECTOR OF STET HOLLAND



‘Significant progress has been made in all projects, which will enable us to take the next steps’

HERMAN VERVELD
CHIEF COMMERCIAL OFFICER

7 Strategic Business Development Area (SBDA)

Herman Verveld, Director: ‘The main purpose of SBDA is to generate further future growth of the HZPC organisation. SBDA creates differentiation and added value. In 2016/2017 we worked on eleven projects. ‘Significant progress has been made in all projects, which will enable us to take the next steps’.

Globally, there is considerable growth, including in relatively new and complex markets. SBDA projects in China, India, Russia and Central Africa are developing successfully. Our Solentum® products, SolEye®, SolAntenna® and SolGrader® were successfully launched to various European customers. This project is currently generating its first income, and the order portfolio for the products is looking good.

With new concepts like Fries4all® and Woksi® we are entering new markets, and we are also managing to attract future generations of consumers to potato products. In addition, almost all SBDA projects deliver an important value to HZPC Holding’s sustainability strategy.’

SBDA is active in three areas: Commercialising further global geographic growth • Commercialising complementary potato-related trade. Examples of this are the Solentum® and potato-hybrids projects • The commercialisation of new market segments and products. The SBDA projects: Woksi®, Fries4All®, Retail and Foodservice.



- New production facility for mini-tubers is 'future proof'
- Team of motivated employees
- All four HZPC varieties have been registered and approved
- Temporary hiccup as a result of Indian government's demonetisation measures



- Enthusiastic, small, but fast-growing young team
- More new Solentum® products to follow
- Fast roll-out to more countries worldwide

Woksi



- Revolutionary potato concept
- Create new sales channels
- Retain young generations for potato consumption
- Collaboration with a major European processor
- This concept is currently being introduced to the European market

Fries4All

FRIES4ALL
HIGH TASTE
LOW CARB

- Healthier French fries
- Target next year is roll-out via:
 - a global foodservice chain
 - retail channel in a European market

Challenges for the near future

- Fast-moving technological developments
- Connectivity
- E-retailing
- Increased food demand for a fast growing population, with an important role in this for potatoes in particular
- Customers and breeders want real-time, on-site current information

***'Potatoes are hot again!
Making new dishes is fun.
Creativity will keep future
generations of consumers
interested in the potato'***

HERMAN VERVELD, CHIEF COMMERCIAL OFFICER

8 Research & Development

'We see good opportunities through the use of new techniques such as cisgenesis, the influence of genes and hybridisation as a foundation for cultivation'

ROBERT GRAVELAND
DIRECTOR OF R&D

Robert Graveland, Director: 'Over the past year, the Research & Development team has been expanded with employees who work directly with the crop and experts in biometrics, bio-informatics and hybrid potato breeding. We are active in the latest technologies, which we are using to try to shorten the breeding process. HZPC is quickly on its way to halving the development time of a new variety from over ten years to approximately five years.'

I see plenty of opportunities to develop varieties of the near future according to hybrid breeding methods. New techniques such as gene manipulation and cisgenesis are a welcome addition to the breeder's toolbox for crops with a multiple genome and clonal propagation.

It is a promising process, but its outcome cannot be reliably predicted, especially due to the difference in legislation in Europe and beyond.

Also, early in the breeding programme, we are increasingly selecting more variety characteristics through the use of molecular markers and R&D is making great progress in the breeding process, but it is high time that governments also create legislative space for the latest technologies. Over the past year, the acquired activities of KWS Potato were integrated into our team. It is a valuable programme. Another result that can be reported is that HZPC has again introduced a number of beautiful, self-developed varieties to the market. We have very high expectations when it comes to making the cultivation of seed and consumption ever more sustainable and cost-effective.'



Prince of Orange

Over the past year we introduced a unique new potato. Suitable for retail. The Prince of Orange provides a special taste experience.

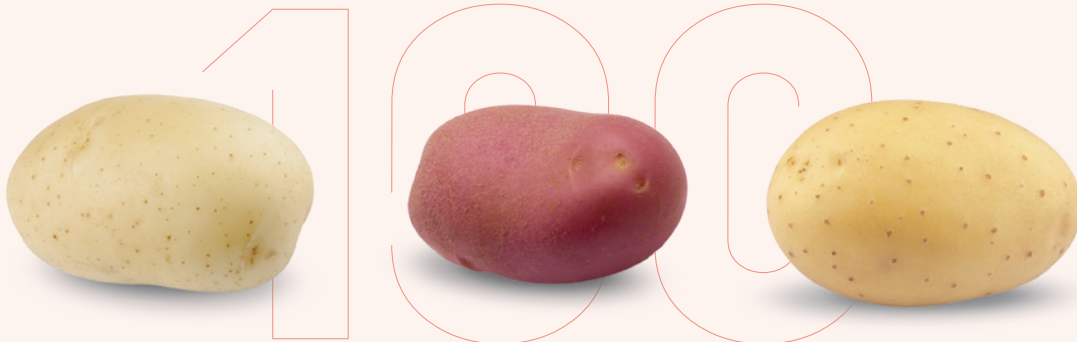
The latest techniques

HZPC Research has state-of-the-art processing techniques like markers to follow simple and complex properties.

At present, when it comes to new breeding techniques, such as the manipulation of present genes and cisgenesis (the addition of exclusively species-specific genes), we are still limited by legislation that has not kept up with current responsible technical developments.

100 hectare

In 2016/2017, the Lucinda, Memphis and Sunita varieties surpassed the 100-hectare seed potato boundary.



Lucinda

Memphis

Sunita

New varieties

A number of promising products were added to the catalogue of varieties over the past year.

- Alverstone Russet:
for fries
- Anvia:
for more luxurious traditional home fries
- Generosa:
with yield in early areas
- Hermosa:
a strong coarse medium early variety
- Joly:
a traditional bulk variety
- Whitney:
a white-fleshed variety for North America

New trends

R&D guides the development of the new Fries4All® concept. We are on our way to healthier French fries. For this we have developed and patented knowledge about the production of low calorie French fries. We also provide process technology to the processing industry, which allows sensory values to be measured.



9 Human Resources



HR Manager Koenraad Witteveen: 'Our organisation is growing and is in full swing. The employees, the company's most important asset, grow and move along. HZPC is an organisation where people like to take a step further. We can count on their dedication, knowledge and experience.'

The HR team supports the employees and the organisation so that they can perform. The organisation continues to grow and exploit opportunities in the market. The work force is expanding along with it. Last year we again welcomed a large number of new colleagues. The inflow currently consists mainly of young, highly educated people. We put a lot of energy into attracting talent, such as with Young HZPC.

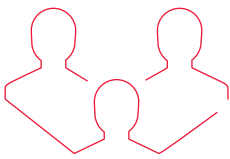
Another distinctive change is the further internationalisation of our company. Within HZPC we have colleagues from many different nationalities and different cultures. It is making our company more global, richer and more dynamic.

It is also good to know that employees are satisfied with the corporate culture. Internal research shows that trust is high. Over three quarters of the staff find HZPC 'a Great Place to Work'. What a nice compliment!

'HZPC is proud of its employees. Internal research shows that this is mutual'

KOENRAAD WITTEVEEN, HR MANAGER

Number of employees



400 employees
340 FTE

Young HZPC

The composition of the staff is changing. The emphasis is now more on young employees entering the company.

- Meeting in Berlin: Young HZPC
- 63 colleagues younger than 31 years old
- Mutual bond and think tank

Internationalisation

HZPC has been an exporting, international company for over 100 years. We are also striving for further internationalisation of the work force. This is enriching for the whole organisation.

- 23 nationalities
- 33 expats
- Dynamics on the work floor

Perspective

HZPC has a lot of knowledge and experience. We have many mid-career employees. We want to cherish and hold on to them by giving them perspectives.

- Talent development
- Internal flow
- Interesting projects
- Each year, 4% of employees change job position

Recruitment

It is quite a task to attract a sufficient number of highly skilled employees. Top employees must be actively sought out and recruited by setting out reasons and arguments. We have employed a private recruiter for this purpose.

- Global labour market
- High potentials
- International talent

Corporate culture

HZPC is proud of its employees. Internal research shows that this is mutual.



10 Compliance

Corporate governance & personal details

HZPC Holding is a two-tier board company with an Executive Board and an independent Supervisory Board. The Supervisory Board appoints the members of the Executive Board.

There was a change in the management structure in the financial year 2015/2016. The legal restructuring followed as of 1 July 2016. The Executive Board of HZPC Holland B.V. became the Executive Board of HZPC Holding B.V. The activities of the board are primarily focused on the strategic and management activities of HZPC Holding.

The Executive Board informs the Supervisory Board about operations, consults with the Supervisory Board on all important issues, and presents important decisions to the Supervisory Board for approval. The management of the Strategic Business Area Europe, the Strategic Business Development Area, Stet Holland, IPR and Research & Development is conducted by the Executive Committee.

The Supervisory Board supervises and monitors the policy of the Executive Board and the day-to-day operations, and advises the Executive Board. The members of the Supervisory Board are appointed by the General Meeting of Shareholders (GMS) upon recommendation of the Supervisory Board.

The General Meeting of Shareholders is convened by the Board of the Vereniging HZPC' (HZPC Association), which holds 100 percent of the shares. The articles of association governing the company set out the General Assembly of Shareholders' authoritative powers. In addition, the Executive Board must present specific decisions to the General Meeting of Shareholders for approval.

The Vereniging HZPC' has certified all the shares. Only (former) growers, (former) breeders and (former) members of staff may purchase and hold certificates. HZPC Holding is therefore literally a company of growers, breeders and employees and they have a voice in the direction of the company. They finance the business with risk capital. Certificate holders can become members of the Association.

The Members' General Meeting selects and appoints the Board of the Association. The management of the Association requires approval of the members for a number of decisions taken.

Personal details of the management structure as of 30 June 2017

Supervisory Board

M. Ubbens, Groningen, Chairman
C.J. Biemond, Godlinze
M. Kester, Bussum
E. Kraaijenzank, Jistrum
W. Sinnema, Arum

HZPC Holding B.V.

Executive Board

G.F.J. Backx, Chief Executive Officer
H. Verveld, Chief Commercial Officer
J.L. van Vilsteren, Chief Financial Officer

Executive Committee

G.F.J. Backx, Chief Executive Officer
L. Escalon, Director SBA Europe B.V.
R.P. Graveland, Director HZPC Research B.V.
H. Verveld, Chief Commercial Officer SBDA B.V.
J.L. van Vilsteren, Chief Financial Officer

Participations

HZPC IPR B.V. – R.P. Graveland
HZPC SBA Europe B.V. - L. Escalon
HZPC SBDA B.V. – H. Verveld
HZPC Research B.V. – R.P. Graveland
Stet Holland B.V. - P.C. Ton

HZPC SBA Europe B.V.

Director

L. Escalon - Director SBA Europe B.V.

Management of participations

HZPC Deutschland GmbH - R. Möller
HZPC France SAS – L. Escalon
HZPC Holland B.V. – L. Escalon
Bonna Terra B.V. – L. Escalon
HZPC Sverige AB – G.F.J. Backx
HZPC Kantaperuna OY – M. Kauppinen
HZPC Patatas España S.L. - J. Luis Marti
HZPC Polska Sp. z.o.o. - T. Jarczoch
HZPC Portugal Lda - P. Silva
HZPC Sadokas Oy - S. Haarala
HZPC UK Ltd. - C.R. Baker
ZOS B.V. - R. Woudwijk

HZPC Holland B.V. Works Council

R. Stekelenburg, Huizen, Chairman
E. van Schaik, Stiens, Vice Chairman
L. Gommers, Espel, Secretary
A. Assenberg van Eijsden, Ens
G. Bloembergen, Groningen
B. Borkhuis, Marum
G. Lassche, Vollenhove

HZPC SBDA B.V.

Director

H. Verveld, Chief Commercial Officer

Management of participations

Solentum B.V. – A. Hintikka
HZPC América Latina S.A. – I. Ramallo
HZPC Americas Corp. - F.M. Koops
HZPC Limited - H. Verveld
HZPC China Limited – H. Verveld

STET Holland B.V.

Director

P. Ton – Director Stet Holland B.V.

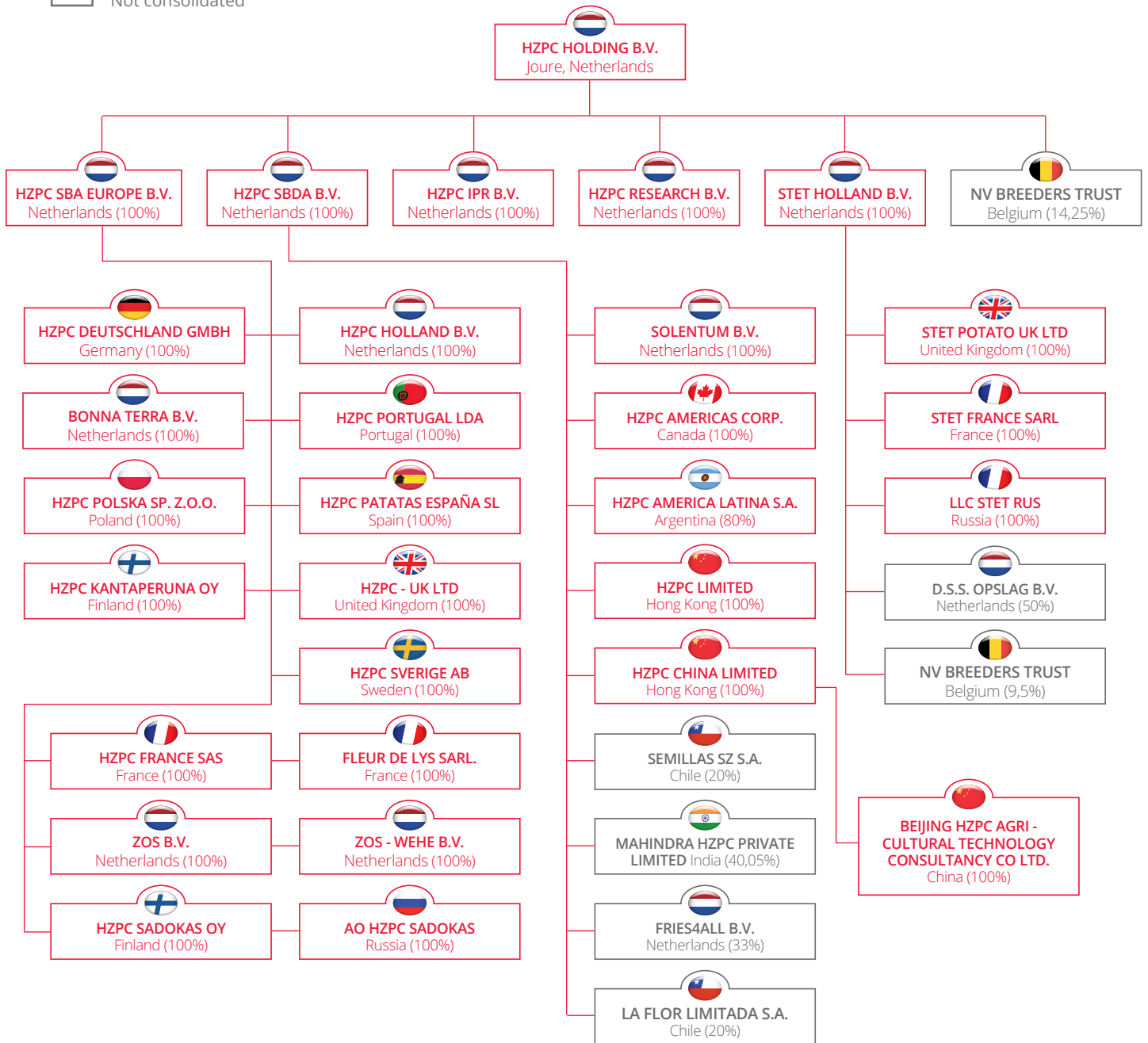
Management of participations

Stet Potato UK – P. Hewett
Stet France Arl. – P.C. Ton
Stet Russia AO. – P.C. Ton, S. Voychik

The company has not specifically set itself the objective to enable women to take up management positions or other positions. However, the company does have the ambition to introduce more diversity here.

Legal structure as of 30 June 2017

- Consolidated
- Not consolidated



Report of the Supervisory Board

The year under review 2016/2017 has been a year in which we have taken a big step forward in the development of HZPC Holding. The season began with a certain level of market insecurity due to a shortage of produced seed potatoes. After the first quarter it did not appear that the volume and turnover could be realised. HZPC Holding has, however, successfully managed these uncertainties well and has sold a record quantity of seed potatoes in various different countries, which resulted in an especially satisfying result being achieved.

Meetings

The Supervisory Board met five times in 2016/2017. It should be noted that a meeting is usually held in early July. In 2016 the meeting was, however, held on June 30, meaning it was formally moved from reporting year 2016/2017 to 2015/2016.

The meetings took place either fully or partially with the Executive Board. The chairman of the Supervisory Board and the CEO prepared the meetings. The agenda items for the various meetings are placed on the agenda on the initiative of the Supervisory Board or on the initiative of the Executive Board. The Supervisory Board is confident that all members made adequate time available to give sufficient attention to HZPC Holding. A member of the Supervisory Board was absent on three occasions due to external circumstances. This did not delay the progress of the discussions and decision making.

Supervisory Board activities

The Supervisory Board is in charge of supervising and advising the Executive Board in determining and achieving the company's strategy, policies and objectives.

In HZPC Holding, a two-tier corporate structure under Dutch law, the Supervisory Board is a separate body operating fully independently of the Executive Board. Members of the Supervisory Board are appointed and reappointed by the Shareholders; that is, by the 'Vereniging HZPC'.

In October of the 2016/2017 year, Mr. B. Visser resigned. The Supervisory Board is very grateful to Mr Visser for his great contribution to the board as a member and as chairman. The board proposed a potential successor to the shareholders in 2016: Mr. M. Kester. In May 2017, Mr. A. Oosterhof resigned after the expiration of his regular term.

The board thanked Mr. A. Oosterhof for his many years of constructive contribution. The board proposed Mr. C.J. Biemond as a successor to the shareholder. The shareholder approved this nomination in May 2017.

In the past year, the board, together with the Executive Board, decided to take the development of seed potatoes a different direction. This means that a development direction and an investment programme were discussed, which will be further developed. In addition, the board approved various investments, including the purchase of land around the R&D facility in Metslawier. The board has evaluated the investment in the joint venture MHZPC and approved a recapitalisation of the joint venture at the request of the Executive Board. Following the acquisition of KWP with its foreign activities, the board approved the establishment of Stet Russia LLC and the new governance structure in Russia.

Financial results

Turnover of 318.2 million euros was achieved in 2016/2017, a 9.4% increase on the year before. The volume of sales of seed potatoes and potatoes grown under license has increased by 15%. Exchange rate fluctuations had little impact on the result.

HZPC Holding's strategy is focused on allowing the gross margin to rise to 50 million euros or more around 2018.

The Supervisory Board will see that the strategy is implemented conclusively and the results of the company develop in line with this strategy. The Supervisory Board is fully aware that HZPC works with a natural product and that results are heavily influenced by the demand and availability in that year. Therefore the strategic results must not be judged over one year and the trend over several years must be used. The results of this year under review indicate that the Executive Board has already more than exceeded the goals for 2018.

No major changes have taken place in the balance sheet this year, except for the fact that the acquisition of the cultivation lands around the R&D facility increased the fixed asset by a significant amount. The Supervisory Board proposed paying out a dividend of 5.5 million euros to the shareholders on the recommendation of the Executive Board. This means 7 euros for each share certificate. This is consistent with the company's aim to provide a stable dividend.

Governance, risk management, audit and internal control systems

During the financial year the Supervisory Board has been adequately informed regarding the company's governance, risk management, audit and internal control systems. The processes which the Executive Board has initiated to manage risks were discussed with the Supervisory Board. The Supervisory Board established that the risk management and control framework have been strengthened and that reporting has improved.

One of the members of the Supervisory Board had discussions with KPMG, HZPC's external group auditor. This year, the Supervisory Board concluded a contract for 5 years with KPMG Accountants. KPMG Accountants reported to the Supervisory Board on the agreed scope of the audit and the outcome. HZPC Holding's financial statements, the report and management letter of the external auditor were discussed with the auditor in the presence of the CEO and CFO. The accountant audited the financial statement for 2016/2017 and issued an approving audit report concerning it.

A word of thanks

The Supervisory Board wishes to express its thanks to all HZPC Holding employees for their commitment during the year 2016/2017 and their contribution to the realised result. The board realises that policy decisions are important but that the results of a company primarily depend on the implementation of these choices by the staff of this company.

On behalf of the Supervisory Board,

Meerten Ubbens, Chairman

Risk Management

Doing business inherently involves taking risks. By taking balanced risks we strive to continuously build on being a financially sound and sustainable company. Risk management is therefore an important element of our corporate governance and strategy development. Through our risk management initiatives, we seek to provide reasonable assurance that our business objectives can be achieved and our obligations to customers, shareholders, employees and society can be met.

We show the most significant risk factors which we have managed this year below. A graph is used to indicate how great the chance is of a risk occurring and the possible impact of the risk on our strategic ambitions. We also provide mitigating measures for the square 'high impact' and 'big chance'. The overview is not intended to be an exhaustive list.

The following specific risks arose over the last year:

1 Economic risk

Things are going better in the world from an economic perspective, which has made a limited positive contribution to the result.

2 Political unrest

The level of political unrest has remained largely the same but specific political decisions have had a negative impact on sales. Last year we had a delay in our delivery to Algeria. Export opportunities were limited in Russia. Our international distribution has mitigated these risks.

3 Changes in exchange rate

Major exchange rate fluctuations occurred over the last year but the small scope of our foreign asset position meant that these had a minimal effect on the company results.

4 Talent management

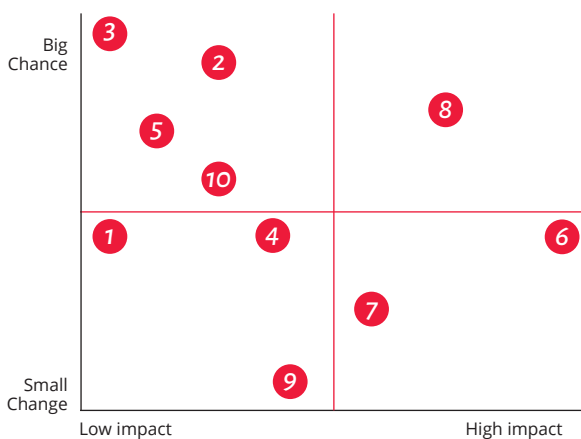
The growth which is forecast makes the necessity of attracting talent a matter for attention. Work on the image and communication of HZPC Holding is taking place to assist in this.

5 Protection products

As certain crop protection products can no longer be used, the challenge for growers increases in relation to the cultivation and storage of seed potatoes. This risk is being limited by alternative measures and guidance.

6 Provision of information

Provision of information and protection: growth and further digitisation have increased the dependence on IT systems. Steps are being taken towards standardised, harmonised processes and integrated systems with an adequate infrastructure and back-up facilities. In addition, we are working on the replacement of the system and better security of the infrastructure.



Risk matrix

Risks which are always present and not specific to this reporting year:

7 Seed potato diseases

The seed potato market is a global market. Our sales can be influenced by phytosanitary impediments and political factors. Disease risk plays an important part in breeding seed potatoes. Quarantine diseases in particular have a large influence on the availability of seed potatoes. The discovery of a quarantine disease at our breeding station or in our production area could seriously delay the development of new varieties and the sale of varieties which have already been produced.

8 International commercial operations

Our operating profit is subject to credit risks. The financial position of the various buyers in politically unstable areas has definitely not become any less difficult or any easier to assess. For the coming period, a credit risk will continue to apply. However, this is no different than in other years. This remains a high risk, which could also have a serious impact. Where possible we have taken the following mitigating measures to counter this.

- We regularly use safeguards such as advance payments, LCs and bank guarantees.
- Credit limits are actively monitored throughout the season.
- Almost no new deliveries for the new season are allowed until all debts from the previous season have been paid.

9 Complying with laws and regulations

HZPC Holding or her subsidiaries may be held responsible for any liabilities arising out of non-compliance with laws and regulations. As HZPC Holding, we do business in more and more countries that have juridical compliance processes with which we have to comply. The UK Bribery Act is an example of one such law with which HZPC Holding and also other international companies have to comply. We are fully aware that the risk of non-compliance with laws and regulations can damage our reputation and lead to serious legal consequences.

10 Substitution risk

The chance of substitute products being developed, such as competing varieties or other parties producing potatoes from seed sooner and/or better, is present but we do not believe it represents a high risk in the short term.

Results

Turnover of 318.2 million euros was recorded in the past year. The gross margin of the organisation increased to 59.0 million euros. Net profit before taxes amounts to 11.7 million euros, net profit after taxes amounts to 8.5 million euros.

Investments

Together with our joint venture partner, we have provided Mahindra-HZPC with additional capital this year to finance growth. In addition, we invested in a minituber production facility in Canada and in a new roof on the ZOS building. These investments took place alongside our annual investments in ICT and R&D facilities. Our invested capital at the end of the financial year 2016/2017 was EUR 32.5 million, an increase of EUR 3.5 million.

Financing

There have been no significant changes in financing and the financing structure in the 2016/2017 financial year. The solvency of the business has fallen from 42.6 percent in 2015/2016 to 41.1 percent in 2016/2017. The current ratio was 1.3 and the quick ratio was 1.3.

The depositary receipt for shares

HZPC has issued 783,725 shares with a nominal value of EUR 20. The 'Vereniging HZPC' (Association HZPC) owns 100 percent of the shares and has certified all the shares. The certificate holders form a closed group, the members of which have to comply with specific requirements. All certificate holders have a business agreement with HZPC Holding, or have had one in the past.

Twice every financial year, in November and May, the Association organises a stock exchange trading day. ING Bank was the stockholder for the stock exchange trading day in November 2016 and May 2017. ING also provides the administration for the certificates.

The certificate holders receive information about the company via press releases, the annual report and the HZPC Holding website (www.hzpc.com). In addition, Dutch certificate holders receive the company's client magazine 'Ruggespraak'.

	2012/13	2013/14	2014/15	2015/16	2016/17
Profit per share certificate (x EUR 1)	€ 1.30	€ 11.74	€ 5.73	€ 8.93	€ 10.82
Dividend per share certificate (x EUR 1)	€ 1.00	€ 7.50	€ 3.75	€ 5.75	€ 7.00
Dividend as % of the net result	77%	64%	65%	64%	65%
Price as of 30 June (x EUR 1)	€ 77.90	€ 93.50	€ 113.15	€ 136.90	€ 165.65
Return on shares (x EUR 1)	€ 14.55	€ 23.10	€ 23.40	€ 23.75	€ 35.75
Total shareholders return in % (as of 30 June of the previous year)	22.6%	29.7%	25.0%	21.0%	26.1%

Financial Statement

HZPC Holding B.V.

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Consolidated balance sheet

(after profit appropriation)

ASSETS	Explanatory notes	30-06-2017	30-06-2016
<i>(in EUR x 1,000)</i>			
FIXED ASSETS			
Intangible fixed assets	1		
Research and development costs		390	535
Goodwill		1,468	2,460
Concessions, licences and intellectual property		<u>3,272</u>	<u>4,267</u>
		5,130	7,262
Tangible fixed assets	2		
Company buildings and land		16,173	11,176
Plant and equipment		5,980	6,046
Other fixed operating assets		<u>559</u>	<u>519</u>
		22,712	17,741
Financial fixed assets	3		
Participations		2,327	2,061
Receivables from Vereniging HZPC (HZPC Association)		303	349
Other securities		25	25
Deferred taxes		1,927	1,488
Other receivables		<u>39</u>	<u>40</u>
		4,621	3,963
TOTAL FIXED ASSETS		32,463	28,966
CURRENT ASSETS			
Inventories	4	1,461	1,450
Receivables			
Trade receivables	5	40,889	41,958
Accounts receivable from participating interests	6	86	416
Taxes, contributions and social insurances	7	4,734	4,716
Other receivables and accrued assets	8	<u>11,715</u>	<u>11,412</u>
		57,424	58,502
Cash and cash equivalents	9	28,461	19,720
TOTAL CURRENT ASSETS		87,346	79,672
TOTAL ASSETS		<u>119,809</u>	<u>108,638</u>

Consolidated balance sheet

(after profit appropriation)

LIABILITIES	Explanatory notes	30-06-2017	30-06-2016
<i>(in EUR x 1,000)</i>			
GROUP EQUITY	10		
Equity		49,253	46,282
Provisions	11		
Pensions		284	291
Other provisions		408	376
		692	667
Current liabilities	12		
Growers deposits		20,972	20,657
Debts to credit institutions		7,508	-
Debts to suppliers		14,846	16,800
Debts to participating interests and companies in which they participate		220	-
Taxes and contributions		3,096	1,585
Dividend to be paid		5,486	4,506
Other debts and accrued liabilities		17,736	18,141
		69,864	61,689
TOTAL LIABILITIES		119,809	108,638

Consolidated profit and loss account

	Explanatory notes	2016 / 2017	2015 / 2016
<i>(in EUR x 1,000)</i>			
Net turnover	13	316,439	289,466
Changes in stock of finished product		<u>-35</u>	<u>-120</u>
		316,404	289,346
Other income	14	<u>1,764</u>	<u>1,509</u>
Sum of operating income		318,168	290,855
Cost of raw materials, other consumables and outsourced work		224,976	212,607
Freight costs and loading costs		24,891	22,091
Packaging		9,338	8,066
Wages and salaries	15	18,418	15,635
Social security costs and pension costs	15	6,440	5,212
Depreciation intangible fixed assets		1,828	826
Depreciation tangible fixed assets		3,064	2,910
Other changes in value of tangible fixed assets		-	-540
Other operating expenses	16	<u>17,442</u>	<u>15,109</u>
Sum of operating expenses		306,397	281,916
Operating profit		11,771	8,939
Interest receivable and similar income	17	563	322
Interest payable and similar charges	18	<u>-663</u>	<u>-654</u>
		<u>-100</u>	<u>-332</u>
Result from ordinary activities before tax		11,671	8,607
Corporate income tax	19	-2,914	-1,671
Result of participating interests		<u>-280</u>	<u>62</u>
		<u>-3,194</u>	<u>-1,609</u>
Result after tax		8,477	6,998
Total of direct movements in shareholders' equity in the legal entity		<u>-20</u>	<u>-247</u>
Overall result of the legal entity		8,457	6,751

Consolidated cash flow statement

	2016/2017	2015/2016
<i>(in EUR x 1,000)</i>		
Operating profit	11,771	8,939
Adjusted for:		
Depreciation	4,892	3,736
Movement in provisions	25	-45
Movement in working capital	5,847	-8,634
Cash flow from business activities	22,534	3,996
Interest received	563	322
Dividend received	17	93
Interest paid	-663	-654
Tax on profits paid	-879	-735
Cash flow from operating activities	21,572	3,022
Divestments/investments in:		
Intangible fixed assets	304	-4,267
Acquisition of participating interests	-574	-375
Tangible fixed assets	-8,035	-3,050
Cash flow from investments	-8,305	-7,692
Dividend paid	-4,506	-2,939
Cash flow from financing activities	-4,506	-2,939
Net cash flow	8,761	-7,609
Exchange rate and conversion differences on cash and cash equivalents	-20	-247
Changes in cash items	8,741	-7,856
Balance of cash and cash equivalents at the beginning of the financial year	19,720	27,576
Changes in cash and cash equivalents	8,741	-7,856
Balance of cash and cash equivalents at the end of the financial year	28,461	19,720

Notes to the consolidated financial statement 2016/2017

General

The company HZPC Holland B.V. changed its name to HZPC Holding B.V. as of 1 July 2016.

Relationship with parent company and principal activities

The Company, having its legal address in Joure at Edisonweg 5, with Dutch Chamber of Commerce number 807807928, is a private limited liability company under Dutch law, with 100% of its shares held by the Association HZPC (Vereniging HZPC).

The group is primarily involved in selling seed potatoes and related products and services.

The associated growers deliver the seed potatoes they have grown to the company and receive a payment for this. The Company sells the delivered seed potatoes grown by them and receives a commission. Seed potatoes are grown by a pool-mechanism; in addition, separate agreements are made with growers.

Financial reporting period

These financial statements have been prepared for a reporting period of one year. The financial year of the company runs from 1 July up to and including 30 June of the following year.

Restructuring

As of July 1, 2016, a split of assets and liabilities of HZPC Holland B.V. took place. Prior to the split, the name HZPC Holland B.V. was changed to HZPC Holding B.V. by means of a change in the articles of association.

As a result of splitting the company HZPC Holding B.V. (formerly HZPC Holland B.V.) the assets and liabilities were split up. The values assigned to the respective assets and liabilities are determined using valuation methods considered to be acceptable in the Netherlands.

The split created the companies HZPC Research B.V. and HZPC Holland B.V. Operational activities with the associated assets and liabilities were placed in the new company, HZPC Holland B.V. The activities related to research and development of varieties with the associated assets and liabilities were placed in the company HZPC Research B.V. Within the Holding, the property has remained in the company, and predominantly, the development of the software and the management activities take place.

There has also been a split of the assets and liabilities of Participatie Maatschappij Buitenland B.V. as of 1 July 2016. At the time of the split, the company HZPC SBA Europe B.V. was established. At the same time, the name of PMB was changed to HZPC SBDA B.V. At the time of the split, the activities and affiliates in Europe became part of HZPC SBA Europe B.V. and the activities and associations outside Europe, together with the innovation activities (other than variety development), were brought under HZPC SBDA B.V.

Applied standards

The financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code. The applied accounting policies are based on the historical cost convention.

Application of Section 402, Book 2 of the Netherlands Civil Code

The financial information of the company is recorded in the consolidated financial statements. For this reason, in accordance with Section 402, Book 2 of the Netherlands Civil Code, the separate profit and loss account of the company exclusively states the share of the result of participating interests after tax and the general result after tax.

Continuity

These financial statements have been prepared on the supposition of continuity.

Accounting policies

General

Unless stated otherwise, assets and liabilities are shown at nominal value.

For comparability of last year's figures, reclassifications were made between trade receivables, other receivables and overdue assets, debts to suppliers, and other debts and accrued liabilities.

An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be reliably determined. A liability is recognised in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be determined with sufficient reliability.

Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be reliably determined. Expenses are recorded when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be determined with sufficient reliability.

If a transaction results in a transfer of future economic benefits and or when all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet. Assets and liabilities are not included in the balance sheet from the date upon which economic benefits are not probable and/or cannot be determined with sufficient reliability.

Revenues and expenses are allocated to the period to which they relate. Revenues are recorded when the company has transferred the significant risks and rewards of ownership of the seed potatoes and ware potatoes to the buyer.

Licences are considered as income when third parties have exercised the right of use of the company's assets.

The financial statements are presented in euros, the company's functional currency. All financial information in euros has been rounded to the nearest thousand, unless indicated otherwise.

Use of estimates

The preparation of the financial statements requires the management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. Actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are included in the period in which the estimate is revised and in future periods for which the revision has consequences.

The accounting policy on trade receivables is, in the opinion of the management, the most critical for the purpose of presenting the financial position and requires estimates and assumptions related to customer credit risk, which is dependent on the customer, the geographic region and economic circumstances.

Consolidation principles

The consolidated financial statements include the financial data of the company, its group companies and other companies over which the company has control. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Group companies are participating interests in which the company has a direct or indirect controlling interest.

The items in the consolidated financial statement are drawn up in accordance with uniform principles for accounting and determination of the result for the group.

Newly acquired participating interests are included in the consolidation from the point in time at which a controlling interest can be exercised. Participating interests which have been disposed of are included in the consolidation up to the point in time when this interest ended. Joint ventures are not consolidated but valued at net asset value.

In preparing the consolidated financial statements, inter-company payables, receivables and transactions are eliminated together with the profits made within the group. If transactions occur with a non-consolidated participating interest, which does not qualify as a group company and which is valued in accordance with the equity method, the profit or loss resulting from this transfer is recorded pro-rata on the basis of the relative interest that third parties have (proportional determination of results). A loss which emanates from the transfer of current assets or a particular reduction in value of fixed assets is processed completely.

The Group companies are consolidated in full with minority interest presented within the Group equity as separate from shareholders' equity. If losses to be assigned to the minority interest of third parties exceed the minority interest in the shareholders' equity of the consolidated company, the difference and any additional losses are charged completely to the majority shareholder. The share of third parties in the result is placed separately as the final item in the consolidated profit and loss account set against the group result.

Participating interests (direct and indirect) as of 30 June 2017

HZPC Holding B.V. in Joure, is the parent company of a group with the following participations:

HZPC SBA Europe B.V. with its participations:

Interest:

Consolidated:

• HZPC SBA Europe B.V. in Joure, the Netherlands	100%
• HZPC Holland B.V., in Joure, the Netherlands	100%
• Bonna Terra B.V., in Emmeloord, the Netherlands	100%
• ZOS B.V. in Leeuwarden, the Netherlands with its participation:	100%
ZOS WEHE B.V., in Wehe-den Hoorn, the Netherlands	100%
• HZPC France SAS, in La Chapelle d'Armentieres, France with its participation:	100%
Fleur de Lys - SARL, in La Chapelle d'Armentieres, France	100%
• Patatas HZPC España S.L., in Torrent, Spain	100%
• HZPC Portugal Lda, in Mira, Portugal	100%
• HZPC UK Ltd., in Crowle Scunthorpe, United Kingdom	100%
• HZPC Deutschland GmbH, in Eydelstedt, Germany	100%
• HZPC Polska Sp. z o.o., in Poznan, Poland	100%
• HZPC Kantaperuna Oy, in Tyrnävä, Finland	100%
• HZPC Sverige AB, in Lidköping, Sweden	100%
• HZPC Sadokas Oy, in Tyrnävä Finland, with its participation:	
AO HZPC Sadokas, in Saint Petersburg, Russia	100%

HZPC SBDA B.V. with its participations:

Consolidated:

• HZPC SBDA B.V. in Joure, the Netherlands	100%
• HZPC Americas Corp., in Charlottetown, Canada	100%
• HZPC América Latina S.A., in Buenos Aires, Argentina	80%
• HZPC China Ltd, in Hongkong, China with its participation:	100%
Beijing HZPC Agricultural consultancy Co. Ltd., Beijing, China	100%
• HZPC Ltd, in Hongkong, China	100%
• Solentum B.V., in Joure, the Netherlands	100%

Not consolidated:

• Semillas SZ S.A., in Santiago, Chile	20%
• La Flor Limitada S.A., in Santiago, Chile	20%
• El Mainten Limitada S.A., in Santiago, Chile	20%
• Mahindra HZPC Ltd., in Chandigarh, India	40%
• Fries4all B.V., in Joure, the Netherlands	33%

HZPC IPR B.V., in Joure, the Netherlands (consolidated) 100%

HZPC Research B.V., in Metslawier, the Netherlands (consolidated) 100%

Stet Holland B.V. with its participations:

Consolidated:

• Stet Holland B.V., in Emmeloord, the Netherlands	100%
• Stet Potato UK Ltd., in Lincoln, United Kingdom	100%
• Stet France SARL, in Bapaume, France	100%
• Stet Russia, in Moskou, Russia	100%

Not consolidated:

• D.S.S. Opslag B.V., in Dronten, the Netherlands	50%
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N.V. Breeders Trust, in Brussels, Belgium (not consolidated) 23.75%

Principles for the conversion of foreign currency

Transactions in foreign currencies

Transactions denominated in foreign currency are converted into the relevant functional currency of the group companies at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currency are converted at the balance sheet date into the functional currency at the exchange rate prevailing on that date.

The fluctuations in currency exchange rates that occur during the conversion and processing are recorded in the period in which they occur with the exception of the fluctuations in exchange rates on monetary items that form part of the net investment in a foreign operation. Non-monetary assets and liabilities denominated in foreign currency that are stated at historical cost are converted into euros at the prevailing exchange rates on the transaction date. Fluctuations that occur in the foreign currency rates during conversion are recorded as expenditure in the profit and loss account.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are converted into euros at exchange rates applying on the balance sheet date. Income and expenses of foreign operations are converted into euros at the exchange rate applying on the transaction date.

Conversion gains and losses are processed in the reserve for conversion differences. If a foreign operation is fully or partially sold, the respective amount is transferred from the reserve for conversion differences to the profit and loss account.

Developments of most important foreign exchange currencies

The development of the foreign exchange rate of the most important currencies:

EUR 1 to foreign currency	Exchange rate 30-06-2017	Average exchange rate	Exchange rate 30-06-2016
Canadian dollar	1.480	1.446	1.438
British pound	0.880	0.859	0.835
Polish zloty	4.230	4.312	4.372
American dollar	1.140	1.090	1.110
South African rand	14.920	14.824	16.357

Financial instruments

Financial instruments include investments in shares, trade and other receivables, cash items, loans and other financing commitments, derivative financial instruments (derivatives), trade payables and other amounts payable. These financial statements contain the following financial instruments: financial instruments held for trading (financial assets and liabilities), loans and receivables (both purchased and issued), equity instruments, other financial liabilities and derivatives. Financial instruments also include derivative financial instruments embedded in contracts. These derivatives are not separated from the basic contract and they are therefore recorded in accordance with the basic contract. Following initial recording, derivative financial instruments are valued at cost price or lower market value.

Financial instruments are initially processed at fair value, including discount or premium and directly attributable transaction costs. However, if financial instruments are subsequently measured at fair value with value changes processed in the profit and loss account, then directly attributable transaction costs are processed directly in the profit and loss account.

The fair value of a financial instrument is the amount for which an asset could be traded or a liability could be settled between two well-informed parties that are independent of each other and willing to enter into a transaction. The fair value of unlisted financial instruments is determined by discounting the expected cash flows at a discount rate equal to the prevailing risk-free market interest rate for the remaining term, plus credit and liquidity spreads. Given the nature and the short-term nature of the 'financial instruments', the book value does not differ significantly from the fair value. After initial recognition, financial instruments are valued in the manner described below.

Financial instruments held for trading

If the company has acquired financial instruments or has entered into them with the aim of selling the instrument in the short term, these form part of the trading portfolio and following initial recording these are valued against fair value with processing of value changes in the profit and loss account.

Loans and other receivables

Loans granted and other receivables are valued against the amortised cost price following initial recording on the basis of the effective interest rate method reduced, less impairment losses.

Current liabilities and other financial obligations

Current liabilities and other financial obligations are carried at amortised cost on the basis of the effective interest method following initial recording.

Impairment of financial assets

A financial asset that is not stated at (1) fair value with value changes reflected in the profit and loss account, or at (2) amortised cost or lower market value, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is regarded as being impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recording of the asset, with negative impact on the expected future cash flows of that asset, which can be estimated reliably.

Objective evidence that financial assets are impaired includes default or non-payment by a debtor, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, indications that a debtor or issuer is approaching bankruptcy, or the disappearance of an active market for a security.

An impairment loss in respect of a financial asset valued at amortised cost is calculated as the difference between its book value and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recorded in the profit and loss account. Interest on an asset subject to impairment will continue to be accounted for via addition of interest from the asset at the original effective interest of the asset.

When, in a subsequent period, the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is included in the profit or loss account (up to the amount of the original cost).

Intangible fixed assets

The intangible fixed assets are valued against acquisition price or production price with reductions applied due to cumulative depreciations and impairment losses.

The outlays following initial recording of an intangible fixed asset that has been purchased or produced are added to the acquisition or production price if it is probable that the outlays will lead to an increase in the future economic benefits and the outlays and the allocation to the asset can be reliably determined. If the conditions cannot be met, the outlays are recorded as costs in the profit and loss account.

Goodwill

Goodwill represents the excess of the cost of the acquisition over the company's interest in the net realisable value of the assets acquired and the 'conditional' liabilities assumed at the transfer date, less cumulative amortisation and impairment losses.

Goodwill paid upon the acquisition of foreign group companies and subsidiaries is converted at the exchange rates on the date of the transaction. The capitalized goodwill is amortised on a linear basis over an estimated economic useful life of five years.

Development costs

Development costs are capitalised to the extent that they relate to projects deemed commercially viable (software). The development of an intangible asset is deemed commercially viable if it is technically feasible to complete the asset, the company intends to complete the asset and then use it or sell it (including the availability of adequate technical, financial and other means of achieving this), the company has the ability to use or sell it actively, it is likely to generate future economic benefits and the expenditures during the development can be reliably determined. Development costs are valued at production cost, less accumulated amortisation and impairment losses. The manufacturing price mainly comprises the employee's salary costs. The capitalised costs are depreciated after the completion of the development phase (actively ready for commissioning) over the estimated useful life, which is 3 years. Depreciation takes place according to the linear method. The costs for development and other costs for research have been fully charged to the result in the period in which they are incurred.

For the part of the capitalised development costs not yet written off, a legal reserve is created.

Concessions, licences and intellectual property

The intellectual property rights are valued at the amount of realised costs less reductions applied due to cumulative depreciations and impairment losses where applicable. The annual depreciation amounts to a fixed percentage of the realised costs. The economic lifespan of seven years and the depreciation method are re-assessed at the end of each financial year.

Tangible fixed assets

Company land and buildings, plant and equipment and other fixed operating assets are valued at cost, less accumulated depreciation and impairment losses. The cost consists of the price of acquisition or manufacture, plus other costs that are necessary to get the assets to their location and condition for their intended use. The cost of self-constructed assets includes the purchase cost of materials and consumables and other costs that can be directly attributed to the manufacturing.

Investment government grants are deducted from the cost price of the assets to which the government grants relate.

Depreciation is calculated as a percentage of the purchase value in accordance with the linear method on the basis of the economic lifespan while taking residual value into account. Land is not depreciated.

Depreciation starts at the moment that an asset is available for the intended use and it ends at the time of putting out of use or disposal.

The following depreciation percentages are applied:

- Company buildings: 4% - 20%
- Plant and equipment: 10% - 33 1/3%
- Other fixed operating assets: 10% - 33 1/3%

Maintenance expenditures are only capitalised when the maintenance leads to extension of the useful life of the asset. Assets that are taken out of service are stated at the lower of book value or lower realisable value.

Financial fixed assets

Participating interests where significant influence is exercised over the business and financial policy are valued according to the equity method on the basis of net asset value. If valuation on the basis of the net asset value cannot take place as the information necessary for this cannot be obtained, the participation is valued according to the visible shareholders' equity.

Participating interests where the company exercises joint control along with other participants, such as in joint ventures, are valued in the same way.

The net asset value is calculated on the basis of the Company's accounting policies. If the participating legal entity transfers an asset or a liability to a participation that is valued according to the equity method, the profit or loss resulting from this transfer is recorded pro-rata on the basis of the relative interest that third parties have in the participations (proportional determination of results). A loss that results from the transfer of current assets or a particular reduction in value of fixed assets is recorded completely. Results on transactions involving transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests are eliminated to the extent that these cannot be regarded as having been realised.

Participations with a negative net asset value are valued at zero and a share in the profit of the participation in later years is only processed if and to the extent that the cumulative share which has not been processed is entered in the loss. However, if the Company fully or partially guarantees the debts of the relevant participating interest, or it has the constructive obligation to enable the participating interest to pay its debts (for its share therein), then a provision is recognised accordingly to the amount of the estimated payments by the company on behalf of the participating interest. This provision is recognised primarily to the debit of the receivables on the respective participating interest and for the remainder, is presented under provisions.

Participations over which no meaningful control is exercised are valued on the basis of the acquisition price or lower recoverable value. If the situation involves a firm intention to sell, valuation occurs against the possible lower expected sale value. If a legal entity transfers an asset or a liability to a participation that is valued at the acquisition price or current value, the profit or loss emanating from this transfer is recorded in the consolidated profit and loss account fully and directly unless the profit on the transfer is not realised in essence.

The loans to non-consolidated participations are initially valued on the basis of the fair value, with directly imputable transaction costs added. These receivables are valued at amortised cost using the effective interest method, less impairment losses. The accounting policies for other financial fixed assets are included under the heading 'Financial instruments'.

Dividends from participations which are valued on the basis of the acquisition price are recorded in the period in which they are declared as income from participations. Any profit or loss is recorded under financial income or expenses.

Impairment

For tangible and intangible fixed assets, an assessment is made as of each balance sheet date as to whether there are indications that these assets are subject to impairment. If there are such indications, then the recoverable value of the asset is estimated. The recoverable value is the higher of the value in use and the net realisable value. If it is not possible to determine the recoverable value of an individual asset, then the recoverable value of the cash flow generating unit to which the asset belongs is estimated.

If the carrying value of an asset (or a cash flow generating unit) is higher than the recoverable value, an impairment loss is recorded for the difference between the carrying value and the recoverable value. In case of an impairment loss of a cash flow generating unit, the loss is first allocated to goodwill that has been allocated to the cash flow generating unit. Any remaining loss is allocated to the other assets of the unit in proportion to their carrying values.

In addition, an assessment is made on each balance sheet date as to whether there is any indication that an impairment loss that was recorded in previous years has decreased. If there is such indication, then the recoverable value of the related asset (or cash flow generating unit) is estimated.

Reversal of an impairment loss that was recorded in the past only takes place in the event of a change in the estimates used to determine the recoverable value since the recording of the last impairment loss. In such case, the book value of the asset (or cash flow generating unit) is increased up to the amount of the estimated recoverable value, but not higher than the carrying value that would have applied (after depreciation) if no impairment loss had been recorded in prior years for the asset (or cash flow generating unit).

An impairment loss for goodwill is not reversed in a subsequent period, unless the previous impairment loss was caused by an extraordinary specific external event that is not expected to recur and if there are successive external events that undo the effect of the earlier event.

Losses are recorded in the profit and loss account. Interest on a particular asset subject to impairment will continue to be accounted for via addition of interest from the asset with the original effective interest of the asset.

Disposal of fixed assets

Fixed assets available for sale are stated at the lower of their book value and net realisable value.

Inventories

Inventories are valued at cost or lower realisable value. The cost price is made up of the acquisition price or production price with the addition of other costs connected with keeping the inventories at their present level and in their present condition. The realisable value is based on the most reliable estimate of the amount that the inventories are expected to yield.

Raw materials and consumables are carried at the lower of cost, determined in accordance with the first-in, first-out (FIFO) principle, and market value.

The inventory of finished product and mini-tubers which have been grown by the Company itself, is stated at cost directly attributable to production. The main part of this is personnel expenses.

The valuation of inventories includes possible impairments that arise on the balance sheet date.

Receivables and securities

The accounting policies applied for the valuation of trade and other receivables and securities are described under the heading 'Financial instruments'.

Cash and cash equivalents

Cash and cash equivalents are valued on the basis of nominal value. If cash and cash equivalents are not freely available, this is taken into account during the valuation.

Cash and cash equivalents in foreign currency are converted based on the balance sheet date indicated in the reporting currency at the exchange rate applying on that date. Reference is made to the pricing principles for foreign currency.

Shareholders' equity

Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under shareholders' equity. Payments to holders of these instruments are deducted from the shareholders' equity as part of the profit distribution.

Financial instruments that are designated as a financial liability by virtue of the economic reality are presented under liabilities. Interest, dividends, income and expenditure with respect to these financial instruments are recorded in the profit and loss as financial income or expense.

Provisions

A provision is recorded in the balance sheet if the following applies:

- the Company has a legal or constructive obligation, arising from a past event;
- the amount can be estimated reliably; and
- it is probable that an outflow of funds will be required to settle the obligation.

If all or part of the payments that are necessary to settle a provision are likely to be fully or partially compensated by a third party upon settlement of the provision, then the compensation amount is presented as a separate asset.

Provisions are stated at the present value of the expenditures that are expected to be required to settle the liabilities and losses.

Pension provision and long service

A provision for pension and for long service is included for the obligations based on pension administration regulations or similar commitments. The long-service provision is the provision for future long-service awards. The provision is recognised for the present value of the future long-service awards, which is calculated on the basis of the commitments made, the likelihood of the staff concerned remaining with the Company, and their age. See also the accounting principles wages and salaries and note 11 to the consolidated balance sheet.

Current liabilities

The valuation of current liabilities is explained under the heading 'Financial instruments'.

Revenue recognition

Sales of seed potatoes and ware potatoes

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Revenues from the sale of potatoes are recorded in the profit and loss account when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the payment due is probable, the associated costs and possible return of the potatoes can be estimated reliably, and there is no continuing involvement with the potatoes.

The transfer of risks and benefits varies according to the conditions of the relevant sales contract.

Rendering of services

Revenue from the rendering of services is recorded in the net turnover at the fair value of the consideration received or receivable following deduction of concessions and reductions. These revenues are recorded in the profit and loss account when the revenue amount can be determined in a reliable manner, collection of the related compensation to be received is probable, the extent to which the services have been performed on the balance sheet date can be reliably determined and the costs already incurred and (possibly) yet to be incurred to complete the service can be reliably determined.

Licences

Licences are paid when third parties have exercised the right to use the Company's assets, such as varieties developed by the company. If the group acts on behalf of varieties developed by third parties, the net operating income is included after the deduction of the payments to these third parties as the Company does not bear the customer credit risk on these licences. Turnover is recorded if the scope of the payment to be received can be reliably determined and the collection of it is probable.

Government grants

Government grants are initially recorded in the balance sheet as deferred income when there is reasonable assurance that they will be received and there will be full compliance with the conditions associated with the grant. Grants which provide compensation for expenses incurred are recorded as income in the profit and loss account on a systematic basis in the same period in which the expenses are incurred. Grants for compensation of the costs of an asset are deducted from the cost price of the asset and therefore systematically recorded in the profit and loss account for the period that the asset is in use.

Costs of outsourced work and other external costs

This concerns costs that are directly attributable to net turnover such as cost of trade goods, services, transport, loading and packaging. The costs for development and other costs for research are fully charged to the result in the period in which they are incurred.

Share in result of participating interests

The share in the result of participating interests consists of the share of the group in the results of these participating interests, determined on the basis of the accounting principles of the group. Gains or losses on transactions involving the transfer of assets and liabilities between the company and its non-consolidated participating interests or between non-consolidated participating interests themselves have not been recorded to the extent that they cannot be regarded as realised.

The results of participating interests acquired or sold during the financial year are recorded in the group result from the date of acquisition or until the date of sale respectively.

Personnel expenses

The rewards of the personnel as an expense are recognised in the profit and loss account in the period in which the services are provided and, to the extent not already paid, recorded as a liability on the balance sheet. If the amounts already paid exceed the compensation payable, the excess is recorded as a current asset to the extent that there will be a reimbursement by the staff or set-off against future payments by the Company.

An expected compensation due to profit sharing and bonus payments will be recorded if the obligation to pay that compensation has arisen on or before the balance sheet date and a reliable estimate of the liabilities can be made.

For rewards based on rights, profit sharing and bonuses, the projected costs are taken into account during the service. A liability is recorded on the balance sheet date. The recognised obligation relates to the best estimate of the amounts required to settle the obligation at the balance sheet date. The best estimate is based on contractual agreements with employees (collective bargaining agreements and individual employment contracts). Additions to and releases of liabilities are charged or credited to the profit and loss account.

Dutch Pension scheme

The pension commitments are placed with a pension insurer until 1 January 2017. The pension scheme is of such a nature that the actuarial risks are covered by the pension insurer. In the financial statement, the premiums payable are included as costs in the profit and loss account; they are included as a liability on the balance sheet to the extent that the premiums due for the period have not been paid. The main principle is that the pension charge to be recorded for the reporting period should be equal to the pension contributions payable to the pension fund over the period. Insofar as the payable contributions have not yet been paid as of the balance sheet date, a liability is recorded. If the contributions already paid exceed the payable contributions as at balance sheet date, a receivable is recorded to account for any repayment by the fund or settlement with contributions payable in future.

As of January 1, the transfer from the pension insurer to a pension fund was realised. This scheme is financed under the Dutch pension scheme by payments to a branch pension fund.

The pension obligations are valued according to the 'obligation to the pension provider approach'. In this approach, the premium payable to the pension provider is accounted for as a liability in the profit and loss account.

Based on the implementation agreement, it is assessed whether and, if so, what obligations exist in addition to the payment of the annual pension payable to the pension provider on the balance sheet date. These additional obligations, including any obligations arising from the pension provider's recovery plans, result in charges for the group and are recorded in the balance sheet in a provision. The recorded liability relates to the best estimate of the amounts required to settle it by the balance sheet date. If the effect of the time value of money is material, the liability is valued at the present value. Discounting takes place on the basis of interest rates of high-quality corporate bonds. Additions to, and releases of, liabilities are charged or credited to the profit and loss account.

At the end of the financial year 2016/2017 there were no pension claims and no liabilities for the group in addition to the payment of the annual pension payable to the pension provider.

The accrual of pension entitlements is always financed by means of (as a minimum) cost-cutting premium payments in the relevant calendar year. The pension scheme is a middleman scheme for both active and inactive participants (deferred pensioners and pensioners) – conditional supplement. The supplement depends on the investment return. The annual accrual of pension entitlements amounts to 1.875% of the pensionable salary based on the gross salary minus a franchise (EUR 13,252). The pensionable salary is maximised (at EUR 53,701). The annual premium payable to the employer amounts to 100% of the pensionable salary. The amount of the premium is determined annually by the board of the branch pension fund on the basis of coverage and expected returns. At the end of 2016/2017, the coverage rate of the industry-funded pension fund concerned will be 95.3% according to the fund's statement. Based on the implementing regulation, the group has no obligation to meet additional contributions other than by higher future premiums in case of a shortfall in the fund.

Foreign pension plans

Pension plans that are comparable in design and functioning to the Dutch pension system, having a strict segregation of the responsibilities of the parties involved and risk sharing between the said parties (company, fund and members), are recorded and measured in accordance with Dutch pension plans (see previous section).

For foreign pension plans that are not comparable in structure and function to the Dutch pension system, a best estimate is made of the commitment as of the balance sheet date. This commitment should then be stated on the basis of an actuarial valuation principle generally accepted in the Netherlands.

Leasing

The Company may enter into financial and operating leases. A lease contract where the risks and rewards associated with ownership of the leased property are transferred substantially or wholly to the lessee, is referred to as a financial lease. All other lease contracts are classified as operational leases. In classifying leases, the economic reality of the transaction is decisive rather than its legal form. If the Company acts as lessee in an operating lease, then the leased property is not capitalised. Lease payments regarding operating leases are charged to the profit and loss account on a linear basis over the lease period. The Company has only operational lease agreements.

Interest income and charges

Interest income is recorded in the profit and loss account on an accrual basis, using the effective interest rate method. Interest charges and similar charges are recorded in the period to which they refer.

Corporate income tax

Corporate income tax comprises the current and deferred corporate income tax payable and deductible for the reporting period. Corporate income tax is recognized in the profit and loss account except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the financial year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years.

If the carrying values of assets and liabilities for financial reporting purposes differ from their values for tax purposes, this results in temporary differences.

A provision for deferred tax liabilities is recognised for taxable temporary differences.

For deductible temporary differences, unused loss carry forwards and unused tax credits, a deferred tax asset is recognised, but only in so far as it is probable that taxable profits will be available in the future for offset or compensation. Deferred tax assets are reviewed on each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

For taxable temporary differences related to group companies, foreign branches, associates and interests in joint ventures, a deferred tax asset is recognised unless the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

For deductible temporary differences regarding group companies, foreign branches, associates and interests in joint ventures, a deferred tax asset is only recognised in so far as it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available to offset the temporary difference. Deferred tax assets and liabilities are recorded at nominal value.

Cash flow statement

The cash flow statement is prepared using the indirect method. Cash flows in foreign currency are translated into euros using the weighted average exchange rates at the dates of the transactions.

Notes to the consolidated balance sheet

1. Intangible fixed assets (in EUR x 1,000)

The composition and movement of intangible fixed assets in the financial year 2016/2017 were as follows:

	Costs of research and development	Goodwill	Concessions, permits and interlectual properties	Total
Purchase value	803	5,002	4,267	10,072
Cumulative depreciation	-268	-2,542	-	-2,810
Book value as per July 1st	535	2,460	4,267	7,262
Investments	146	-	-	146
Disposals	-	-	-450	-450
Depreciation	-291	-992	-545	-1,828
Balance	-145	-992	-995	-2,132
Purchase value	949	5,002	3,817	9,768
Cumulative depreciation	-559	-3,534	-545	-4,638
Book value as per 30 June	390	1,468	3,272	5,130

The divestments relate to the sale of part of the variety package.

2. Tangible fixed assets (in EUR x 1,000)

The movement per category for tangible fixed assets for the year 2016/2017 is as follows:

	Company buildings and land	Machines and equipment	Other fixed assets	Total 2016/2017	Total 2015/2016
Purchase value	32,482	21,639	2,703	56,824	53,257
Cumulative depreciation	-21,306	-15,593	-2,184	-39,083	-36,195
Book value as per July 1st	11,176	6,046	519	17,741	17,062
Investments	6,677	1,753	213	8,643	3,050
Other value adjustments	-	-	-	-	541
Disposals	-540	-68	-	-608	-
Depreciation	-1,140	-1,751	-173	-3,064	-2,912
Balance	16,173	5,980	559	22,712	17,741
Purchase value as of 1 July	38,619	23,324	2,916	64,859	56,824
Cumulative depreciations	-22,446	-17,344	-2,357	-42,147	-39,083
Book value as per 30 June	16,173	5,980	559	22,712	17,741

Investments in buildings and land mainly concern the purchase of land in Metslawier.

3. Financial fixed assets (in EUR x 1,000)

The movement per category of financial fixed assets is as follows:

	Participations	Receivables from Association HZPC	Other securities	Deferred tax receivables	Other receivables	Total
Book value as per July 1st	2,061	349	25	1,488	40	3,963
Investments/increase	624	-46	-	439	-1	936
Dividend	-80	-	-	-	-	-
Result of participating interests	-278	-	-	-	-	-278
Movements 2016/2017	266	-46	-	439	-1	658
Book value as per 30 June	2,327	303	25	1,927	39	4,621

Participations

These are participating interests that are not consolidated due to minority interests. For an overview of the capital interests, see page 39.

Receivables from Vereniging HZPC (HZPC Association)

These receivables are fully related to Vereniging HZPC regarding loans to growers for purchasing certificates of Vereniging HZPC. The agreed interest rate varies from 0.0% to 2.0%.

The term of the loan is 5 years.

Other securities

The item other securities refers to securities that are intended to be held long-term. The market value of the different classes other securities approximates to the carrying value EUR 25,000.

Deferred taxes

The item deferred taxes relates to deductible temporary differences including tangible fixed assets. Of these assets, a limited amount is expected to be realised within one year.

The loss carry forward and deductible temporary differences not brought for valuation are nil.

Other receivables

The other receivables relates to loans granted to personnel in the amount of EUR 37,000 (2015/2016: EUR 40,000) with an average maturity of 5 years and an interest rate of 4%

4. Inventories (in EUR x 1,000)

	30-06-2017	30-06-2016
Packaging	1,124	1,098
Finished product	337	352
	1,461	1,450

Finished product stock refers to self-developed mini-tubers in particular. On the balance sheet date, no provision for obsolescence is needed for supplies.

Receivables

5. Trade receivables (in EUR x 1,000)	30-06-2017	30-06-2016
Amortised cost of outstanding receivables	53,519	57,399
Minus: provision due to bad debts	-12,630	-15,441
	<u>40,889</u>	<u>41,958</u>

In the amount of the trade receivables there are no amounts with a term longer than one year that are not anticipated.

6. Accounts receivable from participating interests

The amounts refer to participating interests with significant influence.
The remaining term is shorter than one year and free from interest.

7. Taxes, contributions and social security (in EUR x 1,000)	30-06-2017	30-06-2016
Sales tax	4,673	4,556
Contributions and social insurances	61	160
	<u>4,734</u>	<u>4,716</u>

8. Other receivables and accrued income (in EUR x 1,000)	30-06-2017	30-06-2016
Pension contributions	165	926
Licences to be claimed	3,662	2,523
Prepaid expenses	4,355	4,942
Health insurance premium	222	209
Government grants	688	648
Other amounts	2,623	2,164
	<u>11,715</u>	<u>11,412</u>

The other receivables and accrued income contain an amount of EUR 450,000 with a term longer than one year.

9. Cash and cash equivalents (in EUR x 1,000)	30-06-2017	30-06-2016
Cash	10	20
Bank current account	28,451	19,675
Deposits	-	25
	<u>28,461</u>	<u>19,720</u>

The cash and cash equivalents include deposits which are repayable on demand. The item bank current account is freely available like last year.

10. Group equity

For an explanation of the group equity, reference is made to the notes on equity in the company financial statement.
The share of third parties in the group equity is zero.

11. Provisions

Pensions (in EUR x 1,000)

The entry for pensions includes the obligations based on pension regulations and comparable obligations.

The composition and the course of the pensions in the financial year 2016/2017 are shown in the following overview:

	Total 2016/2017	Total 2015/2016
Pension provision staff		
Status as of 1 July	291	317
Donation	53	96
Withdrawal	-60	-122
Status as of 30 June	284	291

The full amount of the pension provision is long-term. The pension provision relates to employees abroad. They have plans that are not comparable to the way in which the Dutch pension system is organised and functions. For these foreign schemes a best estimate of the existing pension liability is made as of the balance sheet date. The best estimate of the pension obligation is determined using the actuarial method. The principal actuarial assumptions that have been used include:

- discount rates: 2.1% based on Bloomberg rate of June 30, 2017;
- chance of survival: Insee mortality table applied.

Other provisions

The following overview shows the movements in 2016/2017:

	Total 2016/2017	Total 2015/2016
Status as of 1 July	376	395
Donation	43	37
Withdrawal	-11	-56
Status as of 30 June	408	376

The other provision relates to anniversary liabilities, calculated on the basis of a 4% discount rate and taking the expected turnover in personnel into account. Out of the total amount EUR 24,000 is short-term.

12. Current liabilities

Growers deposits

The grower deposit has a long-term character, but has been classified under current liabilities because it can immediately be withdrawn by the members. Interest is paid (monthly) on the grower deposits. The interest rate paid at the end of the financial year is 0.1%.

Taxes, contributions and social insurances

	2016/2017	2015/2016
Corporate income tax to be paid	2,106	653
Corporate sales tax to be paid	557	566
Payroll tax and social insurances	433	366
	3,096	1,585

Taxes, contributions and social securities contain no amounts with a term longer than one year.

Other debts and accrued liabilities

	2016/2017	2015/2016
Licences to be paid	1,366	3,142
Wages and salaries to be paid	1,262	723
Pension contributions	775	-
Holiday allowances	1,035	878
Product related costs	7,097	6,154
Pool operating result	654	3,346
Other amounts	5,547	3,898
	17,736	18,141

Other debts and accrued liabilities contain no amounts with a term longer than one year.

Financial instruments

In the normal course of business, the Company uses financial instruments that expose the Company to market, currency, interest rate, credit and liquidity risks. To manage these risks, the company has developed a policy, including the establishment of a system of credit limits and procedures to reduce the risks of unpredictable adverse developments in financial markets and thus the financial performance of the company.

Credit risk

The Company incurs credit risk on loans and receivables recorded under financial fixed assets, trade and other receivables and cash. The maximum credit risk facing the Company amounted to 71 million euros. Exposure to credit risk of the Company is primarily determined by the individual characteristics of each customer. In addition, management also considers the demographics of the customer base, including the default risk of the country in which customers operate, because these factors, particularly in the current deteriorating economic conditions, have an influence on the credit risk.

Due to the unrest in the Middle East, the credit risk in this region is high. The receivables from customers from this region are mostly covered. The Company has taken the following measures to limit credit risk:

- Safeguard measures such as advance payments, letters of credit and bank guarantees are used regularly;
- Credit limits are actively monitored throughout the season;
- No new deliveries are allowed until debts from the previous season have been paid.

Currency risk

As a result of international activities the Company does by way of the receivables and debts recorded in the balance sheet, hold net investments in foreign companies and is exposed to a currency risk in relation to future foreign currency transactions in US Dollars / Pounds Sterling / Polish Zloty and Canadian Dollars in particular. On June 30 2017 the net exposure was converted into EUR at the spot rate on the balance sheet date as follows:

x 1,000	ASSETS		LIABILITIES	
	EUR	local currency	EUR	local currency
USD	2,631	2,999	-	-
GBP	6,036	5,312	919	809
PLN	4,211	17,666	928	3,895
CAD	4,193	5,840	2,103	2,930
Total	17,071		3,950	

Liquidity risk

The Company monitors its liquidity position through successive liquidity budgets. The management will ensure that sufficient liquidity is available to meet the obligations. The Company is partly funded by grower deposits which are repayable on demand by growers. If a large number of growers collect its credit claims this will have a negative impact on the liquidity of the Company. For this, the Company has an overdraft facility of EUR 20 million.

Interest risk

The Company is exposed to interest risk on the interest bearing assets and liabilities, including the grower deposits. Both of these receivables and payables have agreed variable interest rates, which means that the Company is exposed to future cash flows. The interest rate risk on interest-bearing receivables and payables is very limited and therefore the management has taken no additional mitigating measures.

Off-balance sheet assets and liabilities

These include:

- Liabilities under operating leases and rent for an amount of EUR 1.7 million. Of this amount, EUR 0.6 million has a term of less than one year. The remaining amount concerns an obligation for less than five years.
- To hedge commercial transactions in ware potatoes for the coming harvest, HZPC Holland B.V. uses potato futures for the account and risk of the growers. These positions are valued daily at cost price or lower market value. Any results on the year end outstanding positions are recorded in the year to which the harvest relates. The unrealised exchange gain on the balance sheet date at the expense and risk of the growers amounted to EUR 1,750 positive.
- Several claims have been filed against the company and/or group companies, including South Africa, which are contested by it/them. Although the outcome of these disputes can not be predicted with certainty, it is assumed - partly on the basis of legal advice received - that it will not adversely affect the consolidated position.

Notes to the consolidated profit and loss account

Net turnover can be specified as follows in accordance with important yield categories:

13. Net turnover	2016/2017	2015/2016
Seed potatoes	273,802	246,600
Licences	16,432	14,047
Rendering of services	3,351	1,410
Ware potatoes	22,854	27,409
	316,439	289,466

The following overview is provided for the net turnover/percentage spread over the sales areas:

	2016/2017		2015/2016	
	€	%	€	%
Netherlands	49,874	16	54,618	19
Other EU countries	177,193	56	154,175	53
Other European countries	12,457	4	12,079	4
Outside Europe	102,765	32	92,800	32
Intra-group deliveries	-25,850	-8	-24,206	-8
	316,439	100	289,466	100

14. Other income

These are mainly government grants and incidental income.

15. Personnel expenses

	2016/2017	2015/2016
Wages and salaries	18,418	15,635
Social security costs	3,056	2,788
Pension costs	3,384	2,424
	24,858	20,847

Number of employees

During the financial year, the average number of employees at HZPC Holland B.V. and its subsidiaries was 328 FTE, of which 237 are employed in the Netherlands (previous financial year 293, of which 214 FTE were employed in the Netherlands). 340 FTE were employed on the balance sheet date.

Specific details for number of FTEs

	2016/2017	2015/2016
Management and Administration	56	50
Commerce and communication	94	81
Purchasing and logistical planning	76	66
Storage, grading and transport	26	27
Research	76	69
	<hr/>	<hr/>
	328	293

16. Other operating expenses

	2016/2017	2015/2016
Sales costs	1,996	3,693
Office costs	3,541	2,449
Staffing related costs	4,011	2,602
Repair and maintenance	1,456	1,275
Other costs	6,438	5,090
	<hr/>	<hr/>
	17,442	15,109

17. Interest receivable and similar income

	2016/2017	2015/2016
Deposits	-	16
Trade receivables	92	6
Interest on loans to participating interests	-	2
Bank current account	449	242
Other	22	56
	<hr/>	<hr/>
	563	322

18. Interest payable and similar charges

	2016/2017	2015/2016
Grower deposits	-110	-149
Discount	-37	-37
Bank current account	-433	-250
Other	-83	-218
	<hr/>	<hr/>
	-663	-654

19. Corporate income tax

	2016/2017	2015/2016
Applicable tax rate in the Netherlands	25.0%	25.0%
Foreign stock	1.5%	3.6%
Non-deductible amounts	-0.9%	0.5%
Innovatiebox, RDA and other	-1.3%	-8.0%
Other corrections	0.7%	-1.7%
	<hr/>	<hr/>
Effective pressure	25.0%	19.4%

Together with HZPC Holland B.V., Stet Holland B.V., Bonna Terra B.V., ZOS B.V., ZOS WEHE B.V., HZPC SBDA B.V., HZPC SBA Europe B.V., HZPC Research B.V., HZPC IPR B.V. and Solentum B.V. the Company forms a fiscal unit for corporation tax.

The corporate income tax is included in each of the companies for the part that the Company concerned as an independent company would be due, not taking into account any tax facilities applicable for the Company.

The effective tax rate is 25.0% (2015/2016: 19.4%). For the Dutch companies the effective tax rate is lower than the nominal rate of 25% due to extra fiscal deduction possibilities. These are mainly related to R&D activities. For the foreign companies an average tax rate of 28.7% applies (2015/2016: 38.8%).

Other explanatory notes

Transactions with related parties

Transactions with related parties occur when a relationship exists between the company, its participating interests and their managers and directors. This includes the relationships between the company and its participating interests, the shareholders, the directors and key management personnel. Other transactions are to be understood as a transfer of resources, services or obligations, regardless of whether a sum is charged.

There were no transactions with related parties that were not on a commercial basis.

Auditor's fees (in EUR)

The following fees were charged by KPMG Accountants N.V. to the company, its subsidiaries and other consolidated companies, as referred to in Section 2:382a (1) and (2) of the Netherlands Civil Code.

	2016/2017	2015/2016
Paid in the year:		
Audit of the financial statements (KPMG Accountants N.V.)	145,500	97,000
Audit of the financial statements abroad (KPMG network)	83,459	55,453
Audit of the financial statements previous year (KPMG Accountants N.V.)	12,125	-
Tax-related advisory services (KPMG network)	110,439	75,665
Other non-audit services (KPMG network)	34,385	92,157
Auditor's fees	385,908	320,275

Subsequent events

No events have occurred following the balance sheet date with significant financial consequences.

Company balance sheet

(after profit appropriation)

ASSETS	Explanatory notes	30-06-2017	30-06-2016
<i>(in EUR x 1,000)</i>			
Intangible fixed assets	1		
Research and development costs		343	535
		343	535
Tangible fixed assets	2		
Company buildings and land		13,123	7,945
Plant and equipment		-	4,715
Other fixed operating assets		-	11
		13,123	12,671
Financial fixed assets	3		
Participating interests in group companies		41,042	28,692
Accounts receivable from group companies		2,664	2,664
Other participations		5	9
Receivables from Vereniging HZPC (HZPC Association)		303	349
Other securities		25	25
Deferred taxes		1,927	1,488
Other receivables		-	33
		45,966	33,260
TOTAL FIXED ASSETS		59,432	46,466
CURRENT ASSETS			
Inventories	4	-	833
Receivables			
Trade receivables	5	-	26,721
Group companies		11,863	12,295
Accounts receivable from participating interests		-	416
Taxes and contributions		956	2,498
Other receivables and accrued assets	6	-	3,505
		12,819	45,435
Cash and cash equivalents		723	2,484
TOTAL CURRENT ASSETS		13,542	48,752
TOTAL ASSETS		72,974	95,218

Company balance sheet

(after profit appropriation)

LIABILITIES	Explanatory notes	30-06-2017	30-06-2016
<i>(in EUR x 1,000)</i>			
Equity	7		
Paid and called-up capital		15,675	15,675
Share premium reserve		1,433	1,433
Other legal reserves		1,403	1,035
Foreign currency translation reserve		-52	-31
Other reserves		<u>30,793</u>	<u>28,170</u>
		49,252	46,282
Provisions		13	367
Current liabilities			
Grower deposits		-	20,657
Debts to suppliers		-	12,963
Debts to group companies		17,295	372
Debts to participating interests and companies in which they participate		220	-
Dividend to be paid		5,486	4,506
Taxes and contributions		41	793
Other debts and accrued liabilities	8	<u>667</u>	<u>9,278</u>
		23,709	48,569
TOTAL LIABILITIES		<u>72,974</u>	<u>95,218</u>

Company profit and loss statement

	Explanatory notes	2016/2017	2015/2016
<i>(in EUR x 1,000)</i>			
Share in result in participating interests after tax	9	11,542	1,981
Remaining profit after tax		-3,065	5,017
Net income		8,477	6,998

Notes to the company financial statement 2016/2017

General

The company financial statements are part of the 2016/2017 financial statements of the group. With respect to the company profit and loss statement, use has been made of the exemption pursuant to Section 2:402 of the Netherlands Civil Code.

In so far as no further explanation is provided of items in the company balance sheet and the company profit and loss account, please refer to the notes to the consolidated balance sheet and profit and loss account.

Accounting policies

The principles for the valuation of assets and liabilities and the determination of the result are the same as those applied to the consolidated balance sheet and profit and loss account, with the exception of the principles stated below.

Financial instruments

In the company financial statements, financial instruments are presented on the basis of their legal form.

Participating interests in group companies

Participating interests in group companies are accounted for in the company financial statements according to the equity accounting method on the basis of net asset value. For details we refer to the accounting policy for financial fixed assets in the consolidated financial statements.

Result of participating interests

This item concerns the company's share in the profit or loss of these participating interests. In so far as gains or losses on transactions involving the transfer of assets and liabilities between the company and its participating interests or between participating interests themselves can be considered unrealised, they have not been recorded.

Restructuring

Please refer to the explanation on page 36.

Notes to the company balance sheet

1. Intangible fixed assets (in EUR x 1,000)

The movement per category for intangible fixed assets for the year 2016/2017 is as follows:

	Research and development costs	Total 2016/2017	Total 2015/2016
Purchase value	803	803	803
Cumulative depreciation	-268	-268	-
Book value as per July 1st	535	535	803
Investments	76	76	-
Depreciation	-268	-268	-268
Movements	-192	-192	-268
Purchase value	879	879	803
Cumulative depreciation	-536	-536	-268
Book value as per 30 June	343	343	535

2. Tangible fixed assets (in EUR x 1,000)

The composition and movement per category for tangible fixed assets for the year 2016/2017 is as follows:

	Company buildings and land	Machines and equipment	Other fixed assets	Total 2016/2017	Total 2015/2016
Purchase value	19,036	14,117	181	33,334	30,617
Cumulative depreciation	-11,091	-9,402	-170	-20,663	-18,500
Book value as per July 1st	7,945	4,715	11	12,671	12,117
Investments	6,556	-	-	6,556	2,177
Depreciation	-838	-	-	-838	-2,164
Effect of legal restructuring	-	-4,715	-11	-4,726	-
Disposals	-540	-	-	-540	-
Other value movements	-	-	-	-	540
Balance	13,123	-	-	13,123	555
Purchase value	25,052	-	-	25,052	33,334
Cumulative depreciations	-11,929	-	-	-11,929	-20,663
Book value as per 30 June	13,123	-	-	13,123	12,671

3. Financial fixed assets (in EUR x 1,000)

The movement per category of financial fixed assets is as follows:

	Participations in group companies	Receivables on group companies	Other receivables	Receivables on Association HZPC	Deferred tax receivables	Other securities	Other receivables	Total 2016/ 2017	Total 2015/ 2016
Book value as per July 1st	28,692	2,664	9	349	1,488	25	33	33,260	31,728
Investments/increase	-	-	-4	-46	439	-	-33	356	142
Effect of legal restructuring	828	-	-	-	-	-	-	828	-
Result of participating interests	11,542	-	-	-	-	-	-	11,542	1,981
Dividends/repayment	-	-	-	-	-	-	-	-	-344
Exchange rate fluctuations	-20	-	-	-	-	-	-	-20	-247
Movements	12,350	-	-4	-46	439	-	-33	12,706	1,532
Book value as per 30 June	41,042	2,664	5	303	1,927	25	-	45,966	33,260

The receivables from group companies have a term between 3 years and 7 years. Interest is charged on the receivable. This varies from 4% to 6%.

4. Inventories (in EUR x 1,000)

	30-06-2017	30-06-2016
Packaging	-	481
Finished product	-	352
	-	833

No provisions for obsolescence are made on the inventories.

5. Trade receivables (in EUR x 1,000)

	30-06-2017	30-06-2016
Amortised cost of outstanding receivables	-	41,553
Minus: provision due to bad debts	-	-14,832
	-	26,721

6. Other receivables and accrued income (in EUR x 1,000)

	30-06-2017	30-06-2016
Pension contributions	-	926
Licences to be claimed	-	336
Prepaid expenses	-	525
Health insurance premium	-	209
Government grants	-	648
Other amounts	-	861
	-	3,505

7. Shareholders' equity (in EUR x 1,000)

The movement per category of shareholder equity is as follows:

Equity	Issued and called up capital	Share premium reserve	Other legal reserves	Reserve conversion differences	Other reserve	Total
Book value as of 1 July	15,675	1,433	1,035	-31	28,170	46,282
Movements in financial year 2016/2017						
Dividends	-	-	-	-	-5,486	-5,486
Result of financial year	-	-	-	-	8,477	8,477
Exchange rate fluctuations	-	-	-	-21	-	-21
Other movements	-	-	368	-	-368	-
	-	-	368	-21	2,623	2,970
Status as of 30 June	15,675	1,433	1,403	-52	30,793	49,252

Issued capital

The authorised capital on the balance sheet date amounts to EUR 50,000,000 (2015/2016 EUR 50,000,000) and consists of 2,500,000 ordinary shares with a nominal value of EUR 20 each, with 783,725 ordinary shares being issued. The value of the paid and called-up capital amounts to EUR 15,674,500 (EUR 15,674,500 at the end of 2015/2016).

Share premium reserve

The share premium concerns the income from the issuing of shares in so far as this exceeds the nominal value of the shares (above par income).

Other legal reserves

Other legal reserves consist of a legal reserve for participating interests and the legal reserve for development costs.

The legal reserve for participating interests relates to companies that are valued in accordance with the equity method. The reserve concerns the difference between the participating interests' retained profit and direct changes in equity, as determined on the basis of the parent company's accounting policies, and the share thereof that the parent company may distribute. As to the latter share, this takes into account any profits that may not be distributable by participating interests that are Dutch limited companies based on the distribution tests to be performed by the management of those companies.

The legal reserve for development costs relates to the formed reserve of the not yet written off part of the capitalized development costs.

The legal reserve is determined on an individual basis.

Foreign currency translation reserve

Exchange gains and losses arising from the translation of foreign operations from functional to reporting currency are recorded in this legal reserve. In the case of the sale of a participating interest, the associated accumulated exchange differences are transferred to other reserves.

Other reserves

At the General Meeting, it will be proposed to approve the following appropriation of the 2016/2017 result after tax: declaration of a dividend of EUR 5.5 million and addition of the remaining amount of EUR 2.9 million to the other reserves. The change amounting to EUR 368,000 refers to the donation to the legal reserve.

Proposal for result

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2016/2017 result after taxation: an amount of EUR 2,991,479 to be added to the other reserves and the remaining amount of EUR 5,486,075 to be paid out as dividends. Per share certificate, EUR 7.00 is available. This proposal is recorded in the balance sheet under the current liabilities.

8. Other debts and accrued liabilities

	<u>30-06-2017</u>	<u>30-06-2016</u>
Licences to be paid	-	955
Wages and salaries to be paid	467	724
Product related costs	-	1,359
Holiday allowances	-	878
Pool result to be settled	-	3,347
Other amounts	200	2,015
	<u>667</u>	<u>9,278</u>

Notes to the company profit and loss account

Wages and salaries	30-06-2017	30-06-2016
Gross staff wages	934	10,037
Employer's social security contributions for staff	52	1,366
Pension premium	79	1,996
	<hr/>	<hr/>
	1,065	13,399

Specific details for number of FTEs	30-06-2017	30-06-2016
Management and Administration	3	25
Commerce and communication	-	45
Purchasing and logistical planning	-	40
Research	-	63
	<hr/>	<hr/>
	3	173

At HZPC Holding B.V. there were an average of 3 FTE in service, all working in the Netherlands (previous financial year 173 FTE).

9. Share in result in participating interests after tax

This relates to the share in result the company has in participating interests of which EUR 11,789,900 (2015/2016: relates to group companies).

Other explanatory notes

Financial instruments

In the normal course of business, the Company uses financial instruments that expose the Company to market, currency, interest rate, credit and liquidity risks. To manage these risks, the company has developed a policy, including the establishment of a system of credit limits and procedures to reduce the risks of unpredictable adverse developments in financial markets and thus the financial performance of the company.

Credit risk

The Company incurs credit risk on loans and receivables recorded under financial fixed assets, trade and other receivables and cash.

Liquidity risk

The Company monitors its liquidity position through successive liquidity budgets. The management will ensure that sufficient liquidity is available to meet the obligations.

Interest risk

The Company incurs interest on interest bearing assets and liabilities. Both of these receivables and payables have agreed on variable rate interest rate agreements, which means that the Company is exposed to future cash flows. The interest rate risk on interest-bearing receivables and payables is very limited and therefore the management has taken no additional mitigating measures.

Tax entity

Together with its subsidiaries within the Netherlands, the Company forms a tax entity for corporate income tax purposes and value-added tax. The standard conditions stipulate that each of the companies is liable for the tax payable by all companies belonging to the tax entity. The fiscal entity does not differ from the fiscal entity in the consolidated financial statement.

Remuneration of managing and supervisory directors

A statement of the remuneration of the management has been omitted, pursuant to the provisions of Section 383 article 1 of Book 2 of the Dutch Civil Code, final sentence. The remuneration of Supervisory Board members amounts to EUR 76,000 (2015/2016: EUR 71,000).

Joure, 5 October 2017

The Executive Board:

G.F.J. Backx (CEO), Managing Director
H. Verveld (CCO)
J.L. van Vilsteren (CFO)

The Supervisory Board:

M.J. Ubbens, Chairman
C.J. Biemond
M. Kester
E. Kraaijenzank
W. Sinnema

Other information

Result appropriation by virtue of the Articles of Association

Pursuant to article 27 of the articles of association of HZPC Holding B.V., a percentage of the company's profit to be determined by the Executive Board with the approval of the Supervisory Board can be added to the reserves while the undischarged losses of previous years are deducted along with the taxes which are, or will be, charged on the basis of the profit, which may be established by means of an estimate if necessary. The remaining profit is available for disposal at the discretion of the General Meeting of Shareholders. The company can only make payouts of profit available for paying out to the shareholders and any other parties that may be thus entitled to the extent that the shareholders' equity is greater than the paid and called-up part of the capital augmented with the reserves that must be maintained by law or under the articles of association.

Independent auditor's report

To: the General Meeting of HZPC Holding B.V.

Report on the accompanying financial statements

Our opinion

We have audited the financial statements for the year ended on 30 June 2017 of HZPC Holding B.V. (hereafter "the Company"), based in Joure.

In our opinion the accompanying financial statements give a true and fair view of the financial position of HZPC Holding B.V. as at 30 June 2017 and of its result for the year ended on 30 June 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- 1 the consolidated and company balance sheet as at 30 June 2017;
- 2 the consolidated and company profit and loss account for the year ended on 30 June 2017; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of HZPC Holding B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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

Report on the other information included in the annual report

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

- management report;
- other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;
- report of the Supervisory Board.

Based on the following procedures performed, we conclude that the other information:

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

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

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

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

Description of the responsibilities for the financial statements

Responsibilities of the Executive Board and the Supervisory Board for the financial statements

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

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

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.

Our audit included e.g.:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board;
- concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Groningen, 5 October 2017

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