

ANNUAL REPORT

2018



This Annual Report 2018 is published in both Dutch and English. In the event of inconsistencies between the English and the Dutch version, the latter shall prevail. The Annual Report is also available on the internet at www.annualreport-cosun.com.

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Entered in the Trade Registry of the Chamber of Commerce under number 20028699.



EXCELLING IN CREATING VALUE FROM CROPS

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* These sections constitute the Directors' Report within the meaning of article 391, Book 2 of the Dutch Civil Code.

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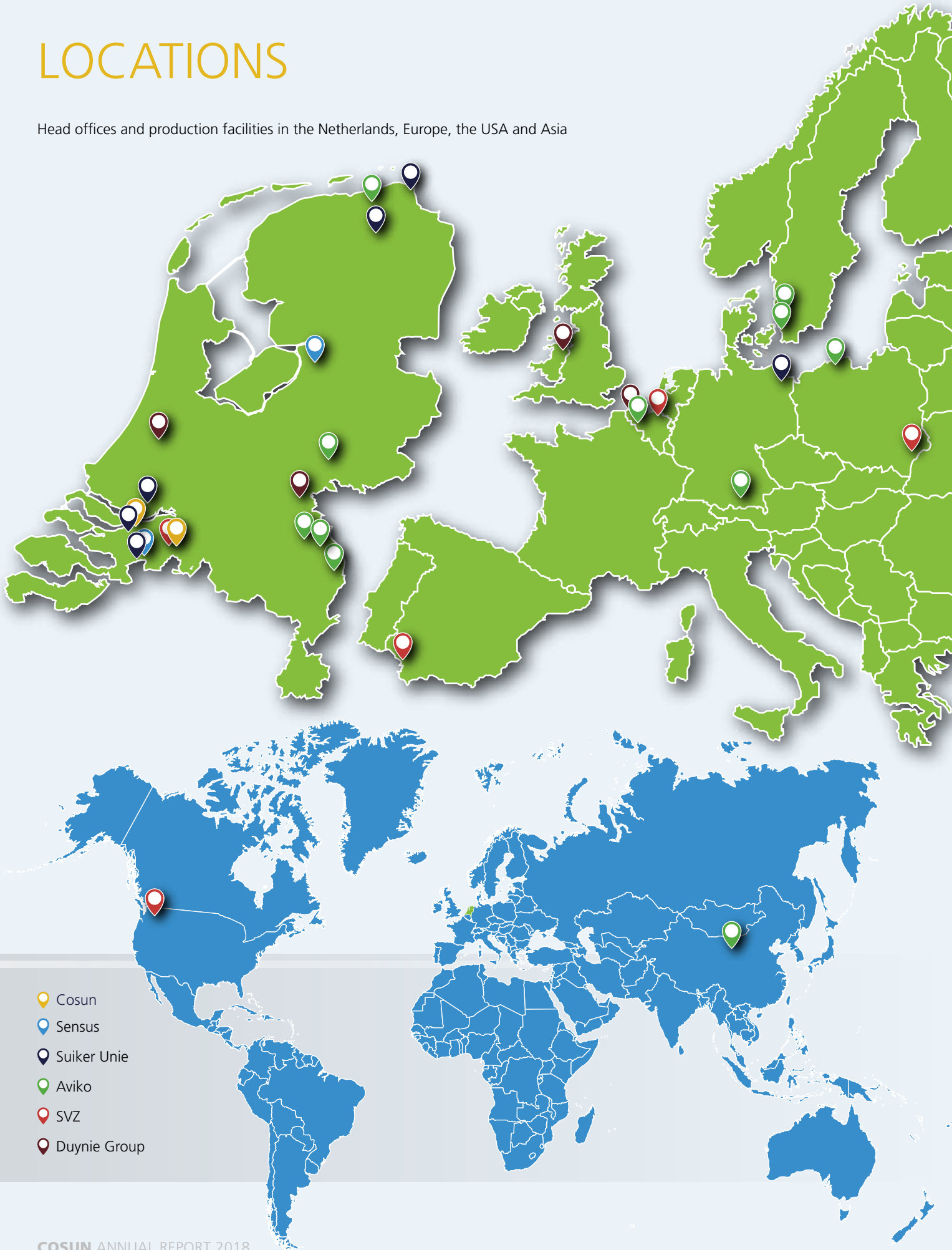
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LOCATIONS

Head offices and production facilities in the Netherlands, Europe, the USA and Asia



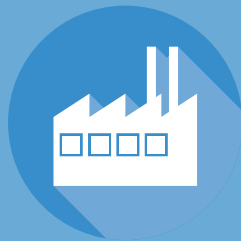
€ 2,046 MILLION
TURNOVER



3,848
FULL TIME
EMPLOYEES



26 PRODUCTION
SITES
(9 COUNTRIES)



9,015
MEMBERS



PROFILE

Royal Cosun is an agro-industrial group that processes arable crops and other vegetable raw materials. Cosun is a cooperative of some 9,000 Dutch sugar beet growers. The cooperative has been processing its members' sugar beet since 1899. Over the years we have added new activities to our portfolio, nearly all of them relating to agriculture or horticulture.

PLANTS AND PRODUCTS

We produce a wide range of ingredients and intermediate products from vegetable raw materials such as sugar beet, potatoes, chicory, fruit and vegetables for the international food industry. We also make products that are sold to consumers through the foodservice (out-of-home and wholesale outlets) and retail channels. We are increasingly developing ingredients for non-food applications. We supply products to the animal feed sector, develop building blocks for biobased chemicals and produce bio-energy (green gas).

Of all the business groups that make up Cosun, Suiker Unie and Aviko are the most widely known. They have traditionally produced sugar and potato specialities respectively. Sensus produces inulin from chicory. Inulin is a dietary fibre that reduces the sugar and fat content of foodstuffs. SVZ processes fruit and vegetables into concentrates and purees for the food industry. Duynie is a trader and distributor of animal feed and develops advanced applications based on residual flows and co-products from the food industry.

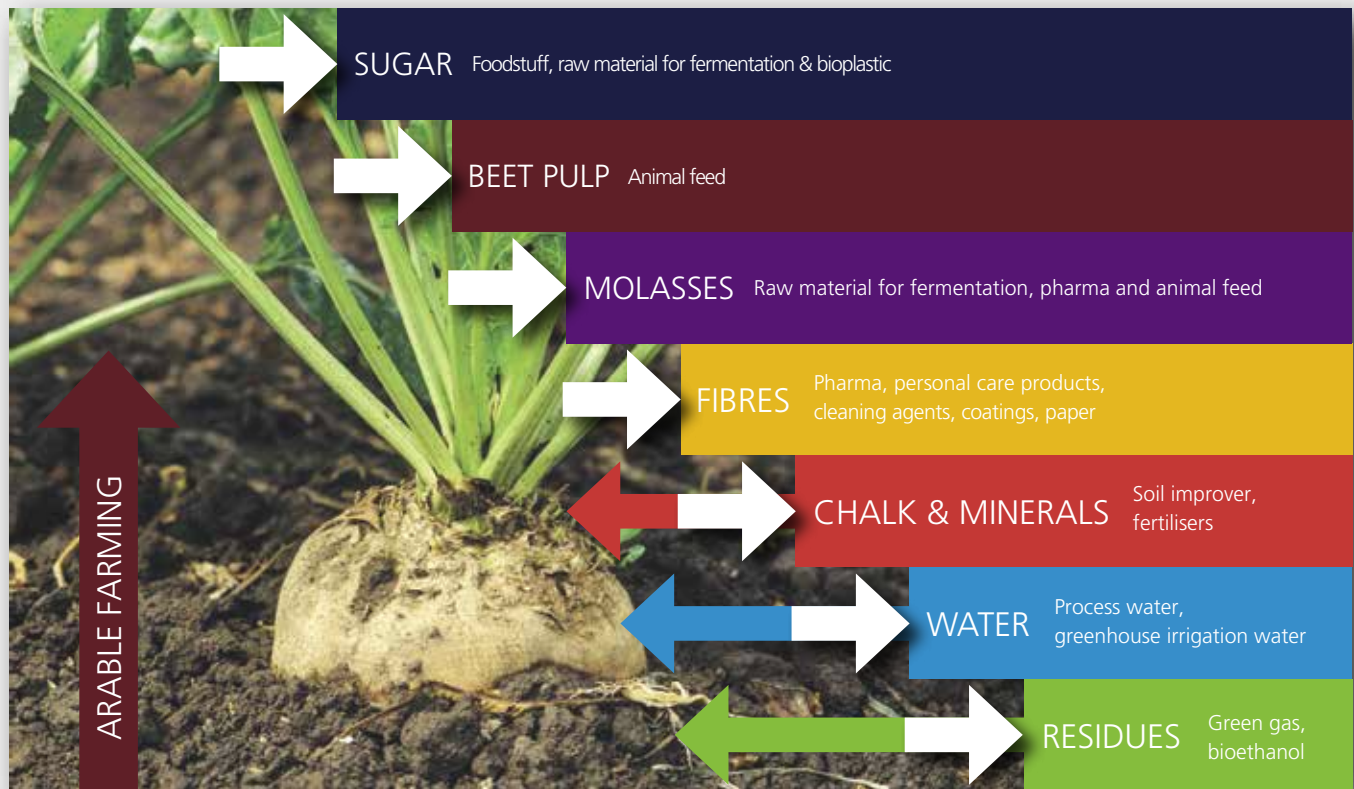
INNOVATION

Cosun actively develops and produces functional ‘green’ chemicals and materials based on renewable vegetable raw materials. Its innovations are used in a wide range of applications. Cosun Research & Development (R&D) has a modern, well-equipped facility in the Cosun innovation center, where it works on new and improved applications of vegetable raw materials, innovates process technology, optimises energy management and, in cooperation with customers or otherwise, develops new products. Cosun R&D also works with a variety of institutions and universities in the Netherlands and abroad.

MISSION

Cosun’s mission is to excel in the creation of value from vegetable raw materials for the benefit of its customers, growers and staff. Our goal is to make optimal use of the crops while respecting the environment. By working with others, we learn through doing and continuously strive to do better. Together, we add lasting value to the agricultural supply chain and strengthen the continuity of arable farming in the Netherlands, the Cosun business groups and society. We encourage our staff to get the best out of themselves in a pleasant and safe working environment.

ALL THE VALUE OF THE SUGAR BEET



PRINCIPLES

Cosun recognises the value of corporate social responsibility. The Cosun Principles provide guidance for all our staff, directors and supervisors. They describe how we should conduct ourselves and what we can be held accountable for, not only by each other but also by our customers, business partners and the society of which we are a part. We have identified four key concepts that define our values and standards and how we can live up to them in our work and in our contact with each other:

- We work together
- We work sustainably
- We show respect
- We value a safe workplace and a good product

STRATEGY

Our strategy is geared to profitable growth through the sustainable processing of vegetable raw materials into food, feed and non-food products and ingredients and sustainable energy. In doing so, we contribute to the continuity of arable farming in the Netherlands, to the Cosun business groups and to society at large by creating a variety of products, with foodstuffs at the forefront. We consider Europe to be our home market but are increasingly spreading our wings as far as America and China. Profitable growth is a means to create value. We have prioritised organic growth in our core activities in order to retain and where possible increase our market share and grow through the innovation of processes and new ingredients and the development of new biobased markets.

BUSINESS MODEL

Cosun is the link between vegetable raw materials and end products (both bulk and speciality) in many markets. Our core activity is the large-scale biorefinery of vegetable raw materials (biomass) to extract as much of their high value components as we can. We make use of everything we extract and attempt to close value cycles wherever we can. Our commitment and contribution extend throughout the supply chain and begin with the advice and support we provide to our growers. A sophisticated logistics operation delivers the biomass to our factories for industrial processing. Our focus on innovation embraces both product development and the sustainability of processes.

BUSINESS MODEL



KEY FIGURES

As a cooperative of Dutch sugar beet growers, Cosun buys the sugar beet supplied by its members at a price based in part on the group's results. The beet price is recognised in full in the profit and loss account as a cost of raw materials and consumables. It therefore influences the operating profit and the net profit for the year.

In millions of euros (unless stated otherwise)	2018	2017
FINANCIAL		
Net turnover	2,046	2,112
Operating profit	1	108
Recurring EBITDA*	142	198
Net profit	0	75
Cash flow from operating activities	24	312
Capital expenditure on fixed assets	128	187
Group equity	1,246	1,250
Group equity as a percentage of total assets	69	66
Average beet yield per hectare in the Netherlands (in euros)	2,667	4,041
Quota sugar beet price (in euros)**	35.59	45.65
Members' bonus	14	96
SOCIAL		
Average number of employees***	3,848	3,850
Sickness absence (%)	4.2	4.2
Number of lost time incidents (per 1,000 employees)	17	19
ENVIRONMENT****		
CO ₂ emission (in tonnes per tonne of product)	0.22	0.23
Water consumption (in m ³ per tonne of product)	2.3	2.7
Residual matter (in tonnes per tonne of product)	0.06	0.08

* Recurring EBITDA comprises operating profit before depreciation and amortisation and after adjustment for activities divested and non-recurring items.

** Per tonne of beet with average sugar content and average extractability.

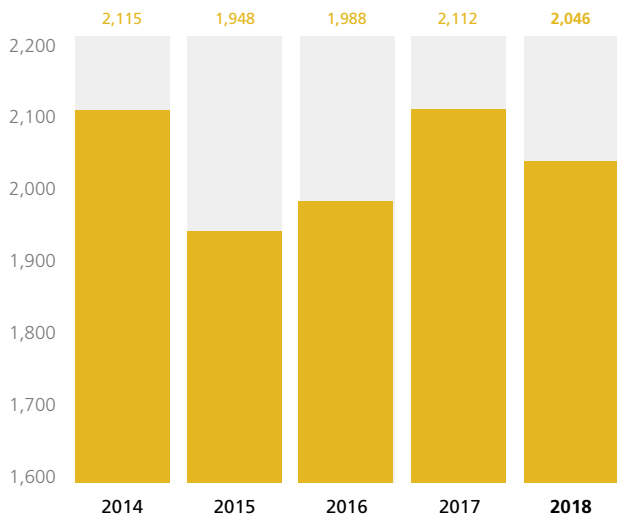
*** Average number of FTEs.

**** See [Corporate social responsibility](#) for further information.

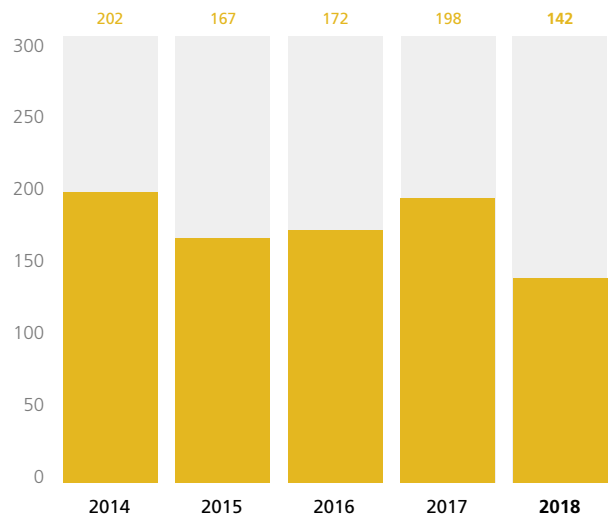
Impression of Aviko's
new cold store
in Steenderen



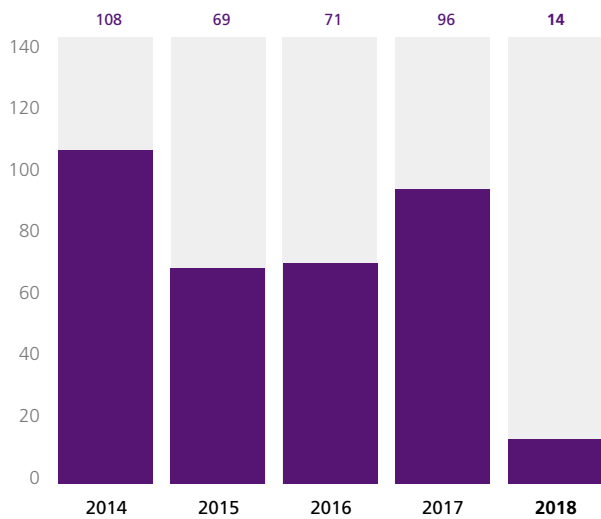
Net turnover in millions of euros



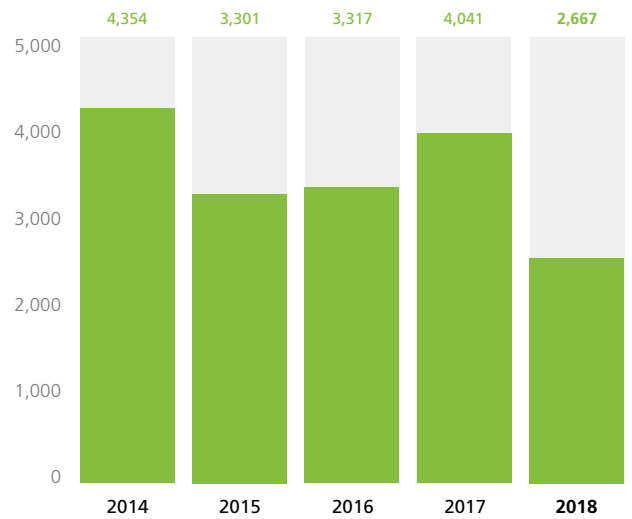
Recurring EBITDA in millions of euros



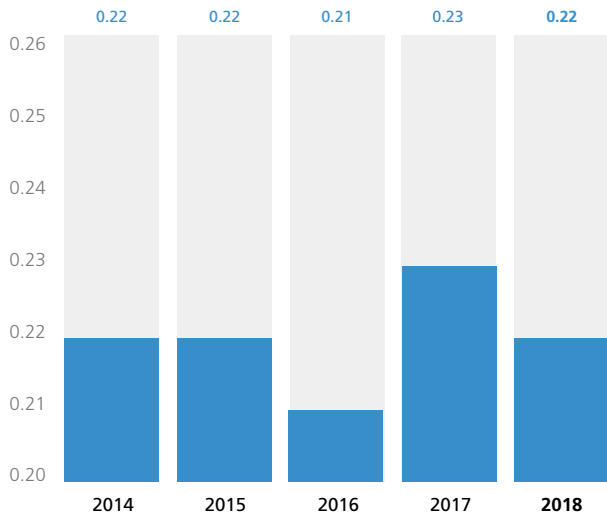
Members' bonus in millions of euros



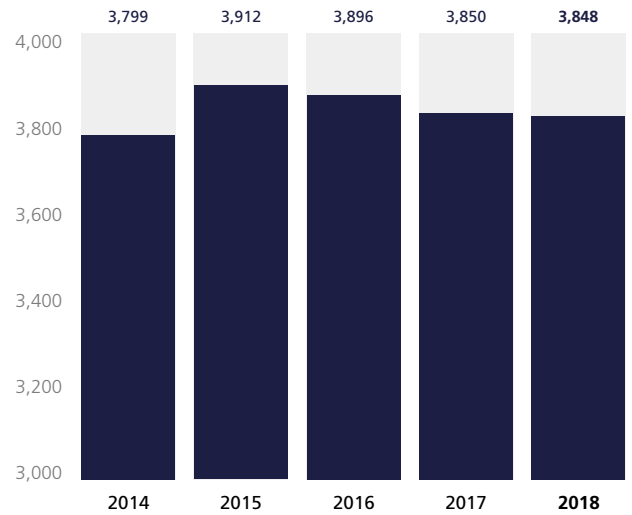
Average yield per hectare in euros



CO₂ emission in tonnes per tonne of product



Average number of employees in FTEs



REPORT OF THE COOPERATIVE

In the tumult following the abolition of the EU sugar market organisation, sugar prices fell sharply in 2018. The record EU beet harvest in 2017 had already created a surplus on the European sugar market and this, in combination with low prices on the world market, inevitably led to price erosion. Cosun's results for the year came under severe pressure. In consequence, the price paid by the cooperative to its members for their beet was substantially lower than in previous years.

The members' council held three scheduled meetings in 2018. The agenda included the payment policy, Cosun's stance on crop protection and the frost policy, the premium policy and the surplus beet price, which can fluctuate between 20 and 30 euros per tonne. The performance of the business groups in general and the result of Suiker Unie in particular was a recurrent item on the agenda of the Members' Council. The allocation enables us to respond to developments in the sugar sales markets. An additional meeting was held in the autumn to discuss the developments of Aviko. 'Beet tourism' was discussed in detail. This phenomenon arises when beet are supplied by members who did not grow them. Cosun has tended to turn a blind eye to beet tourism but it formalised this unofficial practice in 2018. As a rule, all beet must now be grown by the member who supplies them. If a member sows sufficient beet seeds but circumstances prevent him or her from supplying the agreed volume of beet, however, the grower may supply beet grown by another member. Beet tourism will therefore remain as a mechanism to compensate for a below par crop. We have had to formalise the practice because it results in Cosun paying a higher price for the beet it receives. This exerts pressure on the cooperative's financial results and consequently on the level of the members' bonus. The members involved in beet tourism gain a financial advantage but others are financially disadvantaged. The rules have been clarified to prevent unnecessary discussion of the principle and practice of beet tourism. The policy will be evaluated and discussed with the members in the first half of 2019.

GOVERNANCE

Cosun bade farewell to the Vice-Chairman of the Board, Johan Klompe, at the annual meeting in 2018. Johan richly deserved all the praise he received for his many years' dedication to the cooperative. He has been succeeded as Vice-Chairman by Arwin Bos; Ms Marianne van den Hoek has been appointed to the Board.

The Board's Chairman, Dirk de Lugt, has been re-elected, as has Sander Wijkstra. Jakob Bartelds was re-elected to the Supervisory Board as its Chairman and Edwin Michiels as a member.

SUGAR SYSTEM

A second topic that featured prominently on the agenda was the allocation for 2019. In the summer of 2018, when another record crop was expected and sugar prices on the world market were undeniably low, it had been decided to set the allocation at 95%. It was thought that 200,000 tonnes of sugar could be carried over to 2019, when less would be produced. The hot and very dry summer, however, meant the 200,000 tonnes were never produced. A second decision was therefore taken in the autumn setting the allocation at 100%. The supply obligation for 2019 remains linked to the initial lower 95% allocation. The aim is in any event to produce enough sugar to meet our customers' needs in 2020.

The growers will be held to their supply allocation. If they are nevertheless unable to meet it, they must apply for an exemption in good time and demonstrate that they had sown sufficient hectares to meet the allocation. If they do not satisfy the conditions, the Board may fine them. A very small number of growers were fined in 2018. Participation in the Unitip crop registration system has been compulsory since the 2018 campaign. An overwhelming majority of the growers enter their data in the system punctually. Growers who do not enter all their data on time do not receive the final payment for the beet they supply.

MEMBERS AND SUPPLY CERTIFICATES

DISTRICT / SECTION	31 December 2018		31 December 2017	
	Number of members	Number of supply certificates	Number of members	Number of supply certificates
Zeeuwsch-Vlaanderen	722	389,184	728	388,658
Zeeland-Midden	618	342,949	627	342,187
Zeeland-Noord	334	207,919	337	207,219
Goeree-Overflakkee	195	154,396	201	154,739
West-Brabant	779	437,114	796	434,205
Zuid-Hollandse Eilanden	322	229,128	329	228,252
Holland-Midden	234	158,171	238	162,826
Kop van Noord-Holland	419	313,059	421	313,413
Oostelijk Flevoland	343	372,263	359	393,111
Noordoostpolder	590	379,013	610	387,458
Zuidelijk Flevoland	144	193,198	150	200,225
Friesland	259	212,342	265	212,279
Groningen	1,027	956,530	1,036	943,553
Drenthe/Overijssel-Noord	946	1,061,828	956	1,047,860
Overijssel-Zuid / Gelderland	306	164,574	308	163,114
Maas&Meierij / Limburg-Noord	490	232,416	504	231,114
De Kempen	338	192,215	339	187,158
Limburg-Midden / De Peel	444	245,102	462	244,446
Limburg-Zuid	505	303,968	516	303,288
TOTAL members Cosun	9,015	6,545,369	9,182	6,545,105

YOUTH COUNCIL

Seven regional meetings with young beet farmers were organised in cooperation with the Cosun Youth Council during the year. At these informal get-togethers the young farmers learnt about the future of beet farming and the cooperative's part in it. The participants thought the meetings were valuable. Cosun will therefore organise another series of 'barn meetings' in 2019.

CROP PROTECTION

Neonicotinoid insecticides were banned in 2018. These crop protection agents may no longer be used with effect from the 2019 growing season and seeds that have already been treated with neonicotinoids may not be sown. Cosun had called for a temporary exemption for a lower dosage of one of the pesticides, Cruiser, but the Ministry refused to honour its requests.

As there are no ready alternatives, we must accept that yields will be lower in 2019. This is bad news for both farmers and processors, especially in a year in which Dutch arable farmers' incomes will come under substantial pressure anyway.

LETTER FROM THE CHAIRMAN AND THE CEO

In line with expectations, in 2018 Cosun was unable to hold on to the upward trend in results seen in previous years. The group profit was substantially lower. The decisive factor proved to be the very low selling prices quoted on the international sugar market. The disappointing results have forced us to take extra measures in our sales markets and to exercise even stricter cost control. There is no reason, however, to postpone or cancel planned investments in efficiency improvements and innovation, but we will be extra judicious about their timing and size.

Sugar prices on the world market fell to their lowest level in decades in 2018. European sugar prices accordingly also came under pressure. The exceptionally high 2017 campaign had created substantial surplus stocks in the European Union, which placed additional pressure on selling prices from the very beginning of 2018. Prices fell to unprecedented levels as the year progressed. Exports to the world market, where prices were already exceptionally low, offered no relief. This combination of setbacks forced Suiker Unie to report a loss for

the first time in its history. As Suiker Unie still accounts for the lion's share of the group result, Cosun's profit for the year was substantially lower than in the past.

Cosun is a cooperative of Dutch sugar beet farmers and believes its members should receive a fair price for the sugar beet they supply. That, after all, was one of the reasons to establish the original cooperative sugar factories. Growers deserve a fair price for their sugar and Suiker Unie must have enough sugar to satisfy its customers' needs. This is why Cosun offers its members a guaranteed minimum beet price. The minimum beet price is relatively high, especially in relation to European selling prices, meaning that Suiker Unie was unable to cover its costs from the sales contracts it fulfilled in 2018.

EXCEPTIONAL

2018 was an exceptional year in many respects. Weather conditions during the growing season in the Netherlands and large parts of Europe affected not only the cooperative's results but also the profitability of arable farming itself. The drought has led to extra costs, for example for field irrigation, or



substantially reduced the yield per hectare, and thus the farmers income. Cosun had promised its growers a minimum price of EUR 32.50 per tonne of beet. The disappointing results for the year were reflected in the very modest bonus Cosun paid to its members. The beet price for 2018 was set at EUR 35.59 per tonne of beet of average quality, significantly less than in previous years.

SPREADING RISKS

Aviko turned in a good financial result. The protracted drought in the summer months meant fewer potatoes were available, which drove up the cost of sales. The outlook is favourable, however, because the world market for French fries is still growing by three to four per cent per annum. The closure of Aviko's factory in Amberger (Germany) in order to stem its losses could not be avoided. The Snow Valley joint venture in China was dissolved towards the end of 2018. The relationship with the Chinese partner was too unsteady to continue the partnership and Aviko is now exploring other avenues to continue its activities in and for China.

Sensus and SVZ had a difficult 12 months and their results were lower than in the previous year. Both business groups are having to cope with wider fluctuations in prices and pressure on margins. Duynie Group is growing and turned in stable results.

On balance we have had to accept a significantly lower profit for the year and Cosun will not see an improvement in its results until selling prices on the international sugar markets pick up again. Our strategy of spreading risks across several activities has again proved its value. But we must also conclude that the results of our other activities cannot make up for the decline in the sugar result. Low sugar prices will again have an impact on Cosun's results in the current financial year. Some of the pressure on prices will be relieved by a reduction in the substantial sugar stocks. The size and quality of the harvests will be determined in part by weather conditions. We trust that the market and selling prices will show signs of recovery again.

ENVIRONMENTAL IMPACT

Harvests and selling prices are not the only factors to influence Cosun's results. In the Netherlands, the Climate Agreement will introduce measures to green the economy, chiefly by replacing natural gas from Groningen with alternative energy sources. Cosun is studying opportunities to make its own energy supplies more sustainable and is taking measures to reduce its CO₂ emissions wherever possible. The Cosun business groups have taken meaningful steps towards energy transition and will continue to do so. The Netherlands must take care, however, that it doesn't price itself out of the market to neighbouring countries. The Brexit situation is currently so speculative that little can be said about it except that uncertainty about the consequences is restraining growth.

Despite the decline in financial results in 2018, we will continue our investment programme. We will invest in efficiency measures, such as Aviko's new cold store at its factory in Steenderen, and in organic growth, such as at Duynie's production facility for pet food ingredients, and in research and development with a view to developing innovative products and applications for the longer term. Precisely because of the uncertainty and volatility in our main markets, we are not wavering from our strategy and its execution. As a major arable cooperative in the Netherlands, we recognise our responsibility to our members, staff, customers and other partners.

Dirk de Lugt
Chairman of the Board

Albert Markusse
President & CEO of the
Executive Board

Breda, 14 March 2019

"A fair price for the beet supplied, one of the reasons to set up the sugar factory cooperative"

FINANCIAL PERFORMANCE

Cosun realised a lower turnover and a substantially lower profit in 2018 than in 2017. Suiker Unie's results, and thus Cosun's, were depressed by low sugar prices. All the other business groups made a positive contribution to the result. Owing to the low beet prices and disappointing crop yield, 2018 was not a good year for our beet growers.

RESULTS

Operating profit including non-recurring items amounted to EUR 1 million (2017: EUR 108 million). Recurring EBITDA (operating profit before depreciation and amortisation and excluding non-recurring items) fell to EUR 142 million, in comparison with EUR 198 million in 2017. The members' bonus paid by the cooperative as part of the beet price declined to EUR 14 million (2017: EUR 96 million). The members' bonus is recognised in the operating profit as a cost of raw materials. The net profit came to EUR 0 million (2017: EUR 75 million).

PERFORMANCE OF THE BUSINESS GROUPS

Prices on the world sugar market fell to their lowest level in ten years in 2018. The abolition of the EU sugar production quota, moreover, had triggered a sharp increase in European sugar production in 2017. More hectares were sown and the yield peaked during the 2017 campaign. As a result, prices in the European market plummeted in 2018. The entire European sugar industry suffered the negative consequences. Suiker Unie ended the year in the red. Selling prices in 2018 were lower than in the previous year. Forward prices for 2019 were also struck at low levels in 2018. Part of the stock therefore had to be marked down to lower market value and provisions had to be formed for loss-making contracts. The volume of European sales was similar to that in 2017 but exports outside Europe were higher on account of the record harvest from the 2017/2018 campaign.

The beet harvest and subsequent sugar production were hit hard by the extreme drought in the 2018 growing season. The campaign lasted 120 days, with 6.6 million tonnes of beet being processed. The German sugar factory also ran a short but productive beet campaign. Bio-ethanol prices were lower than in the previous year. Our strategy is geared to maintaining our position in the European market and controlling costs wherever possible.

For the third year in succession, Aviko turned in a good result. Its European French fries factories and Aviko Rixona's potato flakes and granules activities had an excellent year in 2018.

The disappointing potato harvest triggered an increase in raw material costs in the fourth quarter and exerted pressure on the result. Nevertheless, profitability remained firm over the year as a whole. Sales were higher and the position in higher value products was stronger. The Amberger production facility in Germany was shut down at the end of 2018 and an additional asset impairment was recognised. The joint venture with Snow Valley in China booked success in the market but cooperation with the Chinese partner was difficult and we therefore decided to dissolve the joint venture and allow Aviko to pursue its own strategy in this attractive growth market. The sale of the 51% interest has a positive effect on Aviko's result.

Sensus reported higher turnover in 2018. Sales of inulin were firmer, especially in Europe and Asia. Sales in the US were more or less unchanged. The financial result for the year, however, was lower than in 2017. Selling prices came under pressure from greater competition and higher costs. Movements in the US dollar exchange rate also had a negative impact on the result. In the summer, the US Food and Drugs Administration reached a positive decision on the status of inulin as a dietary fibre. Sensus accordingly expects an increase in US sales. The chicory harvest was lower on account of the drought. The area under chicory will be higher in 2019 in order to meet the growing demand for inulin.

SVZ's turnover was slightly lower in 2018 than in the previous year. The result fell more steeply, partly because of the disappointing carrot harvest in Poland and the low prices for red fruit, which meant the value of existing stocks had to be written down. Furthermore, SVZ faced higher energy costs in both Europe and the US and higher labour costs, especially in eastern Europe. SVZ will continue to strengthen its position as a reliable supplier that respects all aspects of sustainability in the supply chain.

Duynie Group can look back on a good year; its profit for the year was comparable to that for 2017. All parts of the group contributed to the result. Turnover was lifted by higher sales, chiefly to livestock farmers, of co-products from the European

food industry. Novidon profited from the firm demand for starch products. To enable further growth of pet food ingredient sales, Duynie is investing in a new low energy factory in Cuijk.

FINANCING

We made only limited use of external financing last year. The EUR 400 million Revolving Credit Facility (RCF) was not drawn upon. The final tranche of the EUR 31 million debt to institutional investors was repaid in 2018. Limited additional financing was attracted in 2018 from the Cosun member loan programme introduced in 2015. Under this programme, the members of Cosun can lend part of their beet delivery/business termination payments to the cooperative for a fixed term of between two and five years. In total, EUR 30 million has been lent to date. The financing expense for the year recognises part of the income from refunded production charges. The financing expense for 2018 accordingly came to EUR 1 million.

TAX BURDEN

The effective tax rate in 2018 was 15.1% (2017: 25.5%). The rate was lower than the standard rate in the Netherlands owing to differing rates abroad.

CASH FLOW

Cosun generated a positive cash flow from operating activities of EUR 24 million in 2018 (2017: EUR 314 million). The decline on the previous year was due to the lower operating profit. Working capital, moreover, was increased by higher stocks and debtors but an even sharper decline in current liabilities, chiefly on account of the lower members' bonus. Investments and payments to members reduced the cash position.

INVESTMENTS

Investments amounted to EUR 128 million (2017: EUR 187 million). Suiker Unie invested less than in previous years as the programme to increase the capacity of its factories had been brought to its conclusion in 2017. In 2018, it invested in increasing storage capacity for molasses in Vierverlaten, additional thick juice storage in Anklam (Germany) and additional biogas production.

Aviko invested in additional freezing capacity at Steenderen and Rain (Germany). These projects will continue into 2019. Investments were also made to increase Rixona's water treatment capacity in Venray. Duynie is building a new ingredients factory in Cuijk that will use residual heat to dry ingredients for the pet food industry. Other investments related chiefly to replacement projects at all business groups.

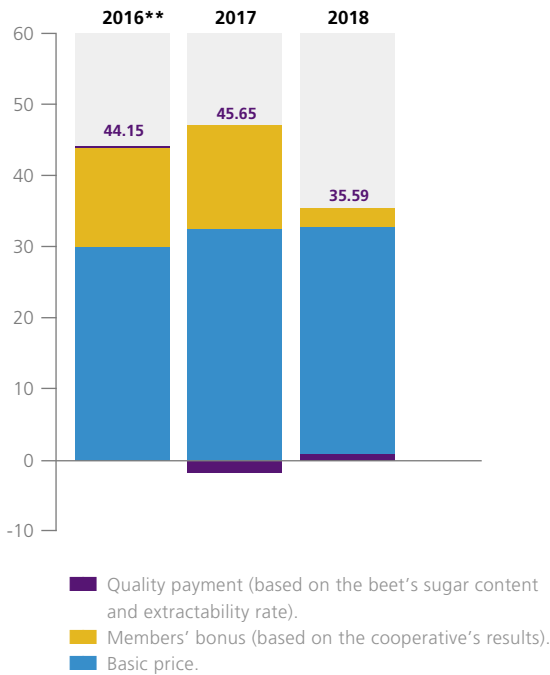
BALANCE SHEET

Total assets declined to EUR 1,811 million in 2018 (2017: EUR 1,901 million). The negative cash flow reduced the cash position by EUR 95 million. Owing to the lower profit for the year, group equity was fractionally lower at EUR 1,245 million (2017: EUR 1,250 million). Group equity was equal to 69% of total assets as at 31 December 2018 and was higher than a year earlier. Group equity remained virtually unchanged but total assets were lower. The group maintained its strong financing position. As the result for 2019 will also come under pressure from low sugar prices, we expect a further reduction in the cash position in 2019.

BEET PRICE

The members' bonus for 2018 was set at EUR 14 million and was paid as part of the quota beet price. The basic price for quota beet was set at EUR 32.50 per tonne, and the members' bonus at EUR 2.25 per tonne. On balance, the price paid to members for quota beet with 17% sugar content and an extractability rate of 91 therefore amounted to EUR 34.75. The price paid for quota beet with average sugar content and average extractability was EUR 35.59 (2017: EUR 45.65). The volume of quota beet was 7% lower at 6.3 million tonnes. The average price paid for surplus beet was EUR 30.72. At 13.2 tonnes, the average sugar yield per hectare was significantly lower than in 2017 (15.5 tonnes). The average financial yield per Dutch beet grower was EUR 2,667 per hectare. This is EUR 1,374 (34%) lower than in the previous year as both the yield per hectare (tonnes of beet per hectare) and the price paid per tonne were lower.

Quota beet price* in euros per tonne



* Price in euros per tonne of beet with average sugar content and average extractability.
 ** The quota beet price for 2016 has been recalculated for 17% sugar content and an extractability rate of 91.

PROSPECTS

The volatility of prices for agricultural products is a major determinant of Cosun's results. The decline in European sugar prices in 2018 will continue to have an impact on the result for 2019. Suiker Unie is therefore expected to report an even bigger loss than in 2018.

Given the projected shortfall in the sugar production and consumption balance and the decline in the area under beet in the European Union, the long-term outlook is for a recovery in sugar prices and thus in the result. We are in a strong competitive position thanks to the economies of scale afforded by our factories and our growers' high average yields per hectare. We expect Aviko to achieve virtually the same result. High European spot prices for potatoes will underpin an increase in selling prices. Sales, however, will be slightly lower on account of the divestment of our share in the joint venture in China and the disappointing potato harvest. We expect the other activities to realise a modest increase in their results.

SVZ should see a recovery in its result for 2019 as harvest conditions return to normal. We expect Sensus and Duynie to report a slightly higher result. On the whole, we expect Cosun's profit for 2019 to be lower than that for 2018, chiefly on account of the lower result on sugar.

Our financial position remains healthy. Cosun will continue to invest in strengthening its position in the various markets it serves. We will invest in organic growth, including efficiency gains and innovation, and will make strategic acquisitions where possible. We expect the number of employees to remain stable.

CORPORATE SOCIAL RESPONSIBILITY

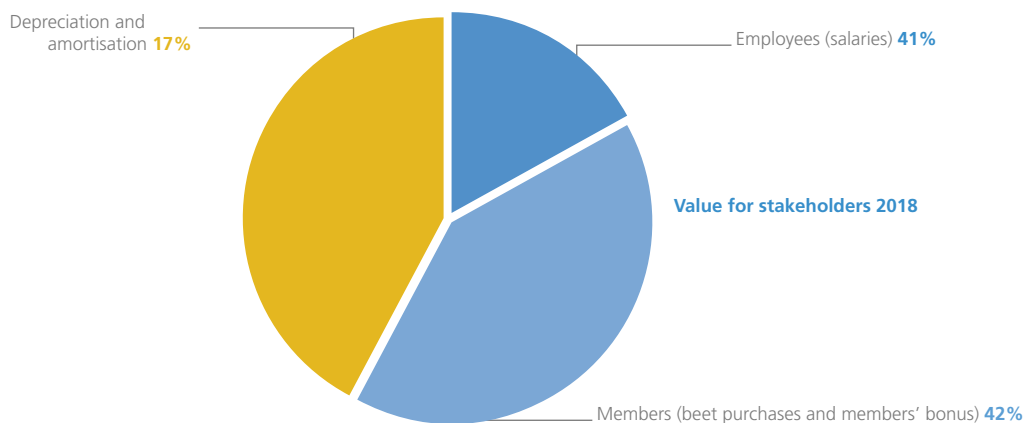
Cosun is responsible for everything that happens within the business groups, from the safety of working conditions to the consumption of raw materials, energy and water. And we feel equally responsible for how our raw materials are grown and for the inconvenience our factories cause to local residents.

A business must meet the needs of its customers and create value for its stakeholders. The figure below shows what we did with the value Cosun created in 2018. We paid our members for the beet they supplied, including the members' bonus,

we paid salaries to our employees and we paid taxes to the government. We also invested some of the profit for the year in the further growth and development of Cosun.

Added value (in millions of euros)	2018	2017
Net turnover	2,046	2,112
Other revenue and stock movements	48	-/ 42
Payments to suppliers of raw materials	-/ 1,019	-/ 930
Payments to other suppliers	-/ 433	-/ 387
Added value created	642	753
Employees (salaries)	264	258
Members (beet payments and members' bonus)	269	284
Financiers (interest)	1	5
Government (taxes)	-	26
Value created for stakeholders	534	573
Retained profit	-	75
Depreciation and amortisation	108	105
Value created for reinvestment	108	180

Reinvested value 2018



PRIORITIES

As well as creating value for our stakeholders, with the cooperative's members in the first place, we have identified four areas in which we are willing and able to bring our influence to bear:

- optimising farm production in recognition of our responsibility to growers and the environment;
- optimising production processes with a view to raw material use and the environment;
- investing in staff skills and a safe working environment;
- respecting the interests of other stakeholders and being accountable to them.

OPTIMISING FARM PRODUCTION

Sustainable cultivation means realising the highest possible yield per hectare using the fewest possible inputs. New varieties and modern processing techniques are good for the soil and biodiversity. Soil conservation and biodiversity are important factors for the longer-term security of food supplies. We and our growers are therefore investing in the further improvement, optimisation and sustainability of cultivation. Cosun is an active participant in many initiatives, such as the SAI Platform for sustainable agriculture and the Skylark Foundation for sustainable arable farming.

The agricultural services and agronomists at our business groups help the growers and suppliers of our raw materials improve the quality of their crops. Crop registration programmes increase our insight into our growers' performance and make the production chains more transparent. All sugar beet growers are required to enter their crop data in Suiker Unie's Unitip crop registration system. Sensus has introduced a similar system, Crop-R, for chicory growers. Aviko and SVZ are also investing in registration programmes. The more we buy on contract from growers, the easier it is to organise the programmes.

OPTIMISING PRODUCTION PROCESSES

Our factories need energy to process raw materials into foodstuffs and intermediate products. In 2010, Cosun set itself the target of using 2% less energy every year. Energy consumption per tonne of product is a measure of the efficiency of our production processes: the lower the better. Our CO₂ emission in 2018 was slightly lower at 0.22 tonne of CO₂ per tonne of product (2017: 0.23 tonne of CO₂ per tonne of product).

The Dutch government's implementation of the Paris Climate Agreement requires businesses, including Cosun, to be largely CO₂ neutral by 2050.

Cosun has accepted this challenge and has carried out a study to determine how its business groups can rise to it and what technologies they will need to achieve it. The costs and consequences cannot be estimated with any accuracy at present but there is no doubt that they will be very substantial.

The volume of organic residues was lower in 2018 than in the previous year. The lower sugar beet harvest for the year meant less organic material was sold to external processors. The volume of other waste was also lower than in 2017, continuing the downward trend in waste flows.

EMPLOYEES

Cosun aims to offer all its staff a safe working environment and opportunities to develop themselves and their skills. Good working conditions are important for both the employees' wellbeing and their productivity. Safety at work is a key priority. The number of lost time incidents has declined in recent years. In 2018 there were 17 such incidents per 1,000 FTEs, down from 19 in 2017. To continue this downward trend, Cosun will continue to focus to reduce the number of lost time incidents. The Cosun safety platform discusses and shares practical experiences and potential improvements within the group. Near-incidents, incidents and unsafe situations are analysed in order to improve workplace safety and staff conduct. The rate of sickness absence was unchanged at 4.2% and remained below the industry average calculated by Statistics Netherlands (2017: 5.0%).

In full time equivalents, the number of employees at Cosun was virtually unchanged, declining from 3,850 in 2017 to 3,848 in 2018. The number of men in the overall workforce has always been far higher than the number of women. In 2018, women accounted for 22% of the workforce and men for 78%, the same as in the previous year. The staff often enjoy a long career with us and accumulate a great deal of knowledge and experience. It is important that they continue to develop their know-how and competences and so continue making a valuable contribution to the cooperative. We therefore invest in our people by offering them education and training courses. The average number of training days per employee in 2018 was 3.

Cosun offered more than 170 young people (2017: 140) a work placement or graduation project in the Netherlands in 2018: 100 university students and 73 vocational students. As a socially engaged business, Cosun offers placements so that young people can gain relevant work experience. Experienced members of staff act as supervisors and coaches. This costs time, of course, but it is not without results.

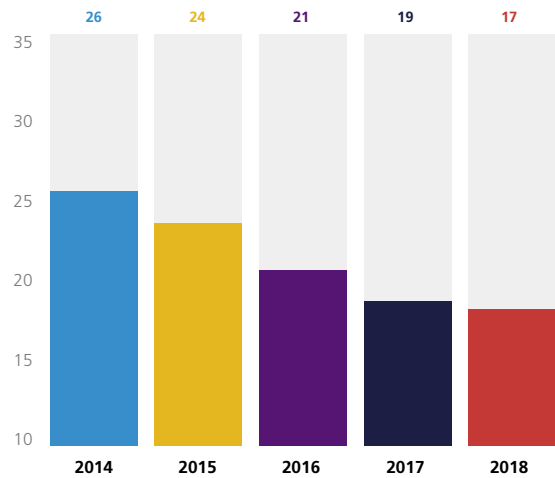
Young people provide new insights and extra capacity and increase the dynamism within the organisation.

ACCOUNTABILITY

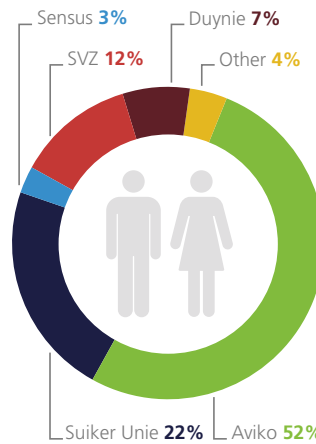
More and more companies are selecting their suppliers on the basis of their employment practices and social policies. Cosun’s major international customers want assurances that the Cosun business groups can meet their very exacting standards. To this end, Sensus, Suiker Unie and SVZ are members of Sedex, and Aviko and Suiker Unie are members of the RSPO (the Roundtable on Sustainable Palm Oil). These organisations audit the business groups and make their findings available to our customers. Cosun has introduced a code of conduct under the name Cosun Principles for directors, managers and staff. The Principles describe how we should conduct ourselves and what we can be held accountable for, not only by each other but also by our customers, business partners and the society of which we are a part. The Cosun Principles can be read on our website at www.cosun.com - about Cosun – Corporate Governance.

More information on the measures we take and their results can be found at www.annualreport-cosun.com. Annual reports from previous years are also available on the website.

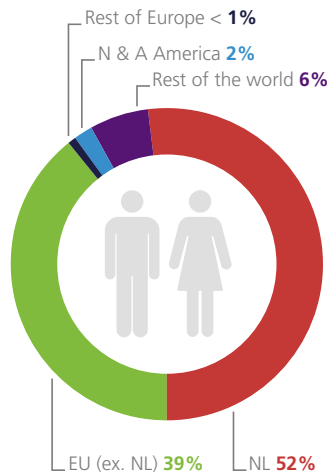
Lost time incidents per 1,000 FTEs



Percentage of employees per business group



Percentage of employees by region





COSUN AT WORK

SUIKER UNIE

SUGAR AND SUGAR SPECIALITIES

The abolition of the EU sugar market organisation was expected to hit Suiker Unie's results and it more than lived up to our fears. The impact was actually far worse than foreseen. The record harvest both in Europe and worldwide in 2017 exerted so much pressure on selling prices in 2018 that contracts were concluded at a loss during the year. European stock levels must be run down even further if price erosion is to be brought to an end. Exports offer little if any comfort in view of the high stock levels and associated low prices on the world market. The situation showed signs of reversing at the beginning of 2019 and it seems unlikely that sugar prices on the world market will fall any further; they may even begin to pick up again. Despite all its preparations for the end of the quota system, Suiker Unie closed the financial year with a loss. The smaller harvest and reduced sugar production in the 2018 campaign are not unwelcome given the need to reduce stock levels but the business group will have to take an even more critical look at how it can keep its costs as low as possible.

NEW SALES MARKETS

Very little use is being made of isoglucose as a substitute for sugar, perhaps because of the low sugar prices, but the trend of using less sugar in soft drinks is continuing. With very little growth expected in European sugar consumption, new sales markets are being explored outside the EU and new applications are being sought for sugar and other sugar beet components. The acquisition of Green Protein, a start-up that extracts protein from beet foliage, is an example of this growth ambition. Vegetable proteins have a promising future, partly as replacements and partly as supplements for animal proteins.

BEET CROP

The 2018 growing season will be remembered for its high temperatures and lack of rainfall during the summer. The root crop was disappointing, especially in areas that could not be irrigated. The beet campaign was shorter than initially projected, 120 days in the Netherlands and just 101 days in Anklam in northeast Germany. The sugar yield ultimately came to 13.2 tonnes per hectare in the Netherlands and 11.1 tonnes in Germany. The Dinteloord and Vierverlaten factories processed a total of 6.6 million tonnes of beet into 1.1 million tonnes of sugar. In Anklam, 1.2 million tonnes of beet were processed into sugar and bio-ethanol. Owing to the lower root yield, less beet pulp was available for the livestock market.

Green Energy, the green gas producer at the sugar factories, can look back on a successful year. It produced approximately 25 million m³ of gas at the factory in the Netherlands in 2018 and a further 10 million m³ at the factory in Anklam. Capacity at the two factories will be stepped up in order to sell more green gas.

AVIKO

POTATO PRODUCTS AND SPECIALITIES

Aviko turned in good financial results for the third year in succession. The business group intends to grow further by investing in product and market development and in production capacity. One of its larger investments relates to a new cold store at the French fries factory in Steenderen that is due to come into operation in the course of 2019. Demand for French fries and potato products is growing, especially outside western Europe. Aviko intends to grow in step with the market, serving its customers with a balanced mix of products to achieve its growth targets. The current production facilities are running close to capacity. Several options to expand capacity will be studied this year.

MARKETS

Aviko consolidated its position in the main European foodservice markets during the year. It became a market leader in central and eastern Europe, where it profited from the strong growth of consumption. It is difficult to foresee what impact Brexit may have. World consumption of potato products looks set to increase. Exports of French fries to the world market remain an attractive option to Aviko. There are some concerns, though, about protectionist measures in South America.

SuperCrunch Fresh was successfully launched during the year. These fries were developed especially for the foodservice and snack bar segment with the promise that they will stay crunchy longer than other fries: 'Fries to take home'. The specialities factory in Amberger, Germany, was closed towards the end of 2018. Several interventions had failed to improve the factory's results and make it a profitable part of Aviko. The Aviko Snow Valley joint venture in northeast China was dissolved at the end of the year. The company was performing well but it was proving difficult to work with the Chinese partner in this very promising growth market. Aviko now has its hands free to pursue its own strategy in China. Aviko Rixona performed well. The drum dryer in Venray came into full operation in 2018. The potato flakes factory in Gansu, China, also made a strong contribution to the result.

INVESTMENTS

The investment in the new cold store in Steenderen will cut Aviko's logistics costs and improve its customer service. A new store for chilled and fresh products will serve the same goal. Water treatment has been improved at Rain am Lech in Germany. This will enable an increase in production capacity and be of benefit to the environment. An investment is planned for Aviko Norden to consolidate its position in added value products. Aviko is investing not only in tangible assets but also in safety in and around its factories and in training for all members of staff.

BUYING AND SELLING POLICY

Aviko buys most of its raw material, potatoes, on contract. This practice gives Aviko supply security and price stability on the one hand and growers a guaranteed price for their products on the other. Aviko has noticed that potato growers are changing from suppliers to partners in the supply chain. It is therefore strengthening its ties with contract growers.





Position and risk management of raw material supplies remain an Aviko priority. On the selling side, Aviko is increasingly positioning itself as an added value producer. The strong Aviko brand contributes to the stability of selling prices. The combination of this buying and selling policy has led to a steady increase in the financial result over the past three years. Aviko has the ambition to continue this trend.

SENSUS

INULIN

The European tendency to reduce sugar consumption has boosted inulin sales in Europe. Sales in the United States were lower than expected. The Food and Drug Administration's recognition of inulin as a dietary fibre will lift sales among existing customers and generate interest among new ones in 2019. The US remains an attractive sales market for Sensus. Increased competition in the US, however, exerted pressure on the margin and reduced Sensus's result. Sensus is constantly seeking new inulin applications, often in collaboration with its customers. The verifiable sources of its inulin and the inulin's natural, vegetable-based pedigree are valued by consumers and are therefore growing in importance to Sensus's professional customers. In Asia, a steady growth market, inulin is finding its way to the infant formula market and is being applied in specific products as a prebiotic fibre. China is a particularly promising market for further sales growth.

CHICORY CROP

The extreme growing season in the Netherlands delayed the growth of chicory roots. The subsequent long, hot and very dry summer reduced the root and inulin yield. The chicory campaign lasted 16 weeks and was concluded before the end of the year. The reduced area under chicory brought the stock of inulin more into line with market demand. An increase in the growing area is required for 2019 and more hectares have been contracted. Sensus is making good progress to achieving its goal of producing 10 tonnes of inulin per hectare by 2023. This prospect is encouraging growers to keep chicory in their crop plans and ensuring that Sensus will continue to receive enough raw materials of sufficient high quality and quantity.

SUSTAINABILITY

Sensus is working with several parties and stakeholders, including provincial and municipal authorities to study ways to permanently reduce the carbon footprint of the inulin production chain. Its studies cover alternative energy sources, biomass digesters, more sustainable growing methods, tillage techniques and pesticide use. Investments in the sustainability of production and processing reflect market demand and match the group's sustainability agenda. With a view to the future, Sensus will continue to prioritise growth and market share. Growth will be achieved through the development of new customers and new applications that accentuate the proven origins and natural properties of inulin.



SVZ

FRUIT AND VEGETABLE PRODUCTS

SVZ's result for the year was lower than that for 2017. The extreme heat and drought also affected this business group. The carrot harvest, for example, was disappointing. The dry, hot summer in Europe was favourable for the growth of red fruit but the very large harvest of raspberries and other fruit depressed selling prices and margins. Conditions were more favourable in SVZ's second home market, the United States, than in Europe. Crop yields and selling prices were more stable. The processing capacity of the factory in the northwest of the US is being expanded and it is due to come on stream in the third quarter of 2019, in time to process the vegetable harvest.

SUSTAINABILITY

SVZ is an accredited supplier of sustainable fruit and vegetable ingredients and is aiming for 100% sustainable procurement by 2030. Biodiversity and water management are becoming more prominent issues in the areas that grow SVZ's raw materials. SVZ works with its growers and provides them with training courses on, for example, food and product legislation and growing techniques that increase the yield per hectare and that make less use of pesticides. SVZ wants to prevent waste and is working on the complete and optimal use of raw materials.

SVZ will widen its cooperation with customers in the fields of product development and innovation in the year ahead. With more than 150 years' experience in the supply chain, the production process and its sales markets, SVZ can respond alertly to the growing public demand for organic products and greater transparency in the food industry. SVZ is also working on ways to enter new sales markets, for example by marketing smaller packages and matching products.

DUYNIE GROUP

ANIMAL FEED, STARCH AND ENERGY PRODUCTS

Duynie Group celebrated its 50th anniversary with its staff, suppliers and customers in 2018. The group highlighted its many talents and its ambitions. Financially, Duynie Group's contribution to the result was in line with expectations. Food companies supply their co-products to Duynie, which processes and sells them in a wide range of market segments. Duynie Group has positioned itself as a very professional player in its markets. Suppliers are increasingly turning to Duynie for advice on how they can upgrade their co-products into more useful applications with higher added value.

MARKET CONSOLIDATION

The market's recognition of Duynie's added value is helping to consolidate the company's standing in the market. All efforts are geared to strengthening the market position. The investment programme is also directed at this goal. Construction of a CO₂-neutral factory for Duynie Ingredients in Cuijk is making steady progress; the factory is designed to meet the growing demand for responsibly produced, high quality pet food. Novidon is now also making starch products for use in food applications for human consumption. Duynie is studying the extraction of protein from vegetable raw materials. It is working with other Cosun business groups that are active in the same area.

Duynie Group has opened a sales office in southwest Poland to serve the regional animal feed market. The production facility in the Czech Republic was closed in 2018 and the plant was transferred to Wrexham in the United Kingdom. With a view to the uncertainty surrounding Brexit, it is advisable to have sufficient production capacity in the UK.



SUSTAINABLE ENERGY CONSUMPTION

Duynie Group has two sustainable energy operations. AgriBioSource (ABS) supplies components to companies that are active in the biomass digester market. Duynie Group has also developed a heat recovery concept that will be trialled at the Aviko site in Proven (Belgium) in 2019. The concept comprises a heat pump that captures low energy heat and converts it into usable energy so that less ‘external’ energy is required. If the system proves its worth in practice, Duynie Group intends to introduce it at several of its suppliers and so substantially reduce the carbon footprint in the supply chain.

Further digitisation remains a priority. Digital trading platforms are developing rapidly and more data are being collected on location. Digitisation allows Duynie Group to perform stock management for both its suppliers and customers and optimise logistics in the supply chain. This, too, can help reduce the carbon footprint.

COSUN INNOVATION

The core activity of Cosun Innovation, and thus of Cosun Research & Development, is to create and develop new applications of vegetable raw materials. In doing so, the business group not only contributes to the cooperative’s goals but also increases the sustainability of its processes and products and strengthens the profitability of its operations.

Decisions were taken in 2018 to increase Cosun’s innovative strength. One of them was to transfer Cosun Biobased Products to Suiker Unie. Its innovative product range is a good match for Suiker Unie’s ambitions to extract maximum value from the sugar beet. Betafib is an example of a new product based on sugar beet pulp.

Suiker Unie’s expertise in process technology will also help Cosun Biobased Products to scale up and optimise its production.

The trend towards more vegetable proteins offers opportunities to the Cosun business groups. The potential is being researched at various places within the group. Cosun Innovation shares its know-how and expertise throughout the cooperative and collaborates with other business groups on innovative projects. Cosun held its third Innovation Day in the autumn, with more than 90 Cosun professionals enthusiastically explaining how innovations can successfully be brought to market.

RESEARCH & DEVELOPMENT

Cosun R&D plays an important role in the group by supporting the business groups’ quality analyses, application development and process optimisation. Cosun R&D is increasingly being called upon to carry out innovative projects in close cooperation with the business groups. Cosun R&D is in a position to promote knowledge sharing between projects and among the business groups, as illustrated by its contributions to the protein and energy programmes. Business and market potential are increasingly determining the business groups’ innovation agendas and Cosun R&D is increasingly being involved in business and market development projects. Many of these projects are part of the business groups’ multiyear innovation programmes. Cosun R&D is tasked with accelerating the development process so that the business groups can shorten their projects’ time to market.

The energy specialists at Cosun R&D are closely involved in the preparation of energy management plans for the business groups.



The Climate Agreement sets the daunting challenge of reducing the CO₂ emission of our production processes to zero by 2050, in part by using alternative energy sources. A great deal of research will be required to meet this target.

COSUN INNOVATION CENTER

The Institute for Rational Sugar Production (IRS) moved from Bergen op Zoom to the Cosun innovation center in Dinteloord in 2018. All the R&D know-how within the value chain – from gate to plate – is now housed under one roof. The innovation center enables Cosun and its business groups to present themselves nationally and internationally to customers, knowledge centres, companies and governments. The innovation center welcomed many customer visits during the year and also hosted the Cosun Innovation Day, the Food from Food congress, the National Chemistry Olympiad and a congress to mark Duynie Group's half century. Visitors were impressed by the modern facilities and the many activities being carried out in the innovation center.

Pulp2Value, a European collaborative programme headed by Cosun, has entered its final year. The activities, such as the demonstration plant for Betafib, are progressing on schedule and are being carried out as agreed. The programme will run until mid-2019 with the aim of demonstrating that an integrated and profitable refinery system can be put in place for sugar beet pulp.



RISK PROFILE

Cosun is active in a variety of agro-industrial markets in several countries and has to contend with strategic, operational, financial and compliance risks that are inherent in its activities. Its strategy is to maximise the value it extracts from its raw materials, by means of operational excellence, a targeted product/market strategy and the development of new product/market combinations, innovative projects and cooperation with growers, customers and suppliers, among the Cosun businesses themselves and with knowledge centres and educational institutions. We limit the risks wherever possible but take advantage of all the opportunities.

RISK ANALYSIS

Cosun recognises the importance of risk management to identify and where possible mitigate risks at an early stage. All business groups periodically identify, analyse and evaluate potential material and immaterial risks with regard to both their likelihood and their impact. This iterative process pays specific attention to quantifying and evaluating the main risks during the budget cycle. The results of these analyses are used to define actions to mitigate the main risks wherever possible.

RISK MANAGEMENT STRATEGY

Our internal control system is designed to:

- control the risks attaching to the business activities;
- identify on a timely basis risks that had previously not been recognised as risks or had not been considered material;
- prepare action plans for each risk if desirable and possible to control and/or mitigate the risk;
- monitor the effectiveness and efficiency of business processes, including administrative processes.

IMPROVEMENTS IN THE RISK MANAGEMENT SYSTEM

Safety and safe working conditions have high priority within Cosun. The measures we have taken are reflected in the decline in the number of incidents.

We have stepped up fire prevention and other safety measures at our factories. Additional measures will be taken where necessary. We will continue to invest in prevention.

RISK APPETITE

Our risk management measures and internal control system seek the right balance between entrepreneurship on the one hand and an acceptable risk profile on the other.

The pension scheme is a defined contribution scheme. However, Cosun has given a guarantee, to finance the accrual and partial indexation of the scheme until 2023, whereby the amount of the contribution is influenced by interest rate movements. No additional obligation regarding the indexation for active members was applicable as at 1 January 2019.

RESPONSIBILITY

Primary responsibility for the internal control system lies with the management boards of the business groups themselves. The Executive Board and the Board have final responsibility for Cosun's risk management and internal control system.

RISK CATEGORY	STRATEGIC PILLAR	RISK APPETITE AND EXPECTED RETURN
Strategic	Profitable growth	<ul style="list-style-type: none"> • Medium/high: right balance between risk and return. • Medium: size of investments in manufacturing footprint relative to projected return and payback period.
Tactical/operational	Operational excellence / cost control	<ul style="list-style-type: none"> • Low in respect of safety issues. • Medium in other areas/issues, with coordination of targets and related costs and attention to profitability. • Moderate in respect of position management, with a focus on insight into potential risks.
Financial control & Compliance		<ul style="list-style-type: none"> • Low in respect of financing, interest and currency risks. • Low in respect of product and food safety. • Low in respect of full compliance with local legislation and regulations.

DESIGN

Cosun observes the Cosun Principles. They direct our actions and conduct and are periodically brought to the staff's attention. Cosun has also introduced a whistle blower scheme and the Cosun Speak Up line so that staff can report cases that might conflict with the Cosun Principles, anonymously if they prefer. Cosun adheres to accounting principles and has prepared financial and control instructions that include detailed guidelines on financial reporting and accounting. The business groups' financial managers report functionally to Cosun's Chief Financial Officer.

GOVERNANCE

- All business groups draw up three-year operating plans. Detecting and pro-actively responding to risks and opportunities are part of the operational planning procedure and are considered in monthly and quarterly reports. The results are discussed on a monthly basis at Executive Board level and on a quarterly basis at Board and Supervisory Board level.
- Risk management is an integral part of the operating plans and budgets and the monthly management and financial reports.

MONITORING

- The external auditor conducts an annual audit in order to express an opinion on the consolidated accounts and the business groups' accounts for the year. The external auditor is appointed by the Members' Council and reports primarily to the Supervisory Board. The audit scope and depth are determined annually in consultation with the Executive Board and the Supervisory Board, whereby the minimum work required for the audit opinion is extended to cover specific risks, business processes or locations that the Supervisory Board or the Executive Board believes should receive additional attention.
- The general managers and finance managers of all legal entities in which Cosun has a majority interest sign a Letter of Representation each year for the entities for which they are responsible. In it, they declare that they have acted in accordance with internal guidelines and with the rules arising from legislation and regulations.
- Recommendations arising at every level from the external audit are reported to and followed up by the Executive Board. The Executive Board subsequently reports to the Board and the Supervisory Board.

RISKS

Sugar price movements in the EU and on the world market have a significant impact on Cosun's results. The sharp fall in European sugar prices had a decisive impact on Cosun's results for 2018. Prices fell throughout the year owing to the surplus on the world market and the increased production in Europe following the abolition of the EU sugar production quota. Low sugar prices will also feed through into the results for 2019.

In the future, too, the price volatility of our agricultural raw materials (potatoes, fruit and vegetables) and price movements in the sales markets for sugar, potato products and fruit and vegetable products will have a significant impact on Cosun's results in any given year. The impact of Brexit and associated trade agreements with the United Kingdom is currently uncertain. This is an exceedingly important sales market to Cosun and we have accordingly prepared for a variety of outcomes and taken measures in anticipation.

The many incidents in the food market have made insurers more hesitant about renewing policies. Our policy of observing our own standards, carrying out risk analyses and audits and measures to increase the safety of our factories enable us to renew insurance policies at acceptable cost. We had to cope with extreme weather conditions in several European countries that affected the availability of our raw materials in 2018. The protracted drought and the consequent disappointing yield per hectare of sugar beet, potatoes and chicory reduced the availability of our raw materials.

The table below shows the main risks to our strategy and the measures we have taken to control them where economically feasible.

RISK CATEGORY: STRATEGIC		
RISK	RISK CONTROL MEASURE	IMPACT ON RESULTS
<ul style="list-style-type: none"> • Strong price fluctuations/fall in the sugar price. 	<ul style="list-style-type: none"> • The various business groups that make up the Cosun portfolio spread their activities across several raw materials and sales markets. • Strengthen all activities in the portfolio, including innovation. • Strong cost position thanks to industrial scale of processing and permanent focus on further consolidation. • Continuous focus on improving the cultivation of sugar beet. 	High due to volatility of market prices
<ul style="list-style-type: none"> • Failure to achieve sufficient growth. Main growth opportunities: • Growth of world population and increased prosperity, also in emerging markets. • Further development of the biobased economy. • Acquisition opportunities. 	<ul style="list-style-type: none"> • Spread of sales across different geographical markets and sales specifically targeted at growth markets. • Cooperation with partners, knowledge centres and strategic alliances to develop new product/market combinations based on agricultural raw materials processed by the Cosun business groups. • Corporate development directed at scouting potential acquisition candidates and internal programmes to facilitate the fast integration of acquisitions into existing business groups. 	Average
<ul style="list-style-type: none"> • Trade barriers (hard Brexit). 	<ul style="list-style-type: none"> • Brexit scenarios have been worked out and preparation have been made. 	Average
<ul style="list-style-type: none"> • Changes in consumer food behaviour (health, sustainability). Perception of sugar. 	<ul style="list-style-type: none"> • Transparent and straightforward information on the nutritional value and sustainability of Cosun products. • Further development of innovative, appetising and safe food ingredients with functional added value. • Initiatives to enhance food safety in the supply chain in cooperation with customers and suppliers. 	Average
<ul style="list-style-type: none"> • Energy transition. 	<ul style="list-style-type: none"> • Consequences of government measures (e.g. Paris Climate Agreement) have been mapped out. Reduction plans were drawn up for the larger locations in the Netherlands in 2018. 	Average

RISK CATEGORY: TACTICAL/OPERATIONAL		
RISK	RISK CONTROL MEASURE	IMPACT ON RESULTS
<ul style="list-style-type: none"> • Staff and product safety. 	<ul style="list-style-type: none"> • Focus on a safe workplace and safe working practices through training, physical measures, procedures, targets and reports. • Certification, track and trace systems and HACCP procedures. 	Low
<ul style="list-style-type: none"> • Volatility of agricultural and other raw material prices and energy prices. 	<ul style="list-style-type: none"> • This risk is inherent in Cosun's campaign-related activities. Risk are controlled by means of position management. • Continuous focus on cost-efficient production to reduce energy consumption, transport and the use of packaging materials, combined with long-term price and volume agreements. 	High
<ul style="list-style-type: none"> • Influence of the weather on availability and quality of raw materials (harvest risks). 	<ul style="list-style-type: none"> • Spread of raw material procurement across several regions (also within countries) that grow sugar beet, potatoes, chicory roots, fruit and vegetables. • Production organisations are equipped to adapt their processes to variations in the quality of their raw materials. • Support and advice provided to growers by the group and industry associations for specific growing and weather conditions (e.g. spraying and lifting advice for growers). 	Average
<ul style="list-style-type: none"> • Business continuity / disruption in the factory. 	<ul style="list-style-type: none"> • Specific risk management programmes, investments, inspections and maintenance to prevent disruption. • Insurance: Cosun has several general group insurance programmes to cover product liability, fire, consequential loss, etc. The consequential loss programme insures assets at appraised value plus appropriate, asset-specific cover for consequential losses. The financial strength of the insurers is periodically reviewed. Depending on the size of the risk, cover is arranged with several insurers. 	Average

RISK CATEGORY: FINANCIAL MANAGEMENT		
RISK	RISK CONTROL MEASURE	IMPACT ON RESULTS
<ul style="list-style-type: none"> Mismatch between buying and selling positions for raw materials and end products. 	<ul style="list-style-type: none"> Frequent monitoring of buying and selling positions by senior managers of the business groups. 	High
<ul style="list-style-type: none"> Financing and interest rate risks. 	<ul style="list-style-type: none"> Cosun's financial position is very healthy. At year-end 2018, the group had no net debt. Cosun contracted a five-year syndicated bank facility (RCF) in 2014, with two options to renew the facility for a period of one year. These options have been exercised and the RCF now runs to 2021. The group has a central treasury organisation that acts as an in-house bank. The financing and cash management of subsidiaries, with the exception of joint ventures, is organised at group level. Loans are spread wherever possible over a select group of counterparties with a short-term rating of at least A2 or equivalent. All Cosun business groups report their liquidity forecasts for the coming 12 months every month to reduce the risk of unforeseen liquidity shortages. 	Low
<ul style="list-style-type: none"> Foreign exchange risk. 	<ul style="list-style-type: none"> The greater part of turnover is earned in the eurozone. The main currency exposure is concentrated on the US dollar, the Polish zloty and the pound sterling. Internal policy is to hedge the foreign exchange risks arising from the operating and financing activities wherever possible. 	Low
<ul style="list-style-type: none"> Risk of underfunding in the defined benefit pension schemes (pension risk). 	<ul style="list-style-type: none"> The policies of the group's pension administrators are known for their strict risk management. They have largely covered themselves against the consequences of lower interest rates, for example, and their investment policies are characterised by widely diversified portfolios spread across a range of investment categories. Investment transactions have been contracted out in full to external parties. The funding rate of Cosun's pension funds at year-end 2018 was approximately 119%. The group is not obliged to make additional contributions if the pension schemes are underfunded. 	Low

RISK CATEGORY: COMPLIANCE		
RISK	RISK CONTROL MEASURE	IMPACT ON RESULTS
<ul style="list-style-type: none"> Legislation and regulations. 	<ul style="list-style-type: none"> Implementation of the Cosun Principles by all members of staff. Whistle blower scheme and external reporting opportunities for cases that do not comply with the Cosun Principles via the Cosun Speak Up line (with active response to reports). Observance of the corporate governance code for cooperatives (NCR code). Annual signing of an internal Letter of Representation by general and finance managers, declaring that they have acted in accordance with internal guidelines and rules arising from legislation and regulations. 	Low
<ul style="list-style-type: none"> Tax risks. 	<ul style="list-style-type: none"> Cosun is active in many countries. The group seeks a transparent relationship with the tax authorities. Cosun has signed a horizontal supervision agreement with the Dutch tax authorities. Activities are structured so that corporation tax is coordinated centrally. Responsibility for VAT, salaries tax, social insurance, etc. lies with the individual entities. The policy and related management processes are periodically assessed. 	Low

CORPORATE GOVERNANCE

To Cosun, corporate governance relates to how it regulates the relationships between the members of the cooperative, the Board, the Supervisory Board, the Executive Board and the staff. Good employment practices, integrity, respect, oversight, transparent reporting and accountability are the main elements of Cosun’s corporate governance policy. Cosun endorses and observes, with only a few exceptions, the NCR code of conduct for cooperatives.

GOVERNANCE MODEL

Cosun has a traditional governance model. Control of the cooperative lies with the members, in part through their election of the Board. On the principle that the members should have the deciding vote, most members of the Board are also members of the cooperative. For the same reason, members of the cooperative also form a majority on the Supervisory Board. The external members of the Board and the Supervisory Board are nominated and appointed in recognition of their expertise and external networks. The Board has delegated day-to-day management to the Chief Executive Officer of the Executive Board.

BOARD

The Board’s primary task is to run the cooperative. It has final responsibility for the development and implementation of the policy of both the cooperative itself and the business groups that make up Cosun. The Board consists of nine members, three external members and six members who are also members of the cooperative.

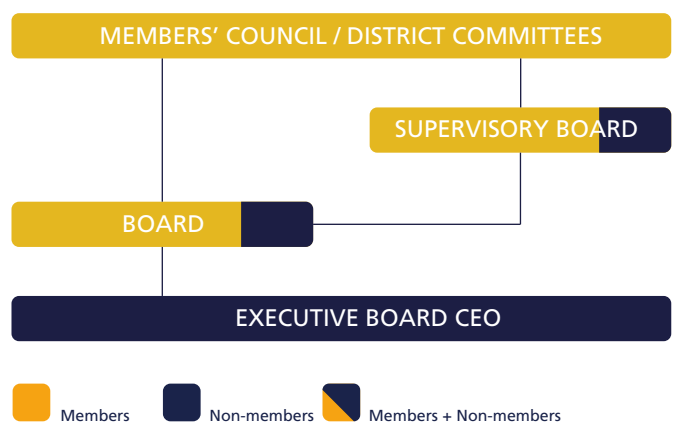
SUPERVISORY BOARD

The Supervisory Board supervises the conduct of Cosun’s policy and the general performance of the cooperative. As an independent body, it advises the Board and the Members’ Council on request and otherwise. The Supervisory Board examines and approves the cooperative’s annual accounts and reports on its findings. It has six members: four are members of the cooperative and two are external.

MEMBERS’ COUNCIL

The members of Cosun elect the executive committees of the districts/sections in which their farms are located (see also page 13 of this report). All Cosun’s district committees together form the Members’ Council. On a proposal of the Board, the Members’ Council elects the members of the Board. On a proposal of the Supervisory Board, the Members’ Council elects the members of the Supervisory Board.

GOVERNANCE STRUCTURE OF THE COOPERATIVE



On a proposal of the Board, it adopts the annual report and accounts, the Articles of Association and the regulations. It also acts as a sparring partner for the Board. The Members’ Council has more than 60 members, all of whom are members of the cooperative.

YOUTH COUNCIL

The Youth Council consists of 16 members and is the breeding ground for management talent within the cooperative. The members of the Youth Council represent candidate members and young members. In consultation with local district and section managers, the Youth Council itself is responsible for succession when necessary.

More information on corporate governance can be found on the website www.cosun.com under the heading About Cosun – Corporate Governance. The corporate governance code has been posted on www.cooperatie.nl under NCR-code (in Dutch).

On behalf of the Board,

D.H. de Lugt
Chairman

A.W. Bos
Vice-Chairman

Breda, 14 March 2019

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board supervises the execution of Cosun's policy. As an independent body, it advises the Board and the Members' Council on request and otherwise.

The Supervisory Board met on seven occasions during the year, three of the meetings were held in the presence of the Board. The meetings discussed many matters, ranging from the energy transition to the Climate Agreement. Special attention was paid to 'strategy and environment' and 'culture'; the right person in the right place. Duynie's investment in its new pet food ingredients factory and the development of new business activities within Cosun were also considered in detail. The developments within Aviko called for extra attention and consultation.

The operating plans for 2019 – 2021 were discussed by the Supervisory Board and assessed in the light of the implementation of the Strategic Plan. All proposals were carefully considered and evaluated. The Supervisory Board first requested and discussed additional information before approving the plans. The annual financial cycle was followed and discussed, from the operating plans and the quarterly reports to the December projections, annual accounts and annual report. The Supervisory Board considered the annual accounts and the annual report with the assistance of Ernst & Young Accountants. The engagement awarded to EY was also included on the agenda in 2018 as it expires in 2019 and a decision must be taken on its renewal.

COMPOSITION AND PERFORMANCE

The Supervisory Board had six members in 2018. The Chairman, Jakob Bartelds, and Edwin Michiels were re-elected at the 2018 annual meeting. The Supervisory Board held preparatory talks on the succession of its Chairman, who will stand down in 2020.

The Supervisory Board paid working visits to the Aviko factory in Steenderen and, together with the Board, to the Aviko factory in Lomm. The Supervisory Board greatly appreciates such visits as they strengthen its understanding of the business groups' activities. The Supervisory Board discussed a number of strategic matters with the CEO of the Executive Board, a year after his appointment. The Supervisory Board also kept abreast of conditions outside the group. A working visit was paid, for example, to ABN AMRO Bank in Amsterdam to discuss commodity trading and hedging, a form of financial risk management.

FINANCIAL

Precisely because of the very disappointing result of the sugar business group, Cosun's investments in other activities seem to have been judicious. Despite the loss incurred by Suiker Unie, the cooperative ended the year in the black. 2018 was not a good year for Cosun and the outlook for 2019 is also far from rose coloured. In view of these prospects, we are looking very closely at where costs can reasonably be saved or postponed. Together with the contribution from the non-sugar activities, these measures should ensure that we can continue paying our members an acceptable and stable price for their beet.

EY audited the annual accounts for 2018 and explained and discussed the audit opinion and the auditor's report. The audit was completed smoothly thanks to the high quality of internal reporting. Questions were answered satisfactorily and the findings gave the Supervisory Board a keen understanding of Cosun's financial condition. The follow-up to the management letter was also discussed and explanations were provided if recommendations had not been acted upon. The Supervisory Board submits the annual report for 2018 and recommends that the Members' Council approve it.

The result for 2018 shows that Cosun has become far more vulnerable to price fluctuations on international markets. But it also shows that the cooperative is robust enough to absorb them. Everyone contributed by responding promptly, effectively controlling costs and working to the best of their ability. The Supervisory Board is grateful for their dedication. We will face even greater challenges in 2019, but we will overcome them. The Supervisory Board has every confidence in the future, in beet farming and in Cosun.

On behalf of the Supervisory Board,

J. Bartelds
Chairman

W.A. Blijdorp
Secretary

Breda, 14 March 2019

MEMBERS OF THE BOARD, SUPERVISORY BOARD, EXECUTIVE BOARD AND WORKS COUNCIL

as at 31 December 2018

BOARD

Chairman	D.H. de Lugt	De Cocksdorp
Vice-Chairman	A.W. Bos	Zwanenburg
Deputy Vice-Chairman	B.R. van Doesburgh	Loenen a/d Vecht
Members	A.J.B.P. Bossers	Langeweg
	G. Evenhuis	Schoonoord
	Ms A.A.C.M. van den Hoek	Dreischor
	Ms G. Prins	Nieuwkoop
	J.H.D. Voncken	Eys
	S. Wijkstra	Zeist
Secretary	J.W.M.J. van Roessel	

SUPERVISORY BOARD

Chairman	J. Bartelds	Tweede Exloërmond
Vice-Chairman	J.L. van Driel	Nieuw-Beijerland
Secretary	W.A. Blijdorp	Middenmeer
Members	H. Huistra	Amsterdam
	E.H.W.J.E. Michiels	Horst
	Ms J.P. Rijdsdijk	Leiderdorp

EXECUTIVE BOARD

Chairman	A.J. Markusse	
Members	I.H. Blankers	director Sensus
	A.T.M. Christiaanse MBA	director Aviko a.i.
	G.C.A.M. Corsmit	director Duynie Group
	Ms A.E. ter Laak	director SVZ
	P.H.J. Mesters	director Suiker Unie
	F.C.J. van Noord	director Innovation
	H.J. Schuil	director Finance & Control
Secretaris	Ms M.J.C.W. van den Maagdenberg	director Corporate Development

CENTRAL WORKS COUNCIL

Chairman	J.A.A. Stoop	Cosun R&D
Secretary	M.M.L. Bogers	SVZ
Members	H.A.M. Flipsen	Suiker Unie
	A. Kayabasi	Aviko
	C.W. Kooiman	Duynie
	S.W.C. Lohschelder	Aviko
	E.J. Meijer	Sensus
	F. Ouled Ali	Cosun
	Ms E.F.R.M. van Uffel	Suiker Unie
	C.J. Wijma	Suiker Unie
	Ms B.J. Wubs	Aviko

More information is available at www.cosun.com under About Cosun – Corporate Governance. The website provides relevant personal particulars on the members, the principal and secondary positions they hold and – where applicable – the date of their appointment, term of office, eligibility for re-election, etc.

ANNUAL ACCOUNTS

2018



CONSOLIDATED BALANCE SHEET

(after profit appropriation; in EUR million)

	Notes	31-12-2018	31-12-2017
ASSETS			
Fixed assets			
Intangible fixed assets	(1)	87.4	99.5
Tangible fixed assets	(2)	685.2	711.1
Financial fixed assets	(3)	34.3	24.7
		806.9	835.3
Current assets			
Inventories	(4)	544.7	527.2
Trade and other receivables	(5)	302.4	287.2
Cash and cash equivalents	(6)	156.9	251.5
		1,004.0	1,065.9
Total assets		1,810.9	1,901.2
EQUITY AND LIABILITIES			
Group equity			
Capital and reserves	(7)	1,230.0	1,233.0
Minority interests	(8)	15.8	17.0
		1,245.8	1,250.0
Provisions	(9)	74.2	70.0
Non-current liabilities	(10)	42.1	42.6
Current liabilities	(11)		
Current liabilities to credit institutions and liabilities of a financing nature		10.2	43.1
Other current liabilities, accruals and deferrals		438.6	495.5
		448.8	538.6
Total equity and liabilities		1,810.9	1,901.2

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in EUR million)

FOR THE FINANCIAL YEAR	Notes	2018	2017
Net turnover	(14)	2,046.4	2,111.6
Changes in inventories of finished products		25.1	-/ - 74.6
Other operating income	(15)	23.1	32.2
Total operating income		2,094.6	2,069.2
Cost of raw materials and consumables	(16)	1,288.3	1,213.8
Cost of outsourced work and other external costs	(17)	404.2	377.7
Staff costs	(18)	263.6	257.8
Amortisation and depreciation on intangible and tangible fixed assets		107.5	105.1
Other changes in the value of intangible and tangible fixed assets	(19)	21.1	0.3
Other operating expenses		8.7	6.4
Total operating expenses		2,093.4	1,961.1
Operating profit		1.2	108.1
Interest receivable and similar income		6.7	0.9
Interest payable and similar charges		-/ - 6.0	-/ - 6.2
Financial income and expense	(20)	0.7	-/ - 5.3
Result from ordinary activities before taxation		1.9	102.8
Taxation	(21)	-/ - 0.3	-/ - 26.2
Share in results from participating interests		0.2	0.1
Result from ordinary activities after taxation		1.8	76.7
Minority interests		-/ - 1.8	-/ - 2.0
Net result		0.0	74.7

CONSOLIDATED CASH FLOW STATEMENT

(in EUR million)

FOR THE FINANCIAL YEAR	Notes	2018	2017
Operating profit		1.2	108.1
Depreciation and amortisation		107.5	105.9
Other value adjustments		21.1	0.3
Gain/loss on disposal of intangible, tangible and financial fixed assets		-/- 3.0	-
Release of negative goodwill		-/- 2.8	-
Changes in provisions	(23)	6.5	12.9
Changes in working capital (excluding cash and cash equivalents and short-term bank overdrafts)	(23)	-/- 77.5	141.6
Cash flow from business operations		53.0	368.8
Interest received (paid)		1.5	-/ 4.8
Income tax paid		-/- 27.8	-/ 46.7
Other movements		-/- 2.3	-/ 3.7
		-/- 28.6	-/ 55.2
Cash flow from operating activities		24.4	313.6
Investments in (in)tangible fixed assets		-/- 128.1	-/ 186.9
Proceeds from the sale of tangible fixed assets		5.5	8.6
Investment in participating interests		-/- 1.6	-/ 1.6
Divestment of participating interests		38.5	-
Cash flow from investing activities		-/ 85.7	-/ 179.9
Gross distribution under sugar beet payment regulations	(30)	-/ 2.5	-/ 3.3
Changes in long-term receivables		-/ 0.2	0.3
Changes in non-current liabilities	(23)	2.3	-/ 25.2
Changes in current liabilities to credit institutions and liabilities of a financing nature		-/ 32.8	31.8
Cash flow from financing activities		-/ 33.2	3.6
Changes in cash and cash equivalents		-/ 94.5	137.3
Cash and cash equivalents at the beginning of the year		251.5	114.6
Exchange and translation gains and losses on cash and cash equivalents		-/ 0.1	-/ 0.4
Cash and cash equivalents at the end of the year		156.9	251.5

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

(in EUR million)

TRANSLATED FINANCIAL STATEMENTS

These Annual Accounts are an English translation of the original Dutch publication. In the event of textual inconsistencies between the English and the Dutch versions, the latter shall prevail.

GENERAL

Coöperatie Koninklijke Cosun U.A. (hereinafter: 'Cosun') has its registered office in Breda, the Netherlands. It is registered in the Chamber of Commerce under number 20028699. The group processes and prepares raw materials, mostly from agricultural sources, producing semi-manufactures for the international food and beverage industry and the food service industry (restaurants, caterers and wholesalers), and finished products that are sold to customers through retail outlets. The group also processes organic residuals into products such as bio-ethanol and animal feed.

The activities are classified as follows:

- Sugar activities: sugar and bio-energy from residual currents (Suiker Unie).
- Potato activities: potato products, such as chilled, frozen and dried potato products and potato specialities (Aviko and Rixona).
- Other activities: fruit and vegetable products (SVZ), inulin (Sensus), animal feed and starch (Duynie Group) and innovation (Cosun Biobased Products).

APPLICABLE STANDARDS

The annual accounts have been prepared in accordance with the legal requirements as set out in Title 9, Book 2 of the Netherlands Civil Code. For the cooperative profit and loss account, Cosun has availed itself of the exemption available under Section 402, Book 2 of the Netherlands Civil Code.

CONSOLIDATION PRINCIPLES

The consolidated annual accounts include the financial data of Cosun and its group companies and other companies controlled by the company. Group companies acquired during the year under review are included as from the date at which direct or indirect influence can be exercised on the business and financial policy. The results of group companies sold are incorporated up to the moment the overriding control ended. Intercompany payables, receivables and transactions, as well as profits already recognised on these within Cosun but not yet realised, are eliminated in the consolidated annual accounts. The group companies are consolidated in full with the third-party minority interest being presented separately. Joint ventures are consolidated proportionally

LIST OF PARTICIPATING INTERESTS

In accordance with Articles 379 and 414, Book 2 of the Netherlands Civil Code, a list of data on group companies and other participating interests has been filed with the Chamber of Commerce.

ACQUISITIONS AND DISPOSALS

All shares in GreenProtein B.V. were acquired in 2018. A participating interest was also taken in the limited partnership ICF III Collaborative Venture Fund. No significant influence is exercised over this participating interest.

Aviko had acquired a 40% interest Aviko in Martin Amberger Kartoffelverarbeitung Dolli-Werk GmbH & Co. KG and Martin Amberger Kartoffelverarbeitung Dolli-Werk Verwaltungs-GmbH, Germany, in 2017.

Aviko sold its 51% interest in SnowValley (Heibei) Co., Ltd. in 2018. There had been no divestments in 2017.

ACCOUNTING POLICIES

GENERAL

The accounting policies adopted for the valuation of assets and liabilities and determination of the result are based on the historical cost convention. Insofar as not stated otherwise, assets and liabilities are shown at nominal value. An asset is included 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 measured. A liability is included in the balance sheet if it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

The income and expenses are accounted for in the period to which they relate.

POLICIES FOR THE TRANSLATION OF FOREIGN CURRENCIES

The reporting currency and the functional currency of the annual accounts of Cosun is the euro (EUR). The costs and income arising from transactions in foreign currencies or monetary receivables and payables, are translated at the functional exchange rate on transaction date or the rate prevailing at balance sheet date respectively. Translation gains and losses are taken to the profit and loss account. The net investment in foreign participating interests is translated at the exchange rate prevailing at balance sheet date. Foreign currency profit and loss account items of foreign participating interests are translated at the average exchange rate. Translation gains and losses are taken directly to the statutory reserve for exchange rate differences as part of Cosun's group equity, less tax effects if applicable. If a foreign operation is fully or partially sold, the respective amount is transferred from the reserve for translation differences to the other reserves. Translation gains and losses on long-term financing and financial instruments used to hedge exchange rate risks arising from foreign participating interests are treated accordingly.

NETTING

Assets and liabilities are shown net of each other in the annual accounts only if and in so far as:

- there is a reliable legal instrument to net and simultaneously settle the assets and the liability, and
- there is a firm intention to settle the net amount or the two items simultaneously.

FINANCIAL INSTRUMENTS

The financial statements includes the following primary financial instruments: loans granted, trade and other receivables, cash and cash equivalents, loans received, other financing commitments, trade payables and other payables. The financial statements also includes derivative financial instruments (derivatives).

PRIMARY FINANCIAL INSTRUMENTS

Primary financial instruments are initially recognized at fair value which includes the attributable transaction costs. After initial recognition, primary financial instruments are carried at amortised costs using the effective interest method, less impairment losses. The effective interest method is used to recognize transaction costs in the profit and loss account. Loans granted and other receivables are restated if there is objective evidence of an impairment. The fair value of cash and cash equivalents is equal to the nominal value; cash and cash equivalents are freely available to Cosun unless stated otherwise.

DERIVATIVE FINANCIAL INSTRUMENTS (DERIVATIVES)**Currency derivatives, interest derivatives and forward commodity transactions**

Cosun uses derivatives to hedge the exchange rate, interest rate and price risk from balances and highly probable future sales and purchases. Forward exchange contracts, interest rate swaps, forward commodity contracts and other derivative financial instruments are used to hedge these risks. Derivatives are initially recognized at fair value. After initial recognition derivatives are stated at cost or lower fair market value unless cost price hedge accounting is applied. At initial recognition the cost price is equal to the fair value. Cosun applies cost price hedge accounting in order to simultaneously recognise both the results from changes in the value of the derivatives and the future transaction in the profit and loss account.

If cost price hedge accounting is applicable the accounting policies are defined below:

- As long as the hedged financial asset or liability is not recorded in the balance, the derivative will not be recorded.
- As soon as the hedged position of the expected transaction leads to the recognition of a primary financial instrument, the gains or losses associated with the derivative are recognised in the profit-and-loss account in the same period in which the primary financial instrument affects profit or loss.
- Cosun periodically assesses the effectiveness of its hedging relationships. The results from the non-effective part of the hedge relationship are included in the profit-and-loss account.
- Should the transaction no longer be expected to take place, so the derivative no longer meets the conditions for cost price hedge accounting, or is sold, the accumulated profit or the accumulated loss is recognised in the profit-and-loss account.
- Translation gains and losses on primary financial instruments are compensated by changes in value of currency derivatives. The book value of a currency derivative is carried by the difference between the applicable exchange rate as at balance sheet date and the hedged exchange rate.
- The value of a currency derivative is amortized over the duration of the currency swap.

INTANGIBLE FIXED ASSETS

Goodwill is the excess of the purchase price and the fair value of the identifiable assets and liabilities of the acquired participating interest at the date of acquisition. Goodwill paid upon the acquisition of foreign group companies and subsidiaries is translated at the exchange rate applicable at the moment of acquisition. The capitalised goodwill is amortised according to the straight-line method over the estimated useful life, in general between 5 and 20 years.

Other tangible fixed assets (excluding CO₂ emission allowances) are carried at cost net of accumulated depreciation and other downward value adjustments. Other intangible assets are depreciated on a straight-line basis over their estimated useful lives, generally between three and five years.

Cosun obtained CO₂ emission allowances at zero cost. The company has not recognized its surplus CO₂ emission allowances obtained for nothing. Cosun acquires emission allowances to meet future deficiencies. The acquired emission allowances are stated at cost and will be charged to the result at time of use.

TANGIBLE FIXED ASSETS

Land and buildings, machinery and equipment and other tangible fixed assets are stated at cost of purchase or manufacture, less accumulated depreciation and other downward value adjustments. Grants and subsidies are deducted from the cost of purchase or manufacture of the asset in question.

Depreciation is calculated as a percentage of the cost of acquisition or manufacture according to the straight-line method on the basis of useful life. Land, tangible fixed assets in production and prepayments are not depreciated. Maintenance expenditure is only capitalised if it extends the useful life of the asset.

FINANCIAL FIXED ASSETS

Non-consolidated participating interests over whose financial and operating policies the group exercises significant influence are valued using the net asset value method. Under the net asset value method, participating interests are carried at the group's share in their net asset value plus its share in the results of the participating interests and its share of changes recognized directly in the equity of the participating interests as from the acquisition date, determined in accordance with the accounting policies disclosed in these financial statements, less its share in the dividend distributions from the participating interests. The group's share in the results of the participating interests is recognized in the profit and loss account.

If and to the extent the distribution of profits is subject to restrictions, these are included in a legal reserve.

If the value of the participating interest under the net asset value method has become nil, this method is no longer applied, with the participating interest being valued at nil if the circumstances are unchanged. In connection with this, any long-term interests that, in substance, form part of the investor's net investment in the participating interest are included. A provision is formed if and to the extent the company stands surety for all or part of the debts of the participating interest or if it has a constructive obligation to enable the participating interest to repay its debts.

A subsequently acquired share of the profit of the participating interest is recognized only if and to the extent that the accumulated share of the previously unrecognized loss has been made good.

Following application of the net asset value method, the group determines whether an impairment loss has to be recognized in respect of the participating interest. At each reporting date, the group assesses whether there are objective indications of impairment of the participating interest. If any such indication exists, the group determines the impairment loss as the difference between the recoverable amount of the participating interest and its carrying amount, taking it to the profit and loss account.

Participating interests over whose financial and operating policies no significant influence is exercised are carried at cost less any impairment.

Other long-term receivables are carried at amortised cost, less a provision deemed necessary for uncollectibility.

IMPAIRMENT OR VALUE ADJUSTMENT OF FIXED ASSETS

Cosun recognises intangible, tangible and financial fixed assets in accordance with accounting policies generally accepted for financial reporting in the Netherlands. Pursuant to these policies, assets with a long life should be subject to an impairment test in the case of changes or circumstances arising that lead to the suspicion that the book value of the asset will not be recovered. The recoverability of assets in use is determined by comparing the book value of an asset with the future net cash flow that the asset is expected to generate. In the case of a higher book value, the difference is charged to the result. Assets for sale are stated at book value or lower market value, less selling costs.

INVENTORIES

Raw materials and consumables are carried at the lower of cost in accordance with the FIFO ('first in, first out') method. Finished products are valued on the basis of cost of manufacture, including the purchase costs of used raw materials and consumables and the other costs directly attributable to manufacture. In addition, part of the indirect costs over the period of manufacture is attributed to the cost of manufacture. Members' bonus is not included in the valuation of inventory. Goods for resale are valued at cost. Cost includes the purchase price plus additional related costs. Land designated as project development land is valued at the historical cost of acquiring the land and other costs, which are directly attributable to the development.

When valuing inventories, account is taken of any value adjustment occurring on the balance sheet date including, if applicable, lower net realisable value.

RECEIVABLES

Short-term receivables that do not explicitly bear interest are initially measured at fair value and subsequently carried at amortised cost, less a provision for doubtful debts where necessary. Provisions are determined on the basis of individual assessment of the collectability of receivables.

FAIR VALUE

Fair value represents the amount for which an asset is traded or an obligation settled between properly informed independent parties prepared to enter into a transaction.

AMORTISED COST

Amortised cost is the amount at which a financial asset or financial liability is measured at initial recognition less repayments of the principal, plus or less the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and less any reduction (effected directly or through a provision being formed) for impairment and doubtful debt.

EQUITY

Under Guideline 620 of the Guidelines for Annual Reporting in the Netherlands, that part of the paid-up capital that members can call on demand (2%) is recognised in the consolidated accounts as a liability. As a result the consolidated equity differs from the equity in the cooperative annual accounts.

In so far as members have outstanding claims under the sugar beet payment regulations, they are charged to equity upon payment.

Standard payment regulations are in place for members who are issued supply certificates. The present value of outstanding payments is recognised as a receivable.

MINORITY INTERESTS

The third-party minority interests are valued at the third parties' share of the net asset value.

PROVISIONS

A provision is recorded when:

- There is a present legal or constructive obligation as a result of a past event.
- A reliable estimate can be made.
- It is probable that an outflow of economic benefits will be required to settle the obligation.

The provisions are valued at the discounted expected future cash flows.

PENSIONS AND OTHER DEFERRED EMPLOYEE BENEFITS

Dutch pension plans

The main principle is that the pension charge to be recognised 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 at balance sheet date, a liability is recognised. If the contributions already paid exceed the payable contributions as at balance sheet date, a receivable is recognised to account for any repayment by the fund or settlement with contributions payable in future.

In addition, a provision is included as at balance sheet date for existing additional commitments to the fund and the employees, provided that it is likely that there will be an outflow of funds for the settlement of the commitments and it is possible to reliably estimate the amount of the commitments. The existence or non-existence of additional commitments is assessed on the basis of the administration agreement concluded with the fund, the pension agreement with the staff and other commitments to staff. The liability is stated at the best estimate of the present value of the anticipated costs of settling the commitments as at balance sheet date. For any surplus at the pension fund as at balance sheet date, a receivable is recognised if the company has the power to withdraw this surplus, if it is likely that the surplus will flow to the company and if the receivable can be reliably determined.

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 recognised and measured in accordance with Dutch pension plans (see previous section). For foreign pension plans that are not comparable in design and functioning to the Dutch pension system, a best estimate is made of the commitment as at balance sheet date. This commitment should then be stated on the basis of an actuarial valuation principle generally accepted in the Netherlands.

Other deferred employee benefits

For other deferred employee benefits (such as jubilee) provisions are recorded. This provision is recorded at present value. The calculation of the present value is based on commitments, expected average remaining working period and age of the employees.

NEGATIVE GOODWILL

Given its long-term nature, negative goodwill is carried as a non-current liability. In so far as negative goodwill relates to foreseeable future losses or costs that were recognised in the acquisition plan and that can be reliably estimated, it is taken to the profit and loss account in proportion to the losses or costs as they are incurred. In so far as negative goodwill does not relate to foreseeable future losses, it is taken to the profit and loss account in proportion to the weighted average of the remaining life of the assets acquired.

LONG-TERM LEASE OBLIGATIONS

Agreements are assessed as to whether they contain a lease on the basis of economic reality on the contract date.

In case of financial lease (where the costs and benefits of the asset leased are borne entirely or almost entirely by the lessee) the leased asset and the associated debt on the date on which the agreement is entered into are recognised in the balance sheet at the lower of the asset's fair value at the date on which the agreement was entered into and the present value of the minimum lease payments. The initial direct costs borne by the lessee are included in the initial recognition of the asset. Lease payments are broken down into interest expense and repayment and the outstanding obligation, using a constant rate of interest over the remaining net obligation.

The capitalised asset leased is depreciated over the shortest period of the lease term or the useful life of the asset if there is no reasonable certainty that the lessee will become the owner at the end of the lease term.

In case of operational lease, lease payments are charged to the profit and loss account on a straight-line basis over the lease term.

DETERMINATION OF THE RESULT

Net turnover concerns the income from goods and services delivered to third parties, less discounts awarded and turnover tax. Turnover is only recorded if there is reasonable assurance that future benefit will be accrued by the business and that such benefit can be estimated reliably. Income is recorded when the significant risk and rewards of ownership have been transferred to the buyer, receipt of the consideration is probable, and the associated costs and possible return of goods can be estimated reliably and there is no continuing involvement of the legal entity with the goods.

Members receive a members' bonus for the beet they deliver. The members' bonus is recognised as cost of raw materials and consumables.

The share in the result of participating interests represents Cosun's share in the result of these participating interests (if the participating interest is valued at net asset value) or the dividend received or other value adjustment (if the participating interest is valued at cost).

TAXES

Taxation on the result comprises both taxes payable and deductible in the short term and deferred taxes, taking account of tax facilities and non-deductible costs. No taxes are deducted from profits if and insofar as these can be offset against losses from previous years and a deferred tax asset had not been recognized. Taxes are deducted from losses if these can be offset against profits in previous years. In addition, taxes will be deducted if and insofar as it may be reasonably expected that losses can be offset against future profits.

Deferred tax assets, including off-settable tax losses, are stated in so far as it is deemed probable that they will be realised in future and are calculated on the basis of the tax rate applicable at the time at which they are expected to be realised.

In so far as valuations for tax purposes differ from the policies described in this section, a provision is formed for any resultant deferred tax liabilities, calculated at the tax rate applicable at the time are expected to be paid.

USE OF ESTIMATES

During the preparation of the annual accounts, the management must, in accordance with the general prevailing policies, make certain estimates and assumptions that co-determine the stated amounts. The actual results may deviate from these estimates.

CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method. Cash flows denominated in foreign currencies have been translated into euros at average exchange rates. The cost of group companies acquired and the selling price of group companies disposed of are included in cash flow from investing activities.

(1) INTANGIBLE FIXED ASSETS

Movements in intangible fixed assets were as follows:

	GOODWILL	OTHER INTANGIBLE FIXED ASSETS	TOTAL
At cost as at 1 January 2018	244.2	30.7	274.9
Accumulated amortisation and other value adjustments as at 1 January 2018	152.1	23.3	175.4
BOOK VALUE AS AT 1 JANUARY 2018	92.1	7.4	99.5
Movements:			
- Investments	1.5	0.9	2.4
- Disposals at cost	-/ 0.5	-/ 0.1	-/ 0.6
- Amortisation	-/ 12.4	-/ 1.5	-/ 13.9
BOOK VALUE AS AT 31 DECEMBER 2018	80.7	6.7	87.4
At cost as at per 31 december 2018	245.2	31.5	276.7
Accumulated amortisation and other value adjustments as at 31 December 2018	164.5	24.8	189.3

GOODWILL

The goodwill related to acquisitions, is amortized over 2 to 20 years. A period of 20 years applies to investments that have a strategic character and an expected economic useful life of at least 20 years.

OTHER INTANGIBLE FIXED ASSETS

The other items under intangible assets, including software and licensing expenses, are amortised over a period of 3 to 5 years.

(2) TANGIBLE FIXED ASSETS

Movements in tangible fixed assets were as follows:

	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	PREPAYMENTS AND IN PRODUCTION	NOT USED FOR OPERATIONS	TOTAL
At cost as at 1 January 2018	415.4	1,266.9	82.7	28.6	8.9	1,802.5
Accumulated depreciation and impairments as at 1 January 2018	211.4	818.9	61.1	-	-	1,091.4
BOOK VALUE AS AT 1 JANUARY 2018	204.0	448.0	21.6	28.6	8.9	711.1
Movements:						
- Investments	12.9	42.7	13.2	54.6	2.3	125.7
- Disposals	-/ 0.9	-/ 3.5	-/ 0.4	-/ 0.1	-	-/ 4.9
- Consolidations and deconsolidations	-/ 4.6	-/ 5.8	-/ 0.3	-/ 20.3	-	-/ 31.0
- Transfer	4.6	7.8	-/ 3.0	-/ 12.8	3.4	-
- Depreciation	-/ 13.0	-/ 71.2	-/ 9.4	-	-	-/ 93.6
- Impairments	-/ 12.8	-/ 7.3	-/ 1.0	-	-	-/ 21.1
- Exchange differences	-/ 0.4	-/ 0.6	-	0.1	-/ 0.1	-/ 1.0
BOOK VALUE AS AT 31 DECEMBER 2018	189.8	410.1	20.7	50.1	14.5	685.2
At cost as at 31 December 2018	420.2	1,262.6	87.7	50.1	34.7	1,855.3
Accumulated depreciation and impairments as at 31 December 2018	230.4	852.5	67.0	-	20.2	1,170.1

	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	PREPAYMENTS AND IN PRODUCTION	NOT USED FOR OPERATIONS	TOTAL
At cost as at 1 January 2017	404.8	1,167.2	75.6	34.0	8.5	1,690.1
Accumulated depreciation and impairments as at 1 January 2017	219.9	784.5	55.6	-	-	1,060.0
BOOK VALUE AS AT 1 JANUARY 2017	184.9	382.7	20.0	34.0	8.5	630.1
Movements:						
- Investments	26.6	118.0	7.3	27.2	3.8	182.9
- Disposals	-/ 3.2	-/ 2.6	-/ 0.7	-	-/ 2.2	-/ 8.7
- Transfer	9.0	23.0	1.6	-/ 32.4	-/ 1.2	-
- Depreciation	-/ 12.6	-/ 72.8	-/ 6.4	-	-	-/ 91.8
- Impairments	-/ 0.3	-	-	-	-	-/ 0.3
- Exchange differences	-/ 0.4	-/ 0.3	-/ 0.2	-/ 0.2	-	-/ 1.1
BOOK VALUE AS AT 31 DECEMBER 2017	204.0	448.0	21.6	28.6	8.9	711.1
At cost as at 31 December 2017	415.4	1,266.9	82.7	28.6	8.9	1,802.5
Accumulated depreciation and impairments as at 31 December 2017	211.4	818.9	61.1	-	-	1,091.4

The expected useful life and associated depreciation period is 10 to 40 years for the buildings, 10 to 20 years for the machinery and equipment and four years on average for the other tangible fixed assets. The insured value of the buildings, machinery, equipment and inventories is EUR 3.5 billion (2017: EUR 3.4 billion).

The group is the beneficial, not legal, owner of buildings with a book value of EUR 10.5 million (2017: EUR 11.3 million) and machinery and equipment with a book value of EUR 2.1 million (2017: EUR 2.2 million) under financial lease contracts.

(3) FINANCIAL FIXED ASSETS

Movements in financial fixed assets were as follows:

	PARTICIPATING INTERESTS	RECEIVABLES FROM PARTICIPATING INTERESTS	RECEIVABLES FROM MEMBERS	DEFERRED TAX ASSETS	OTHER RECEIVABLES	TOTAL
Balance as at 1 January 2018	3.6	0.8	15.2	4.0	1.1	24.7
Movements:						
- Additions and issuances	1.5	-	1.2	13.5	-	16.2
- Repayments and releases	-	-/ 0.5	-/ 0.5	-/ 0.2	-/ 0.1	-/ 1.3
- Movements in favour of/charged to the result	-	-	-/ 0.1	-/ 0.9	0.1	-/ 0.9
- Share in results of participating interests and dividend received	-/ 0.5	-	-	-	-	-/ 0.5
- Reclassified as short-term receivables	-	-	-/ 3.9	-	-	-/ 3.9
BALANCE AS AT 31 DECEMBER 2018	4.6	0.3	11.9	16.4	1.1	34.3

	PARTICIPATING INTERESTS	RECEIVABLES FROM PARTICIPATING INTERESTS	RECEIVABLES FROM MEMBERS	DEFERRED TAX ASSETS	OTHER RECEIVABLES	TOTAL
Balance as at 1 January 2017	3.7	0.8	10.8	5.9	1.0	22.2
Movements:						
- Additions and issuances	-	-	18.7	0.1	0.3	19.1
- Repayments and releases	-	-	-/ 11.2	-/ 0.4	-	-/ 11.6
- Movements in favour of/charged to the result	-	-	0.1	-/ 1.8	-/ 0.2	-/ 1.9
- Share in results of participating interests and dividend received	-/ 0.1	-	-	-	-	-/ 0.1
- Reclassified as short-term receivables	-	-	-/ 3.2	0.2	-	-/ 3.0
BALANCE AS AT 31 DECEMBER 2017	3.6	0.8	15.2	4.0	1.1	24.7

PARTICIPATING INTERESTS

The participating interests relate, among other, to the non-consolidated interest in Aviko Kloosterboer Verpakkingen B.V. and in the Spanish potato specialities company Eurofrits, S.A. As significant influence can be exercised on these interests, they are stated based on net asset value.

The item participating interests includes an interest in a start-up collaborative venture fund to an amount of EUR 1.5 million. As no significant influence can be exercised, the interest is recognised at cost less any impairments in value.

RECEIVABLES FROM MEMBERS

Non-interest-bearing receivables from members (EUR 11.9 million) relates to the net present value of the long-term portion of amounts still to be deposited for issued supply certificates (2017: EUR 15.2 million).

DEFERRED TAX ASSETS

The item deferred tax assets comprises deductible liquidation losses of Martin Amberger Kartoffelverarbeitung Dolli-Werk GmbH & Co. KG to an amount of EUR 10.2 million, the estimated value of available tax loss carry-forwards and timing differences between the valuation of assets for tax purposes and for accounting purposes. An amount of EUR 11.7 million (2017: EUR 1.9 million) of the deferred tax asset is expected to be settled within one year.

The tax loss carry-forwards, insofar as they are not included in the balance sheet under deferred tax assets, amounts to EUR 2.8 million gross (2017: EUR 17.8 million).

OTHER RECEIVABLES

Other receivables consist of capitalised costs incurred for the conclusion of a new financing agreement expiring end of June 2021.

(4) INVENTORIES

	31-12-2018	31-12-2017
Land	9.9	8.0
Raw materials and consumables	65.3	72.2
Finished products and goods for resale	469.5	447.0
	544.7	527.2

Of the inventories EUR 35.5 million (2017: EUR 7.3 million) is stated at lower recoverable amount. The provision for obsolete inventories amounts to EUR 5.2 million (2017: EUR 5.5 million). The land included in inventory relates to grounds being developed for business park AFC Nieuw Prinsenland near Dinteloord.

Inventories with a carrying amount of EUR 5.2 million (2017: EUR 4.6 million) have been pledged as security to the bank.

(5) TRADE AND OTHER RECEIVABLES

	31-12-2018	31-12-2017
Trade accounts receivable	219.8	212.1
Receivable from participating interests	5.7	5.0
Receivables from members	3.9	3.2
Income tax receivable	3.2	-
Other tax receivables	34.3	33.1
Other receivables, prepayments and accrued income	35.5	33.8
	302.4	287.2

OTHER RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME

This item relates to amounts receivable of EUR 30.7 million (2017: EUR 27.8 million) and advance payments of EUR 4.9 million (2017: EUR 6.0 million).

(6) CASH AND CASH EQUIVALENTS

An amount of EUR 38.3 million (2017: EUR 1.6 million) is not available on demand.

This amount consists for EUR 36.0 million of an amount held on an escrow account in the name of Aviko Holding B.V.

(7) CAPITAL AND RESERVES

For a breakdown of capital and reserves, please refer to the notes to the cooperative annual accounts.

The consolidated statement of total recognised gains and losses is as follows:

	2018	2017
Net result	0.0	74.7
Translation differences on foreign participating interests	-/- 1.1	-/- 3.3
Total result recognised by Cosun	-/- 1.1	71.4

(8) MINORITY INTERESTS

	2018	2017
Balance as at 1 January	17.0	22.5
Movements::		
- Share in results	1.8	2.0
- Capital movements and change in consolidation	-/- 0.9	-/- 5.5
- Dividend paid to minority interests and liquidation distributions	-/- 2.0	-/- 1.6
- Exchange differences and other movements	-/- 0.1	-/- 0.4
BALANCE AS AT 31 DECEMBER	15.8	17.0

The minority interest consists principally of third-party shares held in the Slovenian sugar factory Tovarna Sladkorja Ormoz dd in liquidation, the potato processing factory Gansu Aviko Potato Processing Co. Ltd., Rain Biomasse Wärme GmbH, the trading company Limako B.V., Agri Bio Source Europe B.V. and Eemshaven Sugar Terminal C.V.

(9) PROVISIONS

	31-12-2018	31-12-2017
Deferred tax liabilities	22.7	24.9
Restructuring and reorganisation	2.4	1.6
Pensions and other deferred employee benefits	15.8	21.9
Loss-making contracts	18.2	3.0
Other provisions	15.1	18.6
	74.2	70.0

Of the provisions an amount of EUR 52.8 million (2017: EUR 49.2 million) has an expected term of more than one year.

Movements in provisions were as follows:

	DEFERRED TAX LIABILITIES	RESTRUCTURING AND REORGANISATION	PENSIONS AND OTHER DEFERRED EMPLOYEE BENEFITS	LOSS MAKING CONTRACTS	OTHER PROVISIONS	TOTAL
Balance as at 1 January 2018	24.9	1.6	21.9	3.0	18.6	70.0
Movements:						
- Additions	4.3	4.8	1.3	18.4	5.0	33.8
- Withdrawals	-/ 2.1	-/ 3.7	-/ 5.1	-/ 3.2	-/ 6.2	-/ 20.3
- Mutation to profit and loss account	-/ 4.4	-/ 0.3	-/ 2.3	-	-/ 2.3	-/ 9.3
BALANCE AS AT 31 DECEMBER 2018	22.7	2.4	15.8	18.2	15.1	74.2

DEFERRED TAX LIABILITIES

The provision for deferred tax liabilities arises from the timing differences between fiscal and commercial profit determination. Of the deferred tax liabilities, EUR 21.6 million (2017: EUR 21.2 million) are long term in nature.

RESTRUCTURING AND REORGANISATION

The provision for restructuring and reorganisation relates mainly to the restructuring announced at Aviko.

PENSIONS AND OTHER DEFERRED EMPLOYEE BENEFITS

Several pension plans and other deferred employee benefits apply within Cosun. The life-long pension plans for the staff of Cosun Holding, Coöperatie Cosun (including Suiker Unie) and Sensus are administered by the Cosun occupational pension fund.

OCCUPATIONAL PENSION FUND	ESTIMATED COVERAGE AS AT 31-12-2018	BASIC FEATURES PENSION SYSTEM 31-12-2018
Pension fund Cosun	113.5	Final and average pay pension plan

The policy funding ratio is 119.0%.

The occupational pension fund has conditional indexation for inactive employees.

The pension scheme is based on a fixed contribution and average salary with conditional indexation. The employer has guaranteed the accrual and indexation of the assets for the members of the Cosun Pension Fund to the end of 2023 in so far as they cannot be funded from the contribution. The guarantee relates to indexation of up to 2% to the end of 2016 and is then lowered in steps to 1.2% in 2023.

As at 1 January 2019, there were no additional funding obligations in respect of the indexation commitment for active scheme members. Under Dutch reporting guidelines, there is an option to recognise a provision for future years. It has been decided not to form a provision for years for which there is as yet no commitment.

A number of schemes have also been implemented within an industrial-sector pension fund or own management (long service award and mortality schemes) by the company concerned. In the implementation of these various schemes, local legal frameworks are taken into account and the regulations are carried out as described in the terms and conditions of employment.

The main actuarial assumptions were:

	2018	2017
Discount rate	2.5 %	1.5 %
Future salary increases	2.0 %	2.0 %

The Cosun pension fund applies the AG2018 (2017: AG2016) projection table, adjusted for the High income class, as its mortality table.

LOSS-MAKING CONTRACTS

The provision for loss-making contracts relates to sales contracts where the cost of sales is higher than the selling price and fulfilment of the contract cannot be avoided.

As at year-end 2018, contracts had been concluded to purchase a large proportion of the beet for the 2019/20 harvest year. If selling prices develop as they had in 2018 and the cost of producing the sugar remains unchanged, the purchase contracts concluded for the 2019/20 harvest year will also be loss-making. The contracted beet will be processed in the 2019/20 campaign and a large proportion of the sugar produced will be sold in the autumn of 2019. Sugar prices are currently expected to recover and be higher than the expected cost of sales on the date of sale. The expected cost of sales is, amongst other, dependent on the amount of beet to be processed and is expected to be lower than the current cost of sales. As a result of these uncertainties a reliable estimate of possible losses on the purchase contracts cannot be made. As a consequence no provision is recorded at year-end 2018.

OTHER PROVISIONS

The other provisions have been recorded for risks with respect to environment, obligations for demolition of assets, liabilities for the disposal of soil tare and other risks amounting to EUR 14.9 million (2017: EUR 18.4 million). In addition, a provision of EUR 0.2 million (2017: EUR 0.2 million) has been recorded for contractual risks, claims and fines.

The discount rate to calculate the future cash flows applied for is 1.0% to 2.5% depending on the term (2017: 0.5% to 1.5% depending on the term).

(10) NON-CURRENT LIABILITIES

	31-12-2018	EFFECTIVE INTEREST RATE	31-12-2017	EFFECTIVE INTEREST RATE
Debts to credit institutions	1.1	3.0 %	2.2	3.9 %
Debts to members	24.3	2.4 %	20.5	2.4 %
Negative goodwill	4.5	-	7.3	-
Lease obligation	12.2	7.5 %	12.6	7.5 %
	42.1		42.6	

DEBTS TO CREDIT INSTITUTIONS

The non-current debts to credit institutions have a residual term of between one and five years. None of these debts carries variable interest.

DEBTS TO MEMBERS

The debts to members relates to the members' loan programme introduced in 2015. Members of Cosun can loan to Cosun part of the payments which they receive from Cosun. The loan has a fixed interest rate and a term between 2 and 5 years. The loans are subordinated to other creditors.

NEGATIVE GOODWILL

The negative goodwill, relating to acquisitions is released to the result based on the weighted average remaining life of the acquired depreciable assets.

LEASE OBLIGATION

This relates mainly to lease obligations in respect of a distribution centre and a groundwater treatment plant.

(11) CURRENT LIABILITIES

	31-12-2018	31-12-2017
Debts to credit institutions	10.0	11.8
Liabilities of a financing nature	0.2	31.3
Total debts to credit institutions and liabilities of a financing nature	10.2	43.1
Payables to members	89.2	158.9
Payables to suppliers and trade creditors	213.6	179.5
Debts to participating interests	1.6	-
Income tax payable	-	10.3
Other taxes and social security contributions payable	10.8	9.6
Other current liabilities and accruals	123.4	137.2
Total other current liabilities, accruals and deferrals	438.6	495.5

DEBTS TO CREDIT INSTITUTIONS

A five-year EUR 400 million financing arrangement was concluded with a bank syndicate in July 2014. The arrangement was extended for one more year in 2015 and again in 2016 by a further year. At year-end 2017 and year-end 2018, this arrangement had not been drawn upon.

LIABILITIES OF A FINANCING NATURE

Liabilities of a financing nature consist almost entirely of a loan placed with a Dutch financial party, which was repaid in full in 2018. The financing was granted subject to financial conditions agreed between the parties. All the conditions have been satisfied.

OTHER LIABILITIES ACCRUALS AND DEFERRALS

The other current liabilities and accruals relate to interest, holiday entitlements, bonuses and other expenses still to be paid

(12) DERIVATIVE FINANCIAL INSTRUMENTS**GENERAL**

Cosun's treasury policy is aimed at hedging exchange and interest rate risks as much as possible. The exchange rate risk on financing contracts in foreign currency regarding group companies is hedged by currency swaps. Cosun neither holds nor issues derivatives for trading purposes.

EXCHANGE RATE RISK AND LIQUIDITY RISK

Periodically, liquidity budgets are drawn up. Liquidity risks are managed through interim monitoring and possibly adjusted. The group's currency risk also runs through sell and purchase transactions that take place in a local currency than the reporting currency of the group. To hedge this currency risk, the group has the policy to enter into forward exchange agreements.

The following table shows the contract volumes and fair market value of the contracts outstanding at 31 December all of which have been concluded with financial institutions with a short term credit rating of A2 or higher.

	CONTRACT VOLUME 31-12-2018	BOOK VALUE 31-12-2018	FAIR MARKET VALUE 31-12-2018	CONTRACT VOLUME 31-12-2017	BOOK VALUE 31-12-2017	FAIR MARKET VALUE 31-12-2017
Forward exchange contracts and currency swaps:						
US dollar	-/- 147.4	0.3	-	84.0	0.2	1.6
Pound sterling	-/- 73.7	0.4	0.1	67.4	-	-
Chinese yen	-/- 38.8	-/- 0.1	-/- 0.1	-	-	-
Polish zloty	-/- 10.7	-	-	-/- 7.5	-	0.1
Swedish crown	-/- 6.4	-	-	15.4	-	-
Australian dollar	-/- 3.5	0.1	0.1	-/- 0.8	-	0.1
Canadian dollar	-/- 1.1	-	-	-	-	-
Czech koruna	-	-	-	0.2	-	-
Russian rouble	-	-	-	1.1	-	-
TOTAL	-/- 281.6	0.7	0.1	159.8	0.2	1.8

The contract volume is the product of the contracted amount and applicable exchange rate as at the balance sheet date. The book value is the part of the contract volume for which the hedged position has resulted in a financial active or financial liability, and is carried as the difference between the exchange rate as at balance sheet date and the hedged exchange rate. The fair value pertains to the total contract volume.

As in the previous year, the forward exchange contracts and currency swaps have mainly a term shorter than one year. The contract volume with a term longer than one year amounts to EUR 12.7 million (2017: EUR 4.4 million).

PRICE RISK

	BOOK VALUE 31-12-2018	FAIR MARKET VALUE 31-12-2018	BOOK VALUE 31-12-2017	FAIR MARKET VALUE 31-12-2017
Commodity futures contracts	-	3.9	-	1.5
Listed futures contracts	-	0.9	-	0.4
Emission allowances	-	2.1	-	0.8

As in the previous year, most commodity futures contracts had a term of less than one year. Some of these contracts had not been exercised as at 31 December 2018. Margin calls of EUR 0.9 million apply to the listed futures contracts (2017: EUR 0.4 million).

CREDIT RISK

Credit risks differ by country and individual counterparty and are managed by means of credit limits for each country and counterparty. The counterparty risk attaching to derivatives and other financial instruments is managed by means of contracts with financial institutions and counterparties with long-term ratings of at least A and short-term ratings of at least A2 or equivalent.

(13) OFF BALANCE SHEET**COMMITMENTS SECURITIES PROVIDED**

Financing agreements include negative pledges with pari passu clauses. A number of group companies have given security to credit institutions and tax authorities in the form of non-possessory pledges on inventories, machinery and business equipment, silent pledges on receivables and mortgages on a number of properties. Cosun no longer has outstanding debts to institutional investors (2017: EUR 31.0 million) whereby it has provided conditional security by means of a pledge on goods.

CLAIMS

Cosun and/or its group companies are involved in a number of legal cases in connection with the group's ordinary activities. Although the outcome of these disputes cannot be predicted with any certainty, it is assumed – partly on the basis of legal advice – that the total obligations arising from these will not have any significant effect on the consolidated financial position. Provisions have been formed for all third party claims likely to be awarded for which the size of the potential settlement can be reasonably estimated.

GUARANTEES

Cosun has given guarantees to third parties to an amount of EUR 16.7 million (2017: EUR 25.7 million).

LONG-TERM FINANCIAL COMMITMENTS

Long-term unconditional commitments have been entered into in respect of rent and operating lease. The obligations ensuing from this amount to EUR 22.1 million (2017: EUR 22.9 million). The rental and lease instalments payable within one year amount to EUR 9.2 million (2017: EUR 7.2 million). Instalments payable after five years amount to EUR 0.7 million (2017: EUR 1.1 million). Contingent investment liabilities amount to EUR 51.7 million (2017: EUR 22.8 million).

(14) NET TURNOVER

The break-down of net turnover per product group is as follows:

	2018	%	2017	%
Sugar activities	719.6	35.2	844.3	40.0
Potato activities	863.7	42.2	836.0	39.6
Other activities	463.1	22.6	431.3	20.4
TOTAL	2,046.4	100.0	2,111.6	100.0

Net turnover per geographical region can be broken down as follows:

	2018	%	2017	%
The Netherlands	562.7	27.5	625.1	29.6
Rest of the EU	1,107.2	54.1	1,137.1	53.9
Rest of Europe	51.5	2.5	42.9	2.0
North and South-America	129.6	6.3	119.0	5.6
Rest of the world	195.4	9.6	187.5	8.9
TOTAL	2,046.4	100.0	2,111.6	100.0

(15) OTHER OPERATING INCOME

The book profit on sold assets, insurance payments received, grants, reimbursements received for services to third parties and rental income are included under these revenues.

(16) COST OF RAW MATERIALS AND CONSUMABLES

This item includes the cost of raw materials and consumables, purchased finished goods and production-related energy costs. Sugar beet purchases from members amounted to EUR 268.8 million (2017: EUR 283.5 million). This amount includes EUR 15.8 million payable as members' bonus (2017: EUR 95.2 million).

(17) COST OF OUTSOURCED WORK AND OTHER EXTERNAL COSTS

This expense item includes, among other things, rental costs, research costs, repair and maintenance costs, indirect energy costs, transport costs, office expenses, selling expenses, insurance costs and IT costs, insofar as such expenses are charged by third parties.

The total Research & Development costs, including staff costs, amounted to EUR 21.0 million (2017: EUR 19.9 million).

(18) STAFF COSTS

	2018	2017
Wages and salaries	201.2	191.4
Social security contributions	35.2	33.1
Pension costs	27.2	33.3
	263.6	257.8

NUMBER OF EMPLOYEES

Expressed in full-time equivalents, the average number of employees at Cosun during the 2018 financial year was 3,848 (2017: 3,850). The employees were engaged in the following product groups (average number of employees):

	2018	2017
Sugar activities	860	825
Potato activities	2,005	2,033
Other activities	983	992
TOTAL	3,848	3,850
Of whom employed outside the Netherlands	1,851	1,909

(19) OTHER CHANGES IN THE VALUE OF INTANGIBLE AND TANGIBLE FIXED ASSETS

In 2018 the impairment on tangible fixed assets amounts to EUR 21.1 million. The change in value in 2017 amounted EUR 0.3 million.

(20) FINANCIAL INCOME AND EXPENSE

Financial income and expenses include interest on interest bearing receivables and debts.

(21) TAXATION ON RESULTS FROM ORDINARY ACTIVITIES

The corporate income tax disclosed in the profit and loss account amounts to EUR 0.3 million (2017: EUR 26.2 million) on a result of EUR 1.9 million (2017: EUR 102.8 million). The effective tax rate was 15.1% (2017: 25.5%). The difference from the nominal tax rate can be specified as follows:

	2018		%		2017		%	
Profit before taxation		1.9				102.8		
Income tax based on Dutch tax rates		0.5		25.0		25.7		25.0
Effect of foreign tax rates	-/-	1.2	-/-	62.0		0.4		0.4
Non-deductible charges / permanent differences		4.0		206.4	-/-	0.2	-/-	0.2
Effect of change in valuation of tax losses, assets or temporarily differences		0.7		36.7		0.9		0.9
Adjustment for prior periods	-/-	4.8	-/-	249.9	-/-	0.4	-/-	0.4
Other		1.1		58.9	-/-	0.2	-/-	0.2
TOTAL TAX BURDEN		0.3		15.1		26.2		25.5

Changes in the valuation of losses in 2018 (and 2017) were due largely to losses in foreign entities not being valued. Non-deductible amounts and permanent differences relate chiefly to the non-deductible members' bonus for 2018. Adjustment for prior periods relates to adjustments made in response to final assessments for prior years. The corporation tax rates used to compute taxation have been adjusted for recently announced changes in the rates as from 2019 that the government decided upon in 2018.

(22) FEES OF THE AUDITOR

The following fees have been charged by Ernst & Young Accountants LLP to the company, its subsidiaries and other consolidated companies, as referred to in article 2:382a (1 and 2) of the Netherlands Civil Code.

In the year 2018 the following fees were charged to the company:

	ERNST & YOUNG ACCOUNTANTS LLP	OTHER ERNST & YOUNG NETWORK	TOTAL ERNST & YOUNG
Audit of the financial statements	0.5	0.3	0.8
Tax advisory services	0.2	0.3	0.5
Other non-audit services	0.1	-	0.1
TOTAL	0.8	0.6	1.4

In the year 2017 the following fees were charged to the company:

	ERNST & YOUNG ACCOUNTANTS LLP	OVERIG ERNST & YOUNG NETWORK	TOTAAL ERNST & YOUNG
Audit of the financial statements	0.3	0.3	0.6
Tax advisory services	0.2	0.4	0.6
Other non-audit services	0.5	0.2	0.7
TOTAAL	1.0	0.9	1.9

The total audit fee is based on the total fee for the audit of the annual accounts for the financial year covered by the annual accounts, regardless of whether the work performed by the external auditor and the audit firm was carried out during that financial year.

(23) CASH FLOW STATEMENT

Movements in the cash flow statement can be derived largely from the movements in the relevant balance sheet items. The balance sheet movement and the cash flow statement movement of certain items are reconciled below:

	WORKING CAPITAL	PROVISIONS
Balance as at 1 January 2018	318.9	-/- 70.0
Balance as at 31 December 2018	408.5	-/- 74.2
Balance sheet movements	<u>-/- 89.6</u>	<u>4.2</u>
Adjustments for:		
- Changes in income tax	13.5	2.2
- Investments in and divestments of participating interests	-/- 5.3	-
- Reclassification to current receivables from financial fixed assets	3.9	-
CASH FLOW	<u>-/- 77.5</u>	<u>6.4</u>

(24) SUBSEQUENT EVENTS

There were no subsequent events.

COOPERATIVE BALANCE SHEET

(after profit appropriation; in EUR million)

	Notes	31-12-2018	31-12-2017
ASSETS			
Fixed assets			
Intangible fixed assets	(25)	54.3	61.9
Tangible fixed assets	(26)	269.3	287.7
Financial fixed assets	(27)	696.7	674.4
		1,020.3	1,024.0
Current assets			
Inventories	(28)	256.8	231.4
Trade and other receivables	(29)	188.0	218.2
Cash and cash equivalents		88.5	204.0
		533.3	653.6
Total assets		1,553.6	1,677.6
EQUITY AND LIABILITIES			
Shareholders' equity (30)			
Capital		36.0	36.0
Share premium		32.3	32.3
Reserve for participating interests		4.5	10.8
Reserve for exchange differences		-/- 1.2	-/- 0.1
Other reserves		1,159.1	1,154.7
		1,230.7	1,233.7
Provisions	(31)	44.4	37.8
Non-current liabilities	(32)	34.6	31.1
Current liabilities	(33)		
Current liabilities to credit institutions and liabilities of a financing nature		49.4	32.3
Other current liabilities, accruals and deferrals		194.5	342.7
		243.9	375.0
Total equity and liabilities		1,553.6	1,677.6

COOPERATIVE PROFIT AND LOSS ACCOUNT

(in EUR million)

FOR THE FINANCIAL YEAR	2018	2017
Cooperative result after taxation	-/ 20.2	-/ 5.1
Profit of participating interests after taxation	20.3	68.9
NET RESULT	0.1	74.0
APPROPRIATION OF PROFIT IN ACCORDANCE WITH ARTICLE 1 OF THE SUGAR BEET DELIVERY PAYMENT REGULATIONS		
Result of participating interests less dividends received	11.5	15.8
Cooperative result including dividends from participating interests	-/ 11.4	58.2

NOTES TO THE COOPERATIVE ANNUAL ACCOUNTS

(in EUR million)

GENERAL

Insofar as notes on items in the cooperative balance sheet and profit and loss account are not provided below, reference is made to the notes to the consolidated balance sheet and profit and loss account.

ACCOUNTING POLICIES

The cooperative balance sheet and profit and loss account are prepared using the same accounting policies as applied for the consolidated balance sheet and profit and loss account.

(25) INTANGIBLE FIXED ASSETS

Movements in intangible fixed assets were as follows:

	GOODWILL	OTHER INTANGIBLE FIXED ASSETS	TOTAL
At cost as at 1 January 2018	174.6	6.1	180.7
Accumulated amortisation and other changes in value as at 1 January 2018	115.8	3.0	118.8
BOOK VALUE AS AT 1 JANUARY 2018	58.8	3.1	61.9
Movements:			
- Investments	-	0.1	0.1
- Amortisation	-/- 7.6	-/- 0.1	-/- 7.7
BOOK VALUE AS AT 31 DECEMBER 2018	51.2	3.1	54.3
At cost as at 31 December 2018	174.6	6.2	180.8
Accumulated amortisation and other changes in value as at 31 December 2018	123.4	3.1	126.5

(26) TANGIBLE FIXED ASSETS

Movements in tangible fixed were as follows:

	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	PREPAYMENTS AND IN PRODUCTION	NOT USED FOR OPERATIONS	TOTAL
At cost as at 1 January 2018	150.9	518.0	21.8	0.6	5.8	697.1
Accumulated depreciation and other changes in value as at 1 January 2018	73.1	317.9	18.4	-	-	409.4
BOOK VALUE AS AT 1 JANUARY 2018	77.8	200.1	3.4	0.6	5.8	287.7
Movements:						
- Investments	1.4	14.9	1.6	6.6	-	24.5
- Disposals	-	-/ 0.9	-	-	-	-/ 0.9
- Depreciation	-/ 4.5	-/ 36.0	-/ 1.5	-	-	-/ 42.0
- Transfer	0.1	0.4	-	-/ 0.5	-	-
BOOK VALUE AS AT 31 DECEMBER 2018	74.8	178.5	3.5	6.7	5.8	269.3
At cost as at 31 December 2018	152.7	530.4	22.9	6.7	5.8	718.5
Accumulated depreciation and other changes in value as at 31 December 2018	77.9	351.9	19.4	-	-	449.2
	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	PREPAYMENTS AND IN PRODUCTION	NOT USED FOR OPERATIONS	TOTAL
At cost as at 1 January 2017	144.1	458.7	9.1	28.7	5.1	645.7
Accumulated depreciation and other changes in value as at 1 January 2017	73.2	296.4	7.6	-	-	377.2
BOOK VALUE AS AT 1 JANUARY 2017	70.9	162.3	1.5	28.7	5.1	268.5
Movements:						
- Investments	13.7	55.2	2.0	0.3	1.3	72.5
- Disposals	-/ 10.9	-	-	-	-/ 0.6	-/ 11.5
- Depreciation	-/ 4.3	-/ 36.0	-/ 1.5	-	-	-/ 41.8
- Transfer	8.4	18.6	1.4	-/ 28.4	-	-
BOOK VALUE AS AT 31 DECEMBER 2017	77.8	200.1	3.4	0.6	5.8	287.7
At cost as at 31 December 2017	150.9	518.0	21.8	0.6	5.8	697.1
Accumulated depreciation and other changes in value as at 31 December 2017	73.1	317.9	18.4	-	-	409.4

(27) FINANCIAL FIXED ASSETS

	31-12-2018	31-12-2017
Participating interests in group companies	252.8	262.4
Receivables from group companies	429.4	395.9
Receivables from members	11.9	15.2
Deferred tax assets	2.0	0.1
Other receivables	0.6	0.8
	696.7	674.4

Movements in financial fixed assets were as follows:

	PARTICIPATING INTERESTS IN GROUP COMPANIES	RECEIVABLES FROM GROUP COMPANIES	RECEIVABLES FROM MEMBERS	DEFERRED TAX ASSETS	OTHER RECEIVABLES	TOTAL
Balance as at 1 January 2018	262.4	395.9	15.2	0.1	0.8	674.4
Movements:						
- Share in result of participating interests	20.3	-	-	-	-	20.3
- Additions and issuances	-	40.6	1.2	1.9	-	43.7
- Repayments and releases	-/- 20.0	-/- 7.1	-/- 0.5	-	-	-/- 27.6
- Dividend	-/- 8.8	-	-	-	-	-/- 8.8
- Exchange results	-/- 1.2	-	-	-	-	-/- 1.2
- Other movements	0.1	-	-	-	-	0.1
- Movements in favour of / charged to the profit and loss account	-	-	-/- 0.1	-	-/- 0.2	-/- 0.3
- Reclassification to current	-	-	-/- 3.9	-	-	-/- 3.9
BALANCE AS AT 31 DECEMBER 2018	252.8	429.4	11.9	2.0	0.6	696.7

	PARTICIPATING INTERESTS IN GROUP COMPANIES	RECEIVABLES FROM GROUP COMPANIES	RECEIVABLES FROM MEMBERS	DEFERRED TAX ASSETS	OTHER RECEIVABLES	TOTAL
Balance as at 1 January 2017	275.4	142.7	10.8	0.1	1.0	430.0
Movements:						
- Share in result of participating interests	68.9	-	-	-	-	68.9
- Additions and issuances	-	275.8	18.7	-	-	294.5
- Repayments and releases	-/- 27.2	-/- 23.2	-/- 11.2	-/- 0.1	-	-/- 61.7
- Dividend	-/- 53.2	-	-	-	-	-/- 53.2
- Exchange results	-/- 3.2	0.6	-	-	-	-/- 2.6
- Other movements	1.7	-	-	0.1	-	1.8
- Movements in favour of / charged to the profit and loss account	-	-	0.1	-	-/- 0.2	-/- 0.1
- Reclassification to current	-	-	-/- 3.2	-	-	-/- 3.2
BALANCE AS AT 31 DECEMBER 2017	262.4	395.9	15.2	0.1	0.8	674.4

PARTICIPATING INTERESTS IN GROUP COMPANIES

Suiker Unie GmbH & Co. KG is a subsidiary and is included in the consolidated financial statements of Royal Cosun as of 31 December 2018. Suiker Unie GmbH & Co. KG uses the exemption to prepare, audit and disclose the financial statement in accordance with article 264b German Commercial Code.

Repayments and releases relate to a share premium distribution made by Cosun Holding B.V. to the Cooperative.

RECEIVABLES FROM GROUP COMPANIES

Receivables from group companies are mainly long-term loans granted to Cosun Holding (EUR 265 million), Aviko Holding B.V. (EUR 55 million), Aviko B.V. (EUR 40 million), Sensus B.V. (EUR 10 million), SVZ International B.V. (EUR 25 million) and Duynie Holding B.V. (EUR 15 million).

RECEIVABLES FROM MEMBERS

The non-interest bearing receivables from members (EUR 11.9 million) relates to the market value of the long-term portion of amounts still to be deposited for issued supply certificates (2017: EUR 15.2 million).

OTHER RECEIVABLES

The other receivables relate to capitalised costs for the conclusion of a new financing agreement expiring in June 2021.

(28) INVENTORIES

	31-12-2018	31-12-2017
Land	9.9	8.0
Raw materials and consumables	8.6	8.5
Finished products and goods for resale	238.3	214.9
	256.8	231.4

The land inventory relates to land under development for the AFC Nieuw Prinsenland business park in Dinteloord and land in Roosendaal. The valuation of inventories takes account of slow moving stocks. The provision for slow moving stocks amounts to EUR 1.5 million (2017: EUR 1.6 million). The inventory is recognised at lower market value to an amount of EUR 29.1 million (2017: EUR 5.2 million).

(29) TRADE AND OTHER RECEIVABLES

	31-12-2018	31-12-2017
Trade accounts receivable	44.9	56.6
Receivables from group companies	108.8	132.8
Short-term portion of amount still to be paid up for issued shares	3.9	3.2
Other tax receivables	16.0	13.0
Other receivables and accrued income	14.4	12.6
	188.0	218.2

(30) CAPITAL AND RESERVES**ISSUED CAPITAL AND SHARE PREMIUM**

	SUPPLY CERTIFICATES	SHARE PREMIUM	TOTAL 2018	TOTAL 2017
Balance as at 1 January	36.0	32.3	68.3	60.4
Movements:				
- Issued supply certificates	1.2	-	1.2	7.9
- Redeemed and withdrawn supply certificates	-/- 1.2	-	-/- 1.2	-
BALANCE AS AT 31 DECEMBER	36.0	32.3	68.3	68.3

Until 2017, Cosun issued shares to its members. The shares were converted into registered supply certificates in 2017. The total number of supply certificates in issue amounts to 6,545,369 (2017: 6,545,105), with a face value of EUR 5.50 per certificate. Under Reporting Guideline 620, EUR 0.7 million (2017: EUR 0.7 million) is recognised in the consolidated accounts as debt capital. The share premium reserve is recognised in full as paid-up capital for tax purposes.

STATUTORY RESERVES, OTHER RESERVES AND RESULTS

	RESERVE FOR PARTICIPATING INTERESTS	RESERVE FOR EXCHANGE DIFFERENCE	OTHER RESERVES	TOTAL 2018	TOTAL 2017
Balance as at 1 January	10.8	-/- 0.1	1,154.7	1,165.4	1,097.2
Movements:					
- Profit appropriation	-	-	0.1	0.1	74.0
- Paid to members	-	-	-/- 2.0	-/- 2.0	-/- 2.5
- Exchange differences	-	-/- 1.1	-	-/- 1.1	-/- 3.3
- Transfer	-/- 6.3	-	6.3	-	-
BALANCE AS AT 31 DECEMBER	4.5	-/- 1.2	1,159.1	1,162.4	1,165.4

RESERVE FOR PARTICIPATING INTERESTS

The reserve for participating interests is that part of movements in equity that are not freely disposable as from the moment of consolidation.

OTHER RESERVES

Under article 46 of the articles of association, payments take place to members and contracted parties. Effective from January 2000, these payments are in accordance with the Sugar Beet Delivery Payment Regulations. The payment amount depends on the average number of tonnes of sugar beets delivered, the average cooperative result including the dividend from participating interests per tonne of sugar beet for the seven previous financial years, and a factor per campaign. For the financial years 2017, 2018 and 2019 a transitional period applies based on the average cooperative result including the dividend from participating interests per tonne of sugar beet of four, five and six preceding financial years respectively. Payments are deducted from the other reserves.

If all members had claimed payments under the business termination regulations as at 31 December 2018, the total payment would have amounted to EUR 37.0 million (2017: EUR 37.2 million). In accordance with article 5.3 of the regulations, payment is subject to the approval of the Board.

PROPOSED PROFIT APPROPRIATION

The net profit for 2017 (EUR 74.0 million) has been added to other reserves in accordance with the decision of the Board 22 March 2018.

The Board intends to propose that EUR 0.1 million be added to other reserves. The annual accounts for 2018 have been prepared on the assumption that this proposal will be adopted.

DIFFERENCE BETWEEN CONSOLIDATED AND COOPERATIVE EQUITY

Pursuant to Guideline 620 of the Dutch Accounting Standards Board, the part (2%) of the paid-up capital that is payable on demand by the members is recognised as a liability in the consolidated annual accounts. As a result the consolidated equity differs from the equity in the cooperative annual accounts.

	31-12-2018	31-12-2017
Consolidated capital and reserves	1,230.0	1,233.0
Impact RJ 620	0.7	0.7
COOPERATIVE CAPITAL AND RESERVES	1,230.7	1,233.7

(31) PROVISIONS

	31-12-2018	31-12-2017
Deferred tax liabilities	12.4	12.9
Pensions and other deferred employee benefits	9.4	14.6
Other provisions	22.6	10.3
	44.4	37.8

EUR 29.1 million (2017: EUR 25.8 million) of the provisions is long term in nature.

Movements in provisions were as follows:

	DEFERRED TAX LIABILITIES	PENSIONS AND OTHER DEFERRED EMPLOYEE BENEFITS	OTHER PROVISIONS	TOTAL
Balance as at 1 January 2018	12.9	14.6	10.3	37.8
Movements:				
- Additions	3.8	0.6	21.0	25.4
- Withdrawals	-/- 4.3	-/- 5.8	-/- 8.7	-/- 18.8
BALANCE AS AT 31 DECEMBER 2018	12.4	9.4	22.6	44.4

DEFERRED TAX LIABILITIES

The provision for deferred tax liabilities has been formed for temporary differences in the recognition of profit for tax and financial reporting purposes. Of the deferred tax liabilities EUR 11.8 million (2017: EUR 10.5 million) is long term in nature.

(32) NON-CURRENT LIABILITIES

	31-12-2018	EFFECTIVE INTEREST RATE	31-12-2017	EFFECTIVE INTEREST RATE
Lease obligation	9.3	8.4%	9.5	8.4 %
Debts to members	24.3	2.4%	20.5	2.4 %
Other liabilities	1.0	-	1.1	-
TOTAL NON-CURRENT LIABILITIES	34.6		31.1	

The item debts to members relates to the members' loan programme introduced by Cosun in 2015. The amount loaned bears interest, has a fixed term between 2 and 5 years and is subordinated to other creditors.

(33) CURRENT LIABILITIES

	31-12-2018	31-12-2017
Liabilities of a financing nature	-	32.3
Payables to group companies	51.6	87.0
Payables to members	89.2	158.9
Payables to suppliers and trade creditors	57.3	41.9
Payable income tax	-	2.4
Other taxes and social security contributions payable	2.3	2.7
Pensions payable	0.8	-
Other current liabilities and accruals	42.7	49.8
TOTAL OTHER CURRENT LIABILITIES AND ACCRUALS	243.9	342.7

LIABILITIES OF A FINANCING NATURE

Liabilities of a financing nature consist almost entirely of a loan placed with a Dutch financial party that is due for redemption in full in 2018. The financing was granted subject to financial conditions agreed between the parties. All the conditions have been satisfied.

(34) OFF BALANCE SHEET COMMITMENTS**Several liability and guarantees**

Cosun has given guarantees to third parties to an amount of EUR 10.9 million (2017: EUR 26.6 million).

Long-term financial commitments

Long-term unconditional commitments have been entered into in respect of rental and operating lease instalments. The associated obligations amount to EUR 2.3 million (2017: EUR 2.8 million). The rental and lease instalments falling due within one year amount to EUR 1.1 million (2017: EUR 1.1 million). Instalments payable after five years amount to nil (2017: nil). Contingent investment liabilities amount to EUR 4.3 million (2017: EUR 5.6 million).

(35) FEES OF THE AUDITOR

The following fees were charged to the company by Ernst & Young Accountants LLP, as referred to in article 2:382a (1 and 2) of the Netherlands Civil Code.

In 2018 the following fees were charged to the company:

	ERNST & YOUNG ACCOUNTANTS LLP	OTHER ERNST & YOUNG NETWORK	TOTAL ERNST & YOUNG
Audit of the financial statements	0.2	-	0.2
Tax advisory services	0.2	-	0.2
Other non-audit services	0.1	-	0.1
TOTAL	0.5	-	0.5

In 2017 the following fees were charged to the company:

	ERNST & YOUNG ACCOUNTANTS LLP	OTHER ERNST & YOUNG NETWORK	TOTAL ERNST & YOUNG
Audit of the financial statements	0.1	-	0.1
Tax advisory services	0.3	-	0.3
Other non-audited services	0.1	0.1	0.2
TOTAL	0.5	0.1	0.6

The total audit fee is based on the total fee for the audit of the annual accounts for the financial year covered by the annual accounts, regardless of whether the work performed by the external auditor and the audit firm was carried out during that financial year.

(36) OTHER INFORMATION

The remuneration, including pension costs as referred to in article 2:383(1) of the Netherlands Civil Code, of members of the Board amounted to EUR 0.6 million (2017: EUR 0.6 million) and that members of the Supervisory Board to EUR 0.1 million (2017: EUR 0.1 million). The remuneration was charged to the result.

(37) SUBSEQUENT EVENTS

There were no subsequent events.

Board

D.H. de Lugt
A.W. Bos
B.R. van Doesburgh
A.J.B.P. Bossers
G. Evenhuis
Ms A.A.C.M. van den Hoek-Huybregts
Ms G. Prins
J.H.D. Voncken
S. Wijkstra

Supervisory Board

J. Bartelds
J.L. van Driel
W.A. Blijdorp
H.E. Huistra
E.H.W.J.E Michiels
Ms J.P. Rijdsdijk

Breda, 14 March 2019

OTHER INFORMATION

PROVISIONS IN THE ARTICLES OF ASSOCIATION GOVERNING THE APPROPRIATION OF PROFIT

The appropriation of the profit for the year is laid down in the Articles of Association (Article 42, paragraphs 1 and 2) as follows: the Board shall determine what proportion of the cooperative's profit for the year shall be added to reserves. Unless the Members' Council resolves otherwise on a recommendation of the Board, the amount remaining after the above addition shall be distributed among those members who were members at the end of the financial year in question, or who had ceased to be members during or at the end of that financial year and among the heirs who have continued an ongoing supply agreement as the legal successor of a member during the financial year in question, in accordance with the quantity of produce supplied to the cooperative in that financial year and in accordance with the method of payment stipulated in the Sugar Beet Regulations.

INDEPENDENT AUDITOR'S REPORT

To the members, the supervisory board, the board and the board of directors of Coöperatie Koninklijke Cosun U.A.

A. REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2018 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the financial statements 2018 of Coöperatie Koninklijke Cosun U.A., based in Breda.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Coöperatie Koninklijke Cosun U.A. as at 31 December 2018 and of its results for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- the consolidated and company balance sheet as at 31 December 2018;
- the consolidated and company profit and loss account for 2018;
- the consolidated 2018 cash flow statement;
- 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 Coöperatie Koninklijke Cosun U.A. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIALITY

Materiality	€ 16.000.000 (2017: € 18.000.000)
Benchmark applied	2% of gross margin
Explanation	In view of the cooperative nature of the entity, we believe gross margin, adjusted for the members' bonus, is a more important indicator than the results before taxes. The amount of the gross margin provides a good view of the size of the activities.

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

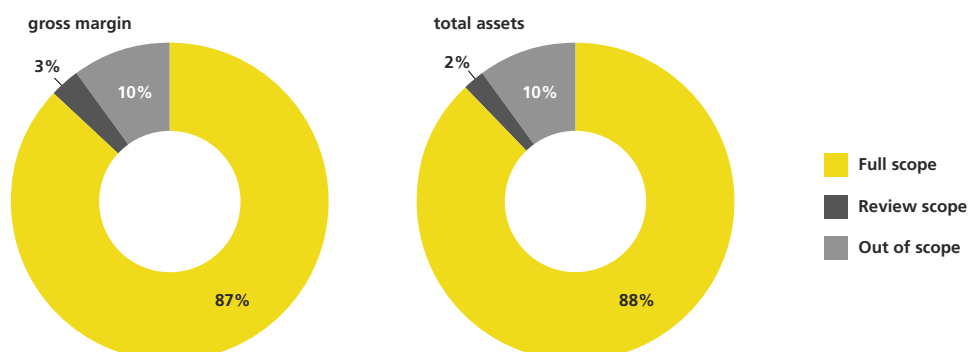
We agreed with the Supervisory Board that misstatements in excess of € 800,000, which are identified during the audit, would be reported to them, as would smaller misstatements that in our view must be reported on qualitative grounds.

SCOPE OF THE GROUP AUDIT

Coöperatie Koninklijke Cosun U.A. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Coöperatie Koninklijke Cosun U.A.

The group audit mainly focused on significant group entities that, in terms of their size, contribute the most to the gross margin and/or balance total. We have performed audits with all the group entities ourselves. We have not made use of the services of other accountants in the audits of the group entities.

In total, the executed activities represent 90% of the gross margin and 90% of the total assets of the group.



By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Compared to prior year we have added the key audit matter valuation of (in-)tangible fixed assets. The other key audit matters are the same as last year.

Risk	Our audit approach	Key observations
Valuation finished products (refer to note 4)		
<p>The size of finished products compared to the total balance sheet value is such that the audit of the stock of finished products is an important part of our audit approach.</p> <p>Finished products is valued at production costs or lower realizable value. The production costs include the purchase costs of raw materials and auxiliary material and other costs that are directly attributable to the manufacturing. The attribution of the other costs is complex and is surrounded by assumptions and estimates.</p> <p>The calculation method of finished products is complex and errorprone.</p>	<p>As part of our audit of the valuation of finished products, we compared the estimates made during the close of the preceding financial year to the actual costs incurred in this financial year. In addition, we checked per attributed other cost item whether it could be attributed to the production directly, and checked the parameters used per attributed cost item individually.</p>	<p>The other costs allocated to the production cost are, in our opinion, costs that are directly related to manufacturing. We consider the estimates made and the parameters used regarding the allocated other costs to be adequate.</p> <p>Furthermore, we determined that the disclosures in the financial statements on the valuation of finished products are adequate.</p>

Risk	Our audit approach	Key observations
Loss-making contract positions (refer to note 4 and 9)		
<p>As a result of the price volatility in the agricultural raw materials market, Coöperatie Koninklijke Cosun U.A. contracts a large portion of its raw materials before the harvest. Crop failures or other circumstances on the world food market can cause raw material prices to be very volatile, particularly around important harvest times. This can lead to loss-making positions if sales have been contracted for which no stock is available at contract date, or futures for raw materials have been closed.</p> <p>In addition, there may be loss-making contracts or stocks that are valued too high if the future (expected) selling price is lower than the stock valuation per balance sheet date in relation to the futures for raw materials.</p> <p>Negative price developments of sugar after termination of the European sugar market regulation has had our specific attention in the audit of loss-making contracts and inventory valuation as at balance sheet date.</p>	<p>We compared the prices of the sales contract positions as at balance sheet date to the valuation of the available stocks and the prices of the closed futures for raw materials.</p> <p>In addition, we have compared the free stocks and the prices of closed futures for raw materials as at the balance date to the current market prices.</p>	<p>The principles for the valuation of inventories to lower current market prices and accountability of provisions for loss-making contracts are, in our opinion, adequately applied. Furthermore, we determined that the disclosures in the financial statements on the loss-making contract positions are adequate.</p>
Valuation (in-)tangible fixed assets (refer to note 1 and 2)		
<p>As a result of the negative development of the result and the size of the (in-) tangible fixed assets compared to the balance sheet value, the audit of the valuation of (in-)tangible fixed assets is an important part of our audit approach.</p> <p>Coöperatie Koninklijke Cosun U.A. identified, as a result of the negative development of the result, an indication for impairment of its (in-)tangible assets and as a consequence tested whether impairments could be required.</p> <p>Tests are merely based on assumptions and estimates of Coöperatie Koninklijke Cosun U.A. on future results and cash flows. Insofar tests revealed an impairment, this is recorded in the financial statements.</p>	<p>During our audit we paid attention to the expected results and cash flows, as included in the budget for 2019 prepared by Coöperatie Koninklijke Cosun U.A. We focused primarily on the parameters that impact the recoverable amount the most such as expected sugar price, sales volume, cost of sales and the discount rate. We also audited the adequacy of the disclosures and whether they provide sufficient insight into the assumptions used and their sensitivity regarding the valuation.</p>	<p>In our opinion, the estimates of Coöperatie Koninklijke Cosun U.A. regarding possible impairments, the parameters and expectations used are within the acceptable range.</p> <p>Furthermore, we determined that the disclosures in the financial statements on the valuation of (in-) tangible fixed assets are adequate.</p>

B. STATEMENT 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:

- about Cosun;
- key figures;
- cooperative issues
- board report;
- Cosun at work;
- management issues; and
- other information

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 Board is responsible for the preparation of the other information, including the board 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.

C. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment

We were appointed by the Members' Council as auditor of Coöperatie Koninklijke Cosun U.A. on 29 May 2013, as of the audit for the year 2013 and have operated as statutory auditor ever since that year.

D. DESCRIPTION OF THE RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

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

The 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 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 fraud or error.

As part of the preparation of the financial statements, the Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Board should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the cooperation or to cease operations, or has no realistic alternative but to do so. The 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 cooperation'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.

Misstatements can arise from fraud or error 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 these 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 judgment and have maintained professional skepticism 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 fraud or error, 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 error, 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 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 a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures;
- 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.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with the Supervisory Board all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Naaldwijk, 14 March 2019

Ernst & Young Accountants LLP

Signed by M.A.M. Kester

