Cosun

Annual Report
2019

Coöperatie Koninklijke Cosun U.A.

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2019

Contents

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

Profile

Turnover
€ 2,046
million

Employees
3,744
(fte)

Production sites
26
(9 countries)

Members
8,836

Royal Cosun is a modern, forward-looking cooperative, based in the Netherland but working across the globe. We work with thousands of growers – both members and suppliers – applying our expertise to convert the enormous potential of plants into valuable solutions that are used every day. We produce not only vegetable ingredients and foodstuffs for people and animals but also biobased solutions and green energy.

Strong business groups

We operate through five strong business groups: Aviko, Duynie, Sensus, Suiker Unie and SVZ. Our business groups offer a wide variety of products and services but operate with the same clear vision and conviction. Our crops, such as potatoes and sugar beet and chicory roots, but also our fruit and the residual flows of, for example, beets and beer, are applied in many products. The product range covers such foodstuffs as French fries and syrup, ingredients for ginger cake and ice cream, meat substitutes and fruit juices, and also extends to animal feed, detergents, wallpaper paste and cosmetics.

Passionate professionals

Every day our staff of nearly 4,000 professionals at 26 locations in nine countries are working to make a real difference. At the heart of our cooperative are our 9,000 members. We also work with thousands of growers in the Netherlands and abroad. Thanks to all these passionate professionals, we achieve an annual turnover of approximately EUR 2 billion.

Our principles

Corporate social responsibility is important to us. We have set four principles that shape the way we think and work. We work together. We work sustainably. We show respect. And we care for a safe working environment and a good product. Our staff, managers, supervisors, customers and business partners can hold us to these Cosun Principles.

Challenges

In the 120-plus years since we were founded, we have seen and overcome many challenges and obstacles. Long-term vision, entrepreneurship and cooperation are in our DNA. We have a free spirit and enjoy finding connections with society. We recognise the great challenges we are facing to reverse climate change and save the planet. Demand for sufficient, balanced food is an equally pressing issue that requires new solutions and we are confident we can deliver them.

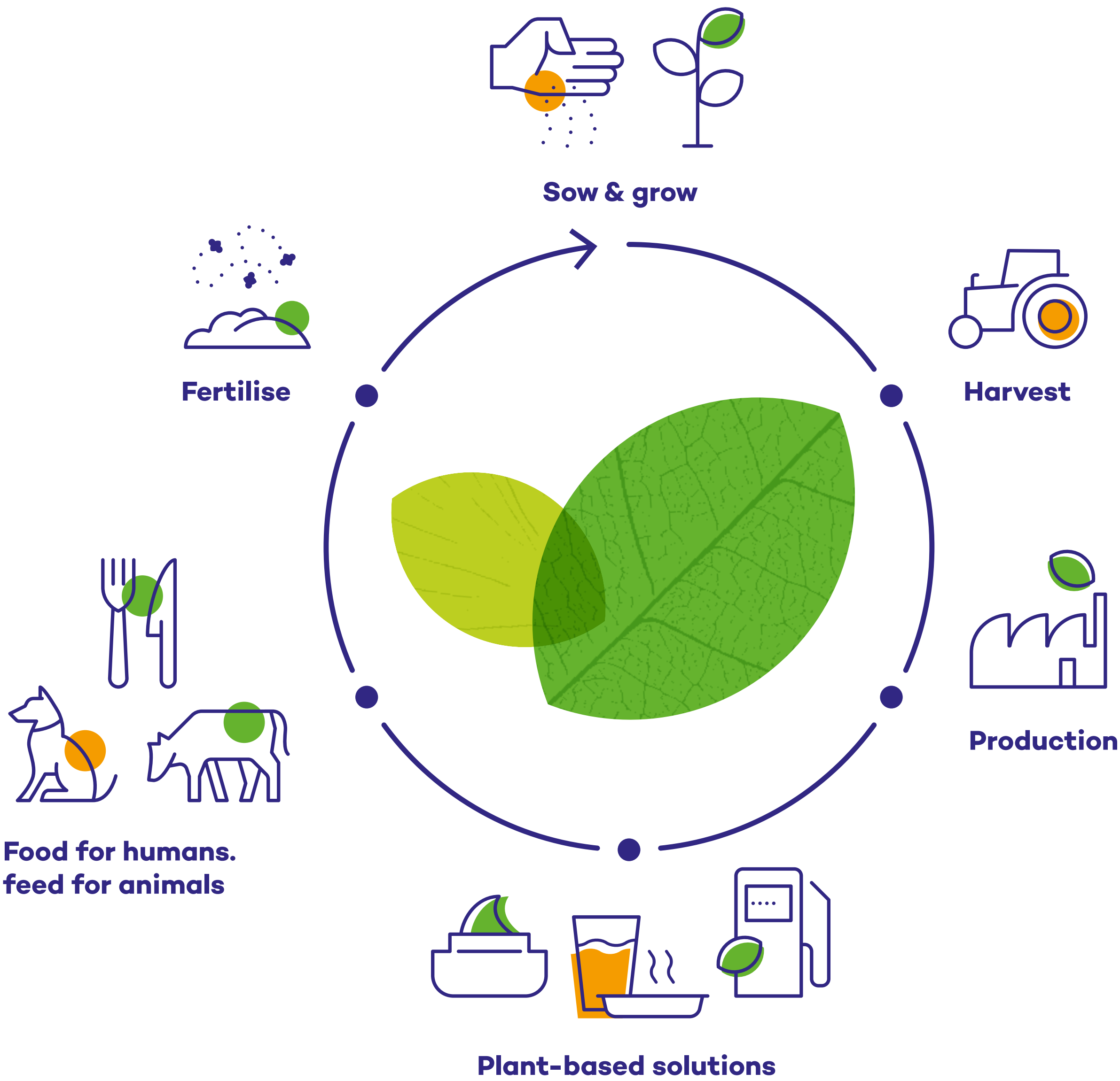
We believe plants have enormous potential. Plants give people positive energy and we let plants grow. There are infinite opportunities to harvest this energy with our growers to make a better future.

Unique position

We command a unique position in the market. Together with our growers, we have everything we need to put plants at the centre of our progress towards a better future. We are experts in sustainable agriculture and can guarantee the quality of our entire supply chain. Our growers, staff, suppliers and customers contribute to a sustainable and circular living environment for people and animals. Our ambition is a completely circular production chain for all our products and services. As we are already processing some 12 million tonnes of biomass every year, we are a major player in this area. With our innovative strength in circularity, we are exploring as many sustainable initiatives as possible for the benefit of society and our growers.

Clear ambition

Cosun has a clear ambition for 2030: we will be 100% plant-based, 100% circular and 100% transparent. At the beginning of that decade, we will be recognised in our markets as a leading and innovative brand. We are seeking profitable growth and value creation for all our stakeholders. This ambition is rooted in plants, our heroes.



Business model

We are pursuing a completely circular business model. From sowing and growing, harvesting and processing, applying our ingredients in foodstuffs, drinks and non-food products, and producing animal feed and green energy to their consumption by people and animals and, finally, fertilising the fields to grow new crops. Our aim is to be the leader in sustainability.

Growing together

We work together as one Cosun. We fulfil our responsibilities to society and all our stakeholders. And we are adding to our lead by making optimal and complete use of our crops.

Cosun Plants Powering People

Letter from the chairman and the CEO

Cosun posted better results in 2019 than in 2018. In several respects, the year was one of change. For the agriculture and horticulture sectors, 2019 was a turbulent and restless year and the sense of frustration was expressed in the form of anger and protests.

Farmers in general feel that they are under a looking glass with regard to the environment and climate change. Without warning, the government introduced a poorly thought out but far reaching measure banning certain crop protection agents that had ensured efficient arable farming practices and a high level of plant health for many years. It also introduced restrictions on the use of soil and land contaminated with PFAS. Such measures create a great deal of uncertainty about the pesticides and insecticides that can be used in the future to ensure a good harvest and place even less load on the crops and soil. Our business groups' farming services and the Institute for Rational Sugar Production (IRS) are dedicating all their experience and expertise to helping growers deal with these problems. They are also researching new growing techniques to safeguard the future of arable farming. The future requires new solutions based on cooperation. How can we – our business and cooperative – remain viable while taking care of the environment and reducing the impact on the climate? We will enter into a dialogue with our farmers in order to answer these questions and rise to the challenges we are facing.

"Our new vision is a compass for the future to guide us through the rapidly changing world around us."

Dirk de Lugt (l) and Albert Markusse (r)

Vision for the future

In 2019 Cosun consulted a cross-selection of its cooperatieve, from production staff to growers and from directors to managers, to formulate a new vision of itself. This compass for the future will guide us through the rapidly changing world around us. Global population growth is making heavy demands on the food industry. There is a growing trend away from meat-based diets towards plant-based diets and climate change and the environment are becoming key success and failure factors for many businesses.

These trends offer many opportunities if we and our growers can develop new innovative, practical and green solutions that address everyday problems: solutions that are based on plants. Our motto is therefore Plants Powering People.

We make not only food and animal feed from plants but also non-food products and energy. Cosun has all the necessary know-how and expertise in-house to maximise the potential of plants, from vegetable-based ingredients to bio-plastics.

Business groups

In many respects, 2019 marked a positive change at all our business groups with the exception of SVZ. Although it is not yet at the required level, the group result was higher than in 2018. This was due in part to the record turnover reported by Aviko and its highest operating profit ever. This business group responded alertly to the poor potato harvest in 2018 by contracting sufficient stocks for 2019. With worldwide growth of the frozen fries and potato specialities market at 4%, 2020 also looks favourable for Aviko. Suiker Unie saw European sugar prices stabilise and slowly strengthen towards the end of 2019. Disappointing harvests in 2018 and 2019 had reduced the supply of sugar in Europe. Low stock levels in combination with the rising world market exerted upward pressure on prices. We expect this trend to continue and Suiker Unie to recover from two loss-making years in 2020. Duynie Group again realised a good, higher operating profit in 2019. All its business units reported growth and strengthened their market positions. Sensus, too, reversed its downward line. It achieved higher sales and a slightly firmer result than in 2018 and the outlook for 2020 is positive. Only SVZ reported weaker performance. This business group is suffering from pressure on its margins.

Cosun's slightly better results were reflected in a fractionally higher beet price of €36.05 per tonne of beet of average quality (2018: €35.59).

Beet harvest

The 2019 growing season got off to a reasonably normal start, with the sowing date close to the average and a hopeful forecast of 14 tonnes of sugar per hectare. A dry and hot summer, however, exacerbated conditions, especially in the eastern part of the Netherlands. Yields subsequently differed widely across the country. A very wet autumn then reduced the sugar content. The average sugar yield came to 13.7 tonnes per hectare. Furthermore, rainfall made harvesting conditions exceedingly difficult. Thanks to the smooth collaboration between farmers, contract workers, transporters and the farming service, however, the sugar factories received adequate supplies throughout the campaign.

2019 was also the first year without neonicotinoids in the beet seed. The unexpected ban of these insecticides created a great deal of uncertainty in the search for suitable alternatives. More plant deaths from soil insects and a higher incidence of beet western yellows virus, especially in the southwest, could not be prevented. Lower yields and sugar contents were the outcome. The IRS used the lessons learned during the season to tailor its advice to growers even more specifically in 2020.

Outlook

The coronavirus had just broken out in Europe when this report was being prepared. It is a cause of concern for the health of our staff, the continuity of our operations and the sale of our products. The out-of-home market may be particularly badly hit. It is currently difficult to predict what impact the coronavirus will have but it could have significant consequences for our sales volumes and profitability in 2020. It is still too early to conjecture on more concrete impacts, actions and consequences.

In the longer term, however, Cosun is looking to the future with confidence. Our confidence is demonstrated by the seamless match between the investments we have made for growth and our vision of the future. In 2019, for instance, we decided to build a new factory for Aviko in Poperinge (Belgium) that will produce frozen fries for western Europe, Asia and South America. This is the largest investment Cosun has made for many years.

Another investment for profitable growth is the acquisition of a fries producer in China, Hongyuan Louis, which will be completed in the first part of 2020. The climate-neutral factory that Duynie Ingredients is building in Cuijk will meet the growing demand for high quality pet food.

We will continue on our current path of innovating and launching efficient, cost-effective and sustainable products using as little energy as possible. Some of our investments will also target energy savings and CO_2 reductions in order to meet the Netherlands' climate targets. All our investments are made so that we can continue to guarantee a fair and attractive beet price in the longer term that helps ensure the viability of arable farming.

Dirk de Lugt, Chairman of the Board	Albert Markusse, President and CEO of the Executive Board

Breda, 19 March 2020

Key figures

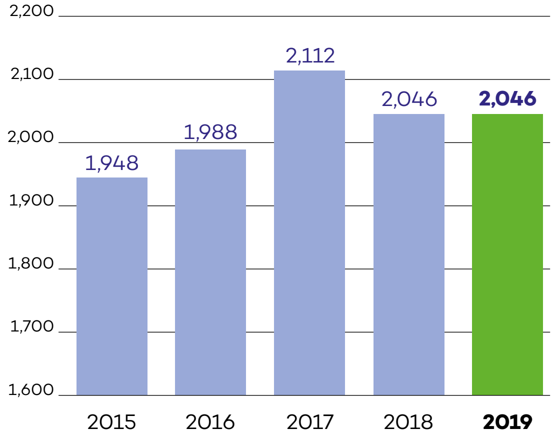
As a cooperative of Dutch sugar beet growers, Cosun buys the sugar beet grown by its members at a price based in part on the group's results. The beet price is recognised in full in the profit and loss account as a cost of raw materials and consumables. It therefore influences the operating profit and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

in millions of EUR (unless stated otherwise)	2019	2018
FINANCIAL		
Net turnover	2,046	2,046
Gross margin*	829	797
Operating profit	24	1
EBITDA	141	130
Net profit	18	0
Cash flow from operating activities	128	24
Investments in tangible and intangible fixed assets	162	128
Group equity	1,263	1,246
Group equity as a percentage of total assets	68	69
Average beet yield per hectare in the Netherlands (in euros)	2,930	2,667
Quota sugar beet price (in euros)**	36.05	35.59
Members' bonus	39	14
SOCIAL		
Average number of employees***	3,744	3,848
Sickness absence (%)	4.5	4.2
Number of lost time incidents (per 1,000 employees)	22	17
ENVIRONMENT******		
CO_2 emission (in tonnes per tonne of product)	0.22	0.22
Water consumption (in m^3 per tonne of product)	2.4	2.3
Residual matter (in tonnes per tonne of product)	0.07	0.06

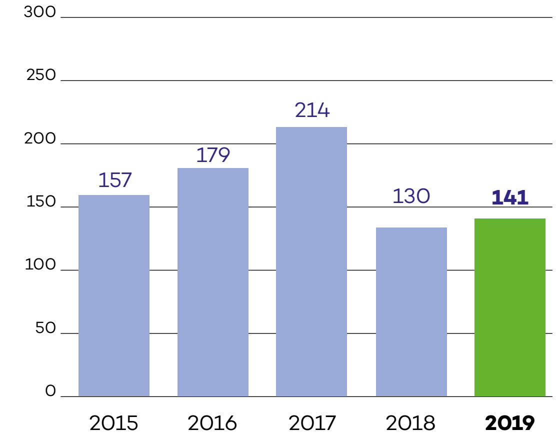
* Gross margin is net turnover plus movements in stocks of finished product less cost of raw materials and consumables; standardised for the members' bonus.
** Per tonne of beet with average sugar content and average extractability.
*** Average number of FTEs.
**** See Corporate social responsibility for further information

Figures

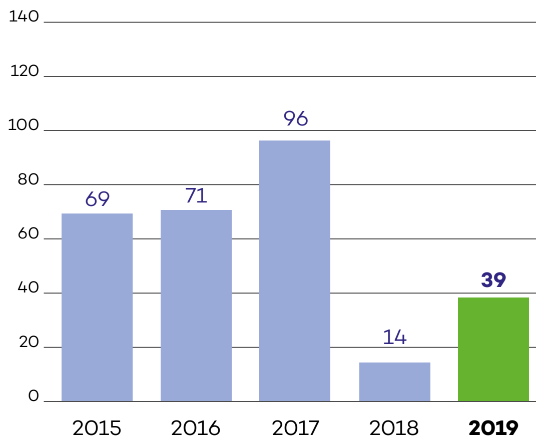
Net turnover
in millions of euros



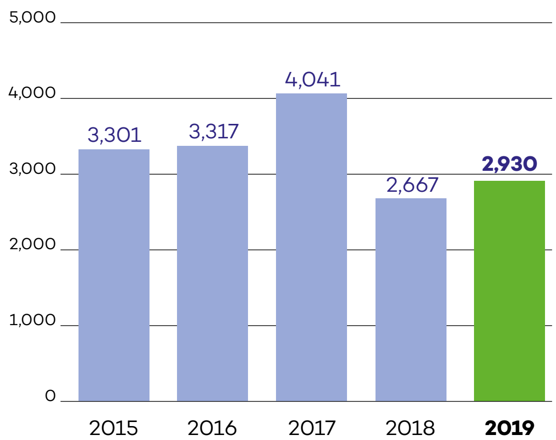
EBITDA
in millions of euros



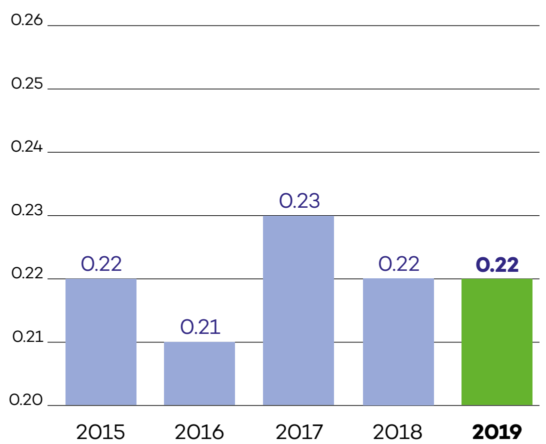
Members' bonus
in millions of euros



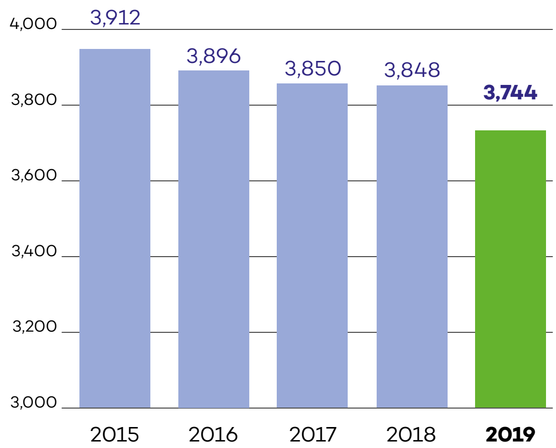
Average yield per hectare in euros
in euros



CO_2 emission
in tonnes per tonne of product



Average number of full time employees



Financial performance

Cosun had a decidedly better year in 2019 than in 2018. The improvement was underpinned by Aviko's operating profit. Suiker Unie also reported a better result although it still incurred a loss. Sugar prices were low in 2019 but gradually picked up towards the end of the year. Thanks to the more favourable figures, the price Cosun paid its members for the beet they supplied was higher than in the previous year and higher than expected at the start of 2019.

Results

Operating profit including non-recurring items and after the deduction of the members' bonus amounted to EUR 24 million (2018: EUR 1 million). EBITDA (operating profit before interest, tax, depreciation and amortisation) increased from EUR 130 million in 2018 to EUR 141 million in 2019. The members' bonus paid by the cooperative as part of the beet price increased to EUR 39 million (2018: EUR 14 million). The members' bonus is recognised in operating profit as a cost of raw materials and consumables.
The net profit came to EUR 18 million (2018: EUR 0 million).

Performance of the business groups

Suiker Unie incurred a loss in 2019, as it had in the previous year. Sugar prices bottomed out in 2019. Prices on the world market reached a low of around EUR 200 per tonne of raw sugar; in Europe they fell to EUR 320 per tonne of delivered sugar. Owing to the disappointing yields per hectare, the low sugar prices and the resultant low beet prices, the area under beet in Europe for the 2019/20 harvest was approximately 10% lower than in the previous year. Yields were also reduced by the drought in large parts of Europe during the growing season. In consequence, European sugar production fell to approximately 16.3 million tonnes. By way of comparison, Europe had produced 21.3 million tonnes of sugar during the 2017/18 campaign. The tide currently seems to be turning, however. Forecasts of lower harvests in Brazil, India and Europe and the resultant worldwide sugar shortage triggered a sharp rise in sugar prices towards the end of 2019 and Suiker Unie successfully concluded better contracts for 2020. We therefore expect this business group to return to profit again in the next year.

Suiker Unie's turnover was undermined by the fall in sugar prices. The small harvest in 2018/19 also meant less sugar was available for sale than in the previous year. Suiker Unie's result was better but it still incurred a loss. As most of the sales contracts for 2019 were concluded in 2018, sugar stocks had already been written down to their lower market value and a provision had been formed for loss-making contracts. Suiker Unie benefited from the rise in sugar prices towards the end of the year and from a markedly higher bio-ethanol price. As a result, the sugar operation in Germany even made a profit.

Following the poor harvest in the previous year, we again had to contend with adverse weather conditions in the 2019/20 season. Difficulties were first caused by drought, followed by heavy rainfall later during the harvest. This reduced the quality of the beet, and especially their sugar content. On average, the factories in the Netherlands processed some 6.8 million tonnes of beet in 134 days. Both factories also processed raw cane sugar. The German factory processed 1.6 million tonnes of beet, some of which were processed into bio-ethanol.

Aviko booked its highest operating profit ever in 2019. The high spot prices prompted by the disappointing potato harvest in 2018 lifted selling prices for the 2018/19 season. Both the fries operation and the granulate and flakes activities benefited from a higher potato coverage. Even though the volume of sales was slightly lower, turnover and operating profit were higher. Volume was lost chiefly on the export market owing to poor quality of the potatoes. The 2019 harvest was more normal. The potatoes were of average quality and spot prices were more in line with contract prices.

Aviko is benefiting from the worldwide growth in demand for frozen fries and potato products. The market is growing by about 4% a year, thanks chiefly to greater worldwide prosperity. Aviko Rixona is benefiting from the growing demand for potato snacks. To continue meeting the demand, Aviko started construction of a new factory in Poperinge, Belgium, in 2019 where it will produce frozen fries and potato flakes. Another investment for growth is the acquisition (90%) of the Chinese fries producer Hongyuan Louis. Agreement on the deal was reached at the beginning of 2020; completion is expected in the first half of this year. The acquisition therefore has no effect on the figures for 2019.

Sensus reported higher sales and a slightly better profit than in 2018 despite the pressure on its margins from increased competition. Higher sales in Asia and the United States were driven by healthy food trends and the replacement of sugar. The area under chicory was substantially higher than in 2018 but as the yield per hectare was lower, production fell short of expectations. To meet the growing market demand, stock levels were further reduced.

Inulin supply and demand in Sensus's markets are now in better balance and there is some prospect of a recovery in prices. This is a good position for the 2020 contracts, particularly with a view to the stricter quality requirements and rising costs.

SVZ had a disappointing year and closed 2019 with a loss. European harvests were lower than expected. Buying prices were accordingly higher, particularly for red fruit. Selling prices, however, barely moved. Margins were inevitably squeezed. In Europe this resulted in a EUR 7.5 million impairment in the value of assets. The market for carrot concentrate and other vegetable products, by contrast, is developing positively. In the US, SVZ suffered operational setbacks and therefor its results were disappointing. Introduction of a new line in the US has made SVZ more flexible and increased its potential for further growth.

In 2020, SVZ will focus on improving its operating profit while respecting all aspects of sustainability in its supply chain.

Duynie Group saw both its turnover and its operating profit improve in 2019. All business units reported growth and consolidated their market positions. Duynie Feed increased its turnover thanks in part to a new sales office in Poland. For AgriBioSource (ABS), a supplier of biomass for the digester market, the market developed favourably and the company is realising international growth. Novidon benefited from a hike in prices prompted by a shortage of potato starch in the market. A new digital online activity is making a positive contribution. Duynie Group has taken many innovative initiatives and drawn up an ambitious growth agenda. It has also started advising major international suppliers about the added value they can generate from their coproducts.

Duynie Ingredients will take a climate-neutral factory into service in Cuijk in the course of 2020. It will meet the growing demand for high value dried pet food ingredients. This will give an additional fillip to Duynie Ingredients' strong growth.

Financing

We made only limited use of external financing last year. The EUR 400 million Revolving Credit Facility (RCF) was not drawn upon in 2019. To finance our future growth plans, we renewed the RCF during the year for a term of five years with options to extend it by a further two years. Limited additional financing was received during 2019 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, approximately EUR 30 million has been lent to date.

Cash flow

Cosun generated a positive cash flow from operating activities of EUR 128 million (2018: EUR 24 million).

The inflow was boosted by the higher operating profit and a decline in working capital. A sharp rise in working capital in 2018 had significantly reduced the cash flow for that year. The cash position was lower, mainly on account of the higher level of investments.

Investments

Investments in tangible and intangible fixed assets amounted to EUR 162 million (2018: EUR 128 million). Suiker Unie invested less in 2018 and 2019 than in previous years as the programme to increase the capacity of its factories had been brought to a conclusion in 2017. In 2019 it invested in a cost-saving increase in its molasses storage capacity in Vierverlaten and in additional juice purification capacity in Anklam (Germany).

Aviko started construction of a new factory in Poperinge (Belgium) in 2019 in order to meet the growing demand for frozen fries. It also invested in production capacity for specialities and added value products at several of its facilities. To cut external storage costs it invested in additional freezing capacity at the locations in Steenderen and Rain (Germany).

SVZ increased the capacity of its factory in the US with a second line.

Duynie is building a new ingredients factory in Cuijk that will use residual heat to dry ingredients chiefly for the pet food industry. Other investments related mainly to replacement projects at all the business groups.

Balance sheet

Total assets increased to EUR 1,848 million in 2019 (2018: EUR 1,811 million). The negative cash flow reduced the cash position by EUR 44 million. The profit for the year increased group equity slightly to EUR 1,263 million (2018: EUR 1,245 million). Group equity was equal to 68% of total assets as at 31 December 2019, fractionally lower than a year earlier.

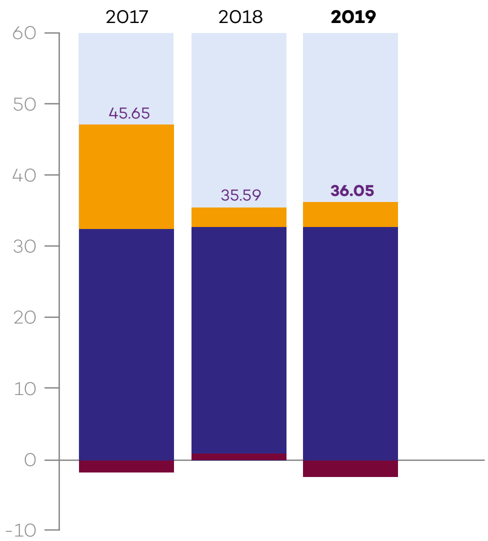
Both group equity and total assets were higher. The group maintained its strong financing position. We expect the cash positon to be weakened in 2020 by the planned investments and we may accordingly have to draw on the RCF.

Beet price

The members' bonus for 2019 was set at EUR 39 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. The members' bonus came to EUR 6.50 per tonne. In total, the price paid to members for quota beet with 17% sugar content and an extractability rate of 91 therefore amounted to EUR 39.00. The price paid for quota beet with average sugar content and average extractability was EUR 36.05. In the previous year it had been EUR 35.59. The volume of quota beet was 3% higher at 6.4 million tonnes. The average price paid for surplus beet was EUR 23.11. At 13.7 tonnes, the average sugar yield per hectare was higher than in 2018 (13.2 tonnes). The average financial yield per Dutch sugar beet grower came to EUR 2,930 per hectare. Despite the lower quality payment based on sugar content and extractability, this is EUR 263 (10%) higher than in the previous year on account of the higher yield per hectare (more tonnes of beet per hectare).

Quota beet price*

in euros per tonne



Quality payment
(based on sugar content and extractability).
Members' bonus (based on the cooperative's results).
Basic price.

* Price in euros per tonne of beet with average sugar content and average extractability

Prospects

The volatility of prices for agricultural products is a major determinant of Cosun's results.
We are seeing an upturn in Suiker Unie's contract prices for 2020. The tightness in Europe and on the world market is expected to have a positive impact on pricing.
Suiker Unie witnessed a slow recovery in European sugar prices towards the end of 2019. With disappointing harvests again in 2019, less sugar will be available in Europe. This explains the upward tendency in prices. In combination with continuous cost improvements, we expect Suiker Unie to have turned the corner after incurring losses in the past two years. We still command a good competitive position. The scale of our factories and the high average yield per hectare achieved by our growers make us very competitive.

Aviko's result was exceptionally high in 2019 and we expect this business group's profit to return to a more normal level in 2020. A further advance in its results will be possible when the new factory in Poperinge comes on stream, when Rixona's capacity has been increased further and when the acquisition of the Chinese fries factory, Hongyuan Louis, is finalised later in 2020.

We expect the other business groups to report modest improvements. SVZ will focus on improving its operating profit after a disappointing 2019. A gradual improvement is foreseen in Sensus's results and we expect Duynie Group to grow its results after completing its planned expansion investments.

Apart for the volatility of prices, external developments also influence Cosun's results, such as lower economic growth and Brexit. The outbreak of the coronavirus in 2020 creates additional uncertainty about the state of the economy. Cosun has carried out an internal risk analysis of the impact of the coronavirus. When this report was prepared it was difficult to say what impact it would have on Cosun's people, operations, results and the value of its assets.

Cosun will pay unstinting attention to the consequences of the coronavirus for its business and its people in 2020. In view of our healthy financial and cash positions, as disclosed in the annual accounts and within the sphere of influence of Cosun, the Board and Executive Board believe the continuity of the business is assured.

On the whole, we expect our results to continue their upward line in 2020 and subsequent years. On the one hand, sugar prices are recovering and on the other, our new vision, the organic growth of our activities and strategic acquisitions will make positive contributions.

We are in a healthy financial positon and we will continue to invest in strengthening our presence in our markets in the year ahead. We will invest in organic growth, including efficiency improvements and innovation and in strategic acquisitions where possible. We expect a gradual increase in the number of employees in line with the capacity increases brought about by our organic growth and strategic acquisitions.

Corporate social responsibility

Cosun is responsible for everything that happens within its 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 meets the needs of its customers and creates value for its stakeholders. The figure below shows what we did with the value that Cosun created in 2019.

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)	2019	2018
Net turnover and stock movements	2,067	2.,071
Other revenue	21	23
Payments to suppliers of raw materials*	- 1,043	- 1,019
Payments to other service providers**	- 407	- 433
Added value created	638	642
Employees (salaries)	274	264
Members (beet purchases and members' bonus)*	234	269
Financiers (interest)	4	1
Government (taxes)	1	-
Value created for stakeholders	**513**	**534**
Retained profit	18	-
Depreciation and amortisation	107	108
Value created for reinvestment	**125**	**108**

* These two items together constitute the cost of raw materials and consumables as disclosed in the annual accounts.
** This item consists of the cost of work subcontracted and other external costs, other movements in tangible and intangible fixed assets, other operating expenses and minority interests in the result.

Priorities

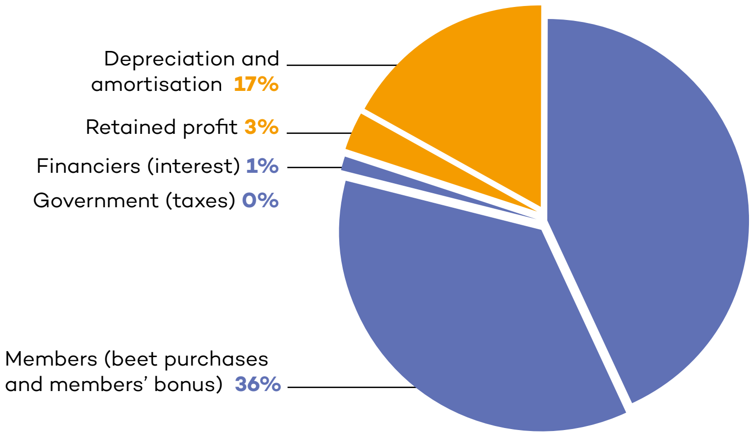
As well as creating value for our stakeholders, with the cooperative's members in the first place, we have identified four areas in which we are willing and able to bring our influence to bear:

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

Optimising farm production

Sustainable production means realising the highest possible output per hectare using the fewest possible inputs. New varieties and modern farming 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 farming. Cosun is an active participant in many initiatives such as the SAI Platform for sustainable agriculture and the Cool Farm Alliance.

Value created in 2019 for reinvestment



Value created in 2019 for stakeholders

The farming services and agronomists at our business groups work with the growers and suppliers of our raw materials to improve the quality of their crops. Crop registration programmes increase their yields and the transparency of the supply chain.

All sugar beet growers are obliged to enter their crop data in Suiker Unie's Unitip crop registration system. Sensus has a similar system, Cimone, and SVZ is working on an agro-crop tool to record crop data. Aviko is also investing in a similar kind of registration programme. The more we buy on contract from growers, the easier it is to run the programmes.

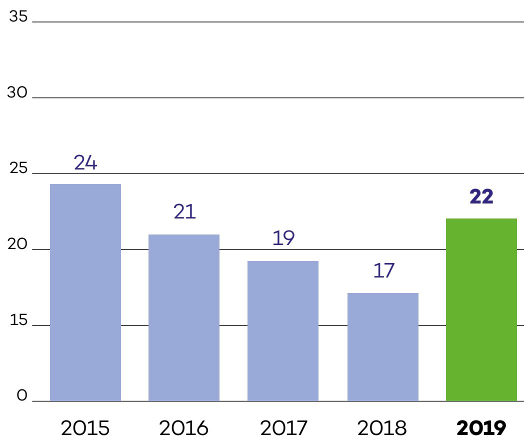
Optimising production processes

Our factories need energy to process raw materials into foodstuffs and intermediate products. In 2010, Cosun set itself the goal of reducing its energy consumption by 2% every year until the end of 2020. We are making good progress but have not quite reached our target yet.

Energy consumption per tonne of product is a measure of the efficiency of our production processes: the lower, the better. In 2019 our energy consumption was lower only after the decimal point. As in 2018, we emitted 0.22 tonne of CO_2 per tonne of product. The Paris Climate Agreement and its implementation by the Dutch government require Cosun and other businesses to become CO_2 neutral by 2050. To meet this challenge of carbon neutrality, Cosun launched a project known as SCO_2RE (Strategic CO_2 Reduction) in 2018 to identify the technologies and processes its business groups will need. The costs and consequences will be very substantial, but so will the additional taxes the Dutch government is preparing for the businesses taking part in the emissions trading system. The amount of water consumed and the volume of organic residues were fractionally higher per tonne of product in 2019 than in 2018. This was due to the lower volume of production.

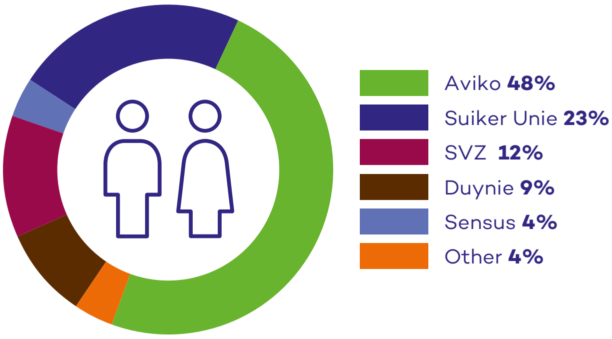
Lost time incidents

per 1,000 FTEs

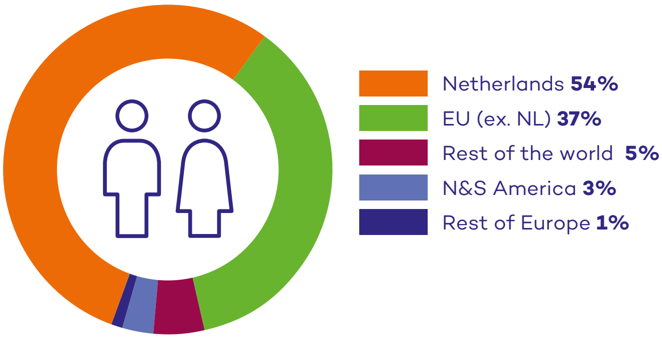


Employees

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. Sadly, it increased again in 2019 for the first time in several years, up from 17 incidents per 1,000 FTEs in 2018 to 22 in 2019. There is no single direct cause for this increase. Cosun will take every effort to improve safety at work in 2020 and subsequent years.



Percentage of employees per business group



Percentage of employees by region

Near-incidents, incidents and unsafe situations are analysed and improvements in our TPM methods will be applied to increase workplace safety. Measures in these areas will have highest priority in 2020. The rate of sickness absence was slightly higher at 4.5% but was still below the industry average calculated by Statistics Netherlands.

In full time equivalents, the number of employees at Cosun was slightly lower, down from 3,848 in 2018 to 3,744 in 2019. The decline was due chiefly to the closure of the activities in Amberger (Germany) and the termination of the Snow Valley joint venture in China (both at the end of 2018). The number of men in the overall workforce has always been far higher than the number of women. In 2019, 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 wealth of knowledge and experience. It is important that they continue to develop their skills and know-how. We therefore invest in our people by offering them training and personal development courses. The average number of training days per employee in 2019 was 3.4 (2018: 3).

Cosun offered 149 (2017: 140; 2018: 170) young people a work placement or graduation project in the Netherlands in 2019: 90 university students and 59 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 for Cosun and increase the dynamism within the organisation. Cosun is also looking to attract more school leavers. A new training programme will be introduced for this target group in 2020.

Accountability

More and more companies are selecting their suppliers on the basis of their employment practices and social policies. Cosun's major international customers also 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 Cosun 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.nl – about Cosun – corporate governance.

Report of the cooperative

Following the sharp fall in sugar prices in the wake of the abolition of the EU sugar market organisation in 2018, prices recovered slightly in 2019. Cosun's results were therefore better than expected in 2018/19 and the price the cooperative paid to its members for the beet they supplied was likewise higher than expected.

The Members' Council held three scheduled meetings in 2019. Points on the agendas included the Betacal regulations, Farming Vision 2027, an evaluation of beet tourism, the member loan scheme and the method used to calculate the surplus beet price. The minimum surplus beet price is EUR 20, with the growers sharing half of the margin up to a maximum of EUR 30 per tonne of sugar beet.

The overall performance of the business groups and market conditions were also considered, particularly in the case of Suiker Unie and Aviko. The beet tourism policy was evaluated and discussed with the Members' Council during the February 2019 meeting. It was decided to relax the rules so that growers could better respond to changing circumstances. The sowing standard for 2019 was accordingly set at 95% of the allocation and measures were taken to facilitate cooperation among the members. Information on the area sown and to be sown in order to take part in the scheme has been posted on the members' portal. An additional meeting was held in June to discuss Farming Vision 2027. The new Cosun Vision was presented and discussed during the Members' Council of 4 December.

Governance

Cosun bade farewell to Board member Greet Prins at the annual meeting in 2019. Her many years' work as an external director of the cooperative richly deserved the praise she received. She has been succeeded as a member of the Board by Freek Rijna. The Board's Secretary, Jan Willem van Roessel, was appointed director of the IRS beet research institute with effect from 1 June 2019. He has been succeeded as the Board's Secretary by Maarten Boudesteijn, head of Tax Affairs and Subsidies at Cosun until 1 June 2019.

Both the Supervisory Board's Chairman, Jakob Bartelds, and its Secretary, Wim Blijdorp, were due to stand down in accordance with the Articles of Association in 2020. To ensure a smooth transition, Mr Blijdorp decided to stand down in 2019. He retired from Cosun at the members' meeting in December. His many years' dedication as supervisor and mediator within the cooperative is gratefully appreciated. Theo Koekkoek and Pieter van Maldegem were appointed to the Supervisory Board at the same meeting. The Supervisory Board will consist of seven members until the 2020 annual meeting.

Youth council

As in 2018, three regional meetings were organised for young beet growers in cooperation with the Cosun Youth Council. These small-scale meetings discussed the future of sugar beet farming and the part played by the cooperative. The participants thought the meetings were valuable and Cosun will therefore organise another series of 'barn meetings' in 2020.

Sugar system

The allocation for 2020 was high on the agenda at the December meeting. It was decided in the summer of 2019 to set the allocation for the 2020 growing season at 105%. It was not the intention, however, to increase or manipulate the market. The aim was to produce enough sugar to serve our regular customers in 2021. We want to replace cane sugar with beet sugar in order to optimise production in the factories. The sugar market is picking up and prices are expected to remain at a profitable level this year and next. From the growers' point of view, this is an interesting allocation rate. Despite the dilution (more beet) it can lead to an additional members' bonus when the beet are sold in 2021.

The growers will be required to fulfil at least 85% of their supply obligation. If they are nevertheless unable to do so, 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 applicable conditions, the Board may fine them. A very small number of growers were fined in 2019. Participation in the Unitip crop registration system has been compulsory since the 2018 campaign. The overwhelming majority of the growers enter their data in the system punctually. At year end, all the growers had fulfilled their Unitip obligations for the 2018 campaign. Growers who do not enter all their data on time do not receive the final payment for the beet they supply.

Crop protection agents

The use of neonicotinoid insecticides was banned in 2018. Dutch beet growers were prohibited from using these crop protection agents with effect from the 2019 growing season. Cosun had led calls in 2018 for a temporary of partial exemption from the ban but the Ministry of Agriculture did not honour its requests. With no ready alternatives to hand, the ban led to lower yields in 2019. Cosun will discuss the final impact with the ministry. Cosun is also working with its partners and stakeholders in many areas to prevent similar situations arising in the future.

Cosun vision

The Cosun organisation worked hard on a new vision in 2019. We are on the eve of major transitions in the fields of energy, climate and circular farming. The world is changing and our cooperative must move with it. Cosun's governing bodies were closely involved in the creation of our new vision.

Members and supply certificates

	31 December 2019		31 December 2018	
DISTRICT / SECTION	**Number of members**	**Number of supply certificates**	**Number of members**	**Number of supply certificates**
Zeeuwsch-Vlaanderen	708	389,203	722	389,184
Zeeland-Midden	607	342,681	618	342,949
Zeeland-Noord	328	206,675	334	207,919
Goeree-Overflakkee	191	154,189	195	154,396
West-Brabant	761	438,155	779	437,114
Zuid-Hollandse Eilanden	316	228,106	322	229,128
Holland-Midden	220	156,041	234	158,171
Kop van Noord-Holland	417	311,996	419	313,059
Oostelijk Flevoland	335	365,359	343	372,263
Noordoostpolder	579	371,563	590	379,013
Zuidelijk Flevoland	140	187,708	144	193,198
Friesland	251	210,993	259	212,342
Groningen	1,015	971,275	1,027	956,530
Drenthe / Overijssel-Noord	931	1,070,401	946	1,061,828
Overijssel-Zuid / Gelderland	306	167,107	306	164,574
Maas&Meierij / Limburg-Noord	479	232,319	490	232,416
De Kempen	332	193,560	338	192,215
Limburg-Midden / De Peel	423	242,312	444	245,102
Limburg-Zuid	497	305,726	505	303,968
Netherlands	**8,836**	**6,545,369**	9,015	6,545,369

Cosun at work

SUIKER UNIE

In line with expectations, Suiker Unie incurred a loss in 2019. It was the outcome of low sugar prices on both the European and the world market. On the world market a tonne of raw sugar raised about EUR 200 and on the European market a tonne of white sugar fetched EUR 320 on delivery.

The sugar industry was in the red across Europe. Conditions on the European market led to the announcement of factory closures. In Brazil, many sugar producers went bankrupt and dozens of factories sought protection from creditors. Investments in the sector plummeted across the globe and there was little enthusiasm for acquisitions.

In the second half of the year, however, prices showed signs of recovery on the back of lower harvest forecasts and predictions of a global sugar shortage, despite the still substantial stock levels. European spot prices passed the EUR 400 per tonne threshold. This helped Suiker Unie negotiate profitable contracts for 2020.

Green Protein Demo Plant in Nieuw Prinsenland

In combination with continuous cost control, the contracts are expected to return the business group to the black again in the current year.

Costs and energy

Market conditions did not prevent Suiker Unie from investing in further efficiency gains in its production processes in order to make cost and energy savings. In 2019, it began construction of a third thick juice tank at the Vierverlaten facility. Investments are also being made to add an eighth stage to the evaporation process at Vierverlaten. This will produce a considerable energy saving.

Suiker Unie is the largest producer of green gas in the Netherlands. A solar park with a net area of 16 hectares it is about to build on a site in Puttershoek will also make it a major generator of green electricity. The solar park is expected to come on stream in 2020, after which the nearby specialities factory will be completely energy-neutral. After 106 years, the Vierverlaten factory, and thus Suiker Unie, has stopped drying pressed pulp. This will significantly cut energy consumption.

The Dinteloord factory will improve its environmental performance by investing in ammoniac reduction.

Innovation

Suiker Unie officially took the Green Protein Demo Plant into service at Nieuw Prinsenland on 10 October 2019. The demo plant makes Rubisco protein from sugar beet foliage. The protein can be used in many applications, including dairy-free ice cream, meat substitutes and meringues. The food industry has shown a great deal of interest in it. Its production perfectly matches Cosun's vision of Plants Powering People.

Pulp2Value, a joint European biobased project in which Cosun was the lead player, came to a conclusion in 2019. One outcome of the project is that Suiker Unie opened a demo plant for Betafib in Roosendaal that will extract micro-cellulose fibres from sugar beet pulp. Betafib improves the homogeneity of liquids such as paints and liquid detergents. The product is enjoying a lot of interest. If a viable business case can be drawn up in the current year, Suiker Unie will invest in a larger factory.

Beet crop

The weather in a large part of Europe was too dry for the sugar beet crop in 2019. Most growing regions, moreover, did not receive sufficient rainfall until too late in the season. Harvesting conditions were therefore difficult, the sugar content was lower and the amount of tare soil was high. The quality of the beet was far from perfect. The same conditions prevailed in neighbouring countries, especially in Belgium and Germany. The sugar yield ultimately came to 13.7 tonnes per hectare in the Netherlands and 12.3 tonnes in Germany. The Dinteloord and Vierverlaten factories processed 6.8 million tonnes of sugar beet into 1.1 million tonnes of beet sugar. They also refined raw cane sugar. The factory in Anklam processed 1.6 million tonnes of beet into sugar and bio-ethanol. A large proportion of the campaign's production is being held in storage as thick juice until a decision is taken on the exact amounts of beet sugar and bio-ethanol that will be produced.

AVIKO

Aviko posted a record turnover in 2019. The business group benefited from the growing global demand for frozen fries and potato products. The increase in demand is remaining firm at between 4% per annum thanks mainly to greater worldwide prosperity. Aviko Rixona is meeting the growing global demand for snacks such as crisps. Aviko is therefore looking forward to 2020 with confidence.

To continue meeting demand, Aviko is building a new factory in Poperinge (Belgium) to produce frozen fries and potato flakes. The factory, a major investment by Aviko and Cosun, is expected to come into operation in September 2021 and generate synergy advantages with the nearby specialities factory in Proven. The investment perfectly matches Aviko's strategy of profitable growth. Of the investments already made, the freezer warehouse in Rain am Lech (southern Germany) became fully operational during the year. Construction of a freezer warehouse in Steenderen was completed at the end of 2019.

Transitional year

Aviko, too, looks upon 2019 as a transitional year. It sold its interest in the Chinese joint venture at the end of 2018. For the time being, all frozen potato products are being delivered to Chinese customers from Europe. Aviko is still interested in local production in order to exploit the commercial potential it has built up. Such a hybrid delivery model of exporting to and producing in China has the additional advantage of spreading risk. China can then provide compensation for disappointing potato harvests in Europe, such as the one in 2018, and prevent the loss of market share.

Management structure

Aviko decided to simplify the senior management structure of its organisation in 2019. Its board will in future have one member responsible for demand, innovation, marketing, sales and all customer contacts. Another will be responsible for demand fulfilment, the procurement of potatoes and other materials, raw material logistics, all production facilities and the supply chain, including the freezer warehouses and transport. This will improve the match between market demand and production. The participating interests will also become part of this functional structure; in the past they have been more akin to members of a financial holding company.

New factory in Poperinge (B)

Innovation

Innovation at Aviko is largely concentrated on adding value for customers and end users, such as caterers and restaurant chains in the foodservice sector. To this end, Aviko is keenly aware of their productions processes, ovens and other kitchen equipment in order to develop solutions that raise product quality. By doing so, Aviko stands out from many of its competitors.

On the whole, traditional frying pans are gradually being replaced with healthier solutions such as ovens and air fryers. Aviko is therefore making more products specifically for these appliances. Another trend is home and office delivery. It is making additional demands on the crispiness and heat retention of products. SuperCrunch fries with a crispy coating are Aviko's answer.

Sustainability and the environment

Aviko continuously invests in measures to reduce its energy consumption. The new freezer warehouse in Steenderen, for instance, has been designed as energy efficiently as possible and has solar panels on its roof. Furthermore, the use of electric vehicles between the factory and the warehouse is being studied. A state of the art freezer warehouse is being built in Poperinge, too. Both freezer warehouses have been built to the prestigious BREEAM assessment standard for sustainable buildings.

SENSUS

Despite the increased competition and resultant pressure on margins, Sensus achieved a slightly better result in 2019 than in 2018.

Sales were also slightly higher than in the previous year. Growth was realised chiefly in Asia and the United States. In Europe, volumes remained stable. The overriding trend among customers in this market is sugar replacement. Demand for infant formula remained strong in Asia in general and China in particular. Food supplements containing inulin also remained popular. Growth in the US was driven mainly by sugar free and low sugar products, products that promote gut health (prebiotics) and products with clean labels. Regarding clean labels, Sensus's products are certified under ISO 19657 as verified natural. By classifying inulin and oligofructose ingredients as natural products, this new and strict standard sets Sensus apart in the market.

Verifiable natural and plant-based sources are becoming more important for food ingredients. An improvement in the balance between supply and demand in Sensus's inulin markets offers the prospect of firmer prices. This is a good position for contracts in 2020, especially with a view to the stricter quality requirements and associated higher costs.

Disappointing harvest

Sensus, too, ran down its stock position in 2019, partly because of the smaller area under chicory in 2018, and started the new campaign in September with tighter stock levels. The chicory enjoyed favourable growing conditions in the spring. The relatively warm and dry summer and the wet and sombre autumn with a lot of rainfall, however, meant the harvest was disappointing. The inulin content of the chicory was slightly lower than average. The amount of tare was on the high side, even though the chicory were washed before being transported. Harvest conditions were difficult. The area under contract was higher but not enough chicory were produced to meet the rising market demand.

TPM Consistency award

Sensus invested a great deal of time and energy in 2019 in a roadmap to cut its carbon footprint in accordance with the Climate Agreement. The target is a 50% reduction by 2030 in comparison with 1990 and a 100% cut by 2050. A blueprint has been drawn up outlining the investments that both factories will need to make to achieve these ambitious targets.

The market is showing more interest in organic inulin. In collaboration with Cosun Innovation, Sensus has therefore developed an innovative production concept to meet the demand. Small-scale proof of concept tests were carried during the recent campaign.

The factories in Roosendaal and Zwolle qualified for the TPM Consistency Award in 2019.

This exacting award was preceded by a long and strenuous path that demanded a great deal of work and preparation.
It recognises the lead Sensus has taken on its competitors regarding efficiency, loss prevention and cost control.

SVZ

SVZ closed 2019 with a loss. Purchasing costs were increased by disappointing harvests but selling prices did not move. Margins were inevitably squeezed. Pressure in the market was also increased by new local competitors from eastern Europe that had often supplied SVZ in the past. Over the years they have used government grants to professionalise their operations and deliver directly to customers. A second important cause of the pressure on fruit growers was the accelerated implementation of EU legislation banning certain crop protection agents. As a result, SVZ was no longer able to buy raw materials from the large, inexpensive stocks that had been grown using the agents in 2018. Instead, it had to buy more expensive fruit and vegetables that were freshly harvested in 2019.

SVZ is working with its customers to develop new concepts and products that satisfy modern market demands. The innovations and product launches already under way will produce further growth in 2020. 2019 was a good year for the vegetable harvest and early indications for 2020 are promising.

Increased area

Capacity in Poland is being optimised and expanded in order to produce more strawberry products for a premium ice cream manufacturer that SVZ has been working with for many years. New growers are being contracted and the area under strawberries is being expanded.
SVZ is stepping up its cooperation with farmers in order to increase their yield per hectare, improve water management and reduce the use of pesticides and herbicides.

The measures seamlessly match Cosun's sustainability framework and, like the preparation of an energy transition plan to reduce the carbon footprint, are in keeping with the Paris Agreement.

United States

SVZ's second home market, the United States, developed favourably and in line with expectations. Complications in the production process forced the company to purchase additional product to meet its commitments to customers. This exerted pressure on the result. Capacity at the factory in the northwest of the US was increased and came on stream at the end of 2019. SVZ can now work more flexibly and is poised for further growth.

DUYNIE GROUP

Duynie Group also realised a good operating profit in 2019. All its business units reported growth and strengthened their market positions. Duynie Feed, for instance, further increased its total volume of animal feed. Market share in Poland was bolstered by the opening of a new sales office in the southwest of the country. Following a thorough analysis of the market, AgriBioSource (ABS) began delivering fermentation raw materials for energy production in Denmark.

Duynie Ingredients achieved very strong growth. The climate-neutral factory being built in Cuijk will boost the growth even further. The factory will come on stream in the course of 2020 and will run entirely on residual heat from an adjacent biopower station. It will meet demand for sustainably produced high quality pet food ingredients. In the longer term, the factory will also be able to process raw materials into food ingredients.

New products
Novidon invested a great deal of time and energy in developing new higher value applications using sidestream starch. It will develop them further in 2020 so that they can be brought to market in due course. The products are based on modified starch that is suitable for use in a wide range of industrial applications. Novidon also began making starch products that can be applied in foodstuffs. High demands are made on food grade starch. Supplies of coproducts, for instance, must pass stringent tests and be processed separately in the factory.

Paid consultancy
Duynie Group started a new activity as a paid consultant during the year. Large international concerns are hiring Duynie Group to optimise their processes and add more value to their coproducts. Duynie Group had already set up an online platform to trade coproducts and other animal feed ingredients. In early 2019 it joined forces with MijnVoer.nl, an internet trading platform for mixed feed. This has created a unique platform where beef and dairy farmers can formulate their feed transparently. It is also a straightforward and direct means to place orders and request prices from several suppliers of mixed feed, coproducts and forage.

Construction climate-neutral factory in Cuijk

Two demo factories
Duynie Group has developed a heat pump that upgrades low value residual heat for re-use in, for instance, the ovens at crisp and fries factories. Necessary modifications were made to the heat pump in 2019. It will be fitted at Aviko and undergo practical tests in 2020.

Duynie is building two demo factories to trial the extraction of proteins from vegetable raw materials. The first, in Nijmegen, is designed to extract protein and fibres from spent brewers grain. The second will be built at the INICIO Cosun Demonstration Centre at Nieuw Prinsenland. It will produce potato protein.

COSUN INNOVATION

Cosun's vision of the future embraces the ambition of becoming the market leader in plant-based innovations. Cosun Innovation, which was created through the merger of Cosun New Business and Cosun R&D, was expanded in 2019 and drew up a multiyear plan to achieve this ambition. The key goal is to develop new sustainable applications from plant-based raw materials.

Four Cosun-wide innovation themes were formulated in 2019. Cosun Innovation will work on them in close cooperation with the business groups. Each business group has its own innovation programme. Cooperation will be stepped up where the business groups have an overlap or a shared goal within one of the four themes. By sharing their know-how and learning from each other, the business groups will be able to accelerate their innovations.

The four strategic themes are:

1. Plantbased Proteins
the transition from animal to plant proteins. This programme responds to the trend of increasing the use of plant proteins in foodstuffs.

2. Total Use
the business groups have traditionally used all the components of their raw materials. Further innovative steps will be taken in this programme to generate even more value from the components, for example, by making vegetable oils

3. Sustainable & Smart Production
innovations such as sensor techniques and the Internet of Things are enabling more sustainable production techniques.

4. Future Food
this programme will develop healthier foods and ingredients based on plants.

External cooperation

Cosun is increasingly working with external parties, including universities and vocational colleges. Cosun Innovation is also taking part in alliances such as the Dutch Biorefinery Cluster (DBC), the Sustainable Food Initiative (SFI), the Carbohydrate Competence Center (CCC) and the Institute for Sustainable Process Technology (ISPT).

The INICIO Cosun Demonstration Centre was opened at Nieuw Prinsenland in 2019. An open innovation centre for plant proteins is being developed within INICIO where businesses and knowledge centres can develop, test and implement targeted innovations. Apart from carrying out the Plant-based Proteins programme, this field lab will house the Green Protein Demo Plant and facilitate all manner of collaborative projects. This should create critical momentum for new plant-based protein products.

Participation and partnership

Cosun took part in Icos Capital in 2019. This venture capital fund invests in agrofood startups that have strong innovative propositions in the scale-up phase. Cooperation can save a lot of time when developing new products and services.

Cosun also became a corporate partner in the Startlife foundation in 2019. Based in Wageningen, Startlife helps young agrofood entrepreneurs kick start their businesses. This partnership puts Cosun into contact with the fresh new ideas of early startups.

Risk profile

Cosun is active in a variety of agrofood sectors 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 directed at:

- controlling the risks attaching to the business activities;
- identifying on a timely basis risks that had previously not been recognised as risks or had not been considered material;
- preparing action plans for each risk if desirable and possible to control and/or mitigate the risk;
- monitoring 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. Nevertheless, still too many incidents are taking place. Continuous attention and safety measures are required to reduce 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.

RISK CATEGORY	STRATEGIC PILLAR	RISK APPETITE AND EXPECTED RETURN
Strategic	Profitable growth	• 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	• Low in respect of safety issues. • Moderate in respect of position management, with a focus on insight into potential risks. • Medium in other areas/issues, with coordination of targets and related costs and attention to profitability.
Financial control & Compliance		• 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.

Primary responsibility

Primary responsibility for the management 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. The Supervisory Board supervises the effectiveness of risk management, the internal control systems and the integrity and quality of financial reporting.

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 wish. Cosun adheres to accounting principles and has prepared finance 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 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. The follow-up on recommendations is observed by the Supervisory Board.

Risks

Sugar price movements in the EU and on the world market have a significant impact on Cosun's results. In Europe, sugar prices were very low in 2019 and our sugar activity accordingly incurred a loss for the year. In the future, too, price volatility of our agricultural raw materials (potatoes, fruit and vegetables) and price movements in the sales market for sugar, potato products and fruit and vegetable products can have a significant impact on Cosun's results in any given year.

Now that Brexit is a fact, its impact will depend on the trade agreements reached during 2020. The risk of a hard Brexit and import tariffs on our products is still present. Given the importance of this sales market to Cosun, we have worked out a range of scenarios and taken anticipatory measures and we are closely following developments.

The outbreak of the coronavirus creates more uncertainty regarding the state of the economy in 2020. Cosun has carried out an internal risk analysis of the coronavirus's impact. In view of the spread of our activities, we do not expect all our activities to be impacted equally as hard as each other. Cosun will pay unwavering attention in 2020 to the consequences of the coronavirus for the business and its people and will take appropriate action where necessary.

There is a growing risk of cybercrime disrupting our processes and thus jeopardising our continuity. Cosun has already taken several measures to mitigate this risk. The IT shared service centre, for instance, was ISO 27001 certified in 2019.

Legislative and regulatory risks are also increasing. There is a growing trend of our raw materials chains and operations at risk of being compromised. The available crop protection agents, for example, are being reduced. As part of our new vision, we want to act more proactively and enter into a more active dialogue with the government.

Similarly, we are concerned about the competitiveness of the Netherlands relative to other countries. This may become relevant if the Netherlands is the only country in Europe to introduce a sustainable energy tax or other levies.

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

	Impact		
Strategic risks	**L**	**A**	**H**
Sugar price movements			X
Lack of sufficient growth		X	
Geopolitical / trade barrier		X	
Consumer conduct		X	

	Impact		
Financial Control	**L**	**A**	**H**
Mismatch between buying and selling positions	X		
Financing and interest rate risk	X		
Foreign exchange risk	X		

	Impact		
Tactical / operational	**L**	**A**	**H**
Staff / product safety	X		
Volatility of agricultural / other raw materials			X
Influence of the weather on the availability of raw materials		X	
Business continuity / disruption in the factory / cybercrime		X	

	Impact		
Compliance	**L**	**A**	**H**
Legislation and regulations		X	
Taxes	X		

RISK CATEGORY: STRATEGIC

RISK	RISK CONTROL MEASURE
• Strong price fluctuations / fall in the sugar price.	• 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.
• Failure to achieve sufficient growth, main growth opportunities. • Lower growth of world population and the economy, also in emerging markets. • Further development of the biobased economy. • Limited acquisition opportunities.	• 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.
• Trade barriers (hard Brexit).	• Brexit scenarios have been worked out and preparations have been made. • Monitoring of the progress of trade agreements and adaptation of preparations where necessary.
• Changes in consumer food behaviour (health, sustainability). Perception of sugar.	• Transparent and straightforward information on the nutritional value and sustainability of Cosun's products. • We will communicate our positive, sustainable, plant-based and circular new Cosun vision more widely and better. • 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.
• Energy transition. • Uneven playing field.	• Government measures (e.g. Paris Climate Agreement) can have major consequences for our activities. Our activities in the Netherlands must reduce their CO_2 emissions by 49% by 2030 on 1990. We will prepare reduction plans for the larger locations in the Netherlands in 2020. • A level playing field is important. It must not be distorted by, for instance, a sustainable energy tax or local climate levies. An active dialogue with the government is required.

RISK CATEGORY: TACTICAL/OPERATIONAL

RISK	RISK CONTROL MEASURE
• Staff and product safety.	• Focus on a safe workplace and safe working practices through training courses, physical measures, procedures, targets and reports. • Certification, track and trace systems and HACCP procedures.
• Volatility of agricultural and other raw material prices and energy prices.	• 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.
• Influence of the weather on availability and quality of raw materials (harvest risks).	• 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).
• Business continuity / disruption in the factory / cybercrime..	• 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. • Cybercrime: the IT shared service centre was ISO 27001 certified in 2019; programmes to increase our protection are run continuously.

RISK CATEGORY: FINANCIAL MANAGEMENT	
RISK	**RISK MANAGEMENT MEASURE**
• Mismatch between buying and selling positions for raw materials and end products.	• Frequent monitoring of buying and selling positions by senior managers of the business groups.
• Financing and interest rate risks.	• Cosun's financial position is very healthy. At year-end 2019, the group had no net debt. Cosun renewed a five-year syndicated bank facility (RCF) in 2019, with two options to renew the facility for a period of one year. • 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.
• Foreign exchange risk.	• 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.

RISK CATEGORY: COMPLIANCE	
RISK	**RISK CONTROL MEASURE**
• Legislation and regulations.	• 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 Governance 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. • Crop protection laws and rules are undergoing fundamental change. This calls for an active dialogue.
• Tax risks.	• 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.

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 eight occasions during the year, three of the meetings were held in the presence of the Board. The most important new points on the agenda were the decision to build a factory for Aviko in Poperinge (Belgium) and the preparations for the acquisition of the Chinese fries producer Hongyuan Louis.

Other matters discussed by the Supervisory Board included all significant developments at the business groups, such as Duynie's construction of an energy-neutral pet food factory in Cuijk, the termination of the Chinese joint venture, Aviko Snow Valley, the closure of the specialities factory in Amberger (Germany), and the dynamics of the sugar market and how Suiker Unie could best respond to them. The Supervisory Board was also involved in the creation of Cosun's new vision of the future: Plants Powering People. The vision will be worked out into a business strategy and philosophy in the coming years. All major investments and changes have to undergo a process. It is the Supervisory Board's task to ensure that the process is followed correctly and that the interests of our cooperative and its members are protected. In our opinion, this was again the case in 2019.
The Supervisory Board followed and discussed the annual financial cycle with the assistance of Ernst & Young Accountants (EY). In view of its satisfaction with EY and the many developments requiring stability in external audit, Cosun extended the contract with EY for two years so that it can audit the annual accounts for 2019 and 2020.

Composition

Two new members were appointed to the Supervisory Board in December 2019. Their appointment anticipated the retirement of two members, including the Chairman, in accordance with the articles of association in June 2020. The new members therefore have sufficient time to learn about the cooperative and their duties. The Supervisory Board's new Chairman will be elected from among its members at the annual meeting in June 2020.
The Supervisory Board visited SVZ's facility in Poland in the summer of 2019. By visiting such facilities, the Supervisory Board strengthens its understanding of the business groups' activities.

Financial

The two largest business groups, Suiker Unie and Aviko, performed better than expected at the beginning of the year, even though the former was again unable to earn a profit. Thanks to the upward trend in combination with the slightly better results of Duynie Group and Sensus, Cosun as a whole also performed above expectations. The Supervisory Board is pleased with the group result. There are some concerns, however, about SVZ's results. Sensus, too, will have to concentrate its efforts in order to hold onto its positive results.
EY has audited the annual accounts for 2019 and explained the reasons for its auditor's report and its audit opinion and discussed them with the Supervisory Board. The follow-up on the management letter was also discussed, as were recurrent matters such as the segregation of duties, the streamlining of orders in contracts and the valuation of inventories. The audit was completed smoothly, thanks again to the high quality of internal reporting.
The Supervisory Board received a reliable picture of Cosun's financial ins and outs and therefore submits the annual report and accounts for 2019 and recommends that the Members' Council approve them.
The major investments planned for 2020 and 2021 will make demands on our financial position before they begin to pay for themselves. This will be reflected in Cosun's financial results, but the group expects to profit from them in the years after 2021. The Supervisory Board has every confidence in the members, the group and the staff and is extremely grateful for their efforts in the past year. We are looking forward to a future full of opportunities, in plant-based proteins and elsewhere.

On behalf of the Supervisory Board,

Jakob Bartelds	Edwin Michiels
Chairman	Secretary

Breda, 19 March 2020

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 pillars of Cosun's corporate governance policy. Cosun endorses and observes the NCR Governance Code 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 final say, 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, six members who are also members of the cooperative and three external members.

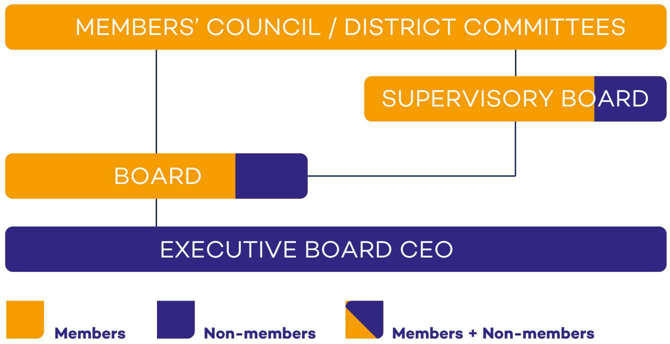
Supervisory board

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 the cooperative's annual accounts and reports on its findings. It has seven members: five 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. All Cosun's district committees together make up 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. 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.

Governance structure of the cooperative



Youth council

The Youth Council consists of 15 members and is the breeding ground for management talent within the cooperative. It gives young members an important voice in the coope-rative and serves as a sounding board. 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. A summary of the Governance Code issued by the Dutch Council for Cooperatives (NCR) is available at www.cooperatie.nl/english-summary.

On behalf of the board,

Dirk de Lugt	Arwin Bos
Chairman	Vice-Chairman

Breda, 19 March 2020

Members of the board, supervisory board, executive board and works council

as at 31 December 2019

Board

Chairman	Dirk de Lugt	De Cocksdorp
Vice-Chairman	Arwin Bos	Zwanenburg
Deputy Vice-Chairman	Ben van Doesburgh	Loenen a/d Vecht
Members	Adrie Bossers	Langeweg
	Ger Evenhuis	Schoonoord
	Marianne van den Hoek	Dreischor
	Freek Rijna	Den Dolder
	Jan Voncken	Eys
	Sander Wijkstra	Zeist
Secretary	Maarten Boudesteijn	

Supervisory Board

Chairman	Jakob Bartelds	Tweede Exloërmond
Vice-Chairman	Johan van Driel	Nieuw-Beijerland
Secretary	Edwin Michiels	Horst
Members	Hans Huistra	Amsterdam
	Theo Koekkoek	Almkerk
	Pieter van Maldegem	Vierhuizen
	Jacqueline Rijsdijk	Leiderdorp

Executive Board

Chairman	Albert Markusse	
Members	Iwan Blankers	director, Sensus
	Ton Christiaanse	director, Aviko a.i.
	Richard Corsmit	director, Duynie Group
	Anouk ter Laak	director, SVZ
	Paul Mesters	director, Suiker Unie
	Frank van Noord	director, Innovation
	Hans Schuil	director, Finance & Control
Secretary	Maaike van den Maagdenberg	director, Corporate Development

Central Works Council

Chairman	John Stoopen	Cosun R&D
Secretary	Manuel Bogers	SVZ
Members	Henk Flipsen	Suiker Unie
	Ayhan Kayabasi	Aviko
	Chris Kooiman	Duynie
	Servan Lohschelder	Aviko
	Emile Meijer	Sensus
	Fouad Ouled Ali	Cosun
	Nico Krikken	Suiker Unie
	Chris Wijma	Suiker Unie
	Jeanet 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.

Cosun

Annual Accounts
2019

Consolidated balance sheet

(after profit appropriation; in EUR million)

	Notes	31-12-2019	31-12-2018
ASSETS			
Fixed assets			
Intangible fixed assets	(1)	78.5	87.4
Tangible fixed assets	(2)	735.7	685.2
Financial fixed assets	(3)	34.5	34.3
		848.7	**806.9**
Current assets			
Inventories	(4)	572.8	544.7
Trade and other receivables	(5)	313.6	302.4
Cash and cash equivalents	(6)	112.9	156.9
		999.3	1,004.0
Total assets		**1,848.0**	**1,810.9**
EQUITY AND LIABILITIES			
Group equity			
Capital and reserves	(7)	1,247.5	1,230.0
Minority interests	(8)	15.8	15.8
		1,263.3	**1,245.8**
Provisions	(9)	57.5	74.2
Non-current liabilities	(10)	32.9	42.1
Current liabilities	(11)		
Current liabilities to credit institutions and liabilities of a financing nature		8.3	10.2
Other current liabilities, accruals and deferrals		486.0	438.6
		494.3	**448.8**
Total equity and liabilities		**1,848.0**	**1,810.9**

Consolidated profit and loss account

(in EUR million)

FOR THE FINANCIAL YEAR	Notes	2019	2018
Net turnover	(14)	2,045.8	2,046.4
Changes in inventories of finished products		21.7	25.1
Other operating income	(15)	20.6	23.1
Total operating income		2,088.1	2,094.6
Cost of raw materials and consumables	(16)	1,277.2	1,288.3
Cost of outsourced work and other external costs	(17)	393.5	404.2
Wages and salaries		205.4	201.2
Social security charges	(18)	68.8	62.4
Amortisation and depreciation on intangible and tangible fixed assets		106.9	107.5
Other changes in the value of intangible and tangible fixed assets	(19)	10.1	21.1
Other operating expenses		2.2	8.7
Total operating expenses		2,064.1	2,093.4
Operating profit		24.0	1.2
Interest receivable and similar income		0.6	6.7
Interest payable and similar charges		- 4.8	- 6.0
Financial income and expense	(20)	- 4.2	0.7
Result from ordinary activities before taxation		**19.8**	**1.9**
Taxation	(21)	- 0.7	- 0.3
Share in results from participating interests		0.4	0.2
Result from ordinary activities after taxation		19.5	1.8
Minority interests		- 1.3	- 1.8
Net result		**18.2**	**0.0**

Consolidated cash flow statement

(in EUR million)

FOR THE FINANCIAL YEAR	Notes	2019	2018
Operating profit		24.0	1.2
Depreciation and amortisation		106.9	107.5
Other value adjustments		10.1	21.1
Gain/loss on disposal of intangible, tangible and financial fixed assets		- 1.4	- 3.0
Release of negative goodwill		- 1.7	- 2.8
Changes in provisions	(23)	- 13.7	6.5
Changes in working capital (excluding cash and cash equivalents and short-term bank overdrafts)	(23)	13.6	- 77.5
Cash flow from business operations		**137.8**	**53.0**
Interest received (paid)		- 3.2	1.5
Income tax paid		- 5.7	- 27.8
Other movements		- 0.7	- 2.3
		- 9.6	- 28.6
Cash flow from operating activities		**128.2**	**24.4**
Investments in (in)tangible fixed assets		- 162.0	- 128.1
Proceeds from the sale of tangible fixed assets		10.0	5.5
Investment in participating interests		- 5.1	- 1.6
Divestment of participating interests		-	38.5
Cash flow from investing activities		**- 157.1**	**- 85.7**
Gross distribution under sugar beet payment regulations and business termination scheme	(30)	- 2.7	- 2.5
Changes in long-term receivables		- 3.0	- 0.2
Changes in non-current liabilities	(23)	- 7.5	2.3
Changes in current liabilities to credit institutions and liabilities of a financing nature		- 1.9	- 32.8
Cash flow from financing activities		**- 15.1**	**- 33.2**
Changes in cash and cash equivalents		- 44.0	- 94.5
Cash and cash equivalents at the beginning of the year		156.9	251.5
Exchange and translation gains and losses on cash and cash equivalents		-	- 0.1
Cash and cash equivalents at the end of the year		**112.9**	**156.9**

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).

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

Duynie Holding B.V. completed the acquisition of 100% of the shares in MijnVoer.nl B.V. on 14 February 2019. The acquisition has been recognised in the annual accounts in accordance with the purchase price accounting method and its figures have been included in the consolidation as from the date of acquisition. The interest in Rain Biomasse Wärmegesellschaft GmbH, Rain am Lech, Germany, was increased with 5% to 35.1%. There were no further significant investments in 2019.
In 2018, the acquisition of 100% of the shares in GreenProtein B.V. was effected and a participating interest was taken in the limited partnership ICF III Collaborative Venture Fund. No significant influence is exercised over this interest.
The 51% interest in Aviko SnowValley Food (Heibei) Co., Ltd was disposed of in 2018.
In 2019, Martin Amberger Kartoffelverarbeitung Dolli-Werk GmbH & Co. KG was liquidated. There were no further divestments in 2019.

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. The annual accounts were prepared on 19 March 2020.

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 2 and 20 years.

Other tangible fixed assets (excluding CO_2 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 CO_2 emission allowances at zero cost. The company has not recognized its surplus CO_2 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.

The cost of major maintenance is capitalised and written off in accordance with the component approach. All other maintenance costs are taken directly to the profit and loss account.

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 compensated.
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 were 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

Revenue
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.

Costs
Expenses are determined with due observance of the aforementioned accounting policies and allocated to the financial year to which they relate. Foreseeable and other obligations as well as potential losses arising before the financial year-end are recognized if they are known before the financial statements are prepared and provided all other conditions for forming provisions are met. Members receive a members' bonus for the beet they deliver. The members' bonus is recognised as cost of raw materials and consumables.

Wages, salaries and social security charges are recognized in the income statement according to the terms of employment to the extent they are due to either employees or the tax authorities.

The group recognizes an obligation if it has demonstrably committed paying a termination benefit or transition payment. If the termination is part of a reorganization, the group includes the costs of a termination benefit or transition payment in a provision for reorganization costs.

Interest is allocated to successive financial reporting periods in proportion to the outstanding principal. Period interest expenses and related expenses are recognized in the year in which they fall due.

The share in the result of participating interests represents Cosun's share in the results of those participating interests (where the interest is carried at net asset value) or the dividend or other value adjustment received (where the interest is carried at cost of acquisition).

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 opinions, estimates and uncertainties

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. A significant estimate relates to the impairment of tangible fixed assets at SVZ (see note 2). There are no further significant opinions, estimates or uncertainties.

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. Interest received and paid, dividends received and income tax received/paid are included under cash flows from (used in) operating activities.

The purchase of group companies and proceeds from sales of group companies are included under cash flow from (used in) investing activities, insofar as payment in cash has been made, net of cash and cash equivalents held by the group companies in question.

Notes to the consolidated annual accounts

(in EUR million)

(1) INTANGIBLE FIXED ASSETS

Movements in intangible fixed assets were as follows:

	GOODWILL	OTHER INTANGIBLE FIXED ASSETS	TOTAL
At cost as at 1 January 2019	245.2	31.5	276.7
Accumulated amortisation and other value adjustments as at 1 January 2019	164.5	24.8	189.3
BOOK VALUE AS AT 1 JANUARY 2019	**80.7**	**6.7**	**87.4**
Movements:			
- Investments	-	1.1	1.1
- Disposals at cost	-	- 0.1	- 0.1
- Acquisitions	5.3	-	5.3
- Amortization	- 13.5	- 1.5	- 15.0
- Other value adjustments	- 0.2	-	- 0.2
BOOK VALUE AS AT 31 DECEMBER 2019	**72.3**	**6.2**	**78.5**
At cost as at 31 December 2019	250.5	32.5	283.0
Accumulated amortisation and other value adjustments as at 31 December 2019	178.2	26.3	204.5

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 2019	420.2	1,262.6	87.7	50.1	34.7	1,855.3
Accumulated depreciation and impairments as at 1 January 2019	230.4	852.5	67.0	-	20.2	1,170.1
BOOK VALUE AS AT 1 JANUARY 2019	**189.8**	**410.1**	**20.7**	**50.1**	**14.5**	**685.2**
Movements:						
- Investments	23.6	60.8	13.0	62.2	1.2	160.8
- Disposals	- 1.8	- 0.7	- 0.2	- 0.3	- 5.5	- 8.5
- Transfer	2.2	17.9	8.0	- 25.5	- 2.6	-
- Depreciation	- 12.0	- 70.8	- 9.1	-	-	- 91.9
- Impairments	- 2.4	- 7.5	-	-	-	- 9.9
- Exchange differences	- 0.5	0.3	0.1	0.1	-	-
BOOK VALUE AS AT 31 DECEMBER 2019	**198.9**	**410.1**	**32.5**	**86.6**	**7.6**	**735.7**
At cost as at 31 December 2019	443.7	1,340.9	108.6	86.6	27.8	2,007.6
Accumulated depreciation and impairments as at 31 December 2019	244.8	930.8	76.1	-	20.2	1,271.9

	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

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 3.1 billion (2018: EUR 3.5 billion).

The group is the beneficial, not legal, owner of buildings with a book value of EUR 9.8 million (2018: EUR 10.5 million) and machinery and equipment with a book value of EUR 1.9 million (2018: EUR 2.1 million) under financial lease contracts.

In 2019 the value of SVZ's machinery and equipment in Europe was impaired. The trigger for impairment was the disappointing result of the financial year. This was the consequence of harvesting conditions on the one hand and increasing competition and pressure on margins on the other. The realisable value is based on cash flow forecasts for the period 2020-2023. The discount rate applied for tax purposes is 8.7%. The starting point in determining the value in use is recovery of the result, mainly due to growth in volume and thus turnover. As an indication of the uncertainty in the estimate, a EUR 0.1 million increase or decrease in the result on a structural basis, increases or decreases the value of the assets by approximately EUR 1 million.

(3) FINANCIAL FIXED ASSETS

Movements in financial fixed assets were as follows:

	PARTICI-PATING INTERESTS	RECEIVABLES FROM PARTICIPATING INTERESTS	RECEIVABLES FROM MEMBERS	DEFERRED TAX ASSETS	OTHER RECEIVABLES	TOTAL
Balance as at 1 January 2019	4.6	0.3	11.9	16.4	1.1	34.3
Movements::						
- Additions and issuances	1.2	-	1.2	15.3	1.5	19.2
- Repayments and releases	-	- 0.3	- 0.4	- 1.2	- 0.8	- 2.7
- Movements in favour of/ charged to the result	-	-	0.3	- 14.2	1.5	- 12.4
- Share in results of participating interests and dividend received	0.1	-	-	-	-	0.1
- Reclassified as short-term receivables	-	-	- 4.0	-	-	- 4.0
BALANCE AS AT 31 DECEMBER 2019	**5.9**	**0.0**	**9.0**	**16.3**	**3.3**	**34.5**

	PARTICI-PATING 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
BOEKWAARDE PER 31 DECEMBER 2018	**4.6**	**0.3**	**11.9**	**16.4**	**1.1**	**34.3**

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 2.7 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 9.0 million) relates to the net present value of the long-term portion of amounts still to be deposited for issued supply certificates (2018: EUR 11.9 million).

Deferred tax assets

The item deferred tax assets comprises 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 5.0 million (2018: EUR 11.7 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 6.4 million gross (2018: EUR 2.8 million).

Other receivables

Other receivables include capitalised costs incurred for the conclusion of a new financing agreement expiring end of March 2024.

(4) INVENTORIES

	31-12-2019	31-12-2018
Land	9.3	9.9
Raw materials and consumables	71.8	65.3
Finished products and goods for resale	491.7	469.5
	572.8	**544.7**

Of the inventories EUR 8.2 million (2018: EUR 35.5 million) is stated at lower recoverable amount. The provision for obsolete inventories amounts to EUR 4.6 million (2018: EUR 5.2 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 5.7 million (2018: EUR 5.2 million) have been pledged as security to the bank.

(5) TRADE AND OTHER RECEIVABLES

	31-12-2019	31-12-2018
Trade accounts receivable	233.3	219.8
Receivable from participating interests	5.2	5.7
Receivables from members	4.0	3.9
Income tax receivable	4.7	3.2
Other tax receivables	36.1	34.3
Other receivables, prepayments and accrued income	30.3	35.5
	313.6	**302.4**

Other receivables, prepayments and accrued income

This item relates to amounts receivable of EUR 29.9 million (2018: EUR 30.7 million) and advance payments of EUR 9.1 million (2018: EUR 4.9 million).

(6) CASH AND CASH EQUIVALENTS

An amount of EUR 1.3 million (2018: EUR 38.3 million) is not available on demand.

(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:

	2019	2018
Net result	18.2	0.0
Translation differences on foreign participating interests	1.4	- 1.1
Total result recognised by Cosun	**19.6**	**- 1.1**

(8) MINORITY INTERESTS

	2019	2018
Balance as at 1 January	15.8	17.0
Movements::		
- Share in results	1.3	1.8
- Capital movements and change in consolidation	- 0.2	- 0.9
- Dividend paid to minority interests and liquidation distributions	- 1.1	- 2.0
- Exchange differences and other movements	-	- 0.1
BALANCE AS AT 31 DECEMBER	**15.8**	**15.8**

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

	31-12-2019	31-12-2018
Deferred tax liabilities	18.4	22.7
Restructuring and reorganisation	1.0	2.4
Pensions and other deferred employee benefits	18.8	15.8
Loss-making contracts	1.0	18.2
Other provisions	18.3	15.1
	57.5	**74.2**

Of the provisions an amount of EUR 42.8 million (2018: EUR 52.8 million) has an expected term of more than one year.

Movements in provisions were as follows:

	DEFERRED TAX LIABILITIES	RESTRUCTURING AND REORGA-NISATION	PENSIONS AND OTHER DEFERRED EMPLOYEE BENEFITS	LOSS MAKING CONTRACTS	OTHER PROVISIONS	TOTAL
Balance as at 1 January 2019	22.7	2.4	15.8	18.2	15.1	74.2
Movements:						
- Additions	0.4	0.2	5.7	0.7	7.7	14.7
- Withdrawals	- 5.3	- 1.3	- 1.0	- 15.8	- 4.0	- 27.4
- Mutation to profit and loss account	0.6	- 0.3	- 1.7	- 2.1	- 0.5	- 4.0
BALANCE AS AT 31 DECEMBER 2019	**18.4**	**1.0**	**18.8**	**1.0**	**18.3**	**57.5**

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 15.5 million (2018: EUR 21.6 million) are long term in nature.

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 B.V., Coöperatie Cosun (including Suiker Unie) and Sensus B.V. are administered by the Cosun occupational pension fund.

OCCUPATIONAL PENSION FUND	ESTIMATED COVERAGE AS AT 31-12-2019	BASIC FEATURES PENSION SYSTEM 31-12-2019
Pension fund Cosun	116.8	Final and average pay pension plan

The policy funding ratio is 114.2%.

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 1.2% for the period to the end of 2023.

As of 1 January 2020 an additional obligation has arisen from this regarding the indexation commitment for active 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:

	2019	2018
Discount rate	1.5 %	2.5 %
Future salary increases	2.0 %	2.0 %

The Cosun pension fund applies the AG2018 (2018: AG2018) 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.

Other provisions

Other provisions have been formed chiefly for environmental risks (including the demolition of assets, obligations to dispose of tare soil and other risks) to an amount of EUR 18.1 million (2018: EUR 14.9 million). The provisions for contract risks, claims and fines as at year-end amounted to zero (2018: EUR 0.2 million).

The discount rate to calculate the future cash flows applied for is 0.5% to 1.5% depending on the term (2018: 1.0% to 2.5% depending on the term).

(10) NON-CURRENT LIABILITIES

	31-12-2019	EFFECTIVE INTEREST RATE	31-12-2018	EFFECTIVE INTEREST RATE
Debts to credit institutions	0.4	3.0 %	1.1	3.0 %
Debts to members	18.1	2.5 %	24.3	2.4 %
Negative goodwill	2.8	-	4.5	-
Lease obligation	11.6	7.5 %	12.2	7.5 %
	32.9		**42.1**	

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

	31-12-2019	31-12-2018
Debts to credit institutions	8.1	10.0
Liabilities of a financing nature	0.2	0.2
Total debts to credit institutions and liabilities of a financing nature	**8.3**	**10.2**
Payables to members	106.1	89.2
Payables to suppliers and trade creditors	236.8	213.6
Debts to participating interests	1.7	1.6
Income tax payable	-	-
Other taxes and social security charges payable	12.4	10.8
Other current liabilities and accruals	129.0	123.4
Total other current liabilities, accruals and deferrals	**486.0**	**438.6**

Debts to credit institutions

The five-year EUR 400 million financing arrangement with a banking syndicate was renewed in March 2019. The renewed agreement runs to March 2024, with an option to extend it twice for a further year. As at year-end 2018 and 2019, the arrangement had not been drawn upon. All conditions of the covenant were met.

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 31-12-2019	BOOK VALUE 31-12-2019	FAIR MARKET VALUE 31-12-2019	CONTRACT VOLUME 31-12-2018	BOOK VALUE 31-12-2018	FAIR MARKET VALUE 31-12-2018
Forward exchange contracts and currency swaps:						
US dollar	- 141.5	0.1	2.5	-147.4	0.3	-
Pound sterling	- 84.1	- 0.4	- 3.2	- 73.7	0.4	0.1
Chinese yen	- 37.7	-	0.5	- 38.8	- 0.1	- 0.1
Polish zloty	- 14.2	0.2	0.2	- 10.7	-	-
Swedish crown	- 5.7	-	- 0.1	- 6.4	-	-
Australian dollar	- 3.2	-	-	- 3.5	0.1	0.1
Canadian dollar	- 0.8	-	-	- 1.1	-	-
TOTAL	**- 287.2**	**- 0.2**	**- 0.1**	**- 281.6**	**0.7**	**0.1**

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 23.1 million (2018: EUR 12.7 million).

Price risk

	BOOK VALUE 31-12-2019	FAIR MARKET VALUE 31-12-2019	BOOK VALUE 31-12-2018	FAIR MARKET VALUE 31-12-2018
Commodity futures contracts	-	- 0.1	-	3.9
Listed futures contracts	-	0.2	-	0.9
Emission allowances	-	0.1	-	2.1

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 2019. Margin calls of - EUR 0.1 million apply to the listed futures contracts (2018: EUR 0.9 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. There are no significant concentrations of credit risk within the group.

(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.

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 estimated – 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 12.7 million (2018: EUR 16.7 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 23.6 million (2018: EUR 22.1 million). The rental and lease instalments payable within one year amount to EUR 8.1 million (2018: EUR 9.2 million). Instalments payable after five years amount to EUR 0.1 million (2018: EUR 0.7 million). Contingent investment liabilities amount to EUR 72.4 million (2018: EUR 51.7 million).

(14) NET TURNOVER
The break-down of net turnover per product group is as follows:

	2019	%	2018	%
Sugar activities	636.7	31.1	719.6	35.2
Potato activities	930.3	45.5	863.7	42.2
Other activities	478.8	23.4	463.1	22.6
TOTAL	**2,045.8**	**100.0**	**2,046.4**	**100.0**

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

	2019	%	2018	%
The Netherlands	555.3	27.1	562.7	27.5
Rest of the EU	1,124.4	55.0	1,107.2	54.1
Rest of Europe	57.5	2.8	51.5	2.5
North and South-America	136.8	6.7	129.6	6.3
Rest of the world	171.8	8.4	195.4	9.6
TOTAL	**2,045.8**	**100.0**	**2,046.4**	**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 234.0 million (2018: EUR 268.8 million). This amount includes EUR 38.5 million payable as members' bonus (2018: EUR 15.8 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 20.8 million (2018: EUR 21.0 million).

(18) SOCIAL SECURITY CHARGES

	2019	2018
Social security charges	36.4	35.2
Pension costs	32.4	27.2
	68.8	**62.4**

Number of employees

Expressed in full-time equivalents, the average number of employees at Cosun during the 2019 financial year was 3,744 (2018: 3,848). The employees were engaged in the following product groups (average number of employees):

	2019	2018
Sugar activities	847	860
Potato activities	1,820	2,005
Other activities	1,077	983
TOTAL	**3,744**	**3,848**
Of whom employed outside the Netherlands	1,694	1,851

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

In 2019 the impairment on tangible fixed assets amounts to EUR 10.1 million. The change in value in 2018 amounted EUR 21.1 million. For more information see note 2.

(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 0.7 million (2018: EUR 0.3 million) on a result of EUR 19.8 million (2018: EUR 1.9 million). The effective tax rate was 3.5% (2018: 15.1%). The difference from the nominal tax rate can be specified as follows:

	2019	%	2018	%
Profit before taxation	19.8		1.9	
Income tax based on Dutch tax rates	5.0	25.0	0.5	25.0
Effect of foreign tax rates	- 0.6	- 2.9	- 1.2	- 62.0
Non-deductible charges / permanent differences	- 2.2	- 11.3	4.0	206.4
Effect of change in valuation of tax losses, assets or temporarily differences	1.0	5.2	0.7	36.7
Adjustment for prior periods	- 3.0	- 15.0	- 4.8	- 249.9
Other	0.5	2.4	1.1	58.9
TOTAL TAX BURDEN	**0.7**	**3.5**	**0.3**	**15.1**

The effect of change in the valuation of losses in 2019 (and 2018) was due largely to the losses of foreign entities not being valued. Non-deductible charges and permanent differences relate chiefly to participation exemption (2019) and the non-deductible members' bonus (2018).

Adjustments for prior periods relate to final assessments in respect of prior years. They take into account the deduction of the members' bonus for 2018 in connection with a change in the agreement on its deduction. The corporation tax rates used to compute, taxation, moreover, 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 2019 the following fees were charged to the company:

	ERNST & YOUNG ACCOUNTANTS LLP	OTHER ERNST & YOUNG NETWORK	TOTAL ERNST & YOUNG
Audit of the financial statements	0.7	0.3	1.0
Tax advisory services	-	0.5	0.5
Other non-audit services	-	0.1	0.1
TOTAL	**0.7**	**0.9**	**1.6**

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	-	0.5	0.5
Other non-audit services	0.1	-	0.1
TOTAL	**0.6**	**0.8**	**1.4**

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 2019	408.5	- 74.2
Balance as at 31 December 2019	400.4	-57.5
Balance sheet movements	8.1	- 16.7
Adjustments for:		
- Changes in income tax	1.5	4.3
- Investments in and divestments of participating interests	-	- 1.3
- Reclassification to current receivables from financial fixed assets	4.0	-
KASSTROOM	**13.6**	**- 13.7**

(24) SUBSEQUENT EVENTS

At the beginning of 2020, Aviko, a Royal Cosun group company, reached an agreement with Hongyuan Agriculture to acquire 90% of its shares in Hongyuan Louis. The acquisition is expected to be effected in the course of 2020 depending on the completion of a number of conditions.

The outbreak of the coronavirus increases uncertainty about economic developments in 2020. At the time of the preparation of these annual accounts the impact on people and the valuation of Cosun's assets was difficult to estimate. Considering Cosun's healthy solvency and liquidity position, as disclosed by these annual accounts, in the Board and the Executive Board's opinion the continuity of the business is guaranteed in so far as it is within Cosun's sphere of influence.

Cooperative balance sheet

(after profit appropriation; in EUR million)

	Notes	31-12-2019	31-12-2018
ASSETS			
Fixed assets			
Intangible fixed assets	(25)	46.6	54.3
Tangible fixed assets	(26)	251.9	269.3
Financial fixed assets	(27)	313.7	696.7
		612.2	1,020.3
Current assets			
Inventories	(28)	266.3	256.8
Trade and other receivables	(29)	601.0	188.0
Cash and cash equivalents		82.6	88.5
		949.9	533.3
Total assets		**1,562.1**	**1,553.6**
EQUITY AND LIABILITIES			
Shareholders' equity	(30)		
Capital		36.0	36.0
Share premium		32.2	32.3
Reserve for participating interests		6.2	4.5
Reserve for exchange differences		0.2	- 1.2
Other reserves		1,173..6	1,159.1
		1,248.2	1,230.7
Provisions	(31)	28.9	44.4
Non-current liabilities	(32)	28.1	34.6
Current liabilities	(33)		
Current liabilities to credit institutions and liabilities of a financing nature		-	49.4
Other current liabilities, accruals and deferrals		256.9	194.5
		256..9	243.9
Total equity and liabilities		**1,562.1**	**1,553.6**

Cooperative profit and loss account

(in EUR million)

FOR THE FINANCIAL YEAR	2019	2018
Cooperative result after taxation	- 42.6	- 20.2
Profit of participating interests after taxation	60.7	20.3
NET RESULT	**18.1**	**0.1**
APPROPRIATION OF PROFIT IN ACCORDANCE WITH ARTICLE 1 OF THE SUGAR BEET DELIVERY PAYMENT REGULATIONS		
Result of participating interests less dividends received	19.5	11.5
Cooperative result including dividends from participating interests	- 1.4	- 11.4

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 2019	174.6	6.2	180.8
Accumulated amortisation and other changes in value as at 1 January 2019	123.4	3.1	126.5
BOOK VALUE AS AT 1 JANUARY 2019	**51.2**	**3.1**	**54.3**
Movements:			
- Investments	-	-	-
- Amortisation	- 7.6	- 0.1	- 7.7
BOOK VALUE AS AT 31 DECEMBER 2019	**43.6**	**3.0**	**46.6**
At cost as at 31 December 2019	174.6	6.2	180.8
Accumulated amortisation and other changes in value as at 31 December 2019	131.0	3.2	134.2

(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 2019	152.7	530.4	22.9	6.7	5.8	718.5
Accumulated depreciation and other changes in value as at 1 January 2019	77.9	351.9	19.4	-	-	449.2
BOOK VALUE AS AT 1 JANUARY 2019	**74.8**	**178.5**	**3.5**	**6.7**	**5.8**	**269.3**
Movements:						
- Investments	5.3	15.6	1.4	2.5	-	24.8
- Disposals	- 1.4	-	-	-	-	- 1.4
- Depreciation	- 4.6	- 35.0	- 1,2	-	-	- 40.8
- Transfer	1.9	4.7	-	- 6.6	-	-
BOOK VALUE AS AT 31 DECEMBER 2019	**76.0**	**163.8**	**3.7**	**2.6**	**5.8**	**251.9**
At cost as at 31 December 2019	158.5	550.7	24.3	2.6	5.8	741.9
Accumulated depreciation and other changes in value as at 31 December 2019	82.5	386.9	20.6	-	-	490.0

	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 Decembe 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

(27) FINANCIAL FIXED ASSETS

	31-12-2019	31-12-2018
Participating interests in group companies	273.6	252.8
Receivables from group companies	19.0	429.4
Receivables from members	9.0	11.9
Deferred tax assets	10.5	2.0
Other receivables	1.6	0.6
	313.7	**696.7**

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 2019	252.8	429.4	11.9	2.0	0.6	696.7
Movements:						
- Share in result of participating interests	60.7	-	-	-	-	60.7
- Additions and issuances	-	47.4	1.2	10.9	0.3	59.8
- Repayments and releases	-	- 45.3	- 0.4	- 2.4	-0.8	- 48.9
- Dividend	- 41.2	-	-	-	-	-41.2
- Exchange results	1.4	-	-	-	-	1.4
- Other movements	- 0.1	-	-	-	-	- 0.1
- Movements in favour of / charged to the profit and loss account	-	-	0.3	-	1.5	1.8
- Reclassification to current	-	- 412.5	- 4.0	-	-	- 416.5
BALANCE AS AT 31 DECEMBER 2019	**273.6**	**19.0**	**9.0**	**10.5**	**1.6**	**313.7**

	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

Suiker Unie GmbH & Co. KG is a subsidiary of Coöperatie Koninklijke Cosun U.A. and is included in the consolidated financial statements of Royal Cosun as of 31 December 2019. 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 in 2018 relate to a share premium distribution made by Cosun Holding B.V. to the Cooperative.

Receivables from group companies

As at year-end 2018 the balance related mainly to 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). A substantial proportion of these loans expires at the end of 2020 and therefore became current in 2019.

Receivables from members

The non-interest bearing receivables from members (EUR 9.0 million) relates to the market value of the long-term portion of amounts still to be deposited for issued supply certificates (2018: EUR 11.9 million).

Other receivables

The other receivables relate to capitalised costs for the conclusion of a financing agreement expiring in March 2024.

(28) INVENTORIES

	31-12-2019	31-12-2018
Land	9.3	9.9
Raw materials and consumables	8.5	8.6
Finished products and goods for resale	248.5	238.3
	266.3	**256.8**

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 1.6 million (2018: EUR 1.5 million). The inventory is recognised at lower market value to an amount of EUR 4.4 million (2018: EUR 29.1 million).

(29) TRADE AND OTHER RECEIVABLES

	31-12-2019	31-12-2018
Trade accounts receivable	51.8	44.9
Receivables from group companies	512.5	108.8
Short-term portion of amount still to be paid up for issued shares	3.9	3.9
Other tax receivables	17.0	16.0
Other receivables and accrued income	15.8	14.4
	601.0	**188.0**

(30) CAPITAL AND RESERVES

Issued capital and share premium

	SUPPLY CERTIFICATES	SHARE PREMIUM	TOTAL 2019	TOTAL 2018
Balance as at 1 January	36.0	32.3	68.3	68.3
Movements:				
- Issued supply certificates	1.2	-	1.2	1.2
- Redeemed and withdrawn supply certificates	- 1.2	-	- 1.2	- 1.2
STAND PER 31 DECEMBER	**36.0**	**32.3**	**68.3**	**68.3**

The total number of supply certificates in issue amounts to 6,545,369 (2018: 6,545,369), with a face value of EUR 5.50 per certificate. Under Reporting Guideline 620, EUR 0.7 million (2018: 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 2019	TOTAL 2018
Balance as at 1 January	4.5	- 1.2	1,,159.1	1,162.4	1,165.4
Movements:					
- Profit appropriation	-	-	18.2	18.2	0.1
- Paid to members	-	-	- 2.0	- 2.0	- 2.0
- Exchange differences	-	1.4	-	1.4	- 1.1
- Transfer	1.7	-	- 1.7	-	-
BALANCE AS AT 31 DECEMBER	**6.2**	**0.2**	**1,173.6**	**1,180.0**	**1,162.4**

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 2016, 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, six and seven 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 2019, the total payment would have amounted to EUR 37.6 million (2018: EUR 37.0 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 2018 (EUR 0.1 million) has been added to other reserves in accordance with the decision of the Board 14 March 2019.

The Board intends to propose that EUR 18.1 million be added to other reserves. The annual accounts for 2019 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.

	31-12-2019	31-12-2018
Consolidated capital and reserves	1,247.5	1,230.0
Impact RJ 620	0.7	0.7
COOPERATIVE CAPITAL AND RESERVES	**1,248.2**	**1,230.7**

(31) PROVISIONS

	31-12-2019	31-12-2018
Deferred tax liabilities	8.5	12.4
Pensions and other deferred employee benefits	11.3	9.4
Other provisions	9.1	22.6
	28.9	**44.4**

EUR 17.6 million (2018: EUR 29.1 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 2019	12.4	9.4	22.6	44.4
Movements:				
- Additions	3.4	3.9	6.5	13.8
- Withdrawals	- 7.3	- 2.0	- 20.0	- 29.3
BALANCE AS AT 31 DECEMBER 2019	**8.5**	**11.3**	**9.1**	**28.9**

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 6.6 million (2018: EUR 11.8 million) is long term in nature.

(32) NON-CURRENT LIABILITIES

	31-12-2019	EFFECTIVE INTEREST RATE	31-12-2018	EFFECTIVE INTEREST RATE
Lease obligation	9.0	8.4 %	9.3	8.4 %
Debts to members	18.1	2.5 %	24.3	2.4 %
Other liabilities	1.0	-	1.0	-
TOTAL NON-CURRENT LIABILITIES	**28.1**		**34.6**	

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

	31-12-2019	31-12-2018
Payables to group companies	35.5	51.6
Payables to members	106.1	89.2
Payables to suppliers and trade creditors	68.1	57.3
Payable income tax	-	-
Other taxes and social security charges payable	2.7	2.3
Pensions payable	0.9	0.8
Other current liabilities and accruals	43.6	42.7
TOTAL OTHER CURRENT LIABILITIES AND ACCRUALS	**256.9**	**243.9**

Other current liabilities and accruals

Other current liabilities and accruals relate to interest payable, leave entitlements, bonuses and other expenses payable.

(34) OFF BALANCE SHEET COMMITMENTS

Several liability and guarantees

Cosun has given guarantees to third parties to an amount of EUR 12.9 million (2018: EUR 10.9 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 3.6 million (2018: EUR 2.3 million). The rental and lease instalments falling due within one year amount to EUR 1.1 million (2018: EUR 1.1 million). Instalments payable after five years amount to nil (2018: nil). Contingent investment liabilities amount to EUR 7.3 million (2018: EUR 4.3 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 2019 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	-	-	-
TOTAL	**0.2**	**0.2**	**0.4**

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	**0.3**	**0,2**	**0.5**

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 (2018: EUR 0.6 million) and that members of the Supervisory Board to EUR 0.1 million (2018: EUR 0.1 million). The remuneration was charged to the result.

(37) SUBSEQUENT EVENTS

The outbreak of the coronavirus increases uncertainty about economic developments in 2020. At the time of the preparation of these annual accounts the impact on people and the valuation of Cosun's assets was difficult to estimate. Considering Cosun's healthy solvency and liquidity position, as disclosed by these annual accounts, in the Board and the Executive Board's opinion the continuity of the business is guaranteed in so far as it is within Cosun's sphere of influence.

Board

Dirk de Lugt
Arwin Bos
Ben van Doesburgh
Adrie Bossers
Ger Evenhuis
Marianne van den Hoek
Freek Rijna
Jan Voncken
Sander Wijkstra

Supervisory Board

Jakob Bartelds
Johan van Driel
Hans Huistra
Theo Koekkoek
Edwin Michiels
Pieter van Maldegem
Jaqueline Rijsdijk

Breda, 19 March 2020

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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2019 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the financial statements 2019 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 2019, and of its result for 2019 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 2019
- The consolidated and company profit and loss account for 2019
- 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	€ 17,500,000 (2018: € 16,000,000).
Benchmark applied	2.1% of gross margin normalized for members' bonus (2018: 2.0% of gross margin normalized for members' bonus)
Explanation	In view of the cooperative nature of the entity, we consider gross margin, adjusted for the members' bonus, is a more important indicator than results before taxes. The amount of the gross margin provides a good view of the scale of the activities. The absolute increase in materiality is mainly explained by a higher level of the gross margin compared to 2018.

We have also taken into account misstatements 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 € 875.000, which are identified during the audit, would be reported to them, as well as 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 focused, in particular, on group entities which are significant in terms of size and financial importance or for which significant risks apply. The audit of the Dutch group entities within the scope of the group audit are performed by ourselves. The audits of the abroad group entities within the scope of the group audit are performed by local EY audit teams. We provided the component teams with detailed instructions and the component teams performed their audit procedures on the basis of those instructions and reported the results of their audit procedures to us. We interacted regularly with all component teams throughout the audit. In addition, we visited the operating company and the EY audit team in Germany. On this basis we directed and supervised the group audit and we were able to address the significant observations in our group audit. The procedures in relation to the consolidation of the group and the explanatory notes in the financial statements are performed centrally.

In total, the aforementioned procedures represent 91% (2018: 90%) of the total assets; 84% (2018: 90%) of the group's gross margin. 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, the key audit matter for loss-making contract positions is included in the key audit matter for valuation of finished products, since the provision for loss-making contracts as at 31 December 2019 was € 1.0 million and had less attention compared to 2018. The key audit matter in valuation of (in) tangible fixed assets of prior year was related to the negative result of Suiker Unie as a result of developments in the sugar market in that year and this year this key audit matter relates to the recognition of an impairment loss at SVZ Europe.

Risk	Our audit approach	Key observations
Valuation inventory - finished products (refer to note 4)		
The size of finished products in relation to the balance sheet total makes that the audit of the inventory of finished products is an important part in our audit approach. Finished products is valued at production costs or lower realizable value. The production costs includes the purchase costs of raw materials, auxiliary material and other costs that are directly attributable to the manufacturing of finished products. The allocation of the other costs is complex and involves assumptions and estimates made by management. The calculation method of the valuation of finished products is sensitive to errors due to the high number of components of which the cost price consists. The valuation adjustment of inventories to lower current market prices amounts to € 8.2 million (2018: € 35.5 million).	As part of our audit of the valuation of finished products, we performed inventory counts to conclude on the existence of finished products and compared the estimates made by management during the closing process of prior financial year to the actual costs incurred in current financial year ("back-testing"). In addition, we verified per allocated other cost item whether under accounting standards it is allowed to allocate these to the cost price, and verified the parameters set by management per allocated cost item individually. To conclude on the valuation of finished goods against lower current market prices, we compared the sales prices according to contract positions as at balance sheet date against the valuation of the existing inventory as well as the prices of the closed futures. In addition, we compared available inventory and the prices of closed futures for raw materials as at balance sheet date to the market prices in the subsequent year. In addition, we compared the available (uncommitted) inventory and the prices of the contracted purchasing positions on balance sheet date to the current market prices. We also compared previous assumptions made by management to the actual purchase and sales prices in the financial year ("back-testing").	The other costs allocated to the production cost are, in our opinion, costs that are directly related to the manufacturing of finished goods. We consider the estimates made by management and the parameters used with respect to the allocated other costs to be adequate. Furthermore, we determined that the disclosures in the financial statements on the valuation of finished products are adequate. The principles for the valuation of inventories to lower current market prices are, in our opinion, correctly applied. In addition, we determined that the disclosures in the financial statements on the loss-making contract positions are adequate.

Risk	Our audit approach	Key observations
Valuation (in-)tangible fixed assets (refer to note 2)		
In connection with the negative results of SVZ Europe, Coöperatie Koninklijke Cosun U.A. identified a triggering event for impairment of the (in-) tangible fixed assets of SVZ Europe. As a result, an impairment calculation has been prepared by management to determine whether an impairment exists, in view of the expected future results and cash flows. The resulting impairment loss of € 7.5 million has been recorded in the financial statements.	We have tested the assumptions regarding growth in turnover and EBITDA margin based on the operational plan of SVZ Europe, its historical results and expectations of analysts for comparable companies (peer group). The assumptions regarding future investments are reconciled to the operational plan of SVZ Europe and working capital development has been tested against the historical figures and planned measures to improve the working capital. We audited the discount rate (WACC) and the mathematical correctness of the model, using our valuation experts. We also audited the adequacy of the disclosures and whether they provide sufficient insight in the assumptions used and their sensitivity impacting the valuation.	In our opinion, the estimates of Coöperatie Koninklijke Cosun U.A. regarding the impairments of SVZ Europe, the parameters and expectations used are within an acceptable range. Furthermore, we determined that the disclosures in the financial statements on the valuation of (in-) tangible fixed assets, including the impairment loss, are adequate.

Emphasis of matter relating to Corona developments

The developments surrounding the Corona (Covid-19) virus have a profound impact on people's health and on our society as a whole, as well as on the operational and financial performance of organizations and the assessment of the ability to continue as a going concern. The financial statements and our auditor's report thereon are snapshots. The situation changes on a daily basis giving rise to inherent uncertainty. The impact of these developments on Coöperatie Koninklijke Cosun U.A. is disclosed in the board report section Prospects on page 15, the Risk profile on page 31 and the disclosure about events after the reporting period in the notes to the financial statements on page 65 and 76. We draw attention to these disclosures.

Our opinion is not modified in respect of this matter.

REPORT ON 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;
- Cosun at work;
- management matters;
- 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 substantially 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 as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the supervisory board as 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.

DESCRIPTION OF RESPONSIBILITIES FOR 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 the board either intends to liquidate the company 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 company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement 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 detect all material errors and fraud during our audit.

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 among others:

- 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 the board'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 them 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 the key audit matters: those matters that were of most significance in the audit of the financial statements. 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.

Zwolle, 19 March 2020

Ernst & Young Accountants LLP

Signed by A.E. Wijnsma

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