

ANNUAL REPORT HZPC HOLDING B.V. 2018 | 2019



HZPC
keeps you growing



Credits

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This document is an English translation of the original.
In the case of any discrepancies between the English and
the Dutch text, the latter will prevail.

**HZPC
KEEPS
YOU
GROWING**



BRAND GROWS WITH HZPC

Whether you grow, trade or process potatoes: we all share common ground at HZPC.

A connection, an image, an experience.

We find acknowledgement and familiarity with the company, and participate in growth and development.

But the world changes, we change and businesses change too. The HZPC brand is also expanding and is therefore being updated.

The big difference lies in the way in which we communicate. Cooperation is central: sharing expertise and innovation, inspiring the chain and, in turn, realising further growth. This annual report offers a glimpse behind the scenes.

Want to know more about our updated brand? See www.hzpc.com

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'I believe in growth. Just like a healthy potato plant, a company and its people must continue to develop. Growing and flourishing'

**Gerard Backx,
CEO**

01 – Proud of the entire industry

MESSAGE FROM THE CEO

Dear shareholders, growers, clients and employees,

HZPC wants to grow and flourish. But we can't do this alone. Across the world, we find ourselves at the centre of society. We grow together with our partners. We plant together and we harvest together. We quite literally see this reflected in our new positioning, which puts the spotlight on the 'keeps you growing' ethos.

2018/2019 was an exceptional year. And not just for us, but for a large part of the potato sector. In the Netherlands and across Europe, we faced an extremely dry summer. The yields in terms of tonnage were significantly lower than usual.

As market leader, HZPC carefully sought out the right prices during the season. We were also successful in marketing nearly all of the harvest as seed potatoes. The majority of our growers ultimately received high financial rewards, despite the lower yields in the field.

For their efforts, both the growers and employees of HZPC have earned high praise indeed. We would also like to thank the customers for their understanding that the desired quality and quantity cannot always be delivered.

Worldwide, there was a range of different circumstances and developments. With our expertise in the markets, we capitalised on these. HZPC Holding realised record net turnover of 347.9 million Euro and a fantastic operating result of 13.7 million Euro.

**'I am proud
of HZPC'**

HZPC is sticking to its strategic pathway. Product and market development are strengthening our position and that of our growers and customers. Partnership is the abiding principle for HZPC. We aim to stand alongside our growers and customers.

Our vision and mission encompass our aim to support healthy food for all people across the globe, even in regions where climatic conditions are challenging and countries are at war.

I am proud of HZPC.

I would like to thank our employees, worldwide, for their efforts in the past year. I would also like to thank all of our partners, growers and customers for putting their faith in us.

Kind regards,
Gerard Backx,
CEO

HZPC, A WORLDWIDE HOLDING COMPANY

HZPC Holding is at home across the globe. We sell seed potatoes on every continent. HZPC and STET varieties are grown and traded in all four corners of the world.

Europe

In Western Europe, the growers had to deal with a high degree of drought over the past year. It was dryer than it has been since 1976. This applied, in particular, to the Netherlands, Flanders, Northern France, Denmark and Germany. Yields were low across the board, but the consequences varied significantly per region. The consequences were harshest where growers could not, or would not, irrigate.

The drought affected the quality of the seed potatoes – the seed potatoes were much smaller and the external quality was lower than usual. The drought also led to lower yields and scarcity.

At that moment, as the market leader, we had to set prices. On average, these ended up a quarter higher than in previous years. The market prices were frequently substantially higher.

We also drastically adjusted our logistical plans. With the flexibility of our growers and organisation, and with the understanding within the chain, the scarce products were fairly shared out. Ultimately, HZPC found satisfactory solutions for its customers.

The overall yield per hectare last season in Europe was lower than HZPC's usual levels. We did succeed, however, in selling the majority of the product for a great price as seed potatoes.

'We set the prices very carefully. We also rely on the customers' trust when sharing out a scarce product''

Gerard Backx, CEO

Russia

In the past year, sales from HZPC in Russia were excellent. As a result of political developments, however, it is becoming increasingly difficult to obtain permission to import seed potatoes and mini-tubers.

Russian conditions and inspections are getting stricter and we can assume that the Russian borders will be completely closed to seed potatoes in the future. This means our business model must be adapted. HZPC has opted for a strategy whereby it produces more seed potatoes in Russia.

This autumn, we will decide if we want to produce mini-tubers in Russia and to breed our top quality material there too. In Russia, there is a demand for good varieties from both the fresh market and the processing industry.

Africa and the Middle East

As a result of the drought in Western Europe, fewer seed potatoes were available last year for export to North Africa and the Middle East. Nevertheless, trade was buoyant, with the usual proviso that sales in some countries are inhibited by political instability.

In Central Africa, the acreage for potatoes is expanding. In Tanzania, HZPC has a project focussing on Research & Development and market and chain development. In addition, trials are being conducted with hybrid potatoes.



North America

As a result of a long winter and drought across a large part of North America, the growing season was shorter, and the production of seed potatoes was slightly less successful, than expected.

The largest potato growing area in Canada, Prince Edward Island, had to face the same dry, hot conditions as Europe.

HZPC has been collecting and analysing knowledge from the consumer market in North America for several years now. Whereas potatoes are often regarded as a bulk product, we try to position ware potatoes as a speciality product in both the food-service (out of home consumption) and the supermarkets. We provide inspiration and ideas in this context, for the introduction of new concepts.

South America

In South America, licensed growing is particularly successful. The processing industry is expanding and has high demands. With our modern varieties, we are gaining a foothold and making progress within the fresh market. Looking at the political and economic context, Argentina is going through a particularly difficult period at the moment. Inflation is exceptionally high.

China

The population in Asia is expanding rapidly and levels of disposable income are rising. In China, HZPC has been successfully introducing varieties to the expanding processing industry for the past few years. Our varieties have been extremely successful. There is a huge demand for varieties with greater practical value than the existing free varieties. We are able to set ourselves apart in this context.

In the fresh market, there is also a high demand for new varieties, which match modern buying patterns and food consumption. Together with strong partners, HZPC is significantly scaling-up its seed-potato production with the varieties in China. We have realised that there are parties in China that are appropriating our varieties and breeding seed potatoes without our consent. We have to be very careful in this market with regard to our intellectual property. HZPC will take action in the event that our varieties are used unlawfully.

As a company, we have taken controversial legal action against a Chinese company. HZPC won the case at the International Court of Arbitration in Singapore. The other party had to pay damages.

India

Results were disappointing for the second successive year in India. To begin with, we thought that the year would turn out better but, at the last moment, a segment of the market in the east of the country, in West Bengal, completely collapsed.

This area in India is a volatile market with a huge number of small growers and traders.

As a result of disappointing sales of ware potatoes, farmers put their stocks of ware potatoes back in the ground. The demand for seed potatoes thus stalled, prices tumbled, and stocks remained unsold. This was a substantial financial burden for the Mahindra-HZPC joint venture.

Nevertheless, Mahindra-HZPC will not be halting its activities in India. There have also been positive developments. At the moment, we are producing many local varieties. Over the coming years, we will switch to our own varieties. Mahindra-HZPC has obtained protection in India for the introduction of a few top quality varieties. This gives us the opportunity to increase propagation rapidly; from 500 tons at the moment, to 15,000 tons in 2023.

Mahindra-HZPC already has many orders for the coming five years. The demand from the processing industry continues to increase significantly. Producers of crisps and fries provide purchase guarantees and this offers a degree of certainty.

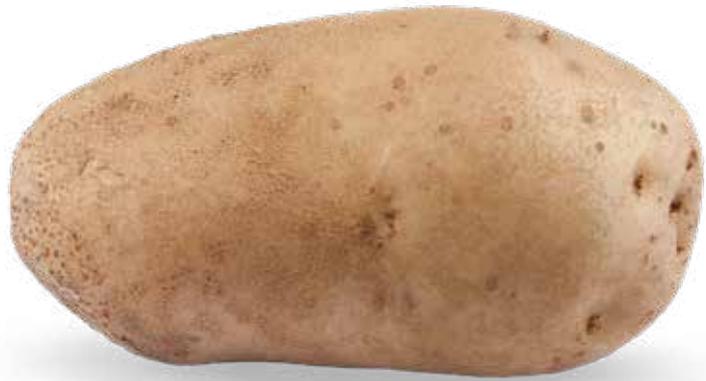


HZPC KEEPS YOU GROWING

HZPC strives for growth. This is not just about creating more volume and higher turnover. It also involves the development of quality, creativity, innovation and social values. We want to be an important link in the overall chain and strive towards growth for all of our partners. That's why our slogan is: 'HZPC keeps you growing'.

HZPC is an amazing and very special company. We are researchers looking for the best, most sustainable potato varieties. We innovate and have a great deal of knowledge in-house, which we love to share with our partners: growers, breeders, processors, packers, retailers, wholesalers, caterers and consumers. We aim to stand alongside our partners and to listen and inspire one another. We do this by offering optimum services and supporting our customers and growers across the world.

**'Partnership:
we work together,
they grow'**



Alverstone Russet has been accepted by McDonald's in Europa as a variety for its fries.

Solentum

HZPC not only focuses on its core business, i.e. seed potatoes. We also have a wide range of knowledge and creativity which we offer to our partners. We develop and use equipment and sensors in our research and trial fields. Our subsidiary, Solentum, takes these devices to market so that our growers can also use them to monitor the quality of potatoes during growth and storage. We also make equipment for the purposes of quality control in the processing industry This is our way of supporting our partners in the chain.

The start-up phase with Solentum was exciting and some products required a little fine-tuning. We have now introduced new releases for the Sol Grader, which forecasts yields for the varieties, and the Sol Antenna, which gathers information during storage. The corresponding SolDataPlatform has also been launched. Sales of Solentum products have lagged somewhat behind over the past year. There is, however, international demand for products and sales expectations for the coming year are high. We will, of course, continue to work on new inventions and technologies for the sector.



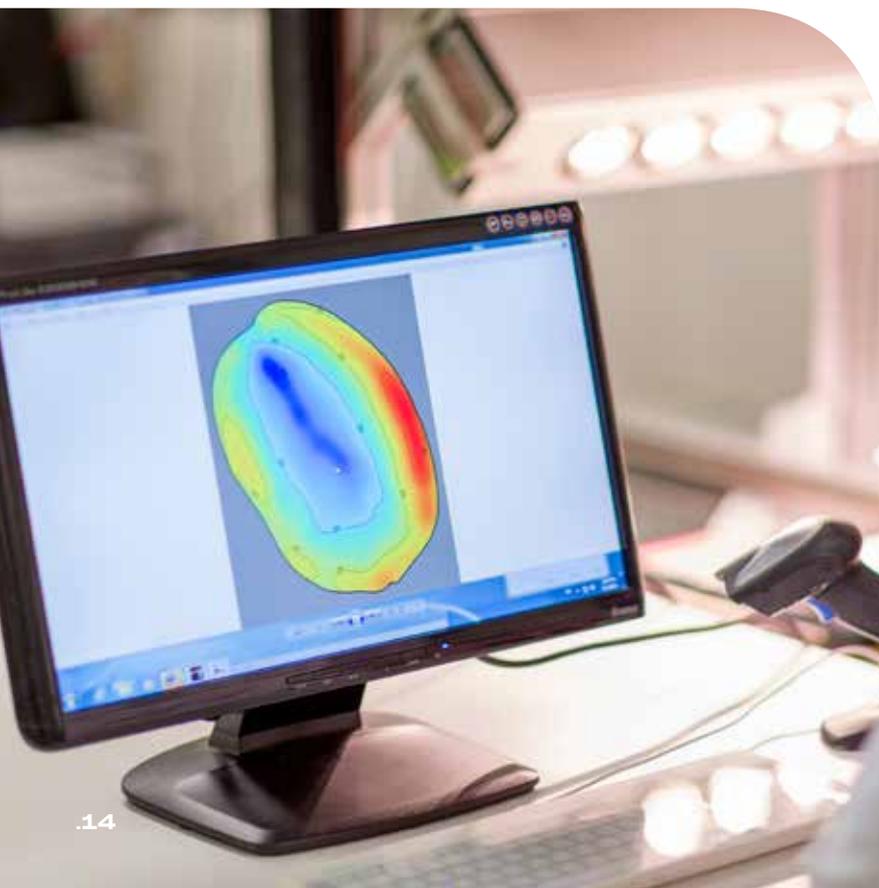
Preferred supplier

STET works with very large customers in the processing industry. World-players such as Farm Frites in Egypt, for example. There, the company largely focuses (90%) on the Santana variety. Over the past few years, we have struggled to fulfil the substantial and rapidly increasing demand. That is why STET has developed a special partnership with Farm Frites. The company is not only supplied with seed potatoes, but may also now propagate our mini-tubers under licence.

The biggest crisps producer in the world, PepsiCo, has now recognised STET as a preferred supplier. The producer of A-brands such as Lays, will now have worldwide, exclusive rights to the supply of seed potatoes for our varieties VR808 and VR909. These varieties have now become the norm in the crisps industry. PepsiCo will also be involved in the development of new crisp varieties at a much earlier stage.

'We serve global players such as PepsiCo and Farm Frites. With a few of our varieties, we have acquired the position of preferred supplier with these customers'

Peter Ton, Director STET



Hyper Spectral Camera

HZPC is offering Challenger growers the opportunity to monitor their plots with a Hyper Spectral Camera. This measures the dry matter content distribution in the potatoes.

Growers can then estimate how much they can store and for how long. It is a service which allows growers to get the very best out of our varieties.

04 – Strive for durable growth

CONTRIBUTING TOWARDS THE FUTURE OF THE WORLD

HZPC aims to contribute towards sustainable, responsible food provision for the growing global population. Social values are just as important to us as the company's economic interests.

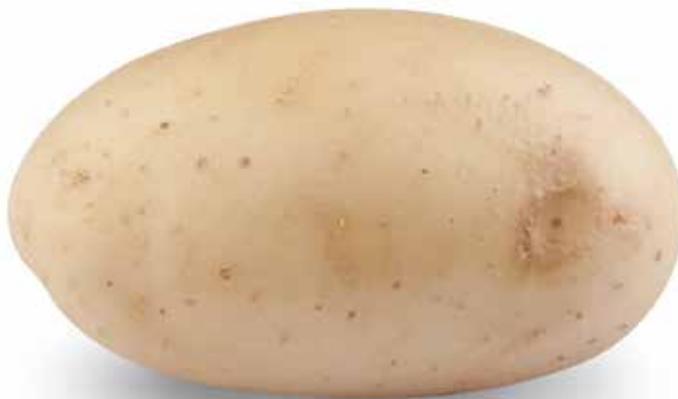
Corporate social responsibility

HZPC is at home across the world, among people. Our organisation and employees are very much part of society. We believe in human values, society, communities and the environment. Our seed potatoes are grown as sustainable as possible. HZPC develops varieties that offer high yields for growers in a wide range of climatic conditions.

Good work environment

HZPC's varieties are strong and resistant to many diseases. We try to keep the use of crop protection agents to a minimum, thus reducing the burden on the environment. Also, in comparison to other crops, potatoes require relatively little water.

HZPC also places great importance on good and healthy employment conditions. We do our best to combat child labour throughout the entire potato chain.



Sababa has the ultimate yield in the traditional markets.

We develop potato varieties that:



Offer the highest possible yields



Can cope with tricky climatic conditions



Use little water



Can cope with salt water



Are resistant to a range of diseases



Need the lowest possible levels of crop protection agents



Can be stored easily



Taste good

For our (seed) potato growers, both large and small, we aim for:



Good harvests



Competitive prices

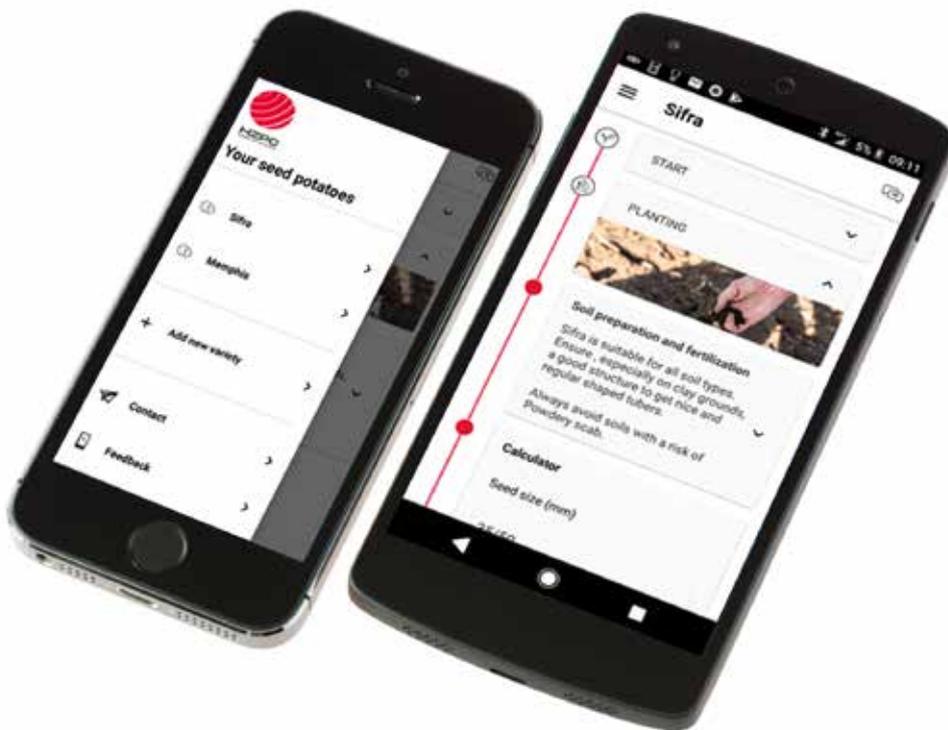


Effective collaborations

App and video for growers in developing countries

HZPC supports its growers across the globe. Even smaller growers in countries such as Africa and Asia benefit from partnerships. Over the past year, HZPC has developed an app that they can consult.

This allows us to share expertise which can also help smaller growers to increase their yields. The app offers practical information and advice, such as explaining the best times for planting, and noting which varieties are suitable for particular soils. Advice is also provided about fertilisation, crop protection agents and irrigation.



Caring for the population, even in war zones

The social responsibilities for food producers such as HZPC must be taken very seriously. CEO Gerard Backx: 'Potatoes are a staple. That is why we supply areas that are politically unstable or even countries that are at war. We also like to do our bit to keep agriculture on the right track.'

HZPC would also like to make a difference in Cuba, Iran, Sudan and Syria. This is a social drive, according to Backx. 'It is certainly a challenge because pressure is often brought to bear on us, or we have to take financial risks. However, we are happy to take this responsibility seriously. After all, even in countries which are at war, people have to live their lives. And they need food.'

Proud of our people: empowerment

HZPC Keeps you growing. This also applies to our employees. They are given freedom and opportunities and are always encouraged to develop. The HZPC Academy is an online learning platform which can be accessed freely. Lesson materials can also be obtained via this platform.

There are combinations of online learning and individual or group courses. Empowerment means that every individual can take control of their own development. In order to expand this sense of empowerment, the 'House of workability' was introduced this year.

This is a consultation method which enables each employee to draft a plan which focuses on his/her employability both now and in the future.

Empowerment within HZPC is also clear in the opportunities which are offered to all.

We believe that initiative and entrepreneurship is most effectively developed if people are able to manage their own roles. A clear pathway is one of the prerequisites. A great deal of energy is therefore expended on developing and communicating strategies and creating collective goals.

The numbers of employees have grown in line with business activities. This increase is expected to keep pace with the growth of the organisation as a whole.

HRM



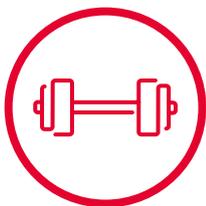
Innovation



High degree of
R&D



Personal
development



Empowerment

Our organisation



362 FTE



International
spectrum



Substantial education/
development budget

See the new website
werkenbijhzpc.nl

05 – Sharing knowledge and serving solutions

I INNOVATION

HZPC invests in ongoing plant breeding and developing the best potato varieties. This is vital in order to create new and distinctive varieties and to exploit new breeding techniques. A quarter of our organisation focuses on research & development.



Robust varieties

Over the past year, we have taken significant steps forward in the field of breeding. Our young varieties are becoming more productive and robust. HZPC is increasingly figuring out how to make its varieties more resistant to diseases, from nematodes to late blight.

Thanks to this progress, the use of crop protection agents has been further reduced. We share our growers' concerns that aphids and storage disorders are harder to manage. HZPC stimulates research into new control methods, as well as improving varieties with respect to virus and fusarium sensitivity, for example.

The Alcander and Alverstone Russet varieties broke through the 100-hectare barrier in European acreage this year. In terms of our company's growth, this is an important parameter; we aim to break through this barrier with at least one variety per year.

Centre of expertise

The building plans for our centre of expertise in Metslawier have been finalised. Construction will soon begin. This also means that the central point for our R&D work will remain in the Netherlands.

Molecular markers

Many of our research projects are very long-term. In the process of our research, it is important to apply molecular markers as these allow us to select plants, at an early stage, on the basis of a range of features. We are able to analyse DNA effectively, efficiently and using automated methods.

Robert Graveland, Director R&D: 'As a result of breeding, HZPC has successfully grown potato varieties with a high degree of disease resistance. We continuously aim to develop varieties with an even higher yield for the entire potato chain, from growers to consumers. Furthermore, we focus on improving the ecological qualities of our varieties, such as efficient water use and nutritional value.'

Innovative methods

HZPC also expects great things from mutating potatoes using a *gene editing* process, within the regular breeding norms. This innovation offers huge benefits. Thanks to this technique, progress can be realised much more rapidly than with breeding, particularly in the area of disease resistance. Unfortunately, Europe has implemented restrictive legislation in relation to this, meaning we must therefore test and market the relevant products outside of European borders.

Hybrid potatoes

There is a promising future for growing hybrid potato varieties. HZPC is making huge strides with this technique. In Tanzania, HZPC has trial fields where seed potatoes are tested directly from seed. In 2021, we expect to create a prototype, which we will be able to market from 2025.

'HZPC is succeeding in creating more robust varieties that are resistant to diseases'

Robert Graveland, Director R&D

Resistance to nematodes



The Allison variety is a new product of breeding by HZPC, with a high yield and a broad resistance to nematodes.

Breakthrough in fight against nematodes

Nematodes are a huge problem in potato growing. These small parasites can cause serious damage to a field of potatoes and the harvest yields. If you are to grow seed potatoes, your land must be free of nematodes. Varieties with broad resistance, which clean up nematodes or prevent them taking hold, are the main focus of our breeding programme. The Innovator variety has been available for twenty years and Allison is an example of a high-yield variety with broad nematode resistance.

In the interests of its growers, seven years ago HZPC started this research programme, which is now showing very positive results. A significant proportion of the varieties that are now being bred are resistant to nematodes. HZPC is also currently testing a fries variety that is completely protected against the nematode *Meloidogyne chitwoodi*.

Birth of a tropical potato

A potato plant that is resistant to warm, humid weather? That's precisely what the residents of South-east Asia desperately need. HZPC has introduced a new phytophthora-resistant potato variety. Zarina is suitable for the fresh market and the HZA09-1496 is a candidate for the crisps market too. The potato has a good yield and is resistant to tropical conditions.

In the special research programme, HZPC works with the potato institute Centro Internacional de la Papa (CIP) in Lima, Peru.

'We work with crosses and combine genetics', explains Robert Graveland, Director R&D. The breeding programme is very promising.

'We have succeeded in selecting specific clones, which perform really well under extreme, tropical weather conditions. They are marketed in countries including South China, Indonesia and Vietnam.'



06 – We see potential

THE VERSATILE POTATO

At HZPC, there is a huge focus on product development. We expend a lot of energy on the introduction of our varieties, with knowledge about the international markets and well thought out marketing. We promote the potato as a fantastic source of vitamins. It is coming decades, it will be a huge challenge to ensure the potato is allocated a more prominent place on menus.

'We want to position potatoes as *'personal life food'* for the consumer'

Herman Verveld, Director
Strategic Business Development Area



The new variety La Vie is a luxury potato developed for flavour, which has been well-received in the market.

Fries and crisps

Across the world, convenience food is booming. The number of fast-food restaurants in India and China is growing incredibly quickly. It is almost impossible to fulfil the demand from the processing industry for potatoes for fries and crisps. HZPC supplies the best varieties in this sector.

Multi-coloured 'creamers'

HZPC also likes to capitalise on trends within the food sector. In North America, we identified a rapidly changing consumer market a few years ago, with a substantial focus on Millennials and Generation Z. The strong, trendy food-service sales channel is of huge importance.

'Personal life food'

Food-pairing is an important development in this context. Herman Verveld, Director of the Strategic Business Development Area explains: 'Potatoes are often regarded as a bulk product but we want to position them as 'personal life food' or 'tailor-made food' with respect to the customer. We want to pair potatoes with other meals that match your lifestyle or personal diet.'

You have to set yourself apart in the North American market, This is realised by means of health (nutritional value), enjoyment (flavour), variation, convenience and pleasure. HZPC is introducing new packaging and coming up with contemporary applications for potatoes in meals. Specialities, such as 'creamers' and coloured potatoes are popular examples.



HZPC's creamers



Fries4All with brand Leon&León

People love fries but they also want to eat healthily. HZPC is capitalising on this trend with Fries4All. As a result of the drought in Europe, the large-scale introduction was delayed last year. The new harvest of potatoes is currently growing so the scenario for introduction in the coming season is looking good. It will all be kicked-off by a restaurant chain in North America and will then be followed up in Europe.

- Healthier French fries
- 30% reduction in calories
- 40% reduction in carbohydrates
- 30% reduction in fat
- Prepared via air-frying technique
- Suitable for 'at home' as well as 'out of home' consumption

Woksi

The new potato meal Woksi, developed by HZPC with Kiremko, capitalises on the needs of the modern consumer. In line with planning, the 'potato pasta' will be sold by multiple companies throughout Europe from 2020.

- Nice, healthy, easy, fun, varied
- Alternative for pasta, rice and noodles
- Can be prepared in a wok or used in cold salads



Potato strings



HZPC AT A GLANCE



127 million market value
348 million net turnover
243 million turnover in Europe
105 million turnover outside Europe



19 locations
>90 export countries



±362 employees



30% female

70% male

Quick-growing varieties



±150 varieties

800 seed (potato) growers worldwide

>800k tons seed potatoes sales and licence

22k ha seed potatoes worldwide



LA VIE



ALVERSTONE
RUSSET



SABABA



**WHERE SOME MIGHT
SEE A POTATO,
WE SEE A WORLD
OF POSSIBILITIES**

CORPORATE GOVERNANCE & PERSON DETAILS

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

The Executive Board informs the Supervisory Board about operations, consults with the Supervisory Board on all important issues, and presents important decisions to the Supervisory Board for approval. The Strategic Business Area Europe, the Strategic Business Development Area, STET Holland, IPR and HZPC Research & Development are managed by the Executive Committee.

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

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

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

The general members' meeting of the 'Vereniging HZPC' elects and nominates the Board. The management of the Association requires approval of the members for a number of decisions taken.

Personal details of the management structure as of 30 June 2019

Supervisory Board

M.J. Ubbens, Chairman, Groningen
C.J. Biemond, Godlinze
I. Frolova, Utrecht
M. Kester, Bussum
W. Sinnema, Sneek

HZPC Holding B.V.

Executive Board

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

Executive Committee

G.F.J. Backx, Chief Executive Officer
L. Escalon, Director SBA Europe B.V.
R.P. Graveland, Director HZPC Research
B.V. and IPR B.V.
P.C. Ton, Director STET Holland B.V.
H. Verveld, Director SBDA B.V.
J.L. van Vilsteren, Chief Financial Officer

Participating interests

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

HZPC SBA Europe B.V.

Director

L. Escalon, Director

Management of participations

HZPC Deutschland GmbH – R. Möller
HZPC France SAS – C. Gauchet
HZPC Holland B.V. – L. Escalon
Bonna Terra B.V. – L. Escalon
HZPC Kantaperuna OY – M. Kauppinen
HZPC Patatas España S.L. – J. Luis Marti
HZPC Polska Sp. z.o.o. – T. Jardzioch
HZPC Portugal Lda – P. Simoes
HZPC Sadokas Oy – P. Bemelmans
HZPC UK Ltd. – C.R. Baker
ZOS B.V. – R. Woudwijk

HZPC Holland B.V. Works Council

G. Bloembergen, Chairman, Groningen
L. Gommers, secretaris, Espel
B. Borkhuis, Marum
W. Meijer, Gytsjerk
E. Meinsma, Leeuwarden
T. van der Wal, Franeker

HZPC SBDA B.V.

Director

H. Verveld, Director

Management of participations

Solentum B.V., E. Bakker
HZPC América Latina S.A., I. Ramallo
HZPC Americas Corp., F.M. Koops
HZPC Limited, H. Verveld
HZPC China Limited, H. Verveld

STET HOLLAND B.V.

Director

P.C. Ton, Director

Management of participations

STET Potato UK, P. Hewett
STET France Arl., T. Rondeaux
STET Russia AO., P.C. Ton, S. Voychik

The company has not set a specific goal to appoint women to Board roles or other positions. It does, however, aim to realise greater diversity in this context.

A ROBUST BUSINESS

HZPC Holding is a stable and well-managed company. Over the past financial year 2018/2019, the organisation has performed exceptionally well. Even though large parts of Europe faced extreme drought and the volume of seed potatoes was lower than expected, record financial turnover and highly satisfying results were realised.

The Supervisory Board accepts that HZPC is a business which trades in a specific agricultural product. Turnover and profits can vary from year to year. The results over the past year are in line with the forecasts and long-term goals. It must be noted that operational processes are functioning effectively. This is a robust, well-managed business, with a well thought out strategy which exudes reliability.

Supervisory Board activities

The Supervisory Board is in charge of supervising and advising the Executive Board in determining and achieving the company's strategy, policies and objectives. It also takes the role of employer and sets the remuneration levels for the Executive Board.

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

Meetings

During financial year 2018/2019, the Supervisory Board has met six times. The meetings took place either fully or partially with the Executive Board. The chairman of the Supervisory Board and the CEO prepared the meetings. The agenda items for the various meetings are placed on the agenda on the initiative of the Supervisory Board or on the initiative of the Executive Board.

The Supervisory Board is confident that all members made adequate time available to give

sufficient attention to HZPC Holding. A member of the Supervisory Board missed part of one meeting due to external circumstances. One member was absent for one other meeting. This did not delay the progress of the discussions and decision making.

Aside from regular meetings, the Supervisory Board also makes informal visits to the company every now and then. The Board is thus able to gain a good overview of the organisation. The Board was able to ascertain that HZPC has a very international team of employees and operates within an open and pleasant atmosphere.

Financiële resultaten

In 2018/2019 HZPC Holding succeeded in realising record turnover of EUR 347.9 million and a great operating profit of EUR 13.7 million. This can be regarded as an exceptional achievement and even more so, when you consider that volumes of seed potatoes were low as a result of a dry growing season, particularly in Europe.

The Supervisory Board proposed paying out a dividend of EUR 6.1 million to the shareholders on

the recommendation of the Executive Board. This means EUR 7.75 for each share certificate. This is consistent with the company's aim to provide a stable percentage of profit.

Investments in R&D

HZPC is an interesting, innovative company with a great deal of know-how, which provides a huge contribution to the provision of food across the globe. The excellent performance justifies HZPC's substantial investments in research and development. In the near future, the previously approved, extensive modernisation programme for the centre of expertise will begin in Metslawier.

HZPC is active in new markets, such as India. It is a challenging strategy. The Supervisory Board has worked hard on monitoring the development of the joint venture Mahindra-HZPC in India, which had to face challenging circumstances for the second year in a row and, as a result, made a loss. The board shares the confidence of the Executive Board but continues to critically assess where the boundaries lie in terms of responsible investments.

Inspections

The Supervisory Board felt sufficiently well-informed over the past year regarding general management, risk-management, accountancy audits and the internal control systems within the business.

KPMG Accountants, HZPC Holding's external auditor, reported in depth to the Supervisory Board on the agreed scope of the audit and the outcome. HZPC Holding's financial statements, the annual report and accounts report from the external auditor were discussed with the auditor in the presence of the CEO and CFO. The Executive Board also shared the management letter with the Supervisory Board.

The accountant audited the financial statement for 2018/2019 and issued an unqualified audit opinion.

Supervisory Board evaluation

The Supervisory Board changed the composition of its members after the departure of E. Kraaijenzank last year. The Board would like to express its appreciation for his constructive and professional support. He will be succeeded by Mrs I. Frolova. The Board is delighted to welcome a female member. Mrs Frolova is a well-regarded financial expert with an excellent track-record and a great deal of international experience.

In the interests of transparent corporate governance, the Supervisory Board took the time, over the course of the last financial year, to assess its own effectiveness. During this evaluation, in my role of chairman, I interviewed all members of the Supervisory Board and the Executive Board.

The most important conclusion to be drawn from this assessment is that HZPC operates with an open and constructive communication process between the Executive Team and the Supervisory Board. The Board is kept up-to-date with prompt and accurate information on important developments within the business. This takes place on a requested and also ad hoc basis. The CEO functions as a genuine go-between for the organisation and the Supervisory Board. The evaluation's findings were also positive. It has been agreed that this process will be repeated with a degree of regularity.

The Supervisory Board would like to thank all of the HZPC employees for their efforts over the past year. The employees are the most important asset for a robust business.

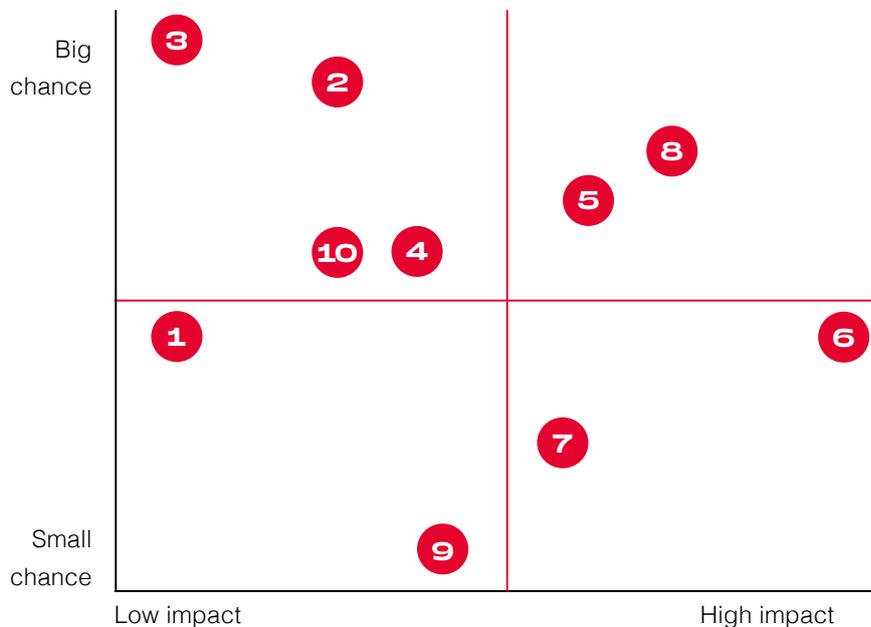
Joure, 3 October 2019

On behalf of the Supervisory Board,
Meerten Ubbens, Chairman

RISK MANAGEMENT

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

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



Risk matrix

The following specific risks arose over the last year:

1 - Economic risk

From an economic perspective, the global situation is similar to last year, which has made a neutral contribution to results.

2 - Political unrest

The level of political unrest has remained largely the same but specific political decisions have had a negative impact on sales.

In the past year, we have had no significant supply delays as a result of political risk. Export opportunities to Russia were further limited. Our international distribution has mitigated these risks.

3 - Currency fluctuations

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

4 - Talent management

The growth which is forecast makes the necessity of attracting talent a matter for attention. Work on the image and communications of HZPC Holding is taking place to assist in this. Despite the squeeze on labour market conditions, we have been reasonably successful in attracting the right talent.

5 - Protection products

As certain crop protection products can no longer be used, the challenge for growers increases in relation to the cultivation and storage of seed potatoes. This issue will almost certainly become even more challenging in the coming years. This risk is managed by alternative measures and guidance. A great deal of work is also going into introducing varieties to the market that reduce the use of crop protection agents.

6 - Provision of information

Provision of information and protection: growth and further digitisation have increased the dependence on IT systems. Steps are being taken towards a new, integrated system with an adequate infrastructure and back-up facilities. In addition, we are working on the replacement of the system and better security of the infrastructure. This is being tested by means of pentests and employee training.

Risks that are always present are not specific to this reporting year. However, the implementation of a new ERP system will correspond to additional risks in the coming year. Rigid project management and external quality control will help to keep the business risks to an absolute minimum. These risks shall probably relate to a loss of turnover and margin, and a lower service level.

7 - Seed potato diseases

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

8 - International commercial operations

Our operating profit is subject to credit risks. The financial position of the various buyers in politically unstable areas has definitely not become any less difficult or any easier to assess. For the coming period, a credit risk will continue to apply. However, this is no different than in other years. This remains a high risk, which could also have a serious impact. We are noticing, particularly in the overseas markets, that it is taking longer to be paid.

Where possible we have taken the following mitigating measures to counter this.

- We regularly use safeguards such as advance payments, LCs and bank guarantees.
- Credit limits are actively monitored throughout the season.
- New deliveries for the new season are rarely permitted until debts from the previous season have been paid.

9 - Complying with laws and regulations

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

10 - Substitution risk

There is a chance that substitute products may be developed, such as competing varieties or the production of earlier and/or better potatoes from seed, but it does not represent a high risk in the short term.

RESULTS, INVESTMENTS, FINANCES

Results

Turnover of EUR 347.9 million was recorded in the past year. The gross margin of the organisation increased to EUR 62.3 million. Net profit before taxes amounts to EUR 13.5 million, the result after taxes amounts to EUR 9.3 million.

Investments

Together with our joint venture partner, we have provided Mahindra-HZPC with additional capital this year to finance growth. We have also invested in the modernisation of our Enterprise Resource Planning (ERP) infrastructure. These investments took place alongside our annual investments in ICT and R&D. Our invested capital at the end of the financial year 2018/2019 was EUR 35.8 million, an increase of EUR 2.3 million compared to the last accounting year.

Financing

Financing and the financing structure have not been affected by any changes this year. The business has only expanded the facility with the bank in order to finance the growing need for working capital. The organisation refinanced and expanded the credit facility to EUR 70 million in accounting year 2019/2020. The solvency of the business has risen from 40.2 percent in 2017/2018 to 41.4 percent in 2018/2019. The current ratio was 1.2 and the quick ratio also came out at 1.2.

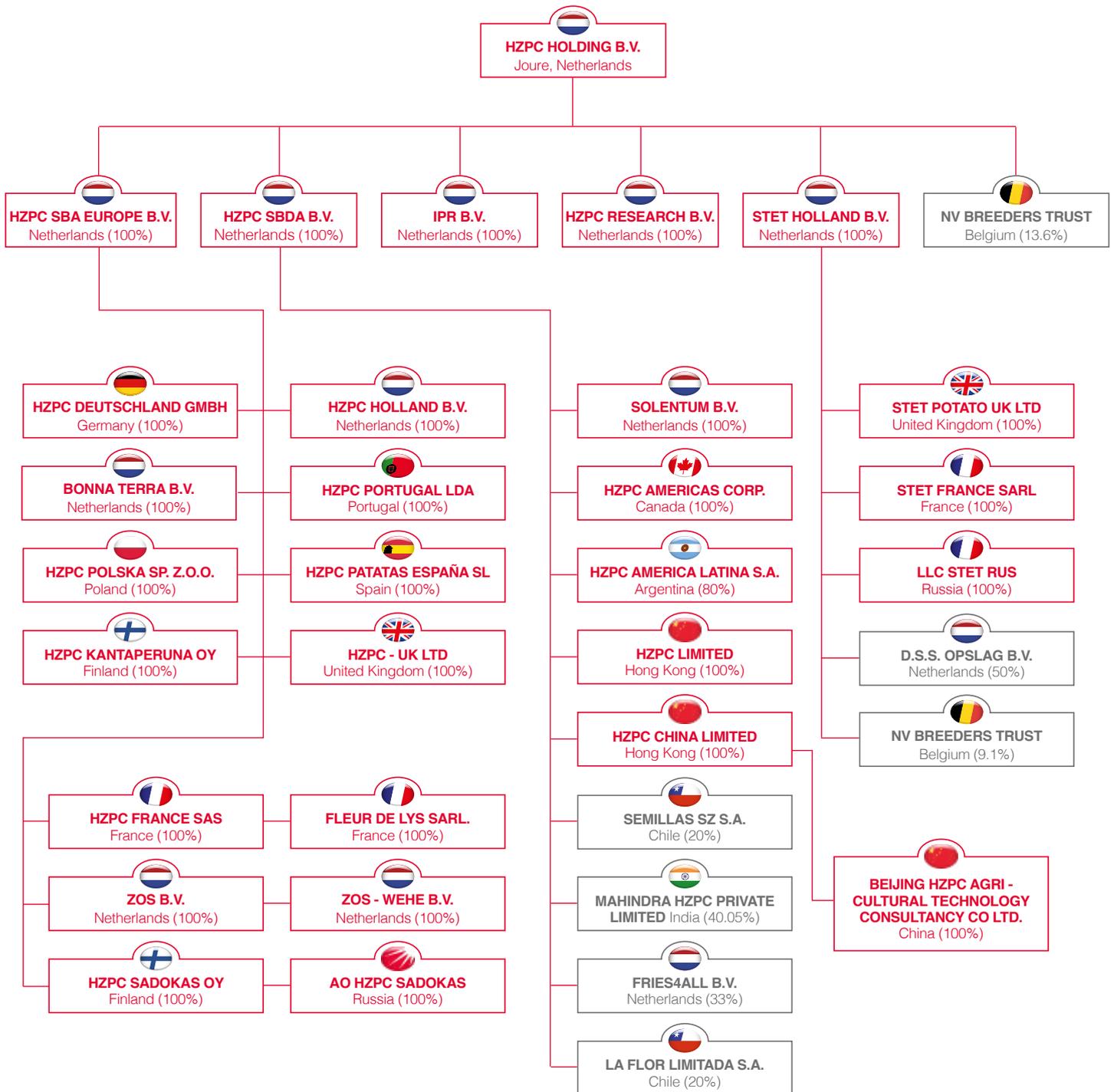
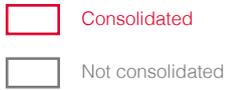
THE DEPOSITARY RECEIPT FOR SHARES

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

Twice every financial year, in November and May, the Association organises a stock exchange trading day. The Association was the stockholder and ING Bank was the market supervisor for the stock exchange trading day in November 2018 and May 2019. ING also provides the administration for the certificates.

The certificate holders were informed about the business by means of letters and media messages. In addition, Dutch certificate holders receive the company's client magazine 'Ruggespraak'.

	2014/15	2015/16	2016/17	2017/18	2018/19
Profit per share certificate (x EUR 1)	€ 5.73	€ 8.93	€ 10.82	€ 6.00	€ 11.93
Dividend per share certificate (x EUR 1)	€ 3.75	€ 5.75	€ 7.00	€ 4.00	€ 7.75
Dividend as % of the net result	65%	64%	65%	67%	65%
Price as of 30 June (x EUR 1)	€ 113.15	€ 136.90	€ 165.65	€ 200.00	€ 162.00
Return on shares (x EUR 1)	€ 23.40	€ 23.75	€ 35.75	€ 38.35	-€ 30.25
Total shareholders return in % (as of 30 June of the previous year)	25.00%	21.00%	26.11%	23.15%	-15.13%





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CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2019

(AFTER PROFIT APPROPRIATION)

ASSETS	notes	30-06-2019	30-06-2018
<i>(in EUR x 1,000)</i>			
FIXED ASSETS			
Intangible fixed assets	1		
Research and development costs		7,504	3,592
Goodwill		498	983
Concessions, licences and intellectual property		2,181	2,727
		10,183	7,302
Tangible fixed assets	2		
Company buildings and land		14,824	15,544
Plant and equipment		6,048	5,455
Other fixed operating assets		643	850
Operating assets under construction		395	272
		21,910	22,121
Financial fixed assets	3		
Participating interests		1,207	1,322
Receivables from Association HZPC		137	249
Other securities		25	25
Deferred tax assets		1,972	2,050
Other receivables		374	409
		3,715	4,055
TOTAL FIXED ASSETS		35,808	33,478
CURRENT ASSETS			
Inventories	4	2,012	2,163
Trade and other receivables			
Trade receivables	5	41,093	44,013
Accounts receivables from participating interests	6	189	91
Taxes, contributions and social insurance	7	6,788	5,903
Other receivables and accrued income	8	13,082	14,238
		61,152	64,245
Cash and cash equivalents	9	30,403	25,232
TOTAL CURRENT ASSETS		93,567	91,640
TOTAL ASSETS		129,375	125,118

CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2019

(AFTER PROFIT APPROPRIATION)

LIABILITIES	notes	30-06-2019	30-06-2018
<i>(in EUR x 1,000)</i>			
GROUP EQUITY	10		
Shareholders' equity		53,550	50,278
Provisions	11		
Pensions		164	149
Other provisions		423	402
		587	551
Current liabilities			
Debts to credit institutions	12	35,282	35,246
Accounts payable to suppliers		16,381	15,113
Payables to participating interests and companies in which there is a participation		300	295
Taxes, contributions and social insurances	13	2,238	1,711
Dividend to be paid		6,074	3,135
Other debts and accrued liabilities	14	14,963	18,789
		75,238	74,289
TOTAL LIABILITIES		129,375	125,118

CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE YEAR 2018/2019

	notes	2018 / 2019	2017 / 2018
<i>(in EUR x 1,000)</i>			
Net turnover	15	347,864	300,285
Other operating income	16	2,431	3,103
Total operating income		350,295	303,388
Cost of raw materials and other consumables and outsourced work		257,772	212,368
Freight cost		21,875	26,834
Packaging		8,316	8,919
Wages and salaries	17	20,187	18,176
Social security costs and pension costs	17	5,880	5,894
Amortisation and depreciation of intangible fixed assets		1,102	1,321
Amortisation and depreciation of tangible fixed assets		3,185	3,226
Other operating costs	18	18,303	19,190
Total operating expenses		336,620	295,928
Operating result		13,675	7,460
Interest receivable and similar income	19	1,962	839
Interest payable and similar charges	20	-2,142	-888
		-180	-49
Result before tax		13,495	7,411
Tax on result	21	-3,415	-1,672
Share of result from participating interests		-727	-1,033
		-4,142	-2,705
Net result		9,353	4,706
Total of direct changes in shareholders' equity of the company		-7	-545
Overall result of the legal entity		9,346	4,161

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR 2018/2019

	notes	2018 / 2019	2017 / 2018
<i>(in EUR x 1,000)</i>			
Operating result		13,675	7,460
Adjusted for:			
Depreciation/amortisation	1,2	4,287	4,547
Changes in provisions	11	36	-141
Changes in working capital		-850	677
Cash flows from business operations		17,148	12,543
Interest received	19	1,962	839
Dividend received		104	17
Interest paid	20	-2,067	-831
Income tax paid/received	21	-1,255	-3,451
Cash flow from operating activities		15,892	9,117
Investments in:			
Intangible fixed assets	1,2	-3,522	-3,250
Financial fixed assets	3	-	-402
Investments in existing participations	3	-770	-152
Tangible fixed assets	2	-3,347	-2,927
Disposals of tangible fixed assets	2	373	227
Cash flow from investing activities		-7,266	-6,454
Financing activities			
Dividend paid		-3,135	-5,486
Cash flow from financing activities		-3,135	-5,486
Net cash flow		5,491	-2,823
Currency and exchange rate differences		-320	-406
Changes in cash and cash equivalents		5,171	-3,229
Cash and cash equivalents at the beginning of the year	9	25,232	28,461
Changes in cash and cash equivalents	9	5,171	-3,229
Cash and cash equivalents at the end of the year	9	30,403	25,232

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT 2018/2019

Reporting entity and relationship with parent company

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

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

The associated growers deliver the seed potatoes they have grown to the company and receive a payment for this. The company is bound to purchasing the harvest produced by the grower and receives a fee for this. Seed potatoes are grown by a pool-mechanism; in addition, separate agreements are made with growers.

Financial reporting period

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

Basis of preparation

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

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

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

Going concern

The financial statements have been prepared on the basis of the going concern, given the positive results and the positive equity.

The organisation also refinanced and expanded the credit facility to EUR 70 million in accounting year 2019-2020.

ACCOUNTING POLICIES FOR THE MEASUREMENT OF ASSETS AND LIABILITIES AND THE DETERMINATION OF THE RESULT

General

Unless stated otherwise, assets and liabilities are shown at nominal value. An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognised in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

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

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

Revenues and expenses are allocated to the period to which they relate. Revenues are recorded when the company has transferred the significant risks and rewards of ownership of the seed potatoes and ware potatoes to the buyer. Licences are considered as income when third parties have exercised the right of use of the company's assets.

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

Use of estimates

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

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

Consolidation principles

The consolidated financial statements include the financial data of the company, its group companies and other companies over which the company can exercise control or over which there is central management. Group companies are participating interests in which the company has a majority interest, or over which another policy-determining influence can be exercised.

In assessing whether a controlling interest exists, potential voting rights that are currently exercisable are taken into account.

For an overview of the consolidated group companies, please refer to page 48.

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

Explanatory notes to the consolidation principles

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

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

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

PARTICIPATING INTERESTS (DIRECT AND INDIRECT) AS OF 30 JUNE 2019

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

HZPC SBA Europe B.V. with its participations:

Interest:

Consolidated:

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

HZPC SBDA B.V. with its participations:

Consolidated:

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

Not consolidated:

• Semillas SZ S.A., in Santiago, Chile	20%
• La Flor Limitada S.A., in Santiago, Chile	20%
• Mahindra HZPC Ltd., in Chandigarh, India	40.05%
• Fries4all B.V., in Joure, the Netherlands	33%

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

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

Stet Holland B.V. with its participations:

Consolidated:

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

Not consolidated:

• D.S.S. Opslag B.V., in Dronten, the Netherlands	50%
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N.V. Breeders Trust, in Brussels, Belgium (not consolidated) 22.7%

PRINCIPLES FOR THE TRANSLATION OF FOREIGN CURRENCIES

Transactions in foreign currencies

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

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

Foreign operations

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

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

Developments of most important foreign exchange currencies

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

EUR 1 vs. foreign currency	rate 30-6-2019	average exchange rate	rate 30-06-2018
Canadian Dollar	1.490	1.511	1.530
British Pound	0.900	0.882	0.880
Polish Zloty	4.240	4.296	4.370
American Dollar	1.140	1.141	1.170
South-African Rand	16.010	16.201	16.040

Financial instruments

Financial instruments include investments in shares and bonds, trade and other receivables, cash items, loans and other financing commitments, derivative financial instruments (derivatives), trade payables and other amounts payable. These financial statements contain the following financial instruments: financial instruments held for trading (financial assets and liabilities), purchased loans and bonds, receivables (both purchased and issued), investments and equity instruments, other financial liabilities and derivatives.

Financial and non-financial contracts may contain terms and conditions that meet the definition of derivative financial instruments. Such an agreement is separated from the host contract if its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms and conditions as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value with changes in fair value recognised in the profit and loss account.

Financial instruments embedded in contracts that are not separated from the host contract are recognised in accordance with the host contract.

Derivatives separated from the host contract are, in accordance with the measurement policy for derivatives for which no cost price hedge accounting is applied, measured at cost or lower fair value.

Financial instruments are initially recorded at fair value, including discount or premium and directly attributable transaction costs. However, if financial instruments are subsequently measured at fair value through fair value adjustments in the profit and loss account, then directly attributable transaction costs are directly recorded in the profit and loss account upon initial valuation.

After initial recognition, financial instruments are valued in the manner described below.

Financial instruments held for trading

If the company has acquired or is contracted to acquire financial instruments for the purpose of selling the instrument in the short term, it forms part of the trading book and after initial recognition, is valued at fair value and changes in the fair value are recorded in the profit and loss account.

Loans granted and other receivables

Loans and other receivables are valued at amortised cost after initial recognition on the basis of the effective interest method, less impairment losses.

Current liabilities and other financial obligations

Long-term and current liabilities and other financial obligations are carried at amortised cost on the basis of the effective interest method.

The repayment obligations for the coming year with respect to long-term debts shall be included under short-term debts.

Hedge accounting for valuation of derivatives at cost

If the cost model for hedge accounting is applied, then no revaluation of the derivative instrument takes place, as long as the derivative hedges the specific risk of a future transaction that is expected to take place. As soon as the expected future transaction leads to recognition in the profit and loss account, then the profit or loss that is associated with the derivative is recognised in the profit and loss account.

If the hedged position of an expected future transaction leads to the recognition in the balance sheet of a non-financial asset or a non-financial liability, then the cost of the asset is adjusted by the hedge results that have not yet been recognised in the profit and loss account.

If forward exchange contracts are concluded to hedge monetary assets and liabilities in foreign currencies, cost hedge accounting is applied. This is done to ensure that the gains or losses arising from the translation of the monetary items recognised in the profit and loss account are offset by the changes in the value of forward exchange contracts arising from the difference between the spot rates as at inception of the contract and the spot rates as at the reporting date.

The difference between the spot rate at the inception of the contract and the forward rate is amortised via the profit and loss account over the term of the contract.

When a derivative expires or is sold, the accumulated profit or loss that has not yet been recognised in the profit and loss account prior to that time is included as a deferral in the

balance sheet until the hedged transactions take place. If the transactions are no longer expected to take place, then the accumulated profit or loss is transferred to the profit and loss account. If a derivative no longer meets the conditions for hedge accounting, but the financial instrument is not sold, then the hedge accounting is also terminated. Subsequent measurement of the derivative instrument is then at the lower of cost or market value.

Conditions for hedge accounting

The company documents its hedging relationships in generic hedging documentation and regularly checks the effectiveness of the hedging relationships by establishing whether the hedge is effective or that there is no over-hedging.

At each balance sheet date, the company assesses the degree of ineffectiveness of the combination of the hedge instrument and the hedged position (the hedging relationship). The degree of ineffectiveness of the hedging relationship is determined by comparing the critical features of the hedging instrument against the hedged position.

If the critical features, assessed in the context of the hedging relationship, are matching (matched) each other, there is (has been) no ineffectiveness. If the critical features, assessed in the context of the hedging relationship, are not matching (did not match) each other, there is (has been) ineffectiveness. In that case, the degree of ineffectiveness is determined by comparing the fair value change of the hedging instrument with the fair value change of the hedged position. If there is a cumulative loss on the hedging relationship over the period between initial recognition of the hedging instrument and the balance sheet date, the ineffectiveness (loss) is directly recognised in the profit and loss account.

Impairment of financial assets

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

Indicators for subjective evidence are also considered together with objective evidence of impairments, such as the disappearance of an active market because an entity's financial instruments are no longer publicly traded, a downgrade of an

entity's credit rating or a decline in the fair value of a financial asset below its cost or amortised cost.

Objective evidence that financial assets are subject to impairment includes non-compliance with payment obligations or payment default by a debtor, restructuring of an amount payable to the company under conditions that otherwise would not have been considered by the company, indications that a debtor or issuer is approaching bankruptcy, or the disappearance of an active market for a security.

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

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

Offsetting financial instruments

A financial asset and a financial liability are offset when the entity has a legally enforceable right to set off the financial asset and financial liability and the company has the firm intention to settle the balance on a net basis, or to settle the asset and the liability simultaneously.

If there is a transfer of a financial asset that does not qualify for de-recognition in the balance sheet, the transferred asset and the associated liability are not offset.

Intangible fixed assets

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

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

Goodwill

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

Goodwill paid upon the acquisition of foreign group companies and subsidiaries is converted at the exchange rates on the date of the transaction. The capitalized goodwill is amortised on a linear basis over an estimated economic useful life of five years. Internally generated goodwill is not activated.

Development costs

Development costs are capitalised to the extent that they relate to projects deemed commercially viable (software). The development of an intangible asset is deemed commercially viable if it is technically feasible to complete the asset, the company intends to complete the asset and then use it or sell it (including the availability of adequate technical, financial and other means of achieving this), the company has the ability to use or sell it actively, it is likely to generate future economic benefits and the expenditures during the development can be reliably determined.

Development costs are valued at production cost, less accumulated amortisation and impairment losses. The manufacturing price mainly comprises the employee's salary costs.

The capitalised costs are depreciated after the completion of the development phase (actively ready for commissioning) over the estimated useful life, which is three to seven years. Depreciation takes place according to the linear method. The costs for development and other costs for research have been fully charged to the result in the period in which they are incurred. For the part of the capitalised development costs not yet written off, a legal reserve is created.

Concessions, licences and intellectual property

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

Tangible fixed assets

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

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

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

Depreciation starts at the moment that an asset is available for the intended use and it ends at the time at which use is discontinued or its disposal.

The following depreciation percentages are applied:

- Company buildings: 4% - 20%
- Plant and equipment: 10% - 33.3%
- Other fixed operating assets: 10% - 33.3%

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

Financial fixed assets

Participating interests with significant influence

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

In assessing whether the company has significant influence over the business and financial policies of a participating interest, all facts and circumstances and contractual relationships, including potential voting rights, are taken into account.

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

The net asset value is calculated on the basis of the Company's accounting policies. If the participating legal entity transfers an asset or a liability to a participation that is valued according to the equity method, the profit or loss resulting from this transfer is recorded pro-rata on the basis of the relative interest that third parties have in the participations (proportional determination of results).

A loss that results from the transfer of current assets or a particular reduction in value of fixed assets is recorded completely. Results on transactions involving transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests are eliminated to the extent that these cannot be regarded as having been realised.

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

Participating interests with no significant influence

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

Other financial fixed assets

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

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

Impairments of fixed assets

For tangible and intangible fixed assets an assessment is made as of each balance sheet date as to whether there are indications that these assets are subject to impairment. If there are such indications, then the recoverable value of the asset is estimated. The recoverable value is the higher of the value in use and the net realisable value.

If it is not possible to determine the recoverable value of an individual asset, then the recoverable value of the cash flow generating unit to which the asset belongs is estimated.

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

In addition an assessment is made on each balance sheet date whether there is any indication that an impairment loss that was recorded in previous years has decreased. If there is such indication, then the recoverable value of the related asset (or cash flow generating unit) is estimated. Reversal of an impairment loss that was recorded in the past only takes place in the event of a change in the estimates used to determine the recoverable value since the recording of the last impairment loss. In such case, the carrying value of the asset (or cash flow generating unit) is increased up to the amount of the estimated recoverable value, but not higher than the carrying value that would have applied (after depreciation) if no impairment loss had been recorded in prior years for the asset (or cash flow generating unit).

An impairment loss for goodwill is not reversed in a subsequent period.

Contrary to what is stated before, at each reporting date the recoverable amount is assessed for the following assets (irrespective of whether there is any indicator of an impairment):

- intangible assets that have not been put into use yet;
- intangible assets that are amortised over a useful life of more than 20 years (counting from the moment of initial operation/use).

The recovery of an exceptional devaluation loss for a cash flow generating unit must be attributed to the book value of the assets, i.e. not goodwill, on a pro rata basis, based on the book value of the unit's assets.

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

Disposal of fixed assets

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

Inventories

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

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

The inventory of finished product and mini-tubers which have been grown by the Company itself, is valued at manufacturing price based on costs that are directly attributable to manufacturing. The main part of this is personnel expenses.

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

Receivables and securities

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

Cash and cash equivalents

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

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

Shareholders' equity

Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under shareholders' equity.

Payments to holders of these instruments are deducted from the shareholders' equity as part of the profit distribution.

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

Provisions

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

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

If all or part of the payments that are necessary to settle a provision are likely to be fully or partially compensated by a third party upon settlement of the provision, then the compensation amount is presented as a separate asset. Provisions are stated at the present value of the expenditures that are expected to be required to settle the liabilities and losses.

Pension provision and long service

A provision for pension and for long service is included for the obligations based on pension administration regulations or similar commitments. The long-service provision is the provision for future long-service awards. The provision is recognised for the present value of the future long-service awards, which is calculated on the basis of the commitments made, the likelihood of the staff concerned remaining with the Company, and their age.

See also the accounting principles wages and salaries and note 11 to the consolidated balance sheet.

Current liabilities

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

Revenue recognition

Sales of seed potatoes and ware potatoes

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenues from the sale of potatoes are recorded in the profit and loss account when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the payment due is probable, the associated costs and possible return of the potatoes can be estimated reliably, and there is no continuing involvement with the potatoes.

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

Rendering of services

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

Licences

Licences are paid when third parties have exercised the right to use the company's assets, such as varieties developed by the company. If the group acts on behalf of varieties developed by third parties, the net operating income is included after the deduction of the payments to these third parties as the Company does not bear the customer credit risk on these licences.

Turnover is recorded if the scope of the payment to be received can be reliably determined and the collection of it is probable.

Government grants

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

Costs of outsourced work and other external costs

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

Share in result of participating interests

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

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

Personnel expenses

Personnel remuneration is recorded as an expense in the profit and loss account in the period in which the services are provided and, to the extent not already paid, recorded as a liability on the balance sheet. If the amounts already paid exceed the compensation payable, the excess is recorded as a current asset to the extent that there will be reimbursed by the staff or by set-off against future payments by the Company. An expected compensation due to profit sharing and bonus payments are recognized when the obligation to pay that fee has arisen can be made on or before the balance sheet date and a reliable estimate of the liabilities.

For rewards with building rights, profit sharing and bonuses of the projected costs are taken into account during the service. A liability is recorded on the balance sheet date.

The recognised obligation relates to the best estimate of the amounts required to settle the obligation at the balance sheet date. The best estimate is based on contractual agreements with employees (collective bargaining agreements and individual employment contracts). Additions to and releases of liabilities are charged or credited to the profit and loss account.

Dutch Pension plans

The pension commitments are placed with a pension fund. The scheme is financed under the Dutch pension system via contributions to an industry pension fund.

The pension obligations are valued according to the 'obligation to the pension provider approach'. In this approach, the premium payable to the pension provider is accounted for as a liability in the profit and loss account. Based on the implementation agreement, it is assessed whether and, if so, what obligations exist in addition to the payment of the annual pension payable to the pension provider on the balance sheet date.

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

At the end of the financial year 2018/2019 there were no pension claims and no liabilities for the group in addition to the payment of the annual pension payable to the pension provider.

The accrual of pension entitlements is always financed by means of (as a minimum) cost-cutting premium payments in the relevant calendar year. The pension scheme is a middleman scheme for both active and inactive participants (deferred pensioners and pensioners) – conditional supplement. The supplement depends on the investment return.

The annual accrual of pension entitlements amounts to 1.875% of the pensionable salary based on the gross salary minus a franchise (EUR 13,785). The pensionable salary is maximised (at EUR 55,927). The annual premium payable to the employer amounts to 100% of the pensionable salary. The amount of the premium is determined annually by the board of the branch pension fund on the basis of coverage and expected returns. As of 30 June 2019, the coverage rate of the industry-funded pension fund concerned will be 93.8% according to the fund's statement. Based on the implementing regulation, the group has no obligation to meet additional contributions other than by higher future premiums in case of a shortfall in the fund.

Foreign pension plans

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

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

Leasing

The Company may enter into financial and operating leases. A lease contract where the risks and rewards associated with ownership of the leased property are transferred substantially or wholly to the lessee, is referred to as a financial lease. All other lease contracts are classified as operational leases.

In classifying leases, the economic reality of the transaction is decisive rather than its legal form. If the Company acts as lessee in an operating lease, then the leased property is not capitalised. Lease payments regarding operating leases are charged to the profit and loss account on a linear basis over the lease period. The Company has only operational lease agreements.

Interest income and charges

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

Corporate income tax

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

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

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

For taxable temporary differences, a provision for deferred tax liabilities is recognised.

For deductible temporary differences, available tax losses and unused tax credits, a deferred tax asset is recognised, but only to the extent that it is probable that future taxable profits will be available for set-off or compensation. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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

The measurement of deferred tax liabilities and deferred tax assets is based on the tax consequences following from the manner in which the Company expects, at the balance sheet date, to realise or settle its assets, provisions, debts and accrued liabilities. Deferred tax assets and liabilities are measured at nominal value.

Cash flow statement

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

Related parties

Transactions with related parties will be explained if these are not entered into under normal market conditions. The nature and scope of the transaction and other information will be provided for these transactions in order to provide further insights.

Subsequent events

Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are being prepared, are recognised in the financial statements.

Events that provide no information on the actual situation at the balance sheet date are not recognised in the financial statements. When those events are relevant for the economic decisions of users of the financial statements, the nature and the estimated financial effects of the events are disclosed in the financial statements.

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Intangible fixed assets

The composition and movement of intangible fixed assets in the financial year 2018/2019 is as follows:

	Research and development costs	Goodwill	Concessions, permits and intellectual properties	Total 2018 / 2019
Purchase value	4,442	5,002	3,817	13,261
Cumulative depreciation	-850	-4,019	-1,090	-5,959
Book value as per 1 July	3,592	983	2,727	7,302
Investments	3,983	-	-	3,983
Depreciation	-71	-485	-546	-1,102
Total	3,912	-485	-546	2,881
Purchase value	8,425	5,002	3,817	17,244
Cumulative depreciation	-921	-4,504	-1,636	-7,061
Book value as per 30 June	7,504	498	2,181	10,183

The investments entail the development of a new ERP system.

2. Tangible fixed assets

The changes per category for tangible fixed assets for the year 2018/2019 is as follows:

	Company buildings and land	Plant and equipment	Other fixed operating assets	Operating assets under construction	Total 2018 / 2019
Purchase value	39,001	24,785	3,436	272	67,399
Cumulative depreciation	-23,457	-19,330	-2,586	-	-45,278
Book value as per 1 July	15,544	5,455	850	272	22,121
Investments	329	2,674	221	123	3,347
Disposals	-67	-121	-185	-	-373
Depreciation	-982	-1,960	-243	-	-3,185
Balance	-720	593	-207	123	-211
Purchase value	39,263	27,338	3,472	395	70,468
Cumulative depreciation	-24,439	-21,290	-2,829	-	-48,558
Book value as per 30 June	14,824	6,048	643	395	21,910

3. Financial fixed assets

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

	Participating interests	Receivables from association HZPC	Other securities	Deferred tax assets	Other receivables	Total 2018 / 2019
Book value as per 1 July	1,322	249	25	2,050	409	4,055
Investments/increase	791	-	-	-	-	791
Result from participating interests	-747	-	-	-	-	-747
Impairments/repayments	-	-112	-	-78	-35	-225
Dividend received	-123	-	-	-	-	-123
Exchange rate fluctuations	-36	-	-	-	-	-36
Movements 2018/2019	-115	-112	-	-78	-35	-340
Book value as per 30 June	1,207	137	25	1,972	374	3,715

Participating interests

These are participating interests that are not consolidated due to minority interests. For a summary of the capital interests, you are referred to page 48.

Receivables from Vereniging HZPC (HZPC Association)

These receivables are fully related to Vereniging HZPC regarding loans to growers for purchasing certificates of Vereniging HZPC. The interest rate is 1%. The term of the loan is 5 years.

Other securities

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

Deferred taxes

The deferred taxes relates to deductible temporary differences including tangible fixed assets. Of these assets, a limited amount is expected to be realised within one year. The loss carry forward and deductible temporary differences not brought for valuation are EUR 620,000.

Other receivables

The other receivables relates to loans granted to staff for an amount of EUR 30,000 (2017/2018 EUR 24,000) with an average term of 5 years and an interest rate of 4%. This post also includes an interest cap to cover the interest risk on working capital financing up to EUR 15 million. The cap has a term of 10 years and an interest cap of 2%

4. Inventories	30-06-2019	30-06-2018
Packaging	1,120	1,233
Finished products	892	930
	<u>2,012</u>	<u>2,163</u>

The changes in finished products are included under costs of raw materials and consumables.

Trade and other receivables

5. Trade receivables	30-06-2019	30-06-2018
Amortized cost of outstanding receivables	52,334	55,583
Less: Allowance for doubtful debts	-11,241	-11,570
	<u>41,093</u>	<u>44,013</u>

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

6. Accounts receivables from participating interests

The amounts refer to participating interests with significant influence.

The remaining term is shorter than one year and free from interest.

7. Taxes, contributions and social insurances	30-06-2019	30-06-2018
Sales tax	6,674	5,173
Corporate income tax	96	714
Contributions and social securities	18	16
	<u>6,788</u>	<u>5,903</u>

8. Other receivables and accrued assets	30-06-2019	30-06-2018
Pension contributions	228	220
Licences to be claimed	4,683	5,711
Prepaid expenses	1,566	2,225
Health insurance premium	257	225
Government grants	2,053	1,398
Receivable on growers	3,100	2,118
Other amounts	1,195	2,341
	<u>13,082</u>	<u>14,238</u>

The other receivables contain no amounts with a term longer than one year.

9. Cash and cash equivalents	30-06-2019	30-06-2018
Cash	9	8
Bank account current	30,394	25,224
	<u>30,403</u>	<u>25,232</u>

The item bank current account is freely available like previous year.

10. Group equity

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

11. Provisions

Pensions

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

The composition and the course of the pensions in the financial year 2018/2019 are shown in the following overview:

	Total 2018 / 2019	Total 2017 / 2018
Status as of 1 July	149	284
Additions	25	14
Withdrawals	-10	-149
Status as of 30 June	164	149

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

Other provisions

The following overview shows the changes in 2018/2019:

	Total 2018 / 2019	Total 2017 / 2018
Status as of 1 July	402	408
Additions	22	69
Withdrawals	-1	-75
Status as of 30 June	423	402

The provision for long-service liabilities is calculated on the basis of a 4% discount rate and taking the expected turnover in personnel into account. Of this amount EUR 51,000 is short-term.

Current liabilities

12. Debts to credit institutions

Current account overdraft facility

The business has an overdraft facility with ING Bank N.V. and Deutsche Bank A.G. ING Bank N.V. has provided an overdraft facility on the current account. The current account overdraft facility with the ING Bank N.V. amounts to EUR 10 million as of 30 June 2019 and the Euribor interest plus 0.75%. Deutsche Bank A.G. has also provided an overdraft facility on the current account. The current account overdraft facility with the Deutsche Bank A.G. amounts to EUR 9.9 million as of 30 June 2019 and the Euribor interest plus 0.75%.

With respect to the current account overdraft facility with the ING B.V., the following collaterals have been provided in the form of:

- Access to joint account and co-liability agreement, issued by: IPR B.V., HZPC Research B.V., HZPC Holding B.V., HZPC Holland B.V., STET Holland B.V., ZOS B.V., ZOS Wehe B.V., SBA Europe B.V., SBDA B.V., HZPC France S.A.S. and HZPC Deutschland GmbH;
- Pledge of accounts receivable (first right of distraint) from: IPR B.V., HZPC Research B.V., HZPC Holding B.V., HZPC Holland B.V., and STET Holland B.V.

With respect to the current account overdraft facility with the Deutsche Bank A.G., the following collaterals have been provided in the form of:

- Mortgage collateral on real estate (of 20 million primary sum to be increased by 40% for interest and costs).

Covenants

The following covenants are linked to the credit facility:

- Solvency ratio
- Asset coverage ratio
- Turnover coverage ratio
- EBITDA coverage ratio
- Cross default

The business has agreed the following covenants with its banks:

	Solvency ratio ING	Solvency ratio Deutsche Bank	Asset coverage ratio ING	Turnover coverage ratio ING	EBITDA Coverage ratio ING	EBITDA Coverage ratio Deutsche Bank
For the duration	> 35%	> 35%	> 75%	> 75%	> 75%	> 70%
30 June 2019	> 35%	> 35%	> 75%	> 75%	> 75%	> 70%

The solvency ratio is defined for both the ING Bank B.V. and Deutsche Bank A.G. as follows: Corrected capital/corrected balance sheet total.

The asset coverage ratio is defined as follows: Assets from selected businesses (from the joint account)/consolidated assets.

The turnover coverage ratio is defined as follows: Turnover from selected businesses (from the joint account)/consolidated assets

The EBITDA coverage ratio is defined for the ING Bank B.V. as follows: EBITDA from selected businesses (from the joint account)/consolidated EBITDA.

The EBITDA coverage ratio is defined for the Deutsche Bank A.G. as follows: EBITDA from selected businesses (all Dutch co-debtors)/consolidated EBITDA.

At the end of the accounting period, the entity is in compliance with the covenants.

13. Taxes, contributions and social insurances

	2018 / 2019	2017 / 2018
Corporate income tax to be paid	1,048	170
Corporate sales tax to be paid	580	442
Payroll tax and social insurances	610	1,099
	2,238	1,711

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

14. Other debts and accrued liabilities

	2018 / 2019	2017 / 2018
Licenses to be paid	1,655	2,023
Wages and salaries to be paid	720	439
Pension contributions	354	356
Holiday allowances	1,406	1,292
Product related costs	5,136	5,566
Growers	882	4,854
Other amounts	4,810	4,259
	14,963	18,789

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

Financial instruments

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

Credit risk

The Company incurs credit risk on loans and receivables recorded under financial fixed assets, trade and other receivables and cash. The maximum credit risk facing the company amounted to EUR 51 million. Exposure to credit risk of the company is primarily determined by the individual characteristics of each customer. In addition, management also considers the demographics of the customer base, including the default risk of the country in which customers operate, because these factors, particularly in the current deteriorating economic conditions, have an influence on the credit risk.

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

- Safeguard measures such as advance payments, letters of credit and bank guarantees are used regularly;
- Credit limits are actively monitored throughout the season.
- New deliveries for the new season are rarely permitted until debts from the previous season have been paid.

Currency risk

As a result of international activities the company, by way of the receivables and debts recorded in the balance sheet, holds net investments in foreign companies and is exposed to a currency risk in relation to future foreign currency transactions in US Dollars/ Pounds Sterling/Polish Zloty and Canadian Dollars in particular. On June 30 2019 the net exposure was converted into EUR at the spot rate as of the balance sheet date as follows:

x 1.000	Rate EUR	ASSETS local currency	ASSETS in EUR	LIABILITIES lokale currency	LIABILITIES in EUR
USD	1.140	2,613	2,292	0	0
GBP	0.900	4,909	5,454	3,043	3,381
PLN	4.240	18,611	4,389	4,244	1,001
CAD	1.490	5,331	3,578	4,005	2,688
Total			15,713		7,070

Liquidity risk

The Company monitors its liquidity position through successive liquidity budgets. The management will ensure that sufficient liquidity is available to meet the obligations. The business runs liquidity risks with respect to the interest on the credit facility. An interest cap has been implemented to cover the interest risk on the credit facility. The conditions of hedge accounting are fulfilled, whereby the hedge relationship is processed in accordance with the rules of cost price hedge accounting. For the securities provided, we refer you to 'Credit facilities' on page 62.

Interest risk

The Company incurs interest on interest bearing assets and liabilities. Both of these receivables and payables have agreed on a floating rate interest rate agreements, thereby running the risk of doing business in respect of future cash flows. In order to limit the interest risk on the credit facility, a interest cap has been agreed as a mitigating measure.

Off-balance sheet assets and liabilities

These include:

- Obligations under operating leases and rent for an amount of EUR 1.4 million. Of this amount, EUR 0.6 million has a term of less than one year. The remaining amount concerns an obligation for less than five years. The remaining amount concerns an obligation for less than 5 years. The debt for rental and lease in accounting year 2018/2019 amounted to EUR 0.9 million.
- To hedge commercial transactions in ware potatoes for the coming harvest, HZPC Holland B.V. uses potato futures for the account and risk of the growers. These positions are valued daily at cost price or lower market value. Any results on the year end outstanding positions are recorded in the year to which the harvest relates. The unrealized exchange gain on the balance sheet date at the expense and risk of the growers amounts to EUR 1,000.
- Several claims have been filed against the company and/or group companies, including South Africa and against the Challenger variety, which are contested by it/them. Although the outcome of these disputes cannot be predicted with certainty, it is assumed - partly on the basis of legal advice received - that it will not adversely affect the consolidated position.

NOTES FOR THE CONSOLIDATED PROFIT AND LOSS STATEMENT

15. Net turnover

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

	2018 / 2019	2017 / 2018
Seed potatoes	302,471	267,232
Licenses	21,767	21,805
Services	2,936	1,967
Ware potatoes	20,690	9,281
	347,864	300,285

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

	2018 / 2019		2017 / 2018	
	€	%	€	%
The Netherlands	71,069	20	49,422	16
Other EU countries	190,025	54	161,242	53
Other European countries	16,346	5	10,896	4
Outside Europe	105,102	30	103,806	35
Intra-group deliveries	-34,678	-9	-25,081	-8
	347,864	100	300,285	100

16. Other income

These are mainly government grants and incidental income.

17. Personnel expenses

	2018 / 2019	2017 / 2018
Personnel expenses	20,187	18,176
Social security costs	3,568	3,756
Pension costs	2,312	2,138
	26,067	24,070

Number of employees

During the financial year, the average number of employees at HZPC Holding B.V. and its subsidiaries was 355 FTE, of which 259 are employed in the Netherlands (previous financial year 345, of which 251 FTE were employed in the Netherlands). 362 FTE were employed on the balance sheet date.

Specification number of FTE's	2018 / 2019	2017 / 2018
Management, administration and IT	82	66
Commerce and communication	86	95
Purchasing and logistic planning	88	80
Storage, grading and transport	21	22
Research	78	82
	<hr/> 355	<hr/> 345
18. Other operating expenses	2018/ 2019	2017 / 2018
	<hr/>	<hr/>
Sales costs	3,608	2,600
Office costs	3,224	4,117
Staffing related costs	4,725	4,468
Repair and maintenance	1,759	1,683
Other costs	4,987	6,322
	<hr/> 18,303	<hr/> 19,190
19. Interest receivable and similar income	2018 / 2019	2017 / 2018
	<hr/>	<hr/>
Debtors	82	70
Bank account current	1,773	647
Other	107	122
	<hr/> 1,962	<hr/> 839
20. Interest payable and similar charges	2018 / 2019	2017 / 2018
	<hr/>	<hr/>
Grower deposits	-	-12
Discount	-50	-12
Bank current account	-2,042	-844
Other	-50	-20
	<hr/> -2,142	<hr/> -888
21. Corporate income tax	2018 / 2019	2017 / 2018
	<hr/>	<hr/>
Applicable tax rate in the Netherlands	25.0%	25.0%
Foreign stock	-1.3%	3.0%
Non-deductible amounts	1.0%	1.6%
Innovationbox	-2.9%	-1.2%
Recognition of previously non recognised tax losses	0.0%	-3.5%
Other	3.5%	-2.3%
	<hr/>	<hr/>
Effective pressure	25.3%	22.6%

Together with HZPC Holland B.V., Stet Holland B.V., Bonna Terra B.V., ZOS B.V., ZOS WEHE B.V., HZPC SBDA B.V., HZPC SBA Europe B.V., HZPC Research B.V., IPR B.V. and Solentum B.V. the company forms a fiscal unit for corporation tax. The corporate income tax is included in each of the companies for the part that the Company concerned would be due, at the nominal value, not taking into account any tax facilities applicable for the Company.

The effective tax rate is 25.3% (2017/2018: 22.6%). For the Dutch companies the effective tax rate is higher than the nominal rate of 25% due to revaluation of deferred tax assets at a rate of 20.5% instead of 25%. For the foreign companies an average tax rate of 21.6% applies (2017/2018: 39.2%).

Other explanatory notes

Transactions with related parties

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

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

Auditor's fees (in EUR)

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

	2018 / 2019	2017 / 2018
Paid in the year:		
Audit of the financial statements, the Netherlands (KPMG Accountants N.V.)	173,450	185,510
Audit of the financial statements abroad (KPMG Network)	64,486	35,604
Tax - related advisory services (KPMG Network)	96,718	36,426
Other non-audit services (KPMG Network)	63,788	132,914
Auditor's fees	398,442	390,454

Remuneration of managing and supervisory directors

For an explanation of the remuneration of managing and supervisory directors reference is made to page 76 in the separate balance sheet.

Subsequent events

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

COMPANY BALANCE SHEET AS OF 30 JUNE 2019

(AFTER PROFIT APPROPRIATION)

ASSETS	notes	30-06-2019	30-06-2018
<i>(in EUR x 1.000)</i>			
FIXED ASSETS			
Intangible fixed assets	22		
Research and development costs		6,884	3,568
		6,884	3,568
Tangible fixed assets	23		
Company buildings and land		11,620	12,344
Operating assets under construction		120	-
		11,740	12,344
Financial fixed assets	24		
Participating interests in group companies		49,936	49,916
Accounts receivables from group companies		1,664	2,814
Other participating interests		8	5
Receivables from Association HZPC		137	249
Other securities		25	25
Deferred tax assets		1,593	1,783
Other receivables		346	385
		53,709	55,177
TOTAL FIXED ASSETS		72,333	71,089
CURRENT ASSETS			
Receivables			
Group companies		6,799	14,222
Taxes, contributions and social insurance		-	634
Other receivables and accrued assets	25	-	38
		6,799	14,894
Cash and cash equivalents		5,664	300
TOTAL CURRENT ASSETS		12,463	15,194
TOTAL ASSETS		84,796	86,283

COMPANY BALANCE SHEET AS OF 30 JUNE 2019

(AFTER PROFIT APPROPRIATION)

LIABILITIES	notes	30-06-2019	30-06-2018
<i>(in EUR x 1.000)</i>			
Shareholders' equity	26		
Issued capital		15,675	15,675
Share premium reserve		1,433	1,433
Other legal reserves		8,798	4,845
Foreign currency translation reserve		-604	-597
Other reserves		28,248	28,922
		53,550	50,278
Provisions	27	571	1,511
Current liabilities			
Debts to group companies		2,617	21,409
Payables to participating interests and companies in which there is a participation		300	-
Dividend to be paid		6,074	3,135
Debts to credit institutions		19,896	8,828
Taxes, contributions and social insurance	28	864	54
Other debts and accrued liabilities	29	924	1,068
		30,675	34,494
TOTAL LIABILITIES		84,796	86,283

COMPANY PROFIT AND LOSS STATEMENT FOR ACCOUNTING YEAR 2018/2019

	notes	2018 / 2019	2017 / 2018
<i>(in EUR x 1.000)</i>			
Share in result of participating interests after tax	30	12,013	7,923
Other result after tax	31	-2,660	-3,217
Net result		9,353	4,706

NOTES TO THE COMPANY FINANCIAL STATEMENT 2018/2019

General

The company financial statements are part of the 2018/2019 financial statements of the group. The financial information of the company is included in the company's consolidated financial statements.

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

Accounting policies for the measurement of assets and liabilities and the determination of the result

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

Financial instruments

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

Participating interests in group companies

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

Result of participating interests

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

NOTES TO THE COMPANY BALANCE SHEET

22. Intangible fixed assets

The composition and movement of intangible fixed assets in the financial year 2018/2019 is as follows:

	Research and development costs	Total 2018 / 2019
Purchase value	4,372	4,372
Cumulative depreciation	-804	-804
Book value as per 1 July	3,568	3,568
Investments	3,316	3,316
Movements 2018/2019	3,316	3,316
Purchase value	7,688	7,688
Cumulative depreciation	-804	-804
Book value as per 30 June	6,884	6,884

23. Tangible fixed assets

The composition and movement per category for tangible fixed assets for the year 2018/2019 is as follows:

	Company buildings and land	Operating assets under construction	Total 2018 / 2019
Purchase value	25,113	-	25,113
Cumulative depreciation	-12,769	-	-12,769
Book value as per 1 July	12,344	-	12,344
Investments	123	120	243
Depreciation	-847	-	-847
Balance	11,620	120	11,740
Purchase value	25,236	120	25,356
Cumulative depreciation	-13,616	-	-13,616
Book value as per 30 June	11,620	120	11,740

24. Financial fixed assets

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

	Participating interests in group companies	Accounts receivable from group companies	Other partici- pating interests	Receivables from Vereniging HZPC (HZPC Association)	Deferred tax assets	Other securities	Other recei- vables	Total 2018 / 2019
Book value as per 1 July	49,916	2,814	5	249	1,783	25	385	55,177
Investments/increase	-	-	3	-	-	-	-	3
Result from participating interests	12,013	-	-	-	-	-	-	12,013
Exchange rate fluctuations	-7	-	-	-	-	-	-	-7
Depreciation/repayments	-	-1,150	-	-112	-190	-	-39	-1,491
Dividend	-11,045	-	-	-	-	-	-	-11,045
Provision for participating interests	-941	-	-	-	-	-	-	-941
Book value as per 30 June	49,936	1,664	8	137	1,593	25	346	53,709

The receivables from group companies have a term between 3 years and 8 years. Interest is charged on the receivable. This varies from 1% to 2.5%.

25. Other receivables and accrued assets

	<u>30-06-2019</u>	<u>30-06-2018</u>
Government grants to be claimed	-	38

26. Shareholders' equity

The changes per category of shareholder equity is as follows:

Equity	Issued capital	Share premium reserve	Other legal reserves	Foreign currency translation reserve	Other reserve	Total 2018 / 2019
Book value as of 1 July	15,675	1,433	4,845	-597	28,922	50,278
Movements in financial year 2018/2019						
Dividend	-	-	-	-	-6,074	-6,074
Result of financial year	-	-	-	-	9,353	9,353
Exchange rate fluctuations	-	-	-	-7	-	-7
Other changes	-	-	3,953	-	-3,953	-
Status as of 30 June	15,675	1,433	8,798	-604	28,248	53,550

Issued capital

The authorised capital on the balance sheet date amounts to EUR 50,000,000 (2017/2018 EUR 50,000,000) and consists of 2,500,000 ordinary shares with a nominal value of EUR 20 each, with 783,725 ordinary shares being issued. The value of the paid and called-up capital amounts to EUR 15,674,500 (EUR 15,674,500 at the end of 2017/2018).

Share premium reserve

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

Other legal reserves

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

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

Foreign currency translation reserve

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

Other reserves

At the General Meeting, it will be proposed to approve the following appropriation of the 2018/2019 result after tax: declaration of a dividend of EUR 6.1 million and addition of the remaining amount of EUR 3.3 million to the other reserves. The change amounting to EUR 3,953,000 refers to the addition to the legal reserve.

Proposal for result appropriation

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2018/2019 result after taxation: an amount of EUR 3,279,000 to be added to the other reserves and the remaining amount of EUR 6,074,000 to be paid out as dividend. Per share certificate EUR 7.75 is available. This proposal is recorded in the balance sheet under the current liabilities.

27. Provisions

Provisions for participations

The following overview shows the changes in 2018/2019:

	Total 2018 / 2019	Total 2017 / 2018
Status as of 1 July	1,495	-
Additions	-	1,495
Withdrawals	-941	-
Status as of 30 June	554	1,495

The provision relates to participations with a negative net equity value.

Other provisions

The following overview shows the changes in 2018/2019:

	Total 2018 / 2019	Total 2017 / 2018
Status as of 1 July	16	14
Additions	1	2
Status as of 30 June	17	16

The provision for long-service liabilities is calculated on the basis of a 4% discount rate and taking the expected turnover in personnel into account.

28. Taxes and contributions

	30-06-2019	30-06-2018
Corporate income tax to be paid	829	-
Payroll tax and social insurances	35	54
	864	54

29. Other debts and accrued liabilities

	30-06-2019	30-06-2018
Wages and salaries to be paid	498	320
Pension contributions	18	14
Provision lawsuits	67	517
Other amounts	341	217
	924	1,068

30. Share in result in participating interests after tax

This relates to the share in result the company has in participating interests of which EUR 12,740,000 (2017/2018: EUR 8,956,000) relates to group companies. The other part concerns results in minority interests amounting to EUR 727,000 negative.

31. Other income and expenses after tax

The other after-tax result concerns the regular costs for conducting holding activities.

These costs encompass personnel costs, other corporate costs, including legal costs, depreciation and interest assets/liabilities.

Wages and salaries

	30-06-2019	30-06-2018
Gross staff wages	1,054	761
Employer's social security contributions for staff	40	44
Pension premium	81	74
	1,175	879

Specific details for number of FTEs

	30-06-2019	30-06-2018
Management en administration	4	4

At HZPC Holding B.V. there were an average of 4 FTE in service, all working in the Netherlands (previous financial year 4 FTE).

Other explanatory notes

Financial instruments

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

Credit risk

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

Liquidity risk

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

Interest risk

The Company incurs interest on interest bearing assets and liabilities. Both of these receivables and payables have agreed on variable rate interest rate agreements, which means that the Company is exposed to future cash flows. In order to limit the interest risk on the credit facility, a rent cap has been agreed as a mitigating measure.

Off-balance sheet assets and liabilities

The company has liabilities under operating leases and rent for an amount of EUR 83,000. Of this amount, EUR 37,000 has a term of less than one year. The remaining amount concerns an obligation for less than five years.
The debt for rental and lease in accounting year 2018/2019 amounted to EUR 51,000.

Tax entity

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

Remuneration of managing and supervisory directors

A statement of the remuneration of the management has been omitted, pursuant to the provisions of Section 383 article 1 of Book 2 of the Dutch Civil Code, final sentence of the Dutch Civil Code. The remuneration of Supervisory Board members amounts to EUR 86,000 (2017/2018: EUR 72,000).

Joure, 3 October 2019

The Executive Board:

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

The Supervisory Board:

M.J. Ubbens, Chairman
C.J. Biemond
I. Frolova
M. Kester
W. Sinnema

OTHER INFORMATION

Result appropriation by virtue of the Articles of Association

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

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE ACCOMPANYING FINANCIAL STATEMENTS

Our opinion

We have audited the financial statements for the year ended as of 30 June 2019 of HZPC Holding B.V., based in Joure.

In our opinion the accompanying financial statements give a true and fair view of the financial position of HZPC Holding B.V. as of 30 June 2019 and of its result for the year 2018/2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- 1 the consolidated and company balance sheet as of 30 June 2019;
- 2 the consolidated and company profit and loss statement for the year 2018/2019; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of HZPC Holding B.V. in accordance with the 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.

Report on the other information included in the annual report

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

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

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

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

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

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

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

DESCRIPTION OF THE RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

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

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Executive Board should

prepare the financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

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

Our responsibilities for the audit of the financial statements

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

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

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

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

Our audit included e.g.:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the Company's internal control;

- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board;
- concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Groningen, 3 October 2019

KPMG Accountants N.V.
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