ANNUAL REPORT

2017

ROYAL COSUN

2017

Royal Cosun

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* These sections constitute the Directors’ Report within the meaning of article 2:391 of the Dutch Civil Code.

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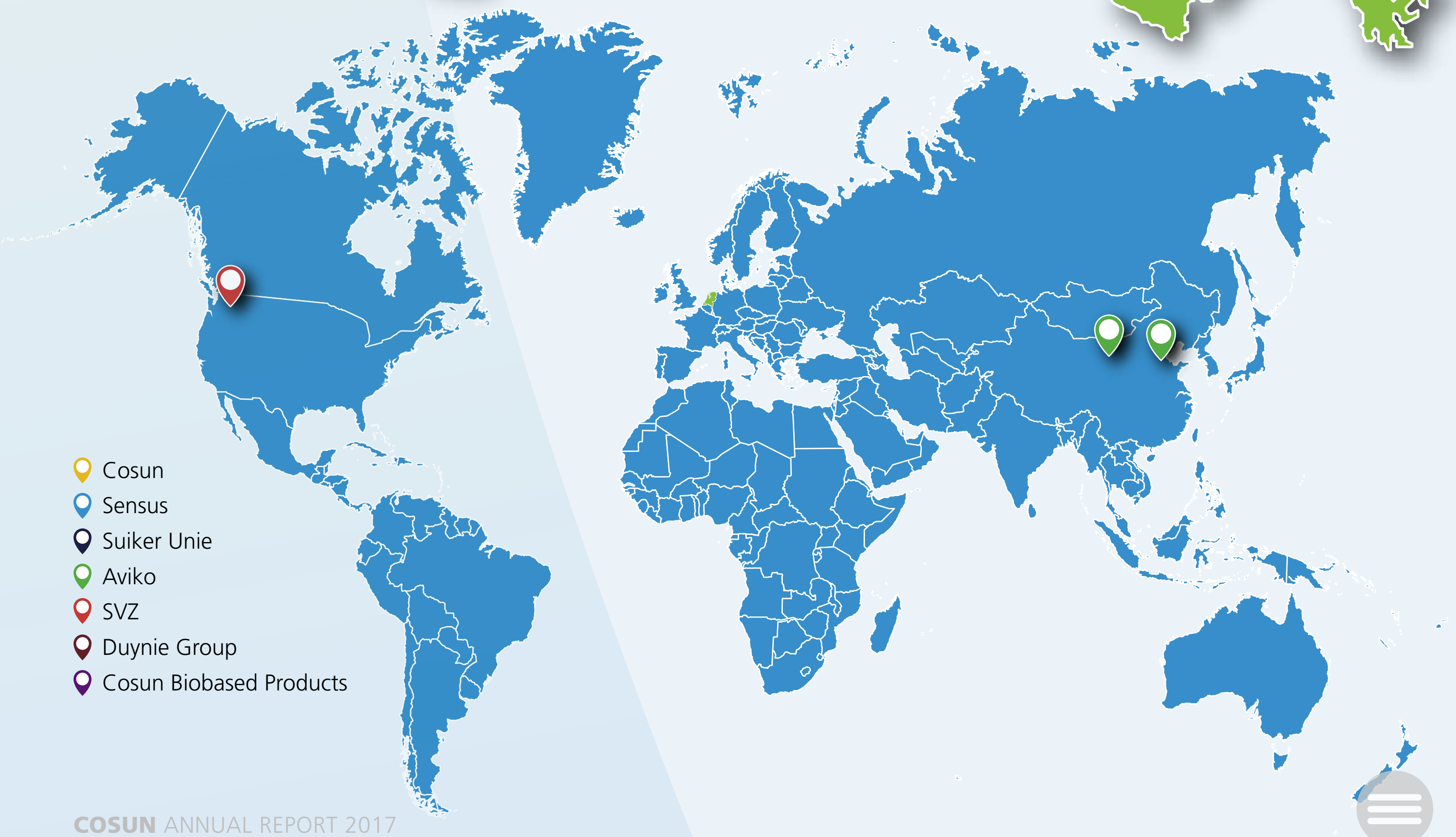
LOCATIONS

Main offices and production facilities in the Netherlands, Europe, the US and Asia.



TURNOVER
€ 2,112 MILLION

3,850
FULL TIME
EMPLOYEES

31 PRODUCTION
SITES
(10 COUNTRIES)

9.7 MILLION TONNES
TONNES OF
VEGETABLE RAW
MATERIALS PROCESSED

9,182
MEMBERS

PROFILE

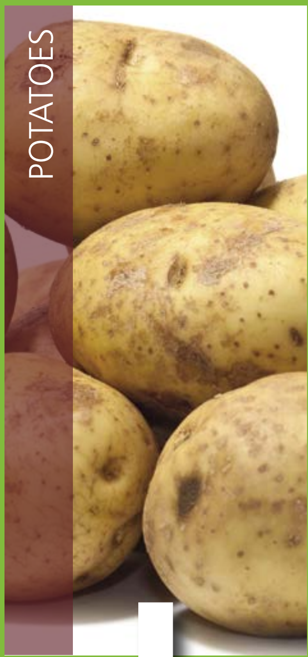
Royal Cosun is an agro-industrial group that processes arable crops and other vegetable raw materials. Cosun is a cooperative of some 9,000 Dutch sugar beet growers. The cooperative has been processing its members' sugar beet since 1899. Over the years we have added new activities to our portfolio, nearly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

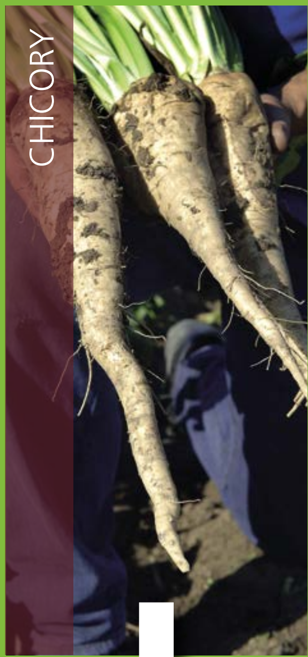
PLANTS AND PRODUCTS

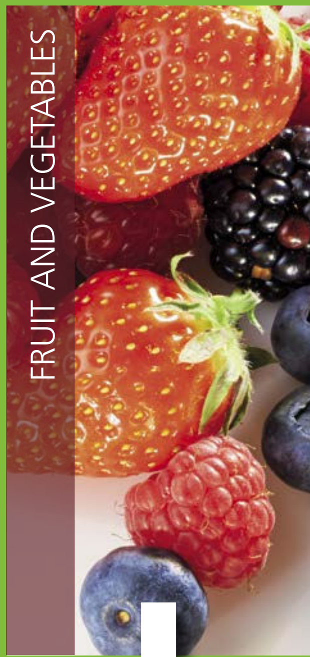
We produce a wide range of ingredients and intermediate products from vegetable raw materials such as sugar beet, potatoes, chicory, fruit and vegetables for the international food industry. We also make products that are sold to consumers through the foodservice (out-of-home and wholesale outlets) and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

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

RAW MATERIALS







COSUN BUSINESS GROUPS

- SUIKER UNIE – A ROYAL COSUN COMPANY
- Duynie Group
- SENSUS – A ROYAL COSUN COMPANY
- Aviko
- SVZ – A ROYAL COSUN COMPANY
- ROYAL COSUN Biobased Products

SALES MARKETS

- FOOD INDUSTRY
- FOOD SERVICE AND RETAIL
- ANIMAL FEED
- BIOBASED NON-FOOD
- ENERGY

INNOVATION

Cosun Biobased Products specialises in the development and production of functional green chemicals and materials based on renewable vegetable raw materials. Its innovations are used in a wide range of applications. Like the other Cosun business groups, it works closely with Cosun Research & Development (R&D). This R&D unit has a modern, well-equipped facility in the Cosun innovation center where it works on new and improved applications of vegetable raw materials, innovates process technology, optimises energy management and, in cooperation with customers or otherwise, develops new products. Cosun R&D also works with a variety of institutions and universities in the Netherlands and abroad.

MISSION

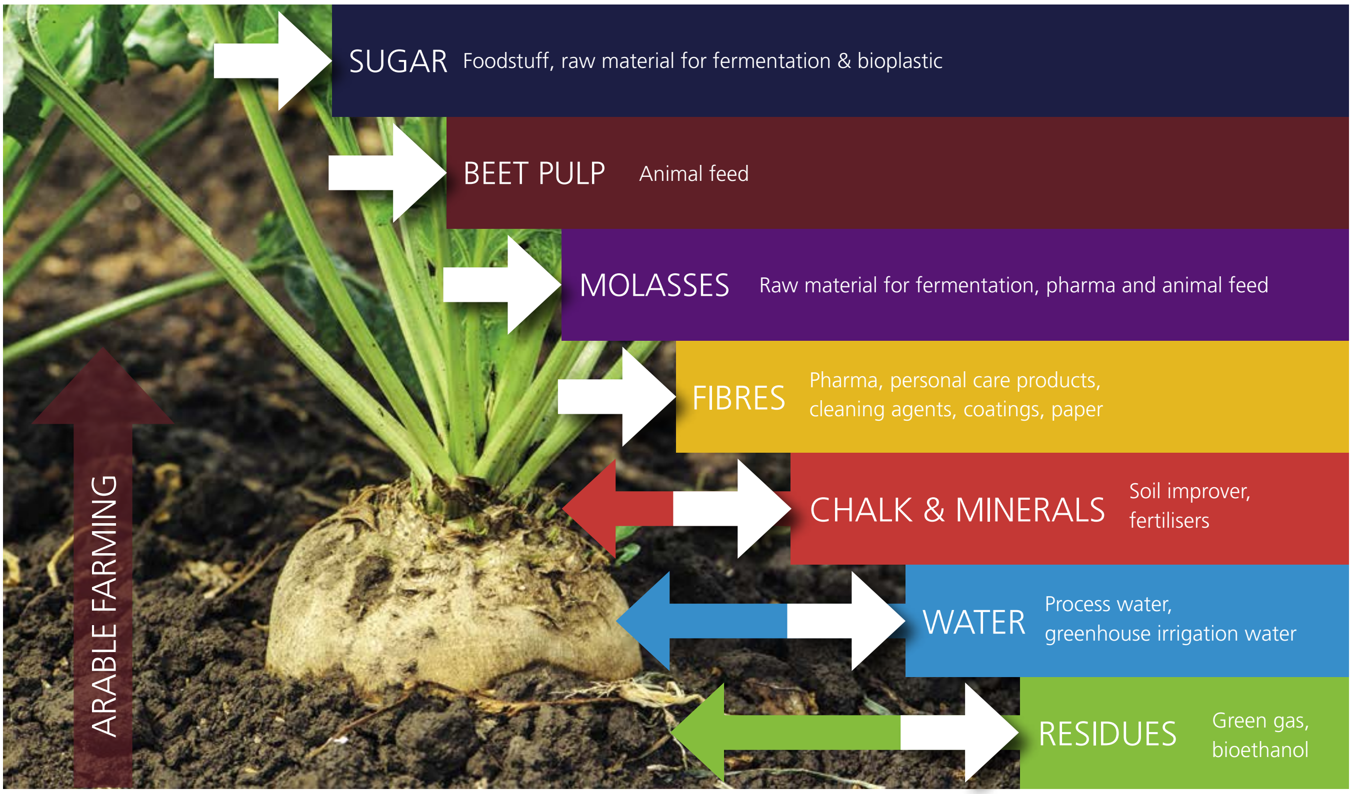
Cosun's objective is to excel in the creation of value from organic raw materials for the benefit of its customers, growers and staff. Our goal is to make optimal use of the crops while respecting the environment. By working with others, we learn through doing and continuously strive to do better. Together,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

PRINCIPLES

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

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

ALL THE VALUE OF THE SUGAR BEET



STRATEGY

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

BUSINESS MODEL

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

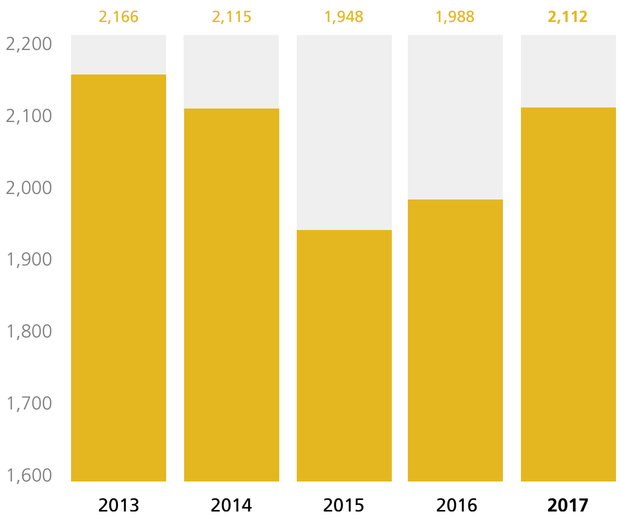
KEY FIGURES

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

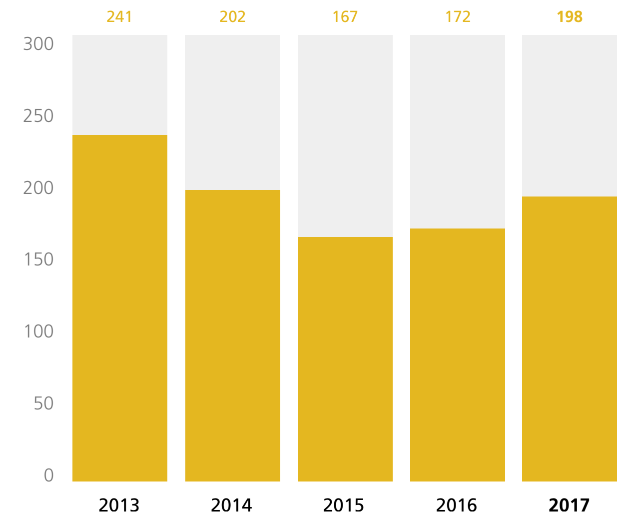
In millions of euros (unless stated otherwise)	2017	2016
FINANCIAL		
Net turnover	2,112	1,988
Operating profit	108	77
Recurring EBITDA*	198	172
Net profit	75	56
Cash flow from operating activities	312	190
Capital expenditure on fixed assets	187	121
Group equity	1,250	1,178
Group equity as a percentage of total assets	66	66
Average beet yield per hectare in the Netherlands (in EUR)	4,007	3,317
Quota sugar beet price (in EUR per tonne)**	45.62	44.15
Members' bonus	96	71
SOCIAL		
Average number of employees***	3,850	3,896
Sickness absence (%)	4.2	4.0
Number of lost-time incidents (per 1,000 employees)	19	21
ENVIRONMENT****		
CO_2 emission (in tonnes, per tonne of product)	0.23	0.21
Water consumption (in m^3, per tonne of product)	2.7	2.6
Residual matter (in tonnes, per tonne of product)	0.08	0.06

* Recurring EBITDA comprises operating profit before depreciation and amortisation and after adjustment for activities divested and non-recurring items.
** Per tonne of beet with average sugar content and average extractability.
*** Average number of FTEs.
**** See Corporate social responsibility for further information.
The CO_2 emission per tonne of product increased to 0.23 tonne in 2017 (2016: 0.21 tonne). Identifiable causes included the early start of the beet campaign in 2017, the replacement of cane sugar with beet sugar and the longer thick juice campaigns at Suiker Unie.

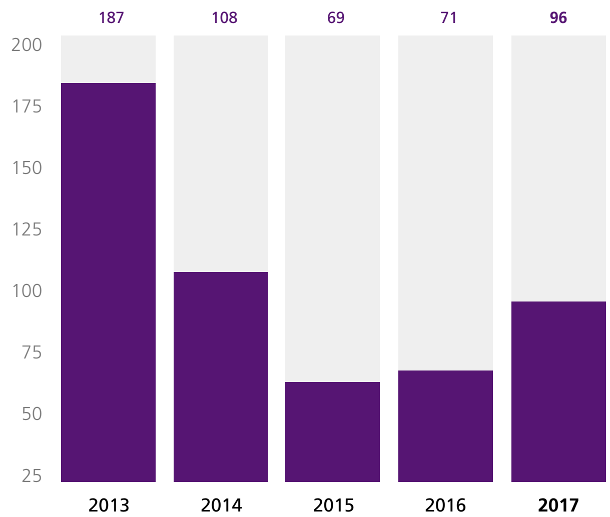
Net turnover in millions of euros



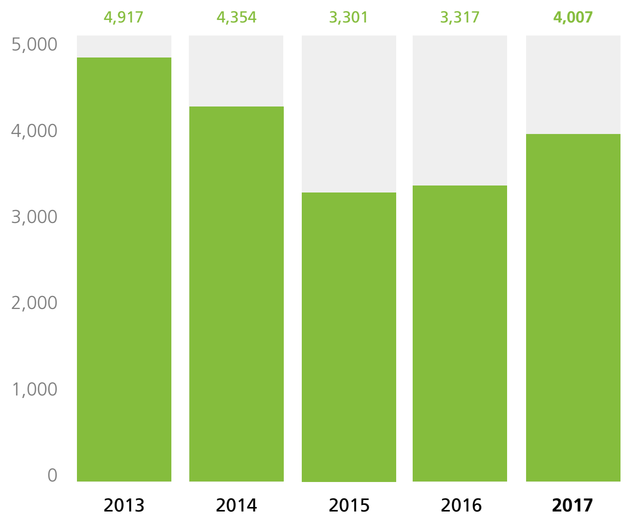
Recurring EBITDA in millions of euros



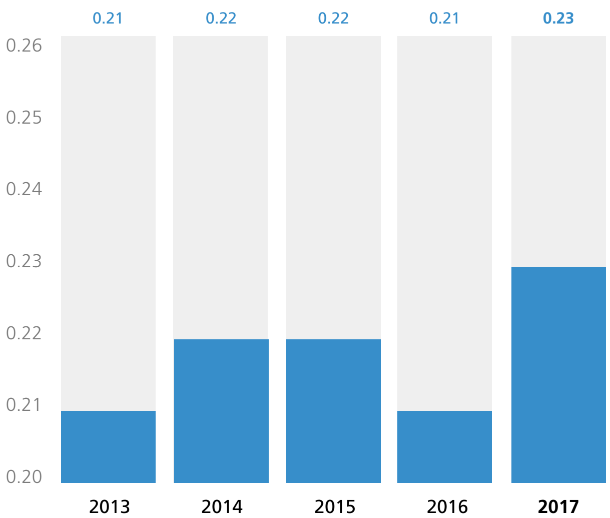
Members' bonus in millions of euros



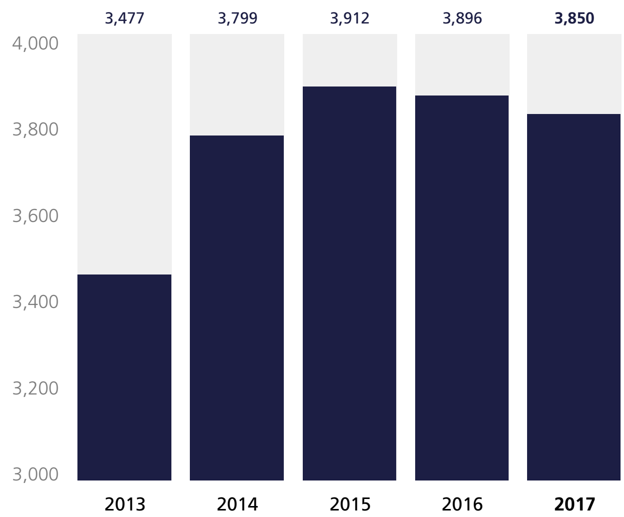
Beet yield per hectare in euros



CO_2 emission in tonnes per tonne of product



Number of employees average number of FTEs



REPORT OF THE COOPERATIVE

The European sugar market entered a new era in 2017 following the end of regulated sugar production in the European Union. The sugar beet growers, the cooperative and the sugar business group all took measures in anticipation of the changes. In the first year without the EU common sugar market organisation, beet prices were higher than originally projected.

The Members' Council met on three occasions during the year. Topics discussed included the issuance of additional supply certificates, the frost policy and 'beet tourism'. Beet tourism rules were tightened up to prevent the misuse of certain conditions in order to supply beet grown by other beet farmers.

The Members' Council also approved the required amendment of the cooperative's Articles of Association and regulations further to the integration of CSV COVAS into Cosun on 1 May 2017. The integration of this regional beet growers' cooperative, previously Cosun's only C member, eliminated the distinction between direct and indirect members; all members are now direct members of Cosun. The new situation is shown in the table of members and shares on page 13.

With effect from 2017, the regulations concerning the payments made to growers terminating their business were amended. Payments had previously been based on the average result in the three years before the year in which the member applied for the payment. From 2017 to 2020 payments will be increased in steps until they equal the average result in the previous seven years. After 2020, the oldest year will drop out of the calculation and a new year will be added. As a result, there will be less variation in the payment from year to year.

GOVERNANCE

The Members' Council bade farewell to Jaap Smid during its annual meeting at the end of May. He held many senior management positions at the cooperative over many years, most recently as a member of the Board. The cooperative is extremely grateful to him for his commitment and dedication during those years. The vacancy has been filled by the appointment of Ger Evenhuis. During the year, Adrie Bossers was re-elected to the Board and Jacqueline Rijsdijk was re-appointed to the Supervisory Board. Hans Huistra joined the Supervisory Board as an external member in February 2017.

The Youth Council organised several activities during the year. The Dutch cooperative's association (NCR) had dedicated 2017 to young members with a view to interesting them in management activities within cooperatives. Several members and former members of Cosun's Youth Council have progressed to the Members' Council in recent years. The Youth Council organised visits to various sites operated by the Cosun business groups and looked at the dynamic field of agro-data. Arable farming, too, is increasingly analysing big data to optimise harvests.

COSUN SUGAR SYSTEM

In June 2017, it was decided to increase the number of supply certificates in issue by 8%. The increased capacity of the two Dutch sugar factories requires a structural increase in the volume of beet supplied in order to optimise their utilisation rates and efficiency. The allocation for 2018 has been reduced from 112% to 107%. This means that the members will be able to deliver about 3% more quota beet than in 2017.

Even though the 2017 growing season was far from ideal, the beet harvest reached an all-time high and there were remarkably few disappointing fields. On account of the high yield in combination with several disruptions in the sugar factories, the campaign lasted about 150 days. The last beet were not processed until 10 February 2018. Such a long campaign increases the risk of frost damage and the loss of sugar in beet kept in storage after they have been harvested.

At the end of February 2018, a majority of beet growers had registered to use the Unitip system. It had been decided in 2016 that Unitip would be compulsory as from the 2018 campaign. The system records how the beet are grown and the measures that are taken to improve the yield. It also provides detailed information on the sustainability of the sugar we sell to major international customers. These customers are making stricter demands regarding sustainability. Suiker Unie intends to remain one of the leading producers and to stand out for the sustainability of its sugar.

MEMBERS, SHARES AND SUPPLY CERTIFICATES

	AS AT 31-12-2017		AS AT 31-12-2016	
DISTRICT / SECTION	Number of members	Number of supply certificates	Number of members	Number of shares
Zeeuwsch-Vlaanderen	728	388,658	731	8,853
Zeeland-Midden	627	342,187	620	7,800
Zeeland-Noord	337	207,219	335	4,633
Goeree-Overflakkee	201	154,739	209	3,573
West-Brabant	796	434,205	783	9,642
Zuid-Hollandse Eilanden	329	228,252	322	5,020
Holland-Midden	238	162,826	244	4,037
Kop van Noord-Holland	421	313,413	403	7,237
Oostelijk Flevoland	359	393,111	356	9,247
Zuidelijk Flevoland	150	200,225	148	4,788
Noordoostpolder	610	387,458	606	9,559
Friesland	265	212,279	256	4,755
Groningen	1,036	943,553	1,024	20,810
Drenthe/Overijssel-Noord	956	1,047,860	964	22,774
Overijssel-Zuid / Gelderland	308	163,114	296	3,848
Maas&Meierij / Limburg-Noord	504	231,114	1	28,061
De Kempen	339	187,158		
Limburg-Midden / De Peel	462	244,446		
Limburg-Zuid	516	303,288		
TOTAL members Cosun	9,182	6,545,105	7,298	154,637

Royal Cosun is a cooperative owned by the members who supply their sugar beet to it. Until 2017, Cosun issued shares. The shares were converted into registered member supply certificates in 2017. Each certificate gives a right and an obligation to supply a certain amount of beet to the cooperative.

CSV COVAS became as the Southeast Netherlands district as of 1 May 2017. This district consists of four sections: Maas & Meierij/Limburg Noord, De Kempen, Limburg-Midden/De Peel and Limburg-Zuid.

As an independent cooperative, CSV COVAS had operated its own member administration system. Only one member could be registered for each farm entered in the system. On the introduction of supply certificates, the administration system was brought more into line with Cosun's system. As a result, this district now counts more members than in 2016.

LETTER FROM THE CHAIRMAN AND THE CEO

Cosun achieved an excellent financial result in 2017. The profit for the year exceeded that for 2016. All business groups contributed to the group result. We are proud of all our staff who helped bring about this achievement. The prospects for 2018 are not as bright. The sharp drop in sugar prices on the world market and in Europe during the year will feed through into the results for 2018.

Dirk de Lugt

The growth in the global population and advances in economic prosperity are driving worldwide demand for food. Europe has witnessed a pronounced economic recovery and Cosun benefited from the accompanying boost in consumer confidence; our group reported higher results than in 2016. During the first half of 2017 European and world sugar prices fluctuated at a reasonably high level. In the second half, we saw an unparalleled drop in prices. Nevertheless, the sugar operations achieved a substantially higher result than in 2016. Our other activities also performed well, with higher volumes, higher turnovers and higher profits before non-recurring items.

INTERNATIONAL GROWTH

The world sugar market amounts to approximately 175 million tonnes and is growing by 1.5% per annum on average. World sugar production in 2017 was about 5 million tonnes higher than consumption. This imbalance exerted pressure on sugar prices on the world market. The termination of the common EU sugar market organisation in September 2017 triggered a significant increase in the area under sugar beet in Europe. In combination with the good growing conditions during the season, this resulted in a very substantial beet harvest. Sugar prices in the European Union accordingly came under severe pressure.

Cosun has taken measures in recent years in anticipation of the end of the common market organisation. It has, for instance, opened sales offices in southern Europe and other regions that consume more sugar than they produce. Now that we have gained a foothold, we will replace the imported cane sugar we are currently selling there with beet sugar. To this end, we have increased the capacity of our factories in order to process more sugar beet.

VOLATILE SUGAR PRICES

With the abolition of the EU sugar market organisation, conditions have become more dynamic and more comparable with those on the markets for other arable products such as potatoes and cereals. The record production volumes in Europe and the rest of the world have reduced sugar selling prices to very low levels. This will have an unfavourable impact on the result for the current year. Selling prices are expected to firm up again when production and consumption return to balance on both the European and the world market in the years after 2018. However, we know sugar prices will remain volatile and we will be hit harder by movements in the world market than in the past.

Despite the sharp drop in international sugar prices, Cosun maintained its position thanks to strict cost control on sugar sales contracts concluded in 2016 and the contribution from the non-sugar activities to the group result. The greater part of the growth on the previous year, however, came from our sugar activities. All in all, 2017 was a good year for Cosun.

INVESTMENTS

Part of the profit for the year is distributed to our members and some is invested in our production facilities. The sugar factories have been scaled up, the potato processing capacity has been enlarged in Europe and China and our factories have been modernised across the board. We have also invested in energy savings and process innovation and in research and development to optimise existing products. In Dinteloord, a completely new innovation center has been built for researchers to share their know-how and experience.

POLITICAL DECISIONS

Government measures affect the primary sector as well as the manufacturing sector. Regulations are in place, for example, on the use of crop protection agents and measures have been taken to promote biodiversity and prevent the undesirable increase in temperatures. The European playing field is not level in all these areas. Some countries, for example, subsidise beet production, others do not.

The Paris climate agreement is being transposed into government policy. We expect the ambitious energy saving targets to have a significant impact on our activities. Cosun will bear its responsibility as an arable farming cooperative by redoubling its efforts to meet the targets. We will do more than our share, and we will also seize the opportunities provided by developments in green chemicals.

RESILIENCE

Robert Smith was succeeded as CEO by Albert Markusse on 1 June 2017. We are extremely grateful to Robert for his dedication and the results achieved under his leadership in recent years. Albert Markusse has been succeeded as managing director of Suiker Unie by Paul Mesters.

2018 will be a difficult year for Cosun. International sugar prices are at a historic low and are expected to remain weak for the foreseeable future. The profitability of our sugar activities, and therefore of Cosun as a whole, will come under extreme pressure. Our strategy of not being entirely reliant on the sugar activities and of widening our portfolio by processing other vegetable raw materials therefore seems to have been a judicious one. The return on these activities is expected to be in line with that for 2017 and they will make a good contribution to the group result. Even though the result for 2018 will be lower, we are looking to the future with confidence. The cooperative will show its resilience and continue on its current route undaunted.

Dirk de Lugt	Albert Markusse
Chairman of the Board	President & CEO

Breda, 22 March 2018

Albert Markusse

FINANCIAL PERFORMANCE

Cosun realised higher turnover and results in 2017 than in 2016. All business groups in the Cosun portfolio contributed to the group result. The increase on 2016 was attributable chiefly to Suiker Unie benefiting from high sugar prices in the first half of 2017.

RESULTS

Operating profit including non-recurring items came to EUR 108 million in 2017 (2016: EUR 77 million). Recurring EBITDA (earnings before interest, tax, depreciation and amortisation, excluding non-recurring items) increased by EUR 26 million to EUR 198 million, in comparison with EUR 172 million in 2016. The bonus paid to the cooperative's members as part of the beet price was 35% higher at EUR 96 million (2016: EUR 71 million). This is a good price per tonne of beet; the number of quota beet supplied in 2017, moreover, was significantly higher. The members' bonus is recognised in operating profit as a cost of raw materials. The net profit for the year came to EUR 75 million (2016: EUR 56 million).

PERFORMANCE OF THE BUSINESS GROUPS

Suiker Unie's result for 2017 was better than that for 2016. The average sugar price was higher and sales were also higher. In the first half of 2017, the business group benefited from the higher prices agreed in contracts concluded in 2016 and from favourable export conditions. Prices fell sharply in the closing months of the year under pressure from weakness on the world market and the abundant sugar output in the EU. The impact of these changes will be felt in full in the current financial year. Pressed pulp from the sugar factories was sold at very good prices. The 2017 beet harvest set a new record. Never before have the two sugar factories in the Netherlands processed more than eight million tonnes of beet. In the end, the campaign lasted 150 days and produced about 1.3 million tonnes of sugar. The sugar yield was equal to 15.5 tonnes per hectare, sharply higher than in the previous year. The sugar factory in Germany also had an excellent beet campaign and earned a profit. The bioethanol it produced was sold at attractive prices.

Aviko again had an outstanding year in 2017. The company responded well to the favourable market conditions for frozen potato products and was able to source sufficient raw materials to meet demand. It also improved its position by marketing products with higher added value.

The cost saving programme launched in 2016 is bearing fruit and the company's operating costs are now structurally lower. As part of its long-term programme to increase production capacity, Aviko made substantial investments in the Netherlands, Germany, Belgium and China in 2017. The granule and flake activities conducted under the name Aviko Rixona had a harder year than in 2016, mainly because of a dip in demand from the Middle and Far East. Nevertheless this activity still has growth opportunities in both Europe and China.

Sensus achieved a slightly lower result than in 2016. Production costs remained relatively low but selling prices came under pressure, especially in the US. In contrast to the lower sales in the US, European sales were lifted by the growing popularity of sugar substitutes. The 2017 chicory campaign ran smoothly with an above-average root yield but a slightly lower inulin content than in 2016.

SVZ's result for the year was lower than in 2016. Despite the increase in volume, lower selling prices prevented any improvement in the result. Pressure on prices was particularly strong in Europe. In addition, the red fruit harvest in Poland was disappointing. SVZ USA's operating profit was better than in 2016. SVZ will take advantage of the growing demand in the Far East for more natural flavours and widen SVZ's portfolio in this region.

Duynie can look back on an excellent year and posted a sharply higher result than in 2016. Its animal feed activities and its pet food ingredients unit performed particularly well. Results from its starch operation, Novidon, and its biomass supplier, AgriBioSource, were similar to the previous year.

FINANCING

We made only limited use of external financing last year. The EUR 400 million Revolving Credit Facility (RCF) was not drawn upon in 2017. The final tranche of the EUR 31 million debt to institutional investors will be repaid in 2018. Limited additional financing was attracted in 2017 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 period of between two and five years. In total EUR 25 million has been lent to date. Total financing expense for the year amounted to EUR 5 million owing to the limited use of external financing. This is slightly higher than in 2016 on account of exchange rate differences.

TAX BURDEN

The effective tax rate in 2017 was 25.5% (2016: 24.2%). The rate was slightly higher than the standard rate in the Netherlands owing to higher tax rates abroad.

CASH FLOW

Cosun generated a positive cash flow from operating activities of EUR 314 million in 2017 (2016: EUR 190 million). The increase was due in part to the higher operating profit. Working capital, moreover, was reduced by a decline in stocks and debtors and an increase in current liabilities. The cash flow for the year was more than adequate to finance investments and payments to members. The healthy cash flow and robust cash position provide a solid platform for the future.

INVESTMENTS

Investments in tangible and intangible fixed assets amounted to EUR 187 million (2016: EUR 121 million). The multiyear investment programme to increase the processing capacity of the Dutch sugar factories in Dinteloord and Vierverlaten was completed in 2017. The final measure was an investment in new washing houses. Other investments included an increase in biogas production capacity.

Aviko is carrying out a multiyear investment master plan to increase its production capacity and the flexibility of its fries factories. Capacity at the factory in Rain (Germany) was increased during the year. The capacity of the joint venture's fries factory in China was also increased. Aviko further invested in additional capacity for specialities and took a new drum dryer for flakes into operation in Venray.
The Cosun innovation center was opened in 2017. The Institute for Rational Sugar Production (IRS) is also housed in the innovation center. Other investments related mainly to replacement projects at Sensus, SVZ and Duynie.

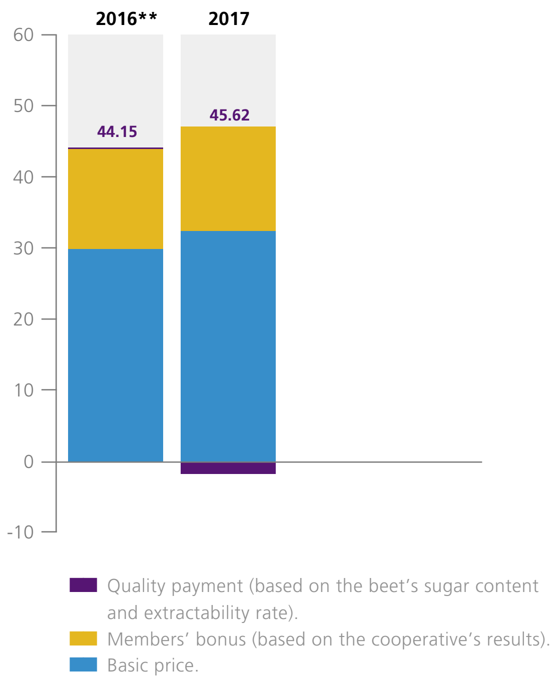
BALANCE SHEET

Total assets increased to EUR 1,901 million in 2017 (2016: EUR 1,790 million), chiefly because investments were higher than regular depreciation and amortisation. The positive cash flow improved the cash position by EUR 137 million. The higher profit for the year increased group equity by EUR 72 million to EUR 1,250 million (2016: EUR 1,178 million). Group equity as at 31 December 2017 was equal to 66% of total assets, the same as at 31 December 2016. The group maintained its strong financing position. We do not expect any significant changes in this situation in 2018.

BEET PRICE

The members' bonus for 2017 was set at EUR 96 million and was paid as part of the quota beet price. The basic price for quota beet was EUR 32.50 per tonne, and the members' bonus was EUR 14.75 per tonne. On balance, the price paid to members for quota beet with 17% sugar content and an extractability rate of 91 therefore amounted to EUR 47.25. The price paid for quota beet with average sugar content and average extractability was EUR 45.62 (2016: EUR 44.15). The volume of quota beet increased by 35% to 6.8 million tonnes. The average price paid for surplus beet was EUR 28.97. At 15.5 tonnes, the average sugar yield per hectare was higher than in 2016 (13.3 tonnes). The average financial yield per Dutch beet grower was EUR 4,007 per hectare. This is EUR 690 higher than in the previous year as both the yield per hectare (tonnes of beet per hectare) and the price paid per tonne were higher. Furthermore, more quota beet were produced per hectare and the average late delivery premium was higher on account of the long campaign.

Quota beet price* in euros per tonne



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

** The quota beet price for 2016 has been recalculated for 17% sugar content and an extractability rate of 91.

PROSPECTS

The price volatility of agricultural products has a significant impact on Cosun's results. The impact of the decline in European sugar prices seen at the end of 2017 will be felt in 2018. Suiker Unie's results will be significantly lower. Our position, however, remains strong. The scale of our factories and our growers' high yield per hectare make us very competitive. We expect Aviko's results to be virtually unchanged even though selling prices will be weakened by low European spot prices for potatoes. Capacity increases, however, should enable us to grow our sales.

The decline at our other activities is expected to be limited. Sensus will face persistent competitive pressures and a weaker dollar, SVZ will be affected by the poor harvest of certain fruits in 2017 and Duynie will face tougher conditions on the animal feed market. On the whole, we expect Cosun's result for 2018 to be lower.

Cosun will continue to invest in strengthening its presence in various market segments in the year ahead. We will do so by investing in organic growth, including efficiency gains and innovation, and where possible in strategic acquisitions. We do not expect any change in the number of employees.

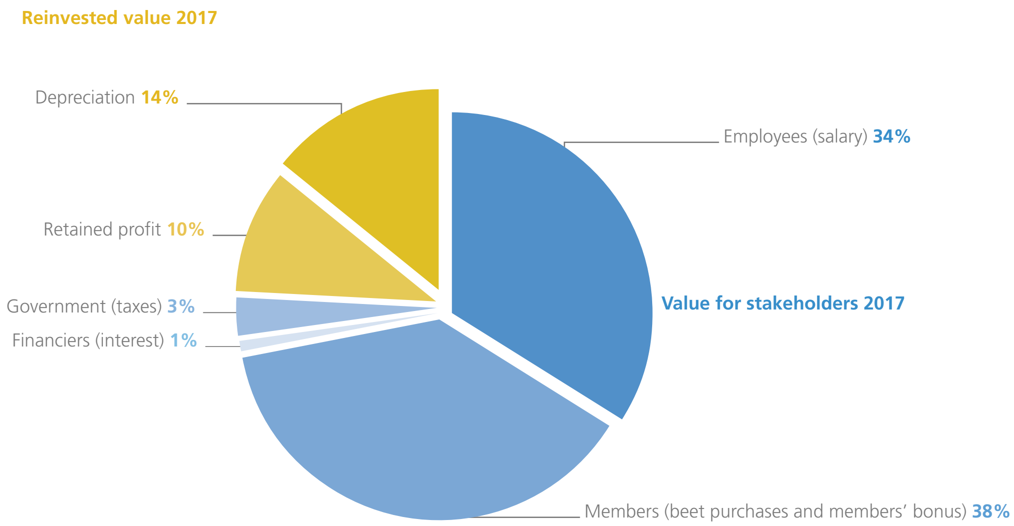
On 19 February 2018, the EU Agriculture Council introduced Regulation (EU) 2018/264 fixing the production levies and the coefficient for calculating the additional levies in the sugar sector for the 1999/2000 and 2000/2001 marketing years. The attendant restitution of EUR 12 million in production levies will be recognised in the results for 2018.

CORPORATE SOCIAL RESPONSIBILITY

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

A business must meet the needs of its customers and create value for its stakeholders. The figure below shows what we did with the value Cosun created in 2017. We paid the 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)	2017	2016
Net turnover	2,112	1,988
Other revenue and stock movements	-/- 42	-/- 13
Payments to suppliers of raw materials	-/- 930	-/- 965
Payments to other suppliers	-/- 387	-/- 353
Added value created	753	657
Employees (salary)	258	243
Members (beet payments and members' bonus)	284	237
Financiers (interest)	5	3
Government (taxes)	26	18
Value created for stakeholders	573	501
Retained profit	75	56
Depreciation and amortisation	105	100
Value created for reinvestment	180	156



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 able and willing 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 conserving raw materials and protecting the environment;
- investing in staff skills and a safe working environment;
- respecting the interests of other stakeholders and being accountable to them.

OPTIMISING FARM PRODUCTION

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

The agricultural services and agronomists at our business groups help the growers and suppliers of our raw materials improve the quality of their crops. Crop registration programmes increase our insight into the performance of our growers and make the production chains more transparent. More than 70% of our sugar beet growers entered all their 2017 crop data in Suiker Unie's crop registration system, Unitip, during the year. Sensus has introduced a similar programme, Crop-R. About 90% of all chicory growers recorded their data in it in 2017. Aviko and SVZ are also investing in similar registration programmes. The more we buy on contract from growers, the easier it is to organise the programmes.

OPTIMISING PRODUCTION PROCESSES

Our factories need energy to process raw materials into foodstuffs and intermediate products. In 2010, Cosun set itself the goal of using 2% less energy per annum. Energy consumption per tonne of product is a measure of the efficiency of our production processes: the lower the better. Our CO_2 emission in 2017 was 0.23 tonne per tonne of product (2016: 0.21 tonne of CO_2 per tonne of product). Identifiable causes of the increase are the early start to the beet campaign in 2017, the replacement of cane sugar with beet and the longer thick juice campaigns at Suiker Unie.

The Dutch government's implementation of the Paris climate agreement requires businesses, including Cosun, to be largely CO_2 neutral by 2050. Cosun set up a project team at the end of 2017 to study how the business groups can meet this target and the technologies they will need. The costs and consequences cannot be estimated with any accuracy at present but they will certainly be significant. The government recently revised its plans and it now requires large businesses, including most of the Cosun business groups, to switch from low-calorific gas from Groningen to high-calorific gas in the next three or four years. We understand the reasons for this change and are willing to cooperate where possible and meaningful. However, it would not discredit the government if it took responsibility for the connection to the high-calorific gas network and made a financial contribution towards the costs.

The volume of organic residues was higher than in the previous year. The record amount of sugar beet we processed exceeded the limits of our biodigesters and about 40,000 tonnes of compostable material had to be sold to a third party. The volume of other waste products was substantially lower. The downward trend was due chiefly to the absence of major demolition work during the year.

EMPLOYEES

Cosun aims to offer all its staff a safe working environment and opportunities to develop themselves and their skills. Good working conditions are important for both the employees' wellbeing and their productivity. Safety at work is a key priority.

The number of lost-time incidents has declined in recent years. In 2017 there were 19 such incidents per 1,000 FTEs, down from 21 in 2016. To continue this downward trend, Cosun will take extra measures to reduce the number of lost-time incidents. The Cosun safety platform discusses and shares practical cases and potential improvements within the group. Near-incidents, incidents and unsafe situations are analysed in order to improve workplace safety and staff conduct. The rate of sickness absence rose fractionally from 4.0% to 4.2% but was still below the industry average calculated by Statistics Netherlands (2016: 4.8%).

In full time equivalents, the number of employees at Cosun was slightly lower, down from 3,896 in 2016 to 3,850 in 2017. The number of men in the workforce has always been far higher than the number of women but there was a slight change in the ratio during the year: in 2016 77% of all employees had been men and 23% had been women. In 2017, 22% of the workforce were women.

Staff often enjoy a long career with us and accumulate a great deal of knowledge and experience.
It is important that they continue to develop their know-how and skills in order to continue making a valuable contribution. We therefore invest in our people by offering them education and training courses. The average number of training days per employee in 2017 was 2½.

Cosun offered 140 young people – 58 university students and 82 vocational students – a work placement or graduation project in the Netherlands in 2017. As a socially responsible 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 know-how and extra capacity that benefit Cosun and increase the dynamism within the organisation.

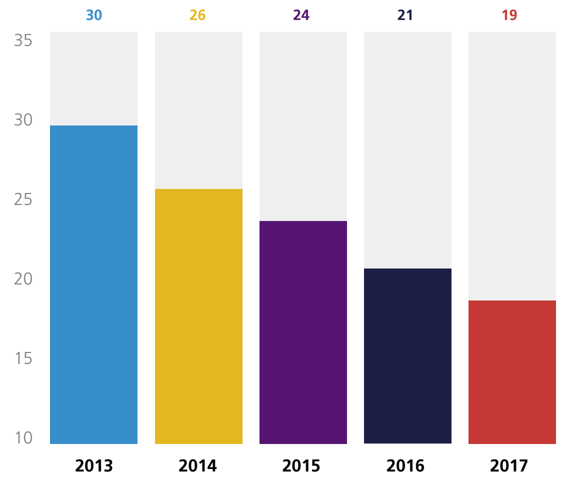
ACCOUNTABILITY

More and more companies are selecting their suppliers on the basis of their working conditions and social policies. Cosun's major international customers want assurances that the Cosun business groups can meet their very exacting standards. To this end, Sensus and SVZ are members of Sedex, and Aviko is a member of the RSPO (the Roundtable on Sustainable Palm Oil). They are audited by these organisations and the findings are available to our customers.

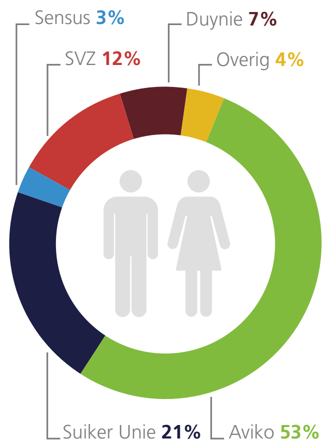
Cosun has introduced the Cosun Principles for directors, managers and staff. They describe how we should conduct ourselves and what we can be held accountable for, not only by each other but also by our customers, business associates and the society of which we are a part. The Cosun Principles can be read on our website at www.cosun.com - about Cosun - Corporate Governance.

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

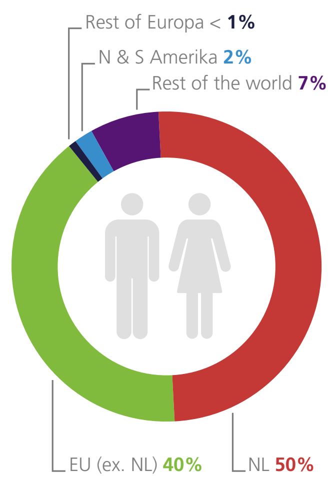
Lost time incidents per 1,000 FTEs



Percentage of employees per business group



Percentage of employees by region



COSUN AT WORK

2017 was a good year for all the Cosun business groups. Their good performance is reflected in both the financial results for the year and in other areas, such as cost control and sustainability.

SUIKER UNIE

SUGAR AND SUGAR SPECIALITIES

Suiker Unie's result for 2017 was higher than that for the previous year. Its performance was underpinned by high sugar prices in the first half of the year and favourable prices for its other products. The sugar factory in Anklam, Germany, for example, was able to sell the bioethanol it produced at good prices on the European market. The volume of animal feed sold through Duynie Feed grew strongly, with price levels similar to those in the previous year.

The EU common sugar market organisation came to an end on 1 October 2017. In anticipation, producers throughout Europe made substantial investments in additional production capacity. Suiker Unie was no exception. The three sugar factories together produced 1.5 million tonnes of white sugar in the 2017 campaign. The abundant harvests and high international sugar stocks resulted in historically low prices on the world market.

The knock-on effect in the European market and in the sales contracts Suiker Unie concluded during the year will undoubtedly have a negative impact on the business group's results in 2018.

INTERNATIONAL

Sugar production is increasing throughout the world. Stocks are high and so is the pressure on prices. Suiker Unie expects them to remain high for the foreseeable future. A further increase in oil prices might have a favourable impact on global sugar prices, as sugar that is converted into bioethanol is not released onto the world sugar market. For several years now, Suiker Unie has been extending its home market, principally northwest Europe at present, towards European countries with a sugar shortage. It has opened sales offices in the United Kingdom and Italy. A hard Brexit may lead to Suiker Unie exporting less sugar to the UK than projected. The outlook in southern Europe is promising. In the longer term North Africa and the Middle East may also become export markets. The sugar factories have the advantage of being located close to Dutch ports that can ship the sugar in sea-going containers.

New washing house under construction at the Vierverlaten sugar factory

INVESTMENTS

The multiyear investment programme to increase the processing capacity of the sugar factories in Dinteloord and Vierverlaten and reduce costs was brought to a conclusion in 2017. The final phase involved the renewal of the washing houses. Investments will be made in further efficiency gains and sustainable production methods in the years ahead. The skills and motivation of our staff are critical to the investments' success. That is why we are also investing in their know-how and abilities and making demands on their creativity and initiative. A variety of teams within the organisation sustain the dynamism and the mix of experience and renewal.

SUSTAINABILITY

Suiker Unie recognises the importance of sustainability in the sugar production chain. It has taken significant steps in recent decades to structurally reduce its energy consumption and make its processes and products more sustainable.
Suiker Unie is currently one of the biggest producers of green gas in the Netherlands. Its two biomass digesters and the methane reactors at both sugar factories produced more than 23 million m^3 of green gas and 4 million MW of electricity in 2017. Green raw materials still have a great deal of potential in both food and non-food applications. Suiker Unie can supply not only the ingredients but also the bottle itself if a soft drinks manufacturer switches to bioplastic. Beet pulp fibres can also be used in detergents to prevent the components from separating.

The Paris climate agreement has set Suiker Unie the daunting task of reducing its carbon footprint. The business is rising to the challenge but calls for a level playing field, beginning in Europe. Clean energy is often more expensive than cheaper fossil fuels such as anthracite and brown coal. Good conduct should be rewarded and businesses that still have a long way to go should be compelled to make a start. Lack of a level playing field is a disincentive to those who are leading the way, such as Suiker Unie.

CAMPAIGN

A larger area under beet, a harvest of more than 8 million tonnes of sugar beet with an average sugar content of 16.6% added up to a record sugar production in the Netherlands in 2017. The average sugar yield came to 1.5 tonnes per hectare. It proved more difficult than foreseen to bringing the new washing houses at the Dutch sugar factories into operation. As a result, the campaign lasted a few days longer than planned.

The 2017 campaign in the Netherlands began on 11 September and ended on 10 February 2018. It will therefore go down in the history books as the longest beet campaign in the Netherlands so far.

AVIKO

POTATO PRODUCTS AND SPECIALITIES

Aviko had an excellent year and achieved a slightly higher result than in 2016. Both the fries factories and the flake and granule activity – Aviko Rixona – generally performed well. The business group's reorganisation was completed during the year. The benefits can be seen in the greater competitiveness brought about by the structurally lower cost level. By exploiting the growth opportunities, Aviko aims to be a leading player in the potato processing industry.
Buying more potatoes on contract has increased cost stability, although upward fluctuations cannot be ruled out. The company was able to pass on most of the increase in potato prices to the market in 2017.

The 'Fit for Growth' restructuring programme was designed to make the organisation leaner and more agile. Aviko succeeded in strengthening its competitiveness and increasing the earnings potential of its investments. It also cut its operating costs and set up new teams to improve service to major customers and specific market segments. Aviko will take further steps to raise its efficiency to an even higher level in 2018.

During 2017, Aviko gave higher priority to added value products. These are products that stand out in the market and are profitable to both Aviko and its customers. Successful introductions included a sweet potato product line and special air-fryer fries. Sales growth is faster in this segment than in the traditional fries segment. The decision to target products at specific market segments seems to have been a good one, and one that Aviko will continue to implement.

Aviko Rixona produces flakes and granules for end products such as instant puree and shaped snacks. Following a successful 2016, it had to cope with a dip in demand from the Middle and Far East in 2017. The factory in Venray took a new flake drying drum into service during the year. The start-up was not as smooth as planned but the teething troubles have since been resolved. This investment has helped Aviko Rixona meet some of the growing global demand for potato flakes.

Potato products are an increasingly popular item on the menu. Consumption is rising considerably, especially outside Europe. The European home market is also developing positively in terms of consumption, profitability and demand for higher quality products. Sales in Central and Eastern Europe performed well and the south European market also reported growth. Aviko Norden's result was similar to that for the previous year. Production of both flakes and fries at the factories in China was up to expectations. Demand for fries is still growing faster than local production. The Far East is therefore still an attractive export market for European producers.

The programme launched in 2017 to improve the performance of the Amberger plant (Germany) has not yet had the desired results. A new management team was appointed in May 2017 to address the quality problems and production issues. Everything is being done in order to improve the plant's performance in 2018.
Aviko's investments in its people and production facilities are improving the company's capacity utilisation, with more product being produced by the same number of people. The quality of the products is high and consistent. Aviko will concentrate on further cost control in its product logistics and storage operations in 2018.

SENSUS

INULIN

Sensus' financial result for 2017 was slightly lower than that for 2016. Sales of inulin were higher on the European market. They were boosted by the growing demand for sugar substitutes in foodstuffs. Sensus expects this trend to continue in the coming period. The outlook on the European market is therefore encouraging.

Prospects on the North American market are not as bright. For various reasons, sales there were lower than expected. They were affected by certain customers modifying their formulae at the expense of inulin. The US Food and Drug Administration, moreover, has still not decided on inulin's status and the product cannot yet be listed as an approved dietary fibre.
A positive decision is needed in the near future because the uncertainty is holding back new developments and applications. Inulin sales in Asia were stable. The baby and infant formula market is a large but mature sales segment. Sensus has identified other growth opportunities in the Asian market in the form of applications for food supplements and products for healthier gut flora.

CHICORY

Sensus ran a good chicory campaign in 2017. Cleaning the chicory before they were supplied reduced the amount of tare soil attaching to the roots and provided a better, more consistent raw material. It also reduced the number of transport movements: limiting the transportation of tare complements Sensus' sustainability policy.

Strides were also taken towards the target of 10 tonnes of inulin per hectare by 2023. Sensus is investing in crop optimisation and in educating and assisting the growers. Supply chain profitability begins in the field with a robust chicory crop. The abundant harvest in 2017 was processed quickly and produced high quality inulin. Stocks of end products accordingly increased again. Fewer hectares will be contracted in 2018.

Sensus invests in its people. It offers them training and educational courses so that they can remain at the top of their profession and develop personally. The business group also invests in the quality of its processes and products, partly because customers are making ever-higher demands on production methods and the production environment and partly to eliminate risk.

Processing strawberries at the SVZ location in Rijkevorsel, Belgium

SVZ

FRUIT AND VEGETABLE PRODUCTS

SVZ's result for the year was lower than that for 2016. Modest volume growth was achieved in the European market but volumes in the USA were slightly lower. The trend in all SVZ's sales markets is towards natural, healthy and authentic products. Red fruit and vegetable juices performed particularly well.

Most vegetable juices are made from fruit ingredients with vegetable additives, such as leaf vegetables, carrots, red beet and pomegranate. Sales of these vegetable juices were higher in Asia, the United States and Europe.

This favourable market development did not feed through directly into higher turnover. In Europe, SVZ had to cope with rising pressure on prices due to key customers driving down their own costs. In addition, raspberry prices and margins were lower after a very strong 2016. This decline was largely offset by a sharp improvement in the operating profit of SVZ USA in response to the focus on process improvement and initiatives to increase staff engagement.

SUSTAINABLE SUPPLY CHAIN

In the autumn of 2017, SVZ became a signatory to the Sustainable Juice Covenant. The aim of this worldwide initiative is to make the entire fruit and vegetable cultivation and procurement chain 100% sustainable by 2030. SVZ joined the initiative as part of its sustainability strategy and to meet the growing demand from its customers. SVZ is convinced that the initiative will also enable it to source sufficient sustainable raw materials of good quality in the long term.
SVZ invests in the know-how and skills of its growers by offering them training courses, having more of them grow on contract, keeping good crop records and offering a fair price. At its own locations, it is minimising unsafe conditions and undesirable staff conduct and reducing energy consumption and CO_2 emissions from its factories and logistics.

DUYNIE GROUP

ANIMAL FEED, STARCH AND ENERGY PRODUCTS

Duynie's result improved sharply on the previous year. Duynie Group processes more than 4 million tonnes of co-products (residuals) from the food industry every year. The animal feed activity is by far its largest by volume and is still growing, chiefly thanks to expansion in Central Europe. Sales of pressed pulp reached record levels at good prices during the year.

Novidon, a producer of starch and starch products, also had a good year in 2017. Sales of wallpaper paste were substantially higher. After being awarded the necessary certification at the beginning of January 2018, production of starch for food applications began during the same month. Demand for starch and starch modifications is developing well and the outlook is positive.

Duynie Ingredients develops and produces ingredients for pet foods, focusing on the higher end of the market. This is a growing and interesting segment, especially for suppliers that can respond to trends such as organic, vegetable and gluten-free pet foods. Many opportunities are available to reliable, high quality suppliers such as Duynie Ingredients. The biodegradable cat litter launched in the United Kingdom in 2016 is also performing well. This premium product will be introduced in pet shops in the Netherlands in 2018.
AgriBioSource is a trader in biomass for biogas and water treatment plants. This unit had a good year and grew especially strongly in the French market in 2017.

MORE INNOVATION

A digital trading platform for animal feed was introduced in 2017 under the name CheapFeed. Despite the low level of publicity, more and more customers are active on the platform. The platform will be opened up to third parties in early 2018 in order to increase the supply of raw materials. Further investments in production facilities for pet food ingredients are planned for 2018.
A practical heat recovery trial will take place at one of Aviko's factories this year. Low value heat (condensate) will be captured and converted by means of a new technique into energy that can be used directly to heat the ovens. If the theory works in practice, it could substantially reduce natural gas consumption and thus the CO_2 emission.

NEW BUSINESS & INNOVATION

The core activity of New Business & Innovation, and therefore of Cosun Biobased Products, is to identify and develop new applications for vegetable raw materials. By contributing to the group's ambitions in this way, this unit makes Cosun's processes and products more sustainable and strengthens the profitability of the operations with a view to the future.

INNOVATION

New Business & Innovation is working on several innovative projects that are at various stages of development. Some are still in an exploratory stage and need feasibility testing, others are already being brought to market. One of the latter is Betafib. The market's interest in the functional properties of this product is increasing. Together with potential customers and Cosun R&D, the business unit is investigating how Betafib can be applied in its customers' production processes. The product is interesting to manufacturers of detergents, paints and coatings, and adhesives, and to companies in the oil and gas industry.

Customers are increasingly selecting products not only for their functional properties but also for how they are made and their raw materials. Biodegradability can be a decisive factor. This opens the door to 'green products' and ingredients such as CMI, an inulin derivative for use in detergents and in water treatment. The fact that it contains no phosphate is a clear environmental benefit over competitive products. Another environmentally friendly product under development is Quatin, a cationic polymer derived from inulin. Interest in this product is particularly strong from the personal care sector, where it can be applied in shampoos.

Pulp2Value, a European collaborative project headed by Cosun Biobased Products, has entered its third year. The agreed activities, such as the demonstration plant for Betafib and the production of arabinose, progressed according to schedule. The project will run until 2019 with the aim of demonstrating that an integrated and profitable refinery system can be put in place for sugar beet pulp.

The second Cosun Innovation Day was held in December 2017; it was hosted by the Cosun innovation center. Some 80 marketing and sales staff, R&D professionals and managers from all levels of Cosun actively engaged with each other and shared their know-how. Establishing and strengthening such ties promotes the exchange of knowledge and experience.

COSUN RESEARCH & DEVELOPMENT

Cosun R&D plays an important role in the group by supporting the business groups' quality analyses, application development and process optimisation. Cosun R&D is increasingly being called upon to carry out innovation projects in close cooperation with the business groups. Its involvement in business development is therefore growing, during both commercial introductions and initial demo production runs. Many of these projects are carried out as part of the business groups' multiyear innovation programmes. High demands are made on the R&D staff's knowledge and expertise. Their broad outlook and ability to think in terms of concepts make it easier for these highly qualified professionals to work with external knowledge institutions.

COSUN INNOVATION CENTER

The new innovation center came into service in the summer of 2017 and was officially opened on 7 December. The building and its facilities are a visiting card for the entire Cosun group. The innovation center is a meeting place for all the Cosun activities. The inspirational workplace encourages staff interaction and cooperation with personnel from other business groups and business partners. It promotes and facilitates interaction with knowledge institutions, education centres, customers and other businesses.

The innovation center accommodates some 100 employees of Cosun Research & Development and Cosun New Business & Innovation. Cosun is increasingly offering work placements and research projects to students.
At the beginning of 2018, staff from the IRS, the expertise centre for beet and chicory cultivation, moved into the innovation center. Several highly specialised research facilities have been sited next to the new premises. The relocation from Bergen op Zoom to the innovation center has had many benefits. Performing all beet and chicory research activities – from cultivation to application – at a single location stimulates cooperation and all the researchers can use the same modern laboratories and support services.

Pilot production hall at the Cosun innovation center in Dinteloord

RISK PROFILE

Cosun is active in a variety of agro-industrial markets in several countries and has to contend with strategic, operational, financial and compliance risks that are inherent in its activities. Its strategy is to exploit opportunities wherever possible by maximising the value it extracts from its raw materials, by means of operational excellence, a targeted product/market strategy, 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 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 APPETITE

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

RISK MANAGEMENT STRATEGY

Our internal control system is designed to:

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

IMPROVEMENTS IN THE RISK MANAGEMENT SYSTEM

Safety and safe working conditions have high priority within Cosun. The measures we have taken are reflected in a decline in the number of incidents. We have stepped up fire prevention and other safety measures at our factories in response to an incident in Lomm. Additional measures will be taken where necessary. We will continue to invest in prevention.
The pension scheme is a defined contribution scheme. However, Cosun has given a guarantee to finance the accrual and partial indexation of the scheme until 2023, whereby the amount of the contribution is influenced by interest rate movements.

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.
Tactical/operational	Operational excellence / cost control	• Low in respect of safety issues. • Medium in other areas/issues, with coordination of targets and related costs and attention to profitability. • Moderate in respect of position management, with a focus on insight into potential risks.
Financial control & Compliance		• 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.

RESPONSIBILITY

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

DESIGN

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

GOVERNANCE

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

MONITORING

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

RISKS

Sugar price movements in the EU and on the world market have a significant impact on Cosun's results. Average price movements were on the whole more favourable in 2017 than in 2016. The result for the year was therefore better. The surplus on the world market and the increase in production in the EU following the abolition of the common sugar market organisation forced a sharp fall in prices towards the end of the year that will feed through into the result for 2018. In the future, too, the price volatility of our agricultural raw materials (potatoes, fruit, and vegetables) and price movements in the sales markets for sugar, potato products and fruit and vegetable products may have a significant impact on Cosun's results in any given year.

The impact of Brexit and associated trade agreements with the United Kingdom is currently uncertain. This is an exceedingly important sales market to Cosun and we are accordingly preparing for a variety of outcomes.
A fire at our fries factory in Lomm in 2017 caused several million euros' worth of damage, which was largely covered by insurance. Fire prevention procedures were subsequently reviewed and additional measures were taken. Investments were made in fire alarms to detect fire at an early stage.
The sugar beet harvest in the 2017/2018 campaign was extremely high, with high yields and an average beet campaign in the Netherlands of 150 days as a result. Weather conditions were fortunately such that problems did not arise during the long campaign.

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

RISK CATEGORY: STRATEGIC

RISK	RISK CONTROL MEASURE	IMPACT ON RESULTS
• Strong price fluctuations/fall in the sugar price.	• Cosun is made up of several business groups. Its activities are spread 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 strengthening. • Continuous focus on improving the cultivation of sugar beet.	High due to volatility of market prices
• Failure to achieve sufficient growth. Main growth opportunities: • Growth of world population and increased prosperity, also in emerg-ing markets. • Further development of the bi-obased economy. • Acquisition opportunities.	• Spread of sales across different geographical markets and sales specifically targeted at growth markets. • Cooperation between Cosun Biobased Products and 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 busi-ness groups.	Average
• Trade barriers (hard Brexit).	• Brexit scenarios have been developed.	Average
• Changes in consumer food behaviour (health, sustainability). Perception of sugar.	• Transparent and straightforward information on the nutritional value and sustainability of Cosun products. • Further development of innovative, tasty and safe food ingredients with functional added value. • Initiatives to enhance food safety in the supply chain in cooperation with customers and suppliers.	Average
• Energy transition.	• Analyse consequences of government policy (e.g. Paris climate agreement).	Average

RISK CATEGORY: TACTICAL/OPERATIONAL

RISK	RISK CONTROL MEASURE	IMPACT ON RESULTS
• Staff and product safety.	• Focus on a safe workplace and safe working practices through training, physical measures, procedures, targets and reports. • Certification, track and trace systems and HACCP procedures.	Low
• 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.	High
• 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).	Average
• Business continuity / disruption in the factory.	• Specific risk management programmes, investments, inspections and maintenance to prevent disruption. • Insurance: Cosun has several general group insurance programmes to cover product liability, fire, consequential loss, etc. The consequential loss programme insures assets at appraised value plus appropriate, asset-specific cover for consequential losses. The financial strength of the insurers is periodically reviewed. Depending on the size of the risk, cover is arranged with several insurers.	Average

RISK CATEGORY: FINANCIAL MANAGEMENT		
RISK	**RISK CONTROL MEASURE**	**IMPACT ON RESULTS**
• 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.	High
• Financing and interest rate risks.	• Cosun's financial position is very healthy. At year-end 2017, the group had no net debt. Cosun contracted a five-year syndicated bank facility (RCF) in 2014, with two options to renew the facility for a period of one year. These options have been exercised and the RCF now runs to 2021. Long-term financing consists of a US private placement programme (USPP), currently comprising one loan tranche that is due for repayment in 2018. • 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. The quality of the liquidity forecasts was further improved in 2016.	Low
• 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.	Low
• Risk of underfunding in the defined benefit pension schemes (pension risk).	• The policies of the group's pension administrators are known for their strict risk management. They have largely covered themselves against the consequences of lower interest rates, for example, and the investment policy is characterised by widely diversified portfolios spread across a broad range of investment categories. Investment transactions have been contracted out in full to external parties. • The funding rate of Cosun's pension funds at year-end 2017 was approximately 119. The group is not obliged to make additional contributions if the pension schemes are underfunded.	Low

RISK CATEGORY: COMPLIANCE		
RISK	**RISK CONTROL MEASURE**	**IMPACT ON RESULTS**
• 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 code). • Annual signing of an internal Letter of Representation by general and finance managers, declaring that they have acted in accordance with internal guidelines and rules arising from legislation and regulations.	Low
• 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.	Low

CORPORATE GOVERNANCE

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

GOVERNANCE MODEL

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

BOARD

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

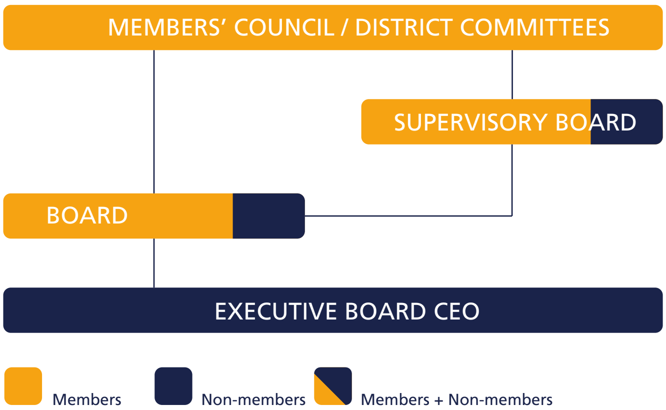
SUPERVISORY BOARD

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

MEMBERS' COUNCIL

The members of Cosun elect the executive committees of the districts/sections in which their farms are located (see also page 13 of this report). All Cosun's district committees together form the Members' Council. On a proposal of the Board, the Members' Council elects the members of the Board. On a proposal of the Supervisory Board, the Members' Council elects the members of the Supervisory Board. 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 16 members and is the breeding ground for management talent within the cooperative. The members of the Youth Council represent candidate members and young members. In consultation with local district and section managers, the Youth Council itself is responsible for succession when necessary.

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

On behalf of the Board,

D.H. de Lugt	J.M. Klompe
Chairman	Vice-Chairman

Breda, 22 March 2018

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, twice in the presence of the Board. It discussed many matters. An important topic in 2017 was governance of the cooperative following exploratory talks initiated in 2016. A number of changes were made as a result. Governance is an important and dynamic issue and it will return to the agenda in the second half of 2018.
The annual financial cycle was also followed and discussed, from the operating plans and the quarterly reports to the December projections, annual accounts and annual report. The cooperative's risk management and tax position were considered in detail.

REVIEW OF THE YEAR

Suiker Unie's investment programme was completed on time and according to plan. Its completion coincided with the planned increase in beet cultivation in the Netherlands and the unexpected abundant harvest in 2017. Aviko rounded off its restructuring and is now investing in increasing its production capacity. Cosun's other business groups also invested in existing facilities and measures to control their costs.

The biobased economy offers countless opportunities for Cosun to extract even more value from its biomass. The Cosun innovation center has modern facilities and offers researchers and developers a professional and pleasant working environment. Knowledge sharing and cooperation encourage creativity and innovation, which are to be found in abundance in the innovation center.
The Supervisory Board discussed the operating plans for 2018 - 2020 and tested them against the implementation of the strategic plan. All proposals were carefully considered and approved by the Supervisory Board.

FINANCIAL PERFORMANCE

As in 2016, the consolidated result shows that diversification works. All business groups contributed to Cosun's overall result. The prospects for 2018 are not as bright, on account of the internationally low sugar prices. The contribution from the non-sugar activities will therefore be even more important if we are to pay an acceptable and stable beet price to our members.

Ernst & Young Accountants LLP was reappointed for a term of two years in 2017. The firm audited the annual accounts for 2017 and explained and discussed the audit opinion and the auditor's statement. The audit was completed smoothly thanks to the high quality of internal reporting. Questions were answered satisfactorily and the findings gave the Supervisory Board a keen understanding of Cosun's financial condition.
The follow-up to the management letter was also discussed and explanations were provided if the recommendations had not been acted upon. The Supervisory Board submits the annual report for 2017 and recommends that the Members' Council approve it.

COMPOSITION AND PERFORMANCE

The Supervisory Board had six members in 2017. Hans Huistra was appointed to the Supervisory Board at the beginning of the year to fill the vacancy for an external member. Jacqueline Rijsdijk was reappointed as an external member.

The Supervisory Board made working visits to Sensus in Roosendaal and to SVZ in Breda. Such visits are particularly valuable for the Supervisory Board to gain a proper understanding of the business. The Board and the Supervisory Board visited China in March. A good insight into the specific circumstances and our personal acquaintance with the local managers of Aviko's factories there are important factors when considering the activities in the Far East.

The Supervisory Board also kept abreast of conditions outside the group. A working visit was paid, for example, to the University of Leiden to consider developments in water quality and sustainability. The Supervisory Board later visited a branch of Airbus, the aircraft manufacturer, to learn about the use of satellite observation in agriculture.

A WORD OF THANKS

The result for 2017 shows that Cosun is also robust enough to withstand less favourable conditions. Everyone contributed by putting their shoulders to the wheel, responding promptly, effectively controlling costs and working to the best of their ability.

The Supervisory Board is grateful for their dedication. We will face an even greater challenge in 2018, but we will overcome it. The Supervisory Board has every confidence in the future, in beet cultivation and in Cosun.

On behalf of the Supervisory Board,

J. Bartelds	W.A. Blijdorp
Chairman	Secretary

Breda, 22 March 2018

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

as at 31 december 2017

BOARD	Chairman	D.H. de Lugt	De Cocksdorp
	Vice-Chairman	J.M. Klompe	Wolphaartsdijk
	Deputy Vice-Chairman	B.R. van Doesburgh	Loenen a/d Vecht
	Members	A.W. Bos	Zwanenburg
		A.J.B.P. Bossers	Langeweg
		G. Evenhuis	Schoonoord
		Mrs. G. Prins	Nieuwkoop
		J.H.D. Voncken	Eys
		S. Wijkstra	Zeist
	Secretary	J.W.M.J. van Roessel	
SUPERVISORY BOARD	Chairman	J. Bartelds	Tweede Exloërmond
	Vice-Chairman	J.L. van Driel	Nieuw-Beijerland
	Secretary	W.A. Blijdorp	Middenmeer
	Members	H. Huistra	Amsterdam
		E.H.W.J.E. Michiels	Horst
		Mrs. J.P. Rijsdijk	Leiderdorp
EXECUTIVE BOARD	President	A.J. Markusse	CEO
	Members	I.H. Blankers	director, Sensus
		G.C.A.M. Corsmit	director, Duynie Group
		Mrs. A.E. ter Laak	director, SVZ
		P.H. Merckens	director, Aviko
		P.H.J. Mesters	director, Suiker Unie
		G.H. de Raaff	director, New Business
		H.J. Schuil	director, Finance & Control
	Secretary	Mrs. M.J.C.W. van den Maagdenberg	director, Corporate Development
CENTRAL WORKS COUNCIL	Chairman	J.A.A. Stoopen	Cosun R&D
	Secretary	S.C.A.M. Geerts	Cosun
	Members	M.M.L. Bogers	SVZ
		H.A.M. Flipsen	Suiker Unie
		A. Kayabasi	Aviko
		C.W. Kooiman	Duynie
		S.W.C. Lohschelder	Aviko
		H. Maan	Sensus
		Mrs. E.F.R.M. van Uffel	Suiker Unie
		C.J. Wijma	Suiker Unie
		Mrs. B.J. Wubs	Aviko

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

2017

ANNUAL ACCOUNTS

ROYAL COSUN

CONSOLIDATED BALANCE SHEET

(after profit appropriation; in EUR million)

	Notes	31-12-2017	31-12-2016
ASSETS			
Fixed assets			
Intangible fixed assets	(1)	99.5	109.6
Tangible fixed assets	(2)	711.1	630.1
Financial fixed assets	(3)	24.7	22.2
		835.3	761.9
Current assets			
Inventories	(4)	527.2	608.3
Trade and other receivables	(5)	287.2	305.2
Cash and cash equivalents	(6)	251.5	114.6
		1,065.9	1,028.1
Total assets		**1,901.2**	**1,790.0**
EQUITY AND LIABILITIES			
Group equity			
Capital and reserves	(7)	1,233.0	1,155.6
Minority interests	(8)	17.0	22.5
		1,250.0	1,178.1
Provisions	(9)	70.0	62.4
Non-current liabilities	(10)	42.6	67.8
Current liabilities	(11)		
Current liabilities to credit institutions and liabilities of a financing nature		43.1	11.3
Other current liabilities, accruals and deferrals		495.5	470.4
		538.6	481.7
Total equity and liabilities		**1,901.2**	**1,790.0**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in EUR million)

FOR THE FINANCIAL YEAR	Notes	2017	2016
Net turnover	(14)	2,111.6	1,987.5
Changes in inventories of finished products		-/- 74.6	-/- 30.2
Other operating income	(15)	32.2	17.6
Total operating income		2,069.2	1,974.9
EU levies	(16)	-	11.0
Cost of raw materials and consumables	(17)	1,213.8	1,202.6
Cost of outsourced work and other external costs	(18)	377.7	336.1
Staff costs	(19)	257.8	243.0
Amortisation and depreciation on intangible and tangible fixed assets		105.1	100.2
Other changes in the value of intangible and tangible fixed assets	(20)	0.3	1.6
Other operating expenses		6.4	3.5
Total operating expenses		1,961.1	1,898.0
Operating profit		108.1	76.9
Interest receivable and similar income		0.9	2.5
Interest payable and similar charges		-/- 6.2	-/- 5.9
Financial income and expense	(21)	-/- 5.3	-/- 3.4
Result from ordinary activities before taxation		**102.8**	**73.5**
Taxation	(22)	-/- 26.2	-/- 17.8
Share in results from participating interests		0.1	0.2
Result from ordinary activities after taxation		**76.7**	**55.9**
Minority interests		-/- 2.0	-/- 0.3
Net result		**74.7**	**55.6**

CONSOLIDATED CASH FLOW STATEMENT

(in EUR million)

FOR THE FINANCIAL YEAR	Notes	2017	2016
Operating profit		108.1	76.9
Depreciation and amortisation		105.9	100.2
Other value adjustments		0.3	1.6
Changes in provisions	(24)	12.9	-/- 9.6
Changes in working capital (excluding cash and cash equivalents and short-term bank overdrafts)	(24)	141.6	40.2
Cash flow from business operations		**368.8**	**209.3**
Interest received (paid)		-/- 4.8	-/- 4.1
Income tax paid		-/- 46.7	-/- 14.6
Other movements		-/- 3.7	-/- 0.4
		-/- 55.2	-/- 19.1
Cash flow from operating activities		**313.6**	**190.2**
Investments in (in)tangible fixed assets		-/- 186.9	-/- 120.8
Proceeds from the sale of tangible fixed assets		8.6	2.2
Acquisitions of participating interests		-/- 1.6	-
Cash flow from investing activities		**-/- 179.9**	**-/- 118.6**
Gross distribution under sugar beet payment/business termination regulations	(30)	-/- 3.3	-/- 51.5
Changes in long-term receivables		0.3	-/- 1.3
Changes in non-current liabilities	(24)	-/- 25.2	2.3
Changes in current liabilities to credit institutions and liabilities of a financing nature		31.8	-/- 1.5
Cash flow from financing activities		**3.6**	**-/- 52.0**
Changes in cash and cash equivalents		**137.3**	**19.6**
Cash and cash equivalents at the beginning of the year		114.6	95.1
Exchange and translation gains and losses on cash and cash equivalents		-/- 0.4	-/- 0.1
Cash and cash equivalents at participating interests acquired		-	-
Cash and cash equivalents at the end of the year		**251.5**	**114.6**

Notes to the consolidated annual accounts

(in EUR million)

TRANSLATED FINANCIAL STATEMENTS

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

GENERAL

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

The activities are classified as follows:

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

APPLICABLE STANDARDS

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

CONSOLIDATION PRINCIPLES

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

LIST OF PARTICIPATING INTERESTS

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

ACQUISITIONS AND DISPOSALS

The following acquisition was made in 2017:
As of 27 January, Aviko acquired the remaining 40% shares in Martin Amberger Kartoffelverarbeitung Dolli-Werk GmbH & Co. KG and Martin Amberger Kartoffelverarbeitung Dolli-Werk Verwaltungs GmbH in Germany.

No acquisitions had been made in 2016. No divestments were made in either 2016 or 2017.

ACCOUNTING POLICIES

GENERAL

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

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

POLICIES FOR THE TRANSLATION OF FOREIGN CURRENCIES

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

NETTING

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

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

FINANCIAL INSTRUMENTS

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

PRIMARY FINANCIAL INSTRUMENTS

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

DERIVATIVE FINANCIAL INSTRUMENTS (DERIVATIVES)

Currency derivatives, interest derivatives and forward commodity transactions

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

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

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

INTANGIBLE FIXED ASSETS

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

Other tangible fixed assets (excluding 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. Maintenance expenditure is only capitalised if it extends the useful life of the asset.

FINANCIAL FIXED ASSETS

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

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

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

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

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

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 the members are entitled to payments under the sugar beet payment regulations or the business termination regulations (as applicable until the end of 2016), the payments are charged to equity on the date on which they are made.

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

MINORITY INTERESTS

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

PROVISIONS

A provision is recorded when:

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

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

PENSIONS AND OTHER DEFERRED EMPLOYEE BENEFITS

Dutch pension plans

The main principle is that the pension charge to be recognised for the reporting period should be equal to the pension contributions payable to the pension fund over the period. Insofar as the payable contributions have not yet been paid as at balance sheet date, a liability is recognised. If the contributions already paid exceed the payable contributions as at balance sheet date, a receivable is recognised to account for any repayment by the fund or settlement with contributions payable in future.

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

Foreign pension plans

Pension plans that are comparable in design and functioning to the Dutch pension system, having a strict segregation of the responsibilities of the parties involved and risk sharing between the said parties (company, fund and members) are recognised and measured in accordance with Dutch pension plans (see previous section). For foreign pension plans that are not comparable in design and functioning to the Dutch pension system, a best estimate is made of the commitment as at balance sheet date. This commitment should then be stated on the basis of an actuarial valuation principle generally accepted in the Netherlands.

Other deferred employee benefits

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

NEGATIVE GOODWILL

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

LONG-TERM LEASE OBLIGATIONS

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

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

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

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

DETERMINATION OF THE RESULT

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

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

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

TAXES

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

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

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

USE OF ESTIMATES

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

CASH FLOW STATEMENT

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

(1) INTANGIBLE FIXED ASSETS

Movements in intangible fixed assets were as follows:

	GOODWILL	OTHER INTANGIBLE FIXED ASSETS	TOTAL
At cost as at 1 January 2017	244.2	28.7	272.9
Accumulated amortisation and other value adjustments as at 1 January 2017	139.8	23.5	163.3
BOOK VALUE AS AT 1 JANUARY 2017	**104.4**	**5.2**	**109.6**
Movements::			
- Investments	-	4.0	4.0
- Amortisation	-/- 12.3	-/- 1.8	-/- 14.1
BOOK VALUE AS AT 31 DECEMBER 2017	**92.1**	**7.4**	**99.5**
At cost as at 31 December 2017	244.2	30.7	274.9
Accumulated amortisation and other value adjustments as at 31 December 2017	152.1	23.3	175.4

GOODWILL

The goodwill related to acquisitions, is amortized over 5 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 2017	404.8	1,167.2	75.6	34.0	8.5	1,690.1
Accumulated depreciation and impairments as at 1 January 2017	219.9	784.5	55.6	-	-	1,060.0
BOOK VALUE AS AT 1 JANUARY 2017	**184.9**	**382.7**	**20.0**	**34.0**	**8.5**	**630.1**
Movements:						
- Investments	26.6	118.0	7.3	27.2	3.8	182.9
- Disposals	-/- 3.2	-/- 2.6	-/- 0.7	-	-/- 2.2	-/- 8.7
- Transfer	9.0	23.0	1.6	-/- 32.4	-/- 1.2	-
- Depreciation	-/- 12.6	-/- 72.8	-/- 6.4	-	-	-/- 91.8
- Impairments	-/- 0.3	-	-	-	-	-/- 0.3
- Exchange differences	-/- 0.4	-/- 0.3	-/- 0.2	-/- 0.2	-	-/- 1.1
BOOK VALUE AS AT 31 DECEMBER 2017	**204.0**	**448.0**	**21.6**	**28.6**	**8.9**	**711.1**
At cost as at 31 December 2017	415.4	1,266.9	82.7	28.6	8.9	1,802.5
Accumulated depreciation and impairments as at 31 December 2017	211.4	818.9	61.1	-	-	1,091.4

	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 2016	398.8	1,085.9	75.1	26.6	8.3	1,594.7
Accumulated depreciation and impairments as at 1 January 2016	209.9	726.9	53.6	-	-	990.4
BOOK VALUE AS AT 1 JANUARY 2016	**188.9**	**359.0**	**21.5**	**26.6**	**8.3**	**604.3**
Movements:						
- Investments	10.5	75.6	6.6	26.5	1.4	120.6
- Disposals	-/- 0.6	-/- 1.0	-/- 0.2	-/- 0.1	-	-/- 1.9
- Transfer	0.1	20.7	-/- 1.4	-/- 18.7	-/- 1.2	-/- 0.5
- Depreciation	-/- 12.6	-/- 70.2	-/- 5.7	-/- 0.3	-	-/- 88.8
- Impairments	-/- 0.5	-/- 0.4	-/- 0.1	-	-	-/- 1.0
- Exchange differences	-/- 0.9	-/- 1.0	-/- 0.7	-	-	-/- 2.6
BOOK VALUE AS AT 31 DECEMBER 2016	**184.9**	**382.7**	**20.0**	**34.0**	**8.5**	**630.1**
At cost as at 31 December 2016	404.8	1,167.2	75.6	34.0	8.5	1,690.1
Accumulated depreciation and impairments as at 31 December 2016	219.9	784.5	55.6	-	-	1,060.0

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 3.4 billion (2016: EUR 3.3 billion).

The group is the beneficial, not legal, owner of buildings with a book value of EUR 11.3 million (2016: EUR 13.9 million) and machinery and equipment with a book value of EUR 2.2 million (2016: EUR 1.9 million) under financial lease contracts.

(3) FINANCIAL FIXED ASSETS

Movements in financial fixed assets were as follows:

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

	PARTCIPATING INTERESTS	RECEIVABLES FROM PARTCIPATING INTERESTS	RECEIVABLES FROM MEMBERS	DEFERRED TAX ASSETS	OTHER RECEIVABLES	TOTAL
Balance as at 1 January 2016	3.8	0.8	10.2	8.9	1.2	24.9
Movements:						
- Additions and issuances	-	-	1.5	0.3	-	1.8
- Repayments and releases	-	-	-/- 0.5	-/- 1.8	-	-/- 2.3
- Movements in favour of/charged to the result	-	-	0.5	-/- 1.5	-/- 0.2	-/- 1.2
- Share in results of participating interests and dividend received	-/- 0.1	-	-	-	-	-/- 0.1
- Reclassified as short-term receivables	-	-	-/- 0.9	-	-	-/- 0.9
BALANCE AS AT 31 DECEMBER 2016	**3.7**	**0.8**	**10.8**	**5.9**	**1.0**	**22.2**

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.

RECEIVABLES FROM MEMBERS

The net present value of the non-interest-bearing receivables from members (EUR 15.2 million) relate to the long-term portion of amounts still to be deposited for issued supply certificates. Up to and including 2016 this concerned the long-term part of the amounts still to be deposited for issued shares (2016: EUR 10.8 million).

DEFERRED TAX ASSETS

The deferred tax assets item relates to the recognised available tax losses and temporary differences in the fiscal and commercial valuations. It is expected that EUR 1.9 million (2016: EUR 2.2 million) of this receivable will be recovered 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 17.8 million gross (2016: EUR 12.1 million).

OTHER RECEIVABLES

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

(4) INVENTORIES

	31-12-2017	31-12-2016
Land	8.0	8.4
Raw materials and consumables	72.2	68.6
Finished products and goods for resale	447.0	531.3
	527.2	**608.3**

Of the inventories EUR 7.3 million (2016: EUR 0.6 million) is stated at lower recoverable amount. The provision for obsolete inventories amounts to EUR 5.5 million (2016: EUR 6.5 million). The land included in inventory relates to grounds being developed for business park AFC Nieuw Prinsenland near Dinteloord.

Inventories with a carrying amount of EUR 4.6 million (2016: EUR 3.8 million) have been pledged as security to the bank.

(5) TRADE AND OTHER RECEIVABLES

	31-12-2017	31-12-2016
Trade accounts receivable	217.1	235.8
Receivables from members	3.2	1.0
Income tax receivable	-	2.6
Other tax receivables	33.1	38.7
Other receivables, prepayments and accrued income	33.8	27.1
	287.2	**305.2**

OTHER RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME

This item relates to amounts receivable of EUR 27.8 million (2016: EUR 21.7 million) and advance payments of EUR 6.0 million (2016: EUR 5.4 million).

(6) CASH AND CASH EQUIVALENTS

An amount of EUR 1.6 million (2016: EUR 0.7 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:

	2017	2016
Net result	74.7	55.6
Translation differences on foreign participating interests	-/- 3.3	-/- 1.9
Total result recognised by Cosun	**71.4**	**53.7**

(8) MINORITY INTERESTS

	2017	2016
Balance as at 1 January	22.5	24.3
Movements:		
- Share in results	2.0	0.3
- Capital movements and change in consolidation	-/- 5.5	-/- 0.3
- Dividend paid to minority interests and liquidation distributions	-/- 1.6	-/- 1.7
- Exchange differences and other movements	-/- 0.4	-/- 0.1
BALANCE AS AT 31 DECEMBER	**17.0**	**22.5**

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., Eemshaven Sugar Terminal C.V. and Martin Amberger Kartoffelverarbeitung Dolli-Werk GmbH & Co. KG (2016).

(9) PROVISIONS

	31-12-2017	31-12-2016
Deferred tax liabilities	24.9	28.9
Restructuring and reorganisation	1.6	1.8
Pensions and other deferred employee benefits	21.9	16.3
Loss-making contracts	3.0	-
Other provisions	18.6	15.4
	70.0	**62.4**

Of the provisions an amount of EUR 49.2 million (2016: EUR 47.9 million) has an expected term of more than one year. Movements in provisions were as follows:

	DEFERRED TAX LIABILITIES	RESTRUCTURING AND REORGANISATION	PENSIONS AND OTHER DEFERRED EMPLOYEE BENEFITS	LOSS-MAKING CONTRACTS	OTHER PROVISIONS	TOTAL
Balance as at 1 January 2017	28.9	1.8	16.3	-	15.4	62.4
Movements:						
- Additions	2.0	1.1	6.8	3.0	7.6	20.5
- Withdrawals	-/- 3.3	-/- 1.1	-/- 0.9	-	-/- 4.0	-/- 9.3
- Mutation to profit and loss account	-/- 2.7	-/- 0.2	-/- 0.3	-	-/- 0.4	-/- 3.6
BALANCE AS AT 31 DECEMBER 2017	**24.9**	**1.6**	**21.9**	**3.0**	**18.6**	**70.0**

DEFERRED TAX LIABILITIES

The provision for deferred tax liabilities arises from the timing differences between fiscal and commercial profit determination. Of the deferred tax liabilities, EUR 21.2 million (2016: EUR 21.2 million) are long term in nature.

RESTRUCTURING AND REORGANISATION

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

PENSIONS AND OTHER DEFERRED EMPLOYEE BENEFITS

Several pension plans and other deferred employee benefits apply within Cosun. The life-long pension plans for the staff of Cosun Holding, Coöperatie Cosun (including Suiker Unie) and Sensus are administered by the Cosun occupational pension fund. Pension fund PGB administers the pension plans of the member companies of the former Aviko pension fund as from 2016.

COMPANY PENSION FUND	ESTIMATED COVERAGE AS AT 31-12-2017	BASIC FEATURES PENSION SYSTEM 31-12-2017
Pension fund Cosun	119.5	Final and average pay pension plan

The company pension fund has conditional indexation for inactive employees.

The pension scheme is based on a fixed contribution and average salary with conditional indexation. The employer has guaranteed the accrual and indexation of the assets for the members of the Cosun Pension Fund to the end of 2023 in so far as they cannot be funded from the contribution. The guarantee relates to indexation of up to 2% to the end of 2016 and is then lowered in steps to 1.2% in 2023. The additional commitment in respect of the guaranteed indexation for active members as of 1 January 2018 has been recognised under provisions (EUR 5.9 million).

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:

	2017	2016
Discount rate	1.5 %	1.5 %
Future salary increases	2.0 %	2.0 %

The Cosun pension fund applies the AG2016 projection table, adjusted for the High income class, as its mortality table.

LOSS-MAKING CONTRACTS

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

OTHER PROVISIONS

The other provisions have been recorded for risks with respect to environment, obligations for demolition of assets, liabilities for the disposal of soil tare and other risks amounting to EUR 18.6 million (2016: EUR 15.1 million). In addition, a provision of EUR 0.2 million (2016: EUR 0.3 million) has been recorded for contractual risks, claims and fines.

The discount rate to calculate the future cash flows applied for is 0.5% to 1.5% depending on the term (2016: 0.5% to 1.5% depending on the term).

(10) NON-CURRENT LIABILITIES

	31-12-2017	EFFECTIVE INTEREST RATE	31-12-2016	EFFECTIVE INTEREST RATE
Debts to credit institutions	2.2	3.9 %	2.0	4.7 %
Debts to institutional investors	-	-	31.0	5.3 %
Debts to members	20.5	2.4 %	17.5	2.4 %
Negative goodwill	7.3	-	4.2	-
Lease obligation	12.6	7.5 %	13.1	7.6 %
	42.6		**67.8**	

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 INSTITUTIONAL INVESTORS

Amounts owed to institutional investors consist entirely of a loan placed with a Dutch financial parity member with a lump-sum repayment in 2018. The loan is denominated in euros and amounts to EUR 31.0 million (2016: EUR 31.0 million) and is recognised as a current liability. Financing is provided based on certain financial conditions agreed by the parties. All of these conditions are met.

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

	31-12-2017	31-12-2016
Debts to credit institutions	11.8	11.0
Liabilities of a financing nature	31.3	0.3
Total debts to credit institutions and liabilities of a financing nature	**43.1**	**11.3**
Payables to members	158.9	125.3
Payables to suppliers and trade creditors	179.5	191.4
Income tax payable	10.3	7.9
Other taxes and social security contributions payable	9.6	12.2
Other current liabilities and accruals	137.2	133.6
Total other current liabilities, accruals and deferrals	**495.5**	**470.4**

DEBTS TO CREDIT INSTITUTIONS
A five-year EUR 400.0 million financing arrangement was concluded with a bank syndicate in July 2014. The arrangement was extended for one more year in 2015 and again in 2016 by a further year. At year-end 2016 and year-end 2017, this arrangement had not been drawn upon.

LIABILITIES OF A FINANCING NATURE
Liabilities of a financing nature consist almost entirely of a loan placed with a Dutch financial party that is due for redemption in full in 2018. The outstanding amount amounts to EUR 31.0 million. The financing was granted subject to financial conditions agreed between the parties. All the conditions have been satisfied.

OTHER LIABILITIES ACCRUALS AND DEFERRALS
The other current liabilities and accruals relate to production levies, 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 31-12-2017	BOOK VALUE 31-12-2017	FAIR MARKET VALUE 31-12-2017	CONTRACT VOLUME 31-12-2016	BOOK VALUE 31-12-2016	FAIR MARKET VALUE 31-12-2016
Forward exchange contracts and currency swaps:						
US dollar	84.0	0.2	1.6	111.2	-/- 1.0	-/- 2.6
Pound sterling	67.4	-	-	82.0	-	-/- 1.1
Polish zloty	-/- 7.5	-	0.1	-/- 10.7	-/- 0.2	-/- 0.1
Australian dollar	15.4	-	-	13.7	-/- 0.1	-/- 0.4
Swedish crown	-/- 0.8	-	0.1	0.4	-	-
Czech koruna	0.2	-	-	0.1	-	-
Russian ruble	1.1	-	-	0.8	-/- 0.1	-/- 0.1
TOTAL	**159.8**	**0.2**	**1.8**	**197.5**	**-/- 1.4**	**-/- 4.3**

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 4.4 million (2016: EUR 9.0 million).

PRICE RISK

	BOOK VALUE 31-12-2017	FAIR MARKET VALUE 31-12-2017	BOOK VALUE 31-12-2016	FAIR MARKET VALUE 31-12-2016
Commodity futures contracts	-	1.5	-	2.0
Listed futures contracts	-	0.4	-	1.9

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 2017. Margin calls of EUR 0.4 million apply to the listed futures contracts (2016: EUR 1.0 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 credit risk relating to derivatives and other financial instruments is managed by only concluding contracts with financial institutions with a credit rating of A or higher for long-term or an S&P rating of A2 or higher for short-term.

(13) OFF BALANCE SHEET COMMITMENTS

SECURITIES PROVIDED

Financing agreements include negative pledges with pari passu clauses. A number of group companies have given security to credit institutions and tax authorities in the form of non-possessory pledges on inventories, machinery and business equipment, silent pledges on receivables and mortgages on a number of properties.

Cosun has provided conditional security for the EUR 31.0 million (2016: EUR 31.0 million) liabilities to institutional investors by means of a pledge on goods.

CLAIMS

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

GARANTEES

Cosun has given guarantees to third parties to an amount of EUR 25.7 million (2016: EUR 27.8 million).

LONG-TERM FINANCIAL COMMITMENTS

Long-term unconditional commitments have been entered into in respect of rent and operating lease. The obligations ensuing from this amount to EUR 22.9 million (2016: EUR 20.2 million). The rental and lease instalments payable within one year amount to EUR 7.2 million (2016: EUR 6.3 million). Instalments payable after five years amount to EUR 1.1 million (2016: EUR 1.0 million). Contingent investment liabilities amount to EUR 22.8 million (2016: EUR 43.4 million).

(14) NET TURNOVER

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

	2017	%	2016	%
Sugar activities	844.3	40.0	749.9	37.7
Potato activities	836.0	39.6	814.6	41.0
Other activities	431.3	20.4	423.0	21.3
TOTAL	**2,111.6**	**100.0**	**1,987.5**	**100.0**

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

	2017	%	2016	%
The Netherlands	625.1	29.6	599.6	30.2
Rest of the EU	1,137.1	53.9	1,074.4	54.0
Rest of Europe	42.9	2.0	37.2	1.9
North and South-America	119.0	5.6	121.4	6.1
Rest of the world	187.5	8.9	154.9	7.8
TOTAL	**2,111.6**	**100.0**	**1,987.5**	**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) EU LEVIES

EU levies relate to the production levy for the common sugar market organisation, which was abolished in 2017.

(17) 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 283.5 million (2016: EUR 237.3 million). This amount includes EUR 95.2 million payable as members' bonus (2016: EUR 70.6 million).

(18) 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 19.9 million (2016: EUR 18.4 million).

(19) STAFF COSTS

	2017	2016
Wages and salaries	191.4	188.4
Social security contributions	33.1	31.9
Pension costs	33.3	22.7
TOTAL	**257.8**	**243.0**

NUMBER OF EMPLOYEES

Expressed in full-time equivalents, the average number of employees at Cosun during the 2017 financial year was 3,850 (2016: 3,896). The employees were engaged in the following product groups (average number of employees):

	2017	2016
Sugar activities	825	836
Potato activities	2,033	2,101
Other activities	992	959
TOTAL	**3,850**	**3,896**
Of whom employed outside the Netherlands	1,909	1,935

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

In 2017 the impairment on tangible fixed assets amounts to EUR 0.3 million. The change in value in 2016 amounted EUR 1.6 million.

(21) FINANCIAL INCOME AND EXPENSE

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

(22) TAXATION ON RESULTS FROM ORDINARY ACTIVITIES

The corporate income tax disclosed in the profit and loss account amounts to EUR 26.2 million (2016: EUR 17.8 million) on a result of EUR 102.8 million (2016: EUR 73.5 million). The effective tax rate was 25.5% (2016: 24.2%). The difference from the nominal tax rate can be specified as follows:

	2017	%	2016	%
Profit before taxation	102.8		73.5	
Income tax based on Dutch tax rates	25.7	25.0	18.4	25.0
Effect of foreign tax rates	0.4	0.4	-/- 1.3	-/- 1.8
Non-deductible charges / permanent differences	-/- 0.2	-/- 0.2	0.1	0.1
Effect of change in valuation of tax losses, assets or temporarily differences	0.9	0.9	1.6	2.2
Adjustment for prior periods	-/- 0.4	-/- 0.4	-/- 0.2	-/- 0.2
Other	-/- 0.2	-/- 0.2	-/- 0.8	-/- 1.1
TOTAL TAX BURDEN	**26.2**	**25.5**	**17.8**	**24.2**

Changes in the valuation of losses in 2017 (and 2016) were due largely to losses in foreign entities not being valued.

Prior year corrections relate to adjustments made in response to final assessments for prior years.

(23) 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 2017 the following fees were charged to the company:

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

In the year 2016 the following fees were charged to the company:

	ERNST & YOUNG ACCOUNTANTS LLP	OTHER ERNST & YOUNG NETWORK	TOTAL ERNST & YOUNG
Audit of the financial statements	0.3	0.3	0.6
Tax advisory services	-	0.5	0.5
TOTAL	**0.3**	**0.8**	**1.1**

The fees stated above for the audit of the financial statements are based on the total fees for the audit of the 2017 financial statements, regardless of whether the procedures were already performed in 2017.

(24) 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	NON-CURRENT LIABILITIES
Balance as at 1 January 2017	443.1	-/- 62.4	-/- 67.8
Balance as at 31 December 2017	318.9	-/- 70.0	-/- 42.6
Balance sheet movements	**124.2**	**7.6**	**-/- 25.2**
Adjustments for:			
- Changes in income tax	17.4	5.3	-
CASH FLOW	**141.6**	**12.9**	**-/- 25.2**

(25) SUBSEQUENT EVENTS

On 19 February 2018, the EU Agriculture Council introduced Regulation (EU) 2018/264 fixing the production levies and the coefficient for calculating the additional levies in the sugar sector for the 1999/2000 and 2000/2001 marketing years.
The attendant restitution of EUR 12.0 million in production levies will be recognised in the results for 2018.

COOPERATIVE BALANCE SHEET

(after profit appropriation; in EUR million)

	Notes	31-12-2017	31-12-2016
ASSETS			
Fixed assets			
Intangible fixed assets	(26)	61.9	69.4
Tangible fixed assets	(27)	287.7	268.5
Financial fixed assets	(28)	674.4	430.0
		1,024.0	767.9
Current assets			
Inventories	(29)	231.4	310.2
Trade and other receivables	(30)	218.2	378.6
Cash and cash equivalents		204.0	80.1
		653.6	768.9
Total assets		**1,677.6**	**1,536.8**
EQUITY AND LIABILITIES			
Shareholders' equity	(31)		
Capital		36.0	7.0
Share premium		32.3	53.4
Reserve for participating interests		10.8	7.6
Reserve for exchange differences		-/- 0.1	3.2
Other reserves		1,154.7	1,086.4
		1,233.7	1,157.6
Provisions	(32)	37.8	31.7
Non-current liabilities	(33)	31.1	58.1
Current liabilities	(34)		
Current liabilities to credit institutions and liabilities of a financing nature		32.3	2.0
Other current liabilities, accruals and deferrals		342.7	287.4
		375.0	289.4
Total equity and liabilities		**1,677.6**	**1,536,8**

COOPERATIVE PROFIT AND LOSS ACCOUNT

(in EUR million)

FOR THE FINANCIAL YEAR	2017	2016
Cooperative result after taxation	5.1	-/- 5.9
Profit of participating interests after taxation	68.9	62.3
NET RESULT	**74.0**	**56.4**
APPROPRIATION OF PROFIT IN ACCORDANCE WITH ARTICLE 1 OF THE SUGAR BEET DELIVERY PAYMENT REGULATIONS		
Result of participating interests less dividends received	15.8	38.7
Cooperative result including dividends from participating interests	58.2	17.7

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.

(26) INTANGIBLE FIXED ASSETS

Movements in intangible fixed assets were as follows:

	GOODWILL	OTHER INTANGIBLE FIXED ASSETS	TOTAL
At cost as at 1 January 2017	174.6	6.0	180.6
Accumulated amortisation and other changes in value as at 1 January 2017	108.2	3.0	111.2
BOOK VALUE AS AT 1 JANUARY 2017	**66.4**	**3.0**	**69.4**
Movements:			
- Investments	-	0.2	0.2
- Amortisation	-/- 7.6	-/- 0.1	-/- 7.7
BOOK VALUE AS AT 31 DECEMBER 2017	**58.8**	**3.1**	**61.9**
At cost as at 31 December 2017	174.6	6.1	180.7
Accumulated amortisation and other changes in value as at 31 December 2017	115.8	3.0	118.8

(27) TANGIBLE FIXED ASSETS

Movements in tangible fixed were as follows:

	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE FIXED ASSTES	PREPAYMENTS AND IN PRODUCTION	NOT USED FOR OPERATIONS	TOTAL
At cost as at 1 January 2017	144.1	458.7	9.1	28.7	5.1	645.7
Accumulated depreciation and other changes in value as at 1 January 2017	73.2	296.4	7.6	-	-	377.2
BOOK VALUE AS AT 1 JANUARY 2017	**70.9**	**162.3**	**1.5**	**28.7**	**5.1**	**268.5**
Movements:						
- Investments	13.7	55.2	2.0	0.3	1.3	72.5
- Disposals	-/- 10.9	-	-	-	-/- 0.6	-/- 11.5
- Depreciation	-/- 4.3	-/- 36.0	-/- 1.5	-	-	-/- 41.8
- Transfer	8.4	18.6	1.4	-/- 28.4	-	-
BOOK VALUE AS AT 31 DECEMBER 2017	**77.8**	**200.1**	**3.4**	**0.6**	**5.8**	**287.7**
At cost as at 31 December 2017	150.9	518.0	21.8	0.6	5.8	697.1
Accumulated depreciation and other changes in value as at 31 December 2017	73.1	317.9	18.4	-	-	409.4

	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE FIXED ASSTES	PREPAYMENTS AND IN PRODUCTION	NOT USED FOR OPERATIONS	TOTAL
At cost as at 1 January 2016	142.4	431.6	9.3	10.6	5.1	599.0
Accumulated depreciation and other changes in value as at 1 January 2016	71.3	262.2	7.2	-	-	340.7
BOOK VALUE AS AT 1 JANUARY 2016	**71.1**	**169.4**	**2.1**	**10.6**	**5.1**	**258.3**
Movements:						
- Investments	1.7	26.5	0.1	21.6	-	49.9
- Disposal	-	-/- 0.1	-	-	-	-/- 0.1
- Depreciation	-/- 1.9	-/- 36.7	-/- 0.7	-/- 0.3	-	-/- 39.6
- Transfer	-	3.2	-	-/- 3.2	-	-
BOOK VALUE AS AT 31 DECEMBER 2016	**70.9**	**162.3**	**1.5**	**28.7**	**5.1**	**268.5**
At cost as at 31 December 2016	144.1	458.7	9.1	28.7	5.1	645.7
Accumulated depreciation and other changes in value as at 31 December 2016	73.2	296.4	7.6	-	-	377.2

(28) FINANCIAL FIXED ASSETS

	31-12-2017	31-12-2016
Participating interests in group companies	262.4	275.4
Receivables from group companies	395.9	142.7
Receivables from members	15.2	10.8
Deferred tax assets	0.1	0.1
Other receivables	0.8	1.0
	674.4	**430.0**

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 2017	275.4	142.7	10.8	0.1	1.0	430.0
Movements:						
- Share in result of participating interests	68.9	-	-	-	-	68.9
- Additions and issuances	-	275.8	18.7	-	-	294.5
- Repayments and releases	-/- 27.2	-/- 23.2	-/- 11.2	-/- 0.1	-	-/- 61.7
- Dividend	-/- 53.2	-	-	-	-	-/- 53.2
- Exchange results	-/- 3.2	0.6	-	-	-	-/- 2.6
- Other movements	1.7	-	-	0.1	-	1.8
- Movements in favour of / charged to the profit and loss account	-	-	0.1	-	-/- 0.2	-/- 0.1
- Reclassification to current	-	-	-/- 3.2	-	-	-/- 3.2
BALANCE AS AT 31 DECEMBER 2017	**262.4**	**395.9**	**15.2**	**0.1**	**0.8**	**674.4**

	PARTICIPATING INTERESTS IN GROUP COMPANIES	RECEIVABLES FROM GROUP COMPANIES	RECEIVABLES FROM MEMBERS	DEFERRED TAX ASSETS	OTHER RECEIVABLES	TOTAL
Balance as at 1 January 2016	267.8	329.7	10.2	0.1	1.2	609.0
Movements:						
- Share in result of participating interests	62.3	-	-	-	-	62.3
- Additions and issuances	-	64.0	1.5	-	-	65.5
- Repayments and releases	-/- 27.5	-/- 25.7	-/- 0.5	-	-	-/- 53.7
- Dividend	-/- 23.6	-	-	-	-	-/- 23.6
- Exchange results	-/- 1.7	-/- 0.3	-	-	-	-/- 2.0
- Other movements	-/- 1.9	-	-	-	-	-/- 1.9
- Movements in favour of / charged to the profit and loss account	-	-	0.5	-	-/- 0.2	0.3
- Reclassification to current	-	-/- 225.0	-/- 0.9	-	-	-/- 225.9
BALANCE AS AT 31 DECEMBER 2016	**275.4**	**142.7**	**10.8**	**0.1**	**1.0**	**430.0**

PARTICIPATING INTERESTS IN GROUP COMPANIES

Suiker Unie GmbH & Co. KG is a subsidiary and is included in the consolidated financial statements of Royal Cosun as of 31 December 2017. Suiker Unie GmbH & Co. KG uses the exemption to prepare, audit and disclose the financial statement in accordance with article 264b German Commercial Code.

Repayments and releases relate to a share premium distribution made by Cosun Holding B.V. to the Cooperative. Other movements relate mainly to the elimination of unrealised results from downstream sales.

RECEIVABLES FROM GROUP COMPANIES

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

RECEIVABLES FROM MEMBERS

The non-interest bearing receivables from members (EUR 15.2 million) relates to the market value of the long-term portion of amounts still to be deposited for issued supply certificates (2016: EUR 10.8 million on issued shares).

OTHER RECEIVABLES

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

(29) INVENTORIES

	31-12-2017	31-12-2016
Land	8.0	8.4
Raw materials and consumables	8.5	7.9
Finished products and goods for resale	214.9	293.9
	231.4	**310.2**

The land included in inventory relates to grounds being developed for business park AFC Nieuw Prinsenland near Dinteloord. The valuation of inventories takes account of obsolete stock. The provision for obsolete stock amounts to EUR 1.6 million (2016: EUR 1.5 million).

(30) TRADE AND OTHER RECEIVABLES

	31-12-2017	31-12-2016
Trade accounts receivable	56.6	62.7
Receivables from group companies	132.8	289.0
Short-term portion of amount still to be paid up for issued shares	3.2	1.0
Other tax receivables	13.0	16.2
Other receivables and accrued income	12.6	9.7
	218.2	**378.6**

(31) CAPITAL AND RESERVES

ISSUED CAPITAL AND SHARE PREMIUM

	SHARE CAPITAL	SUPPLY CERTIFICATES	SHARE PREMIUM	TOTAL 2017	TOTAL 2016
Balance as at 1 January	7.0	-	53.4	60.4	60.4
Movements:					
- Shares issued/supply certificates	-/- 7.0	36.0	-/- 21.1	7.9	3.0
- Shares redeemed and withdrawn/supply certificates	-	-	-	-	-/- 3.0
BALANCE AS AT 31 DECEMBER	**-**	**36.0**	**32.3**	**68.3**	**60.4**

Until 2017, Cosun issued shares to its members. The shares were converted into registered supply certificates in 2017. The total number of supply certificates in issue amounts to 6,545,105 (2016: 0), with a face value of EUR 5.50 per certificate. The total number of shares in issue is 0 (2016: 154,637), with a face value of EUR 45.40 per share. Under Reporting Guideline 620, EUR 0.7 million (2016: EUR 1.2 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 DIFFERENCES	OTHER RESERVES	TOTAL 2017	TOTAL 2016
Balance as at 1 January	7.6	3.2	1,086.4	1,097.2	1,081.4
Movements:					
- Profit appropriation	-	-	74.0	74.0	56.4
- Paid to members	-	-	-/- 2.5	-/- 2.5	-/- 38.7
- Exchange differences	-	-/- 3.3	-	-/- 3.3	-/- 1.8
- Transfer	3.2	-	-/- 3.2	-	-
- Other	-	-	-	-	-/- 0.1
BALANCE AS AT 31 DECEMBER	**10.8**	**-/- 0.1**	**1,154.7**	**1,165.4**	**1,097.2**

The net result 2017 of EUR 74.0 million has been added to the other reserves.

RESERVE FOR PARTICIPATING INTERESTS

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

OTHER RESERVES

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

Until 2017 the payments will also be made based on the Cessation of Business Regulations, for which the amount depends on the number of shares possessed by the members, the number of financial years that the shares have been in the possession of the members, and the average cooperative result including dividend from participating interests per share for the three previous financial years. The payment takes place from the moment business operations ceased, or after a delivery period 30 consecutive campaigns at the moment the member uses the Cessation of Business Regulations or 2017 at the latest.

Some of the former CSM Suiker growers claimed a payment under the Beet Delivery Regulations in 2016 after having supplied beet for 10 successive years. The gross payment in 2016 based on the cooperative's results including dividend from participating interests for the period 2013-2015 amounted to EUR 51.5 million (net amount: EUR 38.6 million, charged to other reserves).

If all members eligible to payment under the Cessation of Business Regulation and the Beet Delivery Regulation, the total payment as at 31 December 2017 would amount to EUR 37.2 million (2016: EUR 43.9 million). Payment is, in accordance with article 5.3 of the regulation, subject to approval by the board.

PROPOSED PROFIT APPROPRIATION

The net profit for 2016 (EUR 56.4 million) has been added to other reserves in accordance with the decision of the Board 16 March 2017.
The Board intends to propose that EUR 74.0 million be added to other reserves. The annual accounts for 2017 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. The elimination of intercompany profit on the downstream of sales was also corrected for the participating interests of third parties. As a result the consolidated equity differs from the equity in the cooperative annual accounts.

	31-12-2017	31-12-2016
Consolidated capital and reserves	1,233.0	1,155.6
Impact RJ 620	0.7	1.2
Correction of the elimination of downstream sales	-	0.8
COOPERATIVE CAPITAL AND RESERVES	**1,233.7**	**1,157.6**

(32) PROVISIONS

	31-12-2017	31-12-2016
Deferred tax liabilities	12.9	15.8
Pensions and other deferred employee benefits	14.6	10.4
Other provisions	10.3	5.5
	37.8	**31.7**

EUR 25.8 million (2016: EUR 21.5 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 2017	15.8	10.4	5.5	31.7
Movements:				
- Additions	1.2	5.1	8.3	14.6
- Withdrawals	-/- 4.1	-/- 0.9	-/- 3.5	-/- 8.5
BALANCE AS AT 31 DECEMBER 2017	**12.9**	**14.6**	**10.3**	**37.8**

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 10.5 million (2016: EUR 9.2 million) is long term in nature.

(33) NON-CURRENT LIABILITIES

	31-12-2017	EFFECTIVE INTEREST RATE	31-12-2016	EFFECTIVE INTEREST RATE
Debts to institutional investors	-		31.0	5.3 %
Lease obligation	9.5	8.4%	9.6	8.4 %
Debts to members	20.5	2.4%	17.5	2.5 %
Other liabilities	1.1	-	-	-
TOTAL NON-CURRENT LIABILITIES	**31.1**		**58.1**	

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

(34) CURRENT LIABILITIES

	31-12-2017	31-12-2016
Liabilities of a financing nature	32.3	2.0
Payables to group companies	87.0	60.9
Payables to members	158.9	125.3
Payables to suppliers and trade creditors	41.9	45.0
Payable income tax	2.4	1.1
Other taxes and social security contributions payable	2.7	2.3
Other current liabilities and accruals	49.8	52.8
TOTAL OTHER CURRENT LIABILITIES AND ACCRUALS	**342.7**	**287.4**

LIABILITIES OF A FINANCING NATURE

Liabilities of a financing nature consist almost entirely of a loan placed with a Dutch financial party that is due for redemption in full in 2018. The outstanding amount amounts to EUR 31.0 million. The financing was granted subject to financial conditions agreed between the parties. All the conditions have been satisfied.

(35) OFF BALANCE SHEET COMMITMENTS

Several liability and guarantees

Cosun has given guarantees to third parties to an amount of EUR 26.6 million (2016: EUR 28.2 million).

Long-term financial commitments

Long-term unconditional commitments have been entered into in respect of rental and operating lease instalments. The associated obligations amount to EUR 2.8 million (2016: EUR 3.5 million). The rental and lease instalments falling due within one year amount to EUR 1.1 million (2016: EUR 1.2 million). Instalments payable after five years amount to nil (2016: nil). Contingent investment liabilities amount to EUR 5.6 million (2016: EUR 12.7 million).

(36) 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 2017 the following fees were charged to the company:

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

In 2016 the following fees were charged to the company:

	ERNST & YOUNG ACCOUNTANTS LLP	OTHER ERNST & YOUNG NETWORK	TOTAL ERNST & YOUNG
Audit of the financial statements	0.1	-	0.1
Tax advisory services	-	0.2	0.2
TOTAL	**0.1**	**0.2**	**0.3**

The fees stated above for the audit of the financial statements are based on the total fees for the audit of the 2017 financial statements, regardless of whether the procedures were already performed in 2017.

(37) 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 (2016: EUR 0.6 million) and that members of the Supervisory Board to EUR 0.1 million (2016: EUR 0.1 million). The remuneration was charged to the result.

(38) SUBSEQUENT EVENTS

On 19 February 2018, the EU Agriculture Council introduced Regulation (EU) 2018/264 fixing the production levies and the coefficient for calculating the additional levies in the sugar sector for the 1999/2000 and 2000/2001 marketing years. The attendant restitution of EUR 12.0 million in production levies will be recognised in the results for 2018.

Board
D.H. de Lugt
J.M. Klompe
B.R. van Doesburgh
A.W. Bos
A.J.B.P. Bossers
G. Evenhuis
Mrs. G. Prins
J.H.D. Voncken
S. Wijkstra

Supervisory Board
J. Bartelds
J.L. van Driel
W.A. Blijdorp
H. Huistra
E.H.W.J.E. Michiels
Mrs. J.P. Rijsdijk

Breda, 22 March 2018

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 the Boards' recommendation, the amount remaining after the above addition shall be distributed among those members who were A members or B members at the end of the financial year in question, or who had ceased to be A members or B members during or at the end of that financial year; with regard to B members, the distribution shall be made with due regard for the Membership Agreement and at the direction of the relevant C members 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 Regulation.

INDEPENDENT AUDITOR'S REPORT

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

A. REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2017 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the financial statements 2017 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 2017 and of its results for 2017 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 2017;
- the consolidated and company profit and loss account for 2017;
- the consolidated 2017 cash flow statement;
- the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of Coöperatie Koninklijke Cosun U.A. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

MATERIALITY

Materiality	€ 18,000,000 (2016: € 16,000,000)
Benchmark applied	2% of the gross margin
Explanation	In view of the cooperative nature of the entity, we believe gross margin, adjusted for the members' bonus, is a more important indicator than the results before taxes. The amount of the gross margin provides a good view of the size of the activities.

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

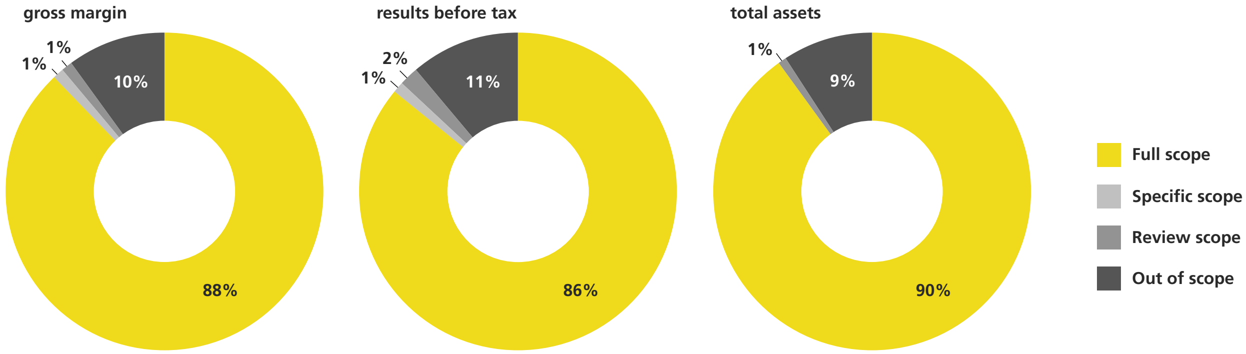
We agreed with the Supervisory Board that misstatements in excess of € 900,000, which are identified during the audit, would be reported to them, as would smaller misstatements that in our view must be reported on qualitative grounds.

SCOPE OF THE GROUP AUDIT

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

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

In total, the executed activities represent 90% of the gross margin, 89% of the results before tax and 91% of the total assets of the group.



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

Our key audit matters

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

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

The key audit matters are the same as last year.

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

Risk	Our audit approach	Key observations
Loss-making contract positions (refer to note 4 and 9)		
As a result of the price volatility in the agricultural raw materials market, Coöperatie Koninklijke Cosun U.A. contracts a large portion of its raw materials before the harvest. Crop failures or other circumstances on the world food market can cause raw material prices to be very volatile, particularly around important harvest times. This can lead to loss-making positions if sales have been contracted for which no stock is available at contract date, or futures for raw materials have been closed. In addition, there may be loss-making contracts or stocks that are too highly valued if the future expected selling price is lower than the stock valuation per balance sheet date in combination with the futures for raw materials. Negative price developments of sugar after termination of the European sugar market regulation has had our specific attention in the analysis of loss-making contracts and inventory valuation as at balance sheet date.	We compared the prices of the sales contract positions as at balance sheet date to the valuation of the available stocks and the prices of the closed futures for raw materials. In addition, we have compared the free stocks and the prices of closed futures for raw materials as at the balance date to the current market prices.	The principles for the valuation of inventories to lower current market prices and accountability of provisions for loss-making contracts are, in our opinion, adequately applied. Furthermore, we determined that the disclosures in the financial statements on the valuation of finished products are adequate.

B. STATEMENT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

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

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

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

C. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment

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

D. DESCRIPTION OF THE RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

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

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

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

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

Our responsibilities for the audit of the financial statements

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

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

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

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

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

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

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

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

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

Naaldwijk, 22 March 2018

Ernst & Young Accountants LLP

/s/ M.A.M. Kester