

ANNUAL REPORT HZPC HOLDING B.V.

2021 / 2022



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01 MESSAGE FROM GERARD BACKX



Maintain confidence

We are still living in turbulent times. Just as the coronavirus crisis seems to be retreating, we are confronted with another crisis; the war between Russia and Ukraine. This has led to the European market, which was always stable and predictable, becoming less steady. There is uncertainty. But one thing is certain: the demand for sufficient and nutritious food remains.

Growth continues

HZPC has been able to weather the coronavirus pandemic reasonably well. Now that the worst is behind us, we are doing all we can to catch up. Corona meant that we had to take a substantial step back in terms of turnover and gross margin and, in turn, our operating result. Our long-term plan and the corresponding growth scenario was put on ice. Whereas we had estimated growth of a few percent per year, the rate of growth during coronavirus reduced to zero. We are now back to the old level, from before the coronavirus pandemic, and growth is continuing. We will not, however, recover those two years of missed growth.



Market developments

The coronavirus pandemic was somewhat intangible and it was hard to consider the various scenarios. This is not the case, however, with the war between Russia and Ukraine. Again, we do not know the course, but we are much more able to think out possible scenarios and their consequences for HZPC. We may well have to deal

with supplementary European or Russian sanctions and transport restrictions. If tensions increase, we might even have to cope with the nationalisation of our Russian branch. In this case, our biggest concern would be having to transfer our intellectual property.

The unrest which comes with a war is being translated into shifts in the market. Grain prices and fuel costs have increased to record levels, causing growers in some countries to swap potato acreage for grain crops. This is a logical choice as it requires less effort and input and can earn the farmer the same or sometimes even more. This means that the supply of potatoes is reduced. And whereas globalisation has been the order of the day for the past few decades, we are now seeing movement in the opposite direction. If food supplies are jeopardised, countries that have the capacity to do so will move to producing more of their own foods.

Promising new varieties

What the past few years have taught us is that HZPC is an exceptionally resilient business. We can weather the storms and keep pace with a market that is constantly changing in a world full of surprises. One of HZPC's biggest strengths is that we are not based on one continent but are a potato breeder and trading house operating on a global scale. Where Europe and part of the Middle East are now experiencing instability, there are also numerous opportunities in growth markets such as India, China and Africa. In addition, we are growing in the Americas.

When it comes to Research & Development, we are also taking significant steps. With an eye on the future, we are developing varieties that can take on the challenges posed by resistance, climate change, soil quality and available resources. Thanks to marker-driven breeding, we have been able to accelerate the usual tetraploid breeding process; the initial products have been introduced and will continue to be introduced to the market in the coming years. Many promising new varieties will emerge in the short term.

Revolutionary developments

We realised great results with diploid breeding at the end of 2021. We are thus on track to introduce the first hybrid potato varieties to the African and Indian markets in 2025. This is a revolutionary development and HZPC is leading the field by a considerable margin.

Thanks to this revolution, we can realise progress quicker in terms of the genetic development of potato varieties. This, in turn, benefits all potato growers across the world. It also enables HZPC to transport potato seed to locations that are inaccessible to seed potatoes for our current varieties.

It will still take a few years before the outside world notices any difference but, at HZPC, we are proud to see that our investments over the past few years have created a robust foundation and that we have managed to conquer all the technical challenges. We have something of exceptional value in our hands and this gives us an opportunity to explore new markets that are currently out of HZPC's reach. We can improve genetics quickly and are currently preparing the introduction of varieties in Africa and India.

HZPC is sure that, in the long-term, this programme will provide a substantial contribution towards HZPC's profits because it will allow the organisation to supply genetics to countries where it is not currently active.

Strategic choice

The coming years will require development power and new strategic choices. Where necessary, we will work with partners and parties that can use their expertise to support HZPC's pathway and future. Everything is focussed on translating developments in diploid breeding into growth and market opportunities for HZPC. There is plenty of uncharted territory yet to be conquered. To do so, we need a steady course and a sufficiently adaptable organisation. We will think about what this means for HZPC and what will be required in the coming decades. When we look towards the more distant future, HZPC is intending to carry on introducing top quality seed potatoes to the market while also supplying potato seed, directly or indirectly, to the market from which seed potato tubers can be grown locally.

Resilience and confidence

HZPC remains 100% committed to what we believe in with heart and soul: making an impactful contribution to the worldwide food supply. This includes the choice to continue to supply seed potatoes - as long as we can - to Ukraine as well as Russia. We have always supplied to both parties in conflict zones and will continue to do so. It is my personal belief that conflicts cannot be resolved if populations are going hungry.

Underneath that resilience and mission lies great trust. From our customers, our growers, our employees and our partners. This confidence is vital if we are to regard the future with a sense of reassurance, despite the uncertainties that sometimes come our way. Of this I am sure.

This annual report covers the financial year 2021-2022. I hope that you enjoy reading it.

Gerard Backx

02 NEED

On the basis of local needs, we are developing varieties which contribute towards worldwide responsible food supplies



The potato is essential to the world

The world's population is expected to grow to around 10 billion people in just under thirty years. The demand for food will only continue to expand accordingly over the coming years. An important role has been created for HZPC; with a sustainable and nutritious crop like the potato, we can offer a genuinely valuable contribution towards food security.



Worldwide demand for potatoes continues to grow

One of HZPC's great strengths is that we sell our seed potatoes and genetic material across the world. As a result, we are better able to spread our risk. After the impact of the coronavirus pandemic, Europe is now seeing the clear effects of the war between Russia and Ukraine.

In other regions of the world, however, the impact is much lower and we are seeing growth. In markets such as China, India and the African countries, potato acreage is expanding on the basis of a growing demand for potatoes. In America, the demand for potatoes has now stabilised. There, the impact of coronavirus on potato consumption was much lower than in Europe. In 2020, Algeria opted to implement import restrictions in order to keep hard currency within the country's borders after fuel prices plummeted. This led to exceptionally high prices for potatoes in the country. In 2021 - 2022, however, Algeria allowed the import of much more seed potatoes and the country's imports of potatoes have been the highest for ten years.

High grain prices, lower potato acreage

The prices for grain crops, such as wheat, rapeseed and sunflower seeds are historically high, due to issues such as the war in Ukraine. The impact of this filters down to HZPC in terms of a reduction in European potato acreage. As a result of the high grain price, growers in Southern Europe in particular are opting to plant grain rather than using the land for potatoes.

The input costs for seed and ware potatoes are relatively high and have risen dramatically over the past few months due to rising fuel, energy and fertiliser prices. By contrast, there are lower input costs and risks in relation to grains.

Growers who have previously leased land to potato growers are also now using this acreage to grow grain for themselves. Whereas, in normal years, HZPC has been able to sell extra seed potatoes between February and April, this year the demand dried up. Seed potato acreage reduced in Europe, in 2021-2022, by an average of -2.22%.



Even Greener – more sustainable potato varieties

Sustainability is beneficial for consumers, customers and growers. The potato is a sustainable choice, particularly compared to crops such as rice and wheat. With the Even Greener potato varieties, HZPC has created a selection of even more sustainable potato varieties that have a lower impact on the environment.

Even Greener calculator

In autumn 2021, HZPC launched the Even Greener calculator. Customers can use this to easily select potatoes on the basis of the sustainability characteristics that are most relevant to them. Our European customers are the most important users of this calculator. Thanks to the Even Greener Calculator, HZPC was chosen by [European Seed](#) as one of the '20 Most Climate Friendly Companies in 2021'.



Calculator

Together with our customers, we have defined five important sustainability criteria:



FERTILIZER EFFICIENCY



FRESH WATER USE



CROP PROTECTION



LONG STORABILITY



MARKETABLE YIELD

On the basis of these criteria, we are able to determine a potato variety's degree of sustainability. This does not simply focus on one criteria but uses a balanced combination of five different sustainability aspects. Customers can indicate which criteria are most important to them within the scope of the calculator. The calculator then selects the potato which most accurately matches their wishes and requirements.

“The Even Greener calculator is a handy and necessary tool in current times to select varieties that generate the best score. It takes into account of the importance that a user attaches to individual sustainability traits.”

Leo van Marion, McCain

New potato concepts conquering the world

Eating habits change over the years, from classic preparation of potatoes, to meals that incorporate potatoes as one element. The consumer is increasingly opting for convenience: meal boxes, processed food, online recipe apps and food services. Together with chain partners, HZPC has developed potato concepts and varieties which suit consumer needs.



Rooty

You can use the potato spaghetti and potato rice from WOKSI to make a salad or wok meal in an instant. In Finland, where we successfully introduced this concept with our Finnish partner Pohjolan Peruna, under the name Rooty, we were awarded the 2021 prize for most innovative product. Rooty is also one of the finalists in the Transform Awards Europe 2022.

[Website Rooty](#)



Potato Glory

In North America, HZPC is working on the Potato Glory project, with a view to raising awareness about the options offered by potatoes. For example, we have developed a healthy alternative to jacket potatoes which doesn't need any unhealthy fillings.



#BRIGHTBRIANNA

Brianna

Last year, STET introduced the new potato variety Brianna to the market. This variety with a yellow, washable skin, is ideal for the Mediterranean region. Brianna excels in all soil varieties, offers high yields and is resistant to common scab and powdery scab. Brianna also has high resistance to the Yn-virus.

Brianna

Access to healthy food for everyone

HZPC has a clear mission and conviction: people all over the world must have access to healthy food. After wheat and rice, potatoes are the most important crop for feeding people. Seed potatoes are vital for food production and are essential to ensure food security. That is why HZPC is doing all it can to continue to supply seed potatoes to all parties, particularly in countries or conflict situations where conditions where this is not immediately expected. We will thus continue to supply both Ukraine and Russia, as long as we can. From Poland, we also supplied seed potatoes to charitable organisations in order to support food security.

Risks for HZPC

The war between Russia and Ukraine corresponds with uncertainties for HZPC and there are a number of potential scenarios. From far-reaching sanctions throughout Europe or Russia to the nationalisation of our Russian branch.



Partner in the spots - Martin Kropff

Global Director Resilient Agri-Food Systems, CGIAR

In 2050, we will live on a planet with twice the number of people and less space to grow food, along with an increasing demand for varied and nutritious food products. This constitutes an enormous challenge. Not just for the future, but for now too. Ten percent of the world's population goes to bed hungry every day. An even greater percentage suffers from malnutrition due to an unbalanced diet. In the coming three years, the world's population will grow to 3 billion people. The populations of Africa and South Asia are growing exponentially while climate change is leading to crop yields on these very continents suffering due to drought and heat.

This requires changes across the food system, including modified eating habits, improved food production and reducing food waste. We will not simply fix this with new varieties or a different policy. Innovations are required across the entire food system. It is only through collaborations with farmers, the private and public sectors, that this transformation of a highly complex system will succeed. At CGIAR, the international organisation for agricultural research, we are working on this challenge with our partners on both an international and regional level. This especially involves small-scale farmers in developing countries (there are 500 million of them). We not only focus on good, sufficient food but also on gender equality, climate adaptations, biodiversity and reducing poverty.

“ The potato is one of the most promising crops in the fight against hunger and malnutrition in the world.” ”

The potato is one of the most promising crops in the fight against hunger and malnutrition in the world. It is the third crop in the world and has a short growing cycle. The potato is a healthy and nutritious crop and offers a sufficiently varied diet. One hectare of potatoes also provides greater nutritional value than the same area when used for rice, maize, soya or grain.

Thanks to new breeding techniques, higher yields are just around the corner. Hybrid breeding will ensure that new potato varieties with high resistances can be produced and bred more quickly. With this new form of breeding, potatoes can also be grown from seed. It is much easier to transport potato seed to places in the world where it is now very difficult to bring tubers to. Producing food locally as much as possible is hugely important for food security in countries where this is not a given. Particularly now that we are facing an even bigger food crisis due to the impact of COVID-19 and the war in Ukraine.

03 BREED

Innovate, accelerate and improve



Innovate, accelerate and improve

In order to satisfy the global need for food, it is wise to expand yields on existing agricultural land without harming the environment. Our breeding processes focus on new varieties of a high quality, with high disease resistance and high yields per square metre. We are developing potato varieties which can grow and thrive in difficult weather or soil conditions. This requires innovations, the ability to take the lead, and the use of high-tech applications in breeding. This year, we are concentrating on several important steps.



Colleague Tjitte Rijpkema in the lab

Breeding with the future in mind

We develop potato varieties:



with the highest
possible yield



can cope with
extreme climatic
conditions



which use less
water



which can cope
with salt water



resistant against
several diseases



which need less
fertilizer



suitable for long
storability



with excellent
taste

We are developing new varieties all the time, while keeping a keen eye on the future. We see more challenges with respect to climate change and deteriorations in agricultural land. But water scarcity, a loss of biodiversity, fewer crop protection agents and a shortage of suitable land are also issues which have to be faced. Simultaneously, the demand for potatoes will continue to increase as a result of the substantial growth of the world's population. This requires new potato varieties which are more robust and also provide high yields with lower input levels, for example the reduced use of water, fertiliser and pesticides.

Talented new potato varieties on the rise

Over the past few years, HZPC has made substantial investments in the further improvement of the selection process. Marker-driven breeding, in particular, allows us to develop new varieties of a much higher quality and much more quickly than before. As a result, we start each year with double the number of plants compared to five years ago. Right at the start of the breeding process, i.e. just five weeks after sowing, we can demonstrate specific characteristics such as virus resistance and sustainable aspects. This is a revolutionary acceleration compared to the four to eight years that used to be required. Thanks to the improved selection of characteristics, HZPC has

applied the usual tetraploid breeding method to develop several interesting potato varieties for our growers and customers. This year, HZPC and STET are producing small quantities of these new potato varieties with a view to substantially increasing the corresponding acreage in the coming years.

Milestone for hybrid breeding

Around ten years ago, in 2011, HZPC took its first steps in the context of hybrid potato breeding. There were high ambitions: in 2021 we wanted to plant the first prototype hybrid potato with a yield of 85% in our trial fields, with a view to introducing this to the market in 2025. We are exceptionally proud that we have been able to exceed these expectations ten years since the start of the development of hybrid potato varieties.



Seed potato vs potato seed

In 2020, we planted tubers from seed in various trial fields in Kenya, France and the Netherlands. We compared these hybrid potatoes in 2021 with our standard varieties Sagitta and Taurus. This showed that, based on the average of all trial fields, we obtained as much as 96% yield from hybrid seeds. This was far above our ambition of 85% yield. It is a huge milestone and a fantastic performance!



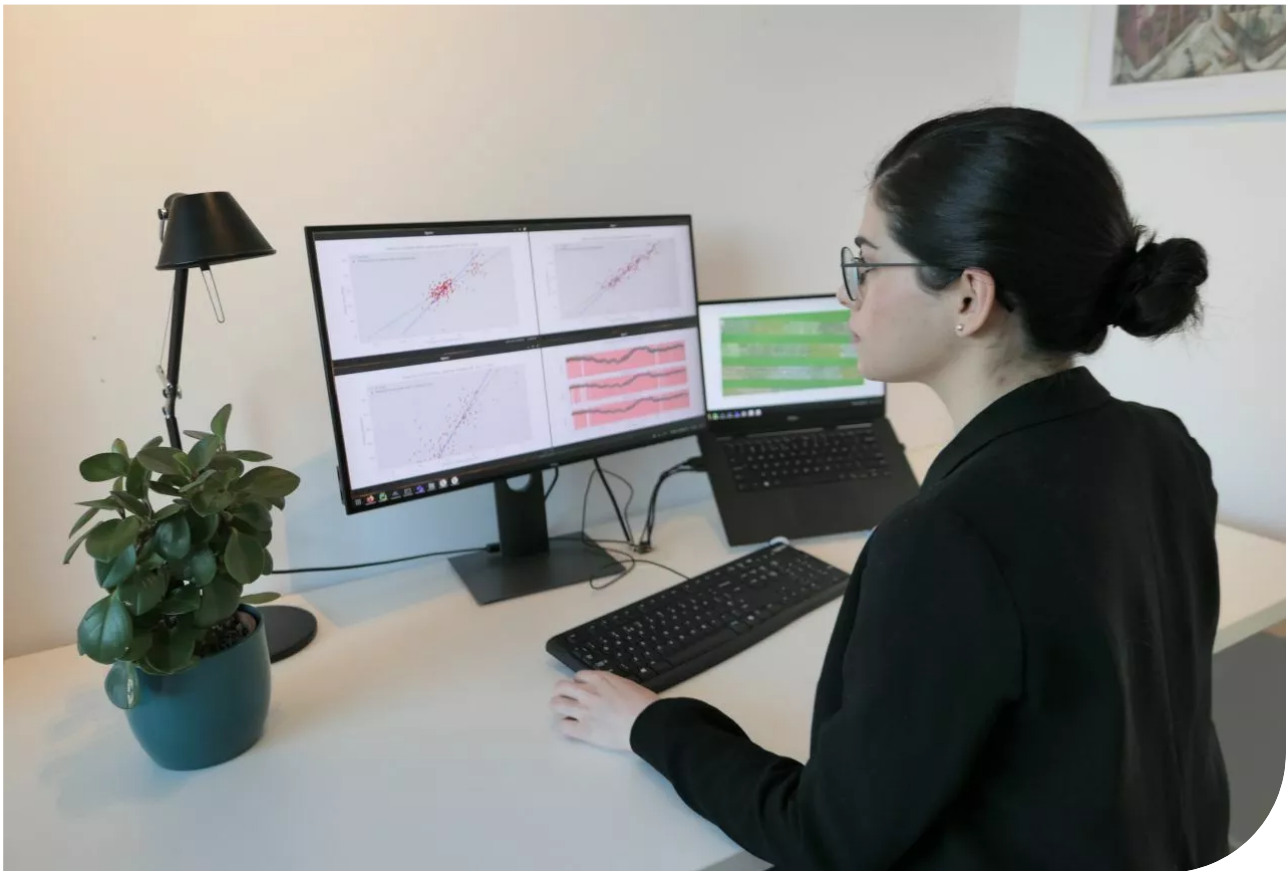
Hybrid potatoes in Kenya

In the coming years, we will focus on the further improvement of hybrid varieties, for example in relation to virus resistance. We are still on track to write history in 2025 with the introduction of the first hybrid potato variety on the African and Indian market. We expect to be able to introduce these hybrid varieties to other markets too between 2030 and 2035.

Hybrid potato varieties enable us to contribute towards food security in locations which can be challenging in terms of logistics. Seed is simply easier to transport and in larger quantities. The hybrid process also allows us to breed varieties that can cope in specific climates quicker and easier.

Flight to Vitality

Since 2018, HZPC has been working with Averis Seeds, University of Utrecht and TU Delft in the research project Flight to Vitality. This aims to develop a method for measuring and forecasting the germination power of seed potato lots. An objective check is needed to measure germination power and gain insights into the factors that could impact upon germination power. This has never been realised before and could therefore constitute a significant breakthrough for seed potato growing. With this expertise, we can combat waste and improve the quality of the seed potatoes supplied.



Elisa Atza, PhD processes data at TU Delft

At the end of 2021, we finalised research into the microbiome (a combination of fungi and bacteria) and metabolites (which supply energy and building materials to plants). This microbiome research established a relationship between the bacteria and fungi in seed potatoes and the corresponding germination power. We cannot yet, however, identify differences between lots of the same variety on the basis of the microbiome. When it comes to metabolites, there is a clear relationship between the content and the vitality of the seed potatoes. On the basis of measuring around 7,000 metabolites, we are now able to rank seed potato lots according to vitality. We now have to validate this in practice.



Colleague Berjan Been, extraction of metabolites HZPC Research

Flight to Vitality has incurred a slight delay and the project will therefore continue into 2022. TU Delft is working on creating integrated models based on all measurements.

Gene-editing

With gene-editing, potato breeding can be accelerated further with the development of absolute resistant varieties. Gene-editing is thus a vital element in the fight against global hunger. Simultaneously, we are unable to apply gene-editing in the EU because it is considered to be the same as genetically modified organisms (GMO).

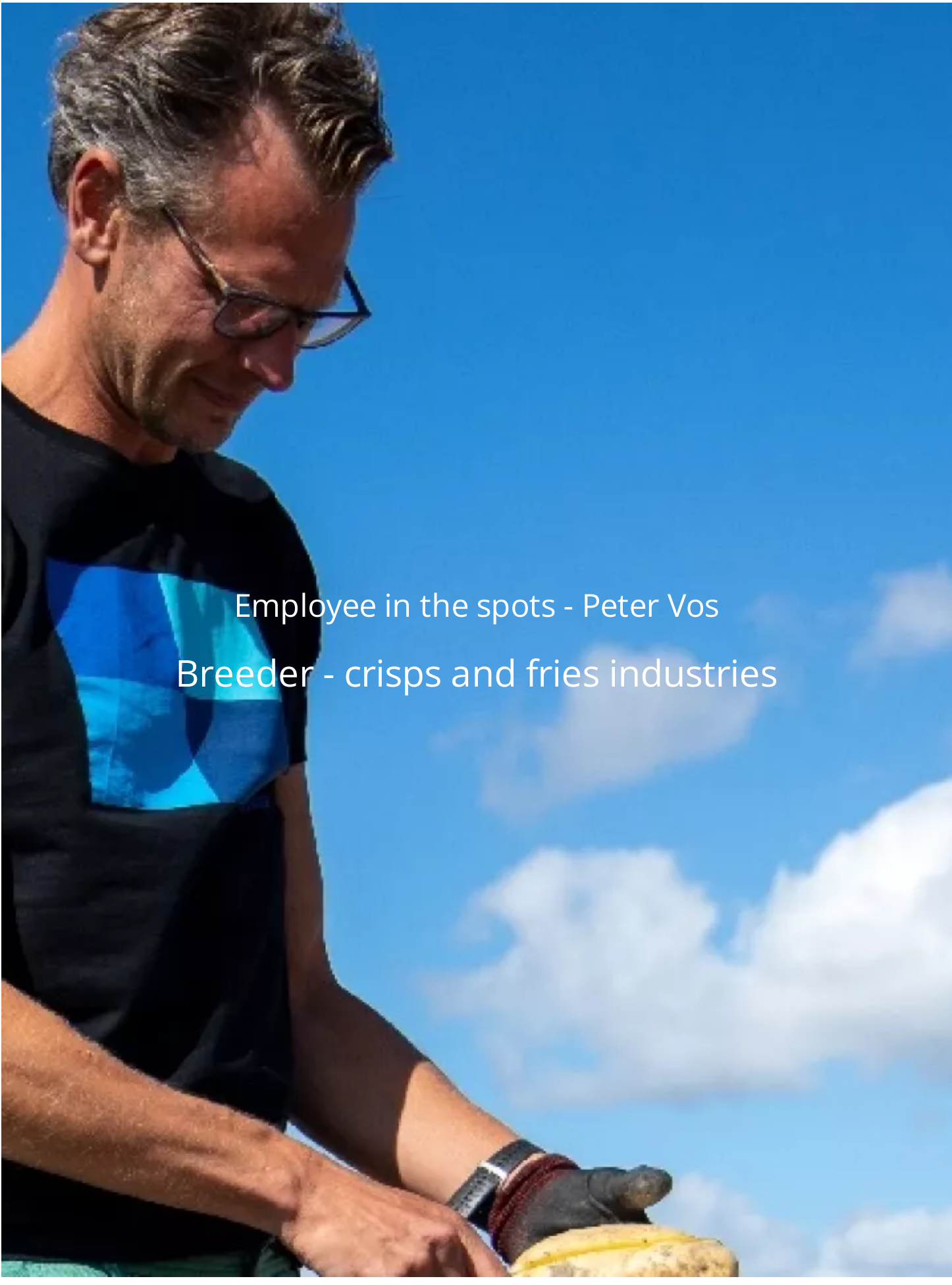
HZPC sees gene-editing as one of the options for providing a significant contribution towards the sustainability aims of the European Green Deal. This focuses on economic growth without exhausting raw materials and, in turn, concerns for man and providing adequate food for people. India now permits gene-editing and the United Kingdom has opened the door a little wider. Simultaneously, the European Union seems to be preparing to embrace gene-editing in the future. HZPC is delighted with this development.

Construction of research centre in new phase

Updating the laboratories

In 2021, we made a start on the third phase of the construction of our research centre in Metslawier: updating the laboratories. As a result of increasing construction costs due to shortages of raw materials among other things, the build has been a little delayed. All laboratories are expected to have been updated by summer 2023.



A man with short, graying hair and glasses is shown in profile, looking down at a potato he is holding. He is wearing a black t-shirt with a blue and white geometric pattern on the chest. He is also wearing a black watch and a black glove with red and white stripes on the wrist. The background is a clear blue sky with some white clouds. The text "Employee in the spots - Peter Vos" and "Breeder - crisps and fries industries" is overlaid on the image.

Employee in the spots - Peter Vos
Breeder - crisps and fries industries

Once you have been bitten by the potato bug, you can never get rid of it. I grew up on a farm. When I was three, I played with potatoes; when I was nine I walked through the potato fields with my dad. He was a seed potato farmer and is still an enthusiastic amateur grower. So, you can appreciate that as a potato breeder I feel completely at home with HZPC. I am ambitious and want to achieve something. The fact that I can do this with a product I really love is just amazing.

When I started working with HZPC seven years ago, I was fascinated by whatever was going on in Research & Development (R&D). I thought I knew a lot about potatoes but I learnt so much more in those first years. As a breeder, I have a special role within R&D; you cover a wide range of issues and are involved in discussions about the corresponding solutions. The variety is what makes my work fun; one day I have my hands in clay soil or in the sand in Egypt, harvesting potatoes, and the next I am writing a project proposal for discovering new things. It is a fantastic balance.

“ The most important driver in my work is developing varieties which can deliver a good yield with very little input.” ”

The most important driver in my work is developing varieties which can deliver a good yield with very little input. As a chain, we must work towards a much more sustainable growing process which uses less water, reduced levels of chemicals, and less nitrogen. As breeders, we work on solutions for making seed potato growing future-proof.

This takes time but simultaneously the call for more sustainable varieties from our customers is getting louder. Over the past few years, HZPC has invested heavily in R&D. With that money, over the past ten years, we have created the 'engine' for variety development; we have developed the instruments, laboratory tests, and infrastructure that is required to create good varieties. Now that that engine is running well, we can use the next ten years to pluck the fruits of our labour.



A great example is the variety introduction of the HOM-13-8236. This is leading the completely new generation of potato varieties that have great yields and can be grown with little use of chemicals. This saves the grower time, money and diesel. Within a year, the first fries will be made using the HOM-13-8236. I have high expectations for the variety even though it has a few limitations, i.e. there is no resistance to wart disease and the variety has a short dormancy period. You have to turn on mechanical cooling in time in order to store this variety successfully. Over the next few generations, however, we will take steps to resolve these deficiencies.

In the past, customers might have said 'this variety is not good enough', but now that good sustainability features are becoming increasingly important, that has changed. Customers are more willing to make concessions. On the road to a more sustainable future for the potato crop, it is also vital that we join hands across the chain, whether this concerns breeders, growers, or processors. It is only then that we can make the changes that are necessary for the future. As far as I'm concerned, the future is looking rosy: we have already made significant progress and, over the coming years, we will create new potato varieties that are good for our growers and processors.

04 FEED

Driven to feed the world



Driven to feed the world

Our growers are the central cog at HZPC; together with them, we are doing all we possibly can to supply the world with top quality seed potatoes. We are reinforcing the link with our growers and reviewing how we can help them on the way to a sustainable future. Wherever we find barriers, we will seek out new and sometimes unconventional solutions.

Connecting Growers

HZPC is a company of committed people. Association HZPC – owner of the HZPC Holding B.V. shares – has certified all shares. Only (former) growers, (former) breeders and (former) members of staff may purchase and sell certificates. They can also become members of Association HZPC. They have a voice in the course of the company and finance the business with risk capital.

Our active growers are important to HZPC. With Connecting Growers, we are spending EUR 1.5 million each year to buy certificates from former growers and give these to active growers in the European Union. In the summer of 2021, we issued the first certificates to around 70% of our active growers. In 2022, there was a second round when we were able to give shares to almost all of our active growers.



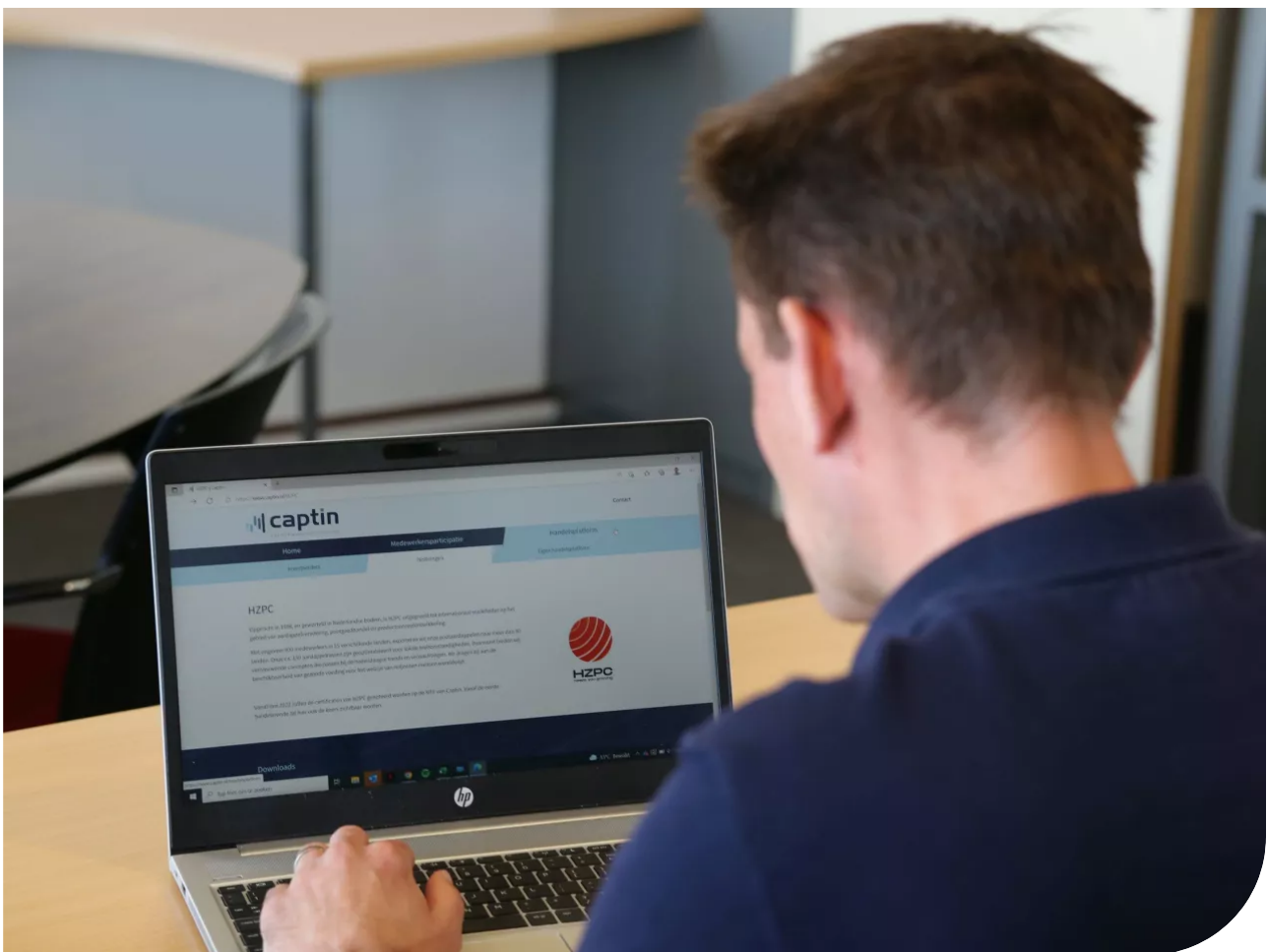
Grower Han Vaandrager from Luttelgeest

New market system for more active and transparent trading

Share certificates used to be traded on an internal market. For a few weeks per year, growers, breeders and employees could indicate whether they wished to buy or sell. On the basis of the supply and demand, the price for a certificate was set and the sale and purchase process took place during one trading moment.

Until recently, the Association HZPC was the stockholder and, in turn, responsible for all the trading events. In May 2022, we transitioned to a new trading system for certificate trading, a so-called multilateral market platform. The market was essentially transferred to the Captin Trading Platform. HZPC thus became a semi-listed company that is obliged to abide by Financial Market Authority rules.

The market will now be opened twice a year and trades can take place at any time over fourteen days. Once a certificate holder states their intention to sell, others can respond directly. Certificate holders take the initiative and thus have a good overview of supply and demand. With this new trading method, the price of a certificate may rise or fall by 20% to allow the market to settle more quickly. This used to be 10%.



Rudolf Visser, MTF officer and controller HZPC Holding B.V.

Sustainable growing: helping growers to be more sustainable

HZPC has placed the realisation of sustainability across the chain of seed potato growing high on its agenda. Where it can, it works with other parties and unites them for the purposes of initiating and accelerating sustainability campaigns. A good example is our wind turbine project.

It requires a great deal of energy to store top quality seed potatoes at a low and stable temperature. HZPC's aim is for seed potatoes in the Netherlands to be stored in an energy-neutral manner by 2030, by generating our own energy via solar or wind energy. We will thus contribute towards reducing CO2 emissions and ensuring growers have lower storage costs in the longer term.

In 2020, we initiated a project to encourage the installation of wind turbines. We are working with two suppliers of small wind turbines which are suitable for the environment and correspond with a relatively simple permit process. The first wind turbines were installed in 2021.

Local for local even more important

In a nutshell, local for local involves producing food near to where it is consumed. This fits into the consumer demand for more locally produced food and supports the reduction of transport kilometres and the use of chemicals. The war between Russia and Ukraine has led to food security going up the agenda in Europe. In uncertain times, it is important to be self-sufficient. We produce local for local in France, the United Kingdom, Belgium, Germany, Poland, Finland, Spain, the Netherlands, Russia, India, Canada, the United States and Argentina.

Growing under licence

In countries where importing seed potatoes is not an option, we focus on growing under licence. Our partners in these countries may grow HZPC's varieties and pay a licence fee to do so. Last year, within a joint venture, HZPC successfully introduced varieties to the Indian market and the licence system is now getting up to speed.

Licence growing means you must work exceptionally hard to protect the intellectual property relating to your varieties. Many emerging economies such as China, India, Egypt and Nigeria are taking an interest in this growing method but if our varieties are used unlawfully, we will take the appropriate action. We have already taken legal action in a few cases. Several other parties have also indicated they are using our intellectual property and they now have to pay licence fees to do so. As far as we are concerned, this is a success in terms of protecting our genetics.

Everybody has a right to good food

Everyone has a right to access good food. That is the strong belief of HZPC and it is why we choose to supply seed potatoes in places around the world where it is sensitive or sometimes involves great risks. The supply of seed potatoes to USA sanction countries such as Cuba, Iran and Syria are good examples.

Until recently, HZPC was continuing to export to sanctioned countries by using alternative payment structures. But this meant huge compliance issues for banks and they will no longer cooperate. The United Nations and European Union, however, still permit exports of food to sanctioned countries. This inconsistency is recognised by everyone,

but the political and banking worlds are yet to find a solution. In this instance, governance processes seem to be prevailing over food security. We will carry on doing all we can to maintain food supplies to people in countries where there is conflict or those subject to sanctions.

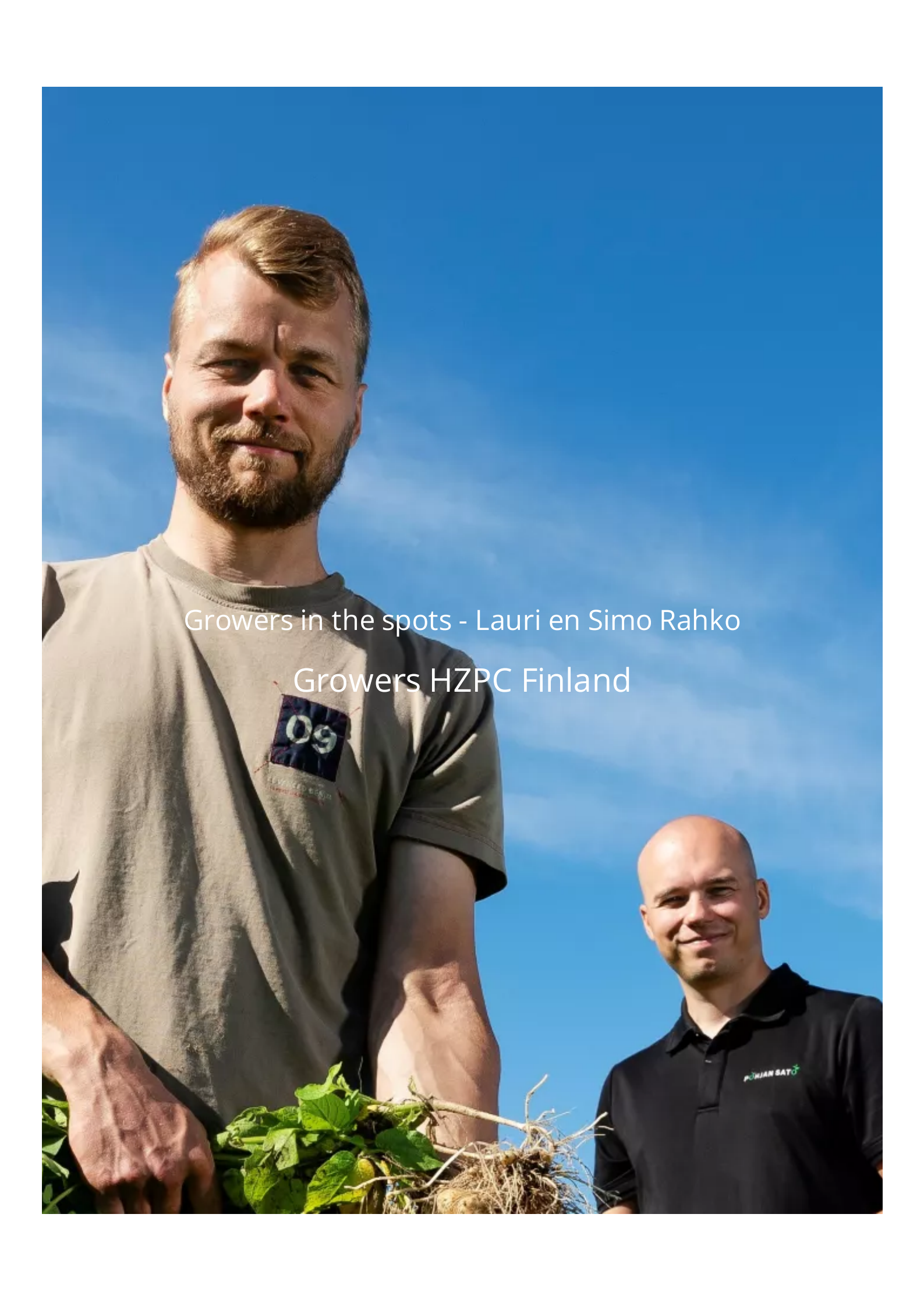
Container transport still not back to normal

As a consequence of the coronavirus outbreak, which started in China, there has been chaos in the world of container transport, which has resulted in international transport becoming much more expensive. Many containers are still stuck and may never end up reaching their intended destinations. The tense situation in the container market is also a result of de-globalisation. Home markets are becoming increasingly protected, trading barriers have expanded and conflicts and wars are leading to the imposition of trading sanctions.

After Brexit, mini-tuber production in the United Kingdom

As a result of Brexit, it is no longer possible to transport seed potatoes to or from the United Kingdom and HZPC can no longer use this source to compensate for an excess or shortfall on mainland Europe. The British market now stands alone and the prices and dynamic could vary hugely from the European market.

We are now capitalising on this by growing mini-tubers in the United Kingdom. Previously, we supplied top quality seed potatoes and left the production to third parties. Thanks to our scope, however, and because we are the largest provider of protected potato varieties in the UK, we have been able to act to ensure that the production of mini-tubers in the UK from our varieties is carried out in line with our needs. Simultaneously, this change has corresponded with additional costs which were not evident before Brexit.

A photograph of two men standing outdoors against a clear blue sky. The man on the left is taller, has a beard, and is wearing a grey t-shirt with a small patch that says '09'. He is holding a large green plant with roots. The man on the right is bald and wearing a black polo shirt with a logo that says 'PÖYHÄN SATO'.

Growers in the spots - Lauri en Simo Rahko

Growers HZPC Finland

In 2010, these two brothers took over the farm from their father and uncle. Our old family company is based in Finland and is made up of around 290 hectares of agricultural land and 120 hectares of woodland. Around 90 hectares are used for the production of seed potatoes for HZPC Kantaperuna. We also grow other crops in an alternating pattern; these include summer barley, oats and grass and we work with arable farmers who grow grain in order to avoid exhausting the soil.

We have been producing seed potatoes since 1976 and, since 1991, have been working with (the forerunners to) HZPC. HZPC is a company which keeps on developing across various areas: management, finance, sales, breeding and production. This encourages us to look at how we can also take our production and activities to a higher plane. It is great that HZPC works alongside growers and that farmers outside the Netherlands are also given opportunities to become certificate holders. We believe that open communication and, where possible, collaborations with other growers are extremely important. Particularly now that the incomes of many growers are under pressure due to rising costs and increased legislation and regulations. We are sure that HZPC is doing all it can to ensure potato growing across the world remains feasible.

“ We believe that open communication and, where possible, collaborations with other growers are extremely important.” ”

We grow our seed potatoes in the most northerly region in the world. There, the conditions, soil types and disease situation are perfect for producing high quality seed potatoes. Heavy ground frost in the winter means that soils are free from quarantine diseases. As a result, we can use lower levels of chemicals compared to the rest of Europe. Although our growing season is short and intensive, our yields every year are comparable with our colleagues from the rest of the world.



The Finnish seed potato market is relatively small and has its own particular features. The consumer market is well-developed here whereas the processing industry has a smaller share in the overall market. Early potatoes are important to the Finnish people as they signal the start of a short summer. Everyone looks forward to this event after a long, cold winter. Early potato growers compete with one another to grow their potatoes as early as possible in the cool spring and be the first to bring them to market. This also equates to significant breeding challenges.

“ The potato is sustainable, healthy and versatile. And that is exactly what we need, not only in the Finland, but across the world.” ”

The people here are keen to try new products and there is also a demand for convenience and quality so you see many peeled and pre-cooked products in the Finnish potato sector. Part of the Finnish school system also involves providing children with hot lunches at schools and daycare centres. People generally eat two hot meals per day and

it is normal to eat potatoes at lunch, during school hours, too. The potato's reputation is thus gaining ground in Finland. The potato is sustainable, healthy and versatile. And that is exactly what we need, not only in the Finland, but across the world.

05 REPEAT

A look to the future



Looking to the future

Our gaze is always focussed on the future. Where we can make improvements, find new opportunities, push boundaries, and so on. We strive to realise innovations and acceleration within breeding. We regularly lead the field and are the first to realise success. Over the past few years, we have always looked to the outside world and to how we can do things better for our customers and growers. How we can make our collaborations with partners even more valuable. This gaze has now turned inwards: how can we ensure that collaboration within the HZPC channels runs better and more effectively?

Aurora: a new dawn



Our working methods can be better and more efficient. So that we can provide an even better service to our customers and growers. This begins with closely examining our working processes: how do we currently work within and between the various branches of HZPC and where do the opportunities for improvements lie? Aurora is the Business Transformation Program which will substantiate a new, different working method within HZPC. Uniform working processes and quality definitions will be supported by a computer programme which unites

the planning, production, finances and logistics of all the branches. In the summer of 2023, HZPC will initiate the implementation of the computer system and, until then, the focus will lie on establishing and implementing new working processes.

Aurora is a large-scale, far-reaching transformation process. It demands caution and we must carefully monitor the impact it has on our employees. We will take the time to implement the working processes and system so that we can reap the rewards in a few years.

Customer satisfaction survey

The relationship and the collaboration with our customers is of vital importance. The fact that we have often been working together for years means we know one another quite well. In order to serve our customers even better, we conducted research into customer experiences and satisfaction. No fewer than 312 customers took part in the research and gave HZPC an average of 4 out of 5. The results of the survey will be used to further refine our goals and improve the services we provide. The research will be repeated among our customers in financial year 2022-2023.

Concern for food security and the environment

The world's food supply is under increasing pressure. The coronavirus pandemic, natural disasters, extreme drought in Africa and armed conflicts and wars, as in Ukraine, have a huge impact. The world's population is growing incredibly fast and the demand for food is developing accordingly. Simultaneously, the United Nations (UN) has made 'zero hunger' one of the most important development goals for 2030. In parts of the world where food supplies are facing less pressure, the call for sustainably produced food is growing louder. Food is preferably produced locally while taking care of the environment.

Our most important driver is contributing towards supply high quality, sustainable food for the world's population. 'Feeding the world' is what drives us. Every day, and in all that we do. We produce initial material for healthy and affordable food. Thanks to good genetics, high-tech solutions and growing expertise, we are expanding food production per m² of land, while constantly reducing our carbon footprint.

We are convinced that, with our seed potatoes, we can make a significant contribution towards the following Sustainable Development Goals as set by the UN in 2015:



HZPC has translated these into a sustainability strategy in which we take on the challenges relating to climate change, food security and responsible food (obesity versus malnutrition). Our approach is based on three pillars:



Care for the environment

- Developing sustainable potato varieties
- Taking responsibility in the chain
- Reducing the negative impact of seed potato distribution

Food security

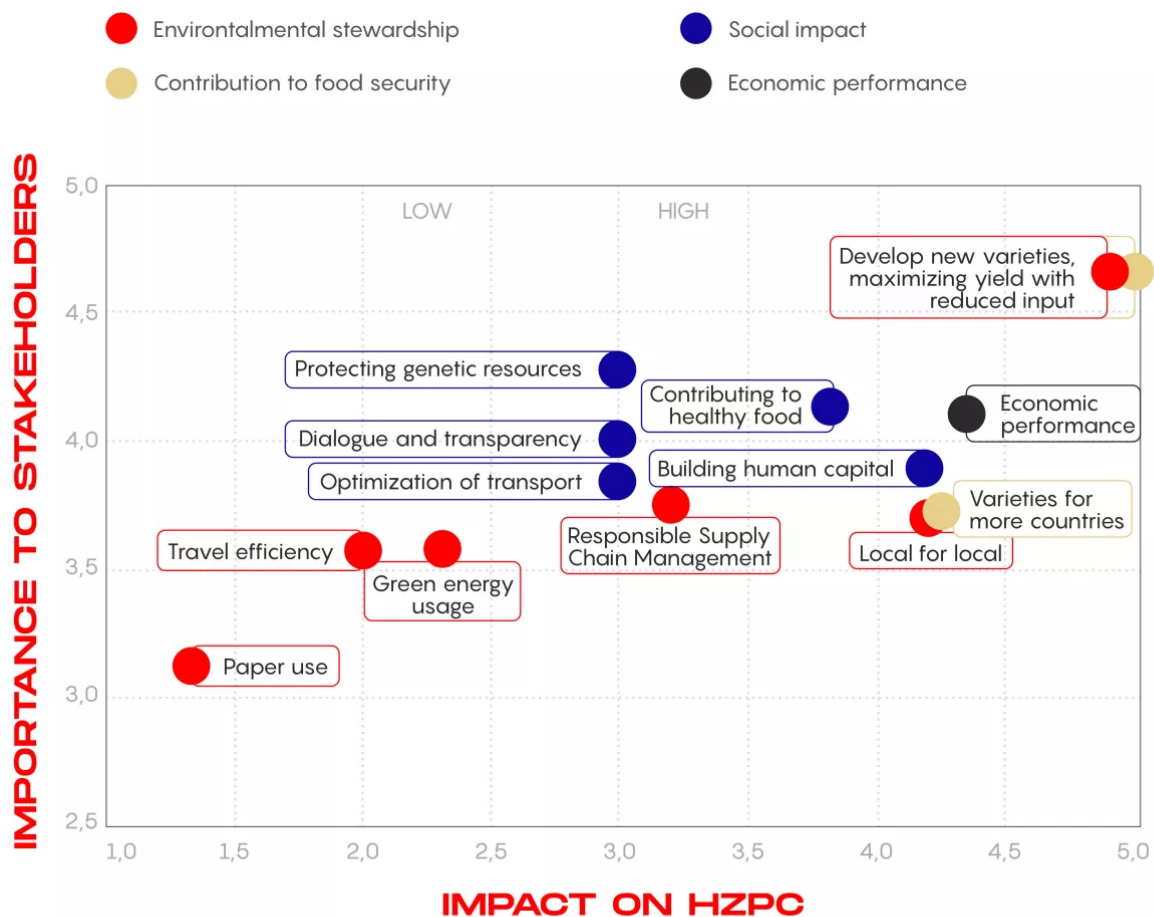
- Feeding more people worldwide by developing sustainable potato varieties.
- Taking care of genetic resources

Social impact

- Contribution to healthy food
- Investing in human capital
- Dialogue and transparency

In 2021, we asked a wide variety of stakeholders for their opinions on HZPC's sustainability policy. Growers, breeders, customers, the customers of customers, social organisations, employees and management completed a digital questionnaire. On the basis of what our stakeholders believe to be important and where we, as HZPC, can make a genuine difference, we have converted the three pillars into concrete actions. The most important subjects have been fixed within a materiality matrix.

HZPC Materiality matrix



Importance 2,5 = low, 5 = high. Impact 1 = low, 5 = high.

Read more about what HZPC has realised over the last two years with respect to sustainability in our CSR report.

Growing together

It has been said many times before: the demand for healthy, nutritious food such as the potato will continue to increase, irrespective of the instability and uncertainty in the world. In every corner of the globe, HZPC has built a good position. There are excellent opportunities for hybrid potatoes in the regions where populations are growing fast and transport can be quite challenging, such as Africa and Asia. The introduction of these may well require new partnerships and smart collaborations in order to get a foot in the door. We are seeing the market in North and South America grow and HZPC has also established its position in Australia and New Zealand. And, in emerging economies such as China, we can take further, huge strides. Even in countries where there are financial problems, the demand for sufficient food for the population remains. Nevertheless, the operating result during the coronavirus years was behind our long term forecasts. Despite this, however, we are positive about the expected longer term market for ware potatoes in Northwest Europe. A good price for ware potatoes translates into a better price for seed potatoes. In short, HZPC has all it needs to realise further expansion together with customers, growers, employees and partners.

A man with a beard, wearing a dark polo shirt and a black baseball cap with a red logo, is walking through a field of green plants. He is holding a large, light-colored sack over his shoulder. The background shows a vast field under a clear sky. Two white signs with red accents are visible in the field; one on the left says 'Sunred' and one on the right says 'Flamenco'.

Agent in the spots - Franco Faccennini
HZPC Agent in Uruguay

Call me an old-fashioned romantic, but I really think it's magical: rooting around in the soil with your bare hands and finding potatoes. It's like digging up treasure. This love for potatoes lies deep in my DNA. Together with my brothers Guido and Emiliano, I took over the family company from my father six years ago. He was a genuine authority on potatoes: he developed the seed potato market in Uruguay, and did business with Brazil, Canada and the Caribbean region. He also founded HZPC in Latin America, in Argentina.

So, it goes without saying that my father taught me all I know, right from a young age. I always used to climb on the harvester to help pull the potatoes from the ground and in our back garden in Montevideo, I grew potatoes with my dad. I also used to accompany him on his visits to growers in Argentina. When I was 18, I worked for HZPC in Metslawier in the Netherlands for four months. While there (as well as learning how to cycle into the wind) I also got to know the ins-and-outs of the potato trade.

Our company organises everything for HZPC in Uruguay, from documentation, imports and testing and introducing new potato varieties, to sales and marketing. We have, of course, divided the work between us but, because we are just a small company, I am involved in all the various facets. This complex dynamic is amazing. I tend to focus on contacts with HZPC Holland and ensure that the distribution of seed potatoes runs smoothly from A to Z. I have a great deal of contact with our important customers, the seed potato growers in Uruguay. I am outdoors a great deal of the time and that's something I enjoy. I also feel as if I am part of something that is much bigger than me; growing food to nourish the country.

The potato market in South America is very diverse. There is one big common-denominator though: the consumers often know very little about the various potato varieties and how to use them. In Uruguay there was just one variety for a very long time but now the market has become much more competitive and new varieties are introduced almost every year. Competition among traders is expanding and growers are improving in terms of growing the potatoes, while the consumer market price has stayed relatively stable. They also use less land to produce the same yield.

“ So, it is very it is important that we create new opportunities in the market and continue to develop new potato products. ”

So, it is very it is important that we create new opportunities in the market and continue to develop new potato products. As 'potato people', we have an extremely important role in feeding consumers more efficiently. We can explain in great detail how nutritious potatoes are and that they offer a highly efficient crop. By expanding expertise among consumers, we can market our varieties much more effectively. This presents us with great opportunities!

06 COMPLIANCE



Corporate governance

HZPC Holding is a two-tier board company with an Executive Board and an independent Supervisory Board (SB). The Executive Board manages the Strategic Business Area Europe, the Strategic Business Development Area's, STET Holland, IPR and HZPC Research & Development.

Tasks and Authorities	
Executive Board	– Informs SB about policy and general affairs. – Discusses important issues with SB. – Presents essential decisions to the SB, for approval.
Supervisory Board	– Maintains supervision over policy, Executive Board and general matters. – Supports Executive Board with advice. – Approves essential decisions by Executive Board.
General (Annual) Meeting of Shareholders	– Appoints, on recommendation of SB, members of the SB. meeting – Has authorities that are set out in law and the company's Articles of Association. – Approves specific decisions by Executive Board.
Association HZPC	– Convenes general meeting of shareholders. – Owns 100% of shares. – Has certified all shares.
General members' meeting Association HZPC	– Selects and appoints the Board of Association HZPC. – Approves several proposed decisions by Association HZPC.
Certificate holders	– Are (former) growers, (former) breeders and (former) members of staff. – Appoints Board members – Finances the business with risk capital. – Can be members of Association HZPC.

Personal details management structure as at 30 June 2022

Supervisory Board

M. Kester, voorzitter	Noordwijkerhout
C.J. Biemond	Godlinze
J.P. Bienfait	Amsterdam
I. Frolova	Utrecht
M. Hommes-Gesink	Lauwerzijl

- M. Ubbens stepped down in October 2021 and M. Kester was appointed as the new chairman
- Mr J.P Bienfait was appointed on the recommendation of the Supervisory Board by the shareholders in May 2022. Jean-Pierre fills the vacancy of M. Ubbens. M. Ubbens term of office had expired in October 2021.
- In 2021-2022, the supervisory Board met seven times with all members present.
- The Supervisory Board together with the Management Board attended governance training on 8 July 2021.
- In 2021-2022, the Audit Committee consisting of I. Frolova, " chairman" and C.J. Biemond met twice.

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., Chief Commercial Officer
J.L. van Vilsteren	Chief Financial Officer



Participations

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

HZPC SBA Europe B.V.

Director

L. Escalon	Director
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Management of Participations

HZPC Deutschland GmbH	R. Möller
HZPC France SAS	C. Gauchet
HZPC Holland B.V.	M. Jansen Klomp
HZPC Belgium B.V.	M. Jansen Klomp
HZPC Kantaperuna OY	M. Kauppinen
HZPC Patatas España S.L.	J. Luis Marti
HZPC Polska Sp. z o.o.	T. Jarczoch
HZPC Portugal Lda	P. Simoes
AO HZPC Sadokas	P. Bemelmans
HZPC UK Ltd.	C.R. Baker
ZOS B.V.	M. Jansen Klomp

Works Council of HZPC Holland B.V.

G. Bloembergen	Chairman
E. Meinsma	Vice Chairman
L. Gommers	Secretaris
A. van den Berg	Member
P. Kreijger	Member
T. van der Wal	Member
D. Woertink	Member
S. Stevens	Member

HZPC SBDA B.V.

Director

H. Verveld	Director
Solentum B.V.	H. Verveld
HZPC América Latina S.A.	I. Ramallo
HZPC Americas Corp.	J. Scramlin
HZPC Limited	H. Verveld
HZPC China Limited	H. Verveld

STET Holland B.V.

Director

P.C. Ton	Director
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Management Participations

STET Potato UK

P. Hewett

STET France Arl.

T. Rondeaux

STET Russia LLC.

P.C. Ton

Risk Management

Enterprise Risk Management

As part of our strategy, HZPC Holding has an Enterprise Risk Management (ERM) framework in place in order to structurally identify, assess, treat, manage, monitor and report risks throughout the organization. Since we find it important to continuously improve, a risk & control roadmap for the coming years is in place in order to further embed risk & control in our governance, strategy, systems, processes and daily operations.

Since we are growing across various regions, segments and business models, our risk profile changes and we need to pay more attention to managing those risks, starting with setting up clear (internal) processes and procedures. Such a greater focus on internal processes and compliance may perhaps give the impression that entrepreneurship is relegated to second place, but that is not the case. Just like growing from a small car to a lorry; we need to consider that if we want to move faster, we need to ensure that we have effective brakes and an insightful dashboard enabling us to speed up in a responsible manner. We aim to achieve this through our risk management approach and activities. As doing business inherently involves taking risks, our success depends on our ability to identify both risks and opportunities generated by our business and the markets we are in. 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. With our risk management approach and activities, we try to offer greater certainty with respect to realising trade goals and fulfilling our obligations to our customers, shareholders, employees, and society as a whole.

Our risk profile

The overview below depicts HZPC Holdings main risks categorized into four areas (strategic (market) risk, operational risk, financial (reporting) risk and compliance risk) that could prevent us from realizing our financial and non-financial strategic objectives. The following pages provide a more detailed description of our main risks, including the actions taken to mitigate these risks and/or chase any related opportunities. This list should not be considered exhaustive. There are no risks and uncertainties that have had a significant impact on HZPC in the past financial year.

HZPC risk table

		Impact	Likelihood	Vulnerability
Strategic (market) risk	Competition	●●●●○	●●●●○	●●●●○
	Disruption & R&D investment	●●●●●	●●●●○	●●●●○
	Local market risk	●●●●○	●●●●○	●●●●○
Operational risk	IT & security	●●●●●	●●●●○	●●●●○
	Production-to-sales ratio	●●●●○	●●●●○	●●●●○
	Seed quality	●●●●○	●●●●○	●●●●○
	Human capital	●●●●○	●●●●○	●●●●○
	Variety portfolio	●●●●●	●●●●○	●●●●○
	Internal control	●●●●○	●●●●○	●●●●○
Financial (reporting) risk	Treasury	●●●●○	●●●●○	●●●●○
	Reporting & disclosure	●●●●○	●●●●○	●●●●○
Compliance risk	Compliance breaches	●●●●○	●●●●○	●●●●○
	Infringements	●●●●○	●●●●○	●●●●○

Low ●●●●● High

Competition

Changes to the competitive landscape relating to new and/or non-traditional competition, mergers & acquisitions and the expansion of offerings, and an increased focus in the market on sustainability topics (e.g., food waste, sustainable agriculture, climate change, packaging and data integrity) that, without a distinct response by HZPC, could result in a loss of competitive advantage, decrease in sales, erosion of margins and an inability to deliver on our strategic objectives.

How we manage this risk?

HZPC has a diverse team of Finance, R&D, Marketing and Sales staff to structurally monitor the competition on R&D investments (incl. variety properties), M&A, strategy & business model changes, and market dynamics. This team provides periodically reports on these topics to the Executive Committee, in order to enable strategic decision-making.

Disruption & R&D investments

Not making the right R&D investment and choices now will have a huge impact on the long term and may adversely impact our strategic objectives. When we do not make the right varieties at the right time or are not able to foresee or adequately respond to external disruption in seed development and disruptive business models we might not be able to grow at our desired pace.

How we manage this risk?

We are in the process of defining an innovation and R&D strategy for the long-term strategic horizon in which we set out the need for talent, knowledge and capabilities regarding (strategic) R&D investment and our approach for attracting, recruiting and retaining such talent, knowledge and capabilities. We are continuously scouting for other comprehensive and future-proof breeding methods and tools, study the potential global impact of gene editing our varieties and develop market driven breeding. We report on a regular on basis the progress of this activity.

(Local) markets

Although it is hard to predict black swans such as political turmoil, terrorist attacks, recessions and pandemics that can affect the market, their impact can be high. We have seen that a black swan such as the pandemic, Ukraine war and inflation affects the overall performance of the market and thereby also affects our business. On the other hand, the impact of local market disruptions is quite well mitigated as we sell multiple varieties to multiple countries. The developments in the Netherlands, among others, around the nitrogen issue has a limited effect on our growers and on HZPC.

How we manage this risk?

We have defined a sound risk management process and way of working to manage this risk and deciding upon mitigating actions / controls, we try to mitigate this risk as much as possible by spreading our risk through having different business in different areas of the world. Also we develop several varieties and work with several partners and organizations. Additionally, we are continuously working on creating awareness to ensure HZPC is aware of such types of risks and manage them in the best way possible.

Seed quality

From an operational and reputation perspective, not being able to deliver high-quality products due to issues regarding seed components / ingredients / production / logistics / packaging will impact both our financial as well as reputational position on the long term. Customers expect high quality seeds and we keep ourselves to the promise to delivery high quality products, always.

How we manage this risk?

We manage this risk by having a high-quality testing process and ensure quality failures are recognized early on. We iteratively improve this testing and quality process over time to keep the highest level of quality available for our customers. Additionally, we have quality control protocols to ensure we meet the expected quality requirements of a country.

Variety portfolio

Having a healthy variety portfolio is needed for the independence of HZPC. When we do not have the right variety mix, we are dependent on a few varieties which bring greater risk. The right variety mix provides the ability to best serve our clients and mitigate the risk of losses due to diseases.

How we manage this risk?

Throughout the years we have been investing in defining / researching seeds with sustainable growth potential, examining the market and having the right network to identify and create the right varieties. We will continue to focus on having the right variety portfolio to mitigate this risk through our investments in Research & Development in terms of time, money and man hours.

Production-to-sales ratio

As we are focusing on our customer segment and growers plan seeds years ahead, we need to consider the risk of making the right Long term forecast. If not done correct it can heavily impact our financial position.

How we manage this risk?

We optimize constantly our processes and check if they are sufficient and that our staff is well-trained and capable to ensure that favorable production-to-sales ratios are being arranged. We develop a tool to support us with this planning. We have the knowledge and capabilities to make the right decisions and are structured in such a way that the four-eye principles is always maintained throughout this process. We are constantly improving and optimizing our portfolio management, long term forecasting, stock estimation and inventory management processes in order to be able to make the right arrangements.

Human capital

From an organizational perspective, being unable to grow in a sustainable manner will impact our ambition to be the market leader. In order to grow, we need to be able to attract, retain and develop the right talent to grow HZPC in a sustainable manner. Therefore, we need to keep investing in talent, both in terms of attracting new talent and retaining our current employees by providing them opportunities to grow. Additionally, we need to have the right systems and processes in place in order to enable employees to develop the organization over time.

How we manage this risk?

This year we managed to be reasonably successful in attracting talent despite the squeeze on labour market conditions. We realise that our mission and vision appeal to talented people and have therefore been focusing on our recruitment efforts and mapped out the capabilities we need in order to grow. To enable people in the day-to-day activities and personal development, we are in the process of improving our IT systems and processes.

Treasury

Our operating profit is subject to treasury risk. Financial issues at clients and/or specific countries can potentially lead to financial losses for HZPC. We noted no major funding issue's and/or payment risks throughout the year. We have a relatively limited exposure to foreign currencies and did not experience major incidents here.

How we manage this risk?

From a financial perspective, we have been improving our sales and overdue amount process in order to mitigate treasury risks. We structurally check our clients to ensure that we can do business with them in a responsible manner and pay special attention to credits and commissions. We are building on a more accurate cashflow planning and forward in sight in the developing of our currency position.

Internal Control

As we continue to grow, there is pressure to become more mature in terms of internal control. As a lack of internal control can lead to non-reliable financial reporting, operational ineffectiveness, fraud, and/or non-compliance with laws and regulations we have paid attention to further embedding Internal Control and Risk Management throughout the organization and will continue to do this in the coming years.

How we manage this risk?

Throughout the year we have taken steps in further embedding risk management and internal control. We actively take actions on becoming a more mature (risk) organization, by clarifying roles and responsibilities within the organization, standardizing and optimizing our processes and documenting our processes and procedures so we facilitate one structured and controlled way of working throughout the company. Accordingly, we are optimizing our policy management process and update / draft policies, standards and guidelines where needed. This is in the future supported by a more robust systems.

IT & Security

Our business operations are dependent on the uninterrupted operation of IT systems. Disruptions or data breaches may result in a compromised IT system, system failure, or a breach of sensitive company information. The ongoing digitization and company growth have increased the dependence on our IT systems.

How we manage this risk?

We have processes, policies and procedures in place to mitigate the IT & Security risk. These procedures include a variety of prevention and detection measures, including, but not limited to, training, control optimization and monitoring. To further improve our systems, we are optimizing our IT Control Framework. Moreover, our new ERP and Finance system is also being designed in such a way that general IT controls are embedded and security risks are mitigated. In the mean time we do regular PEN Test.

Reporting & disclosure

In order to make high-quality decisions and comply with regulatory / statutory requirements, we are able to generate the necessary reports and analysis (financial and non-financial). Although we have experienced that our system not always facilitates us in providing the right (level) of reporting, we have managed to provide the necessary reports and disclosures. We recognize that we are in the process of implementing a new ERP system in which we pay attention to the user friendliness and ability to extract the right data for reporting and disclosure purposes.

How we manage this risk?

Throughout the year, we have been paying attention to the user friendliness and ability to extract the right data for reporting and disclosure purposes in the design of the new ERP system. Accordingly, we ensure (functional) Risk & Control requirements are embedded in the ERP system to optimize data quality & availability. To further optimize our reporting and disclosure processes, we have designed a roadmap in which we have lined out that we will revise/ draft new reporting and disclosure related policies and procedures based on business value and needs.

Compliance breaches

HZPC Holding and its subsidiaries may be held responsible for any liabilities arising out of non-compliance with laws and regulations. Due to our growth and presence in multiple (high-risk) countries, alongside with changing laws & regulations we recognize that not being able to become more mature in the field of Legal Entity Management and contract management, can lead to compliance breaches. We referred further to the notes in the consolidated financial statements to net sales.

How we manage this risk?

Over the years, we have managed this risk well and will continue to do this in the coming years. We have worked on improving our compliance-related processes and procedures. We have compliance policies and procedures in place and are working on further improving compliance processes and controls. For Ultra High Risk Countries we stopped the direct sales to these countries.

Infringements

Considering our competitive market, we might face the risk that we are not able to protect our IP rights due to the fact that competitors are misusing our rights or are obtaining Essentially Derived Varieties (EDV). To ensure that we keep our IP protected, we are working on protecting our variety rights in the different countries we operate in.

How we manage this risk?

We are managing this risk by constantly monitoring the market. In Europe we are a shareholder of Breeders Trust who is executing this role in Europe. In other areas in the world we even sometimes buy samples in the market to check if our varieties are illegally produced.

Results, investments, financing

Investments

This year too, despite the war and other uncertain circumstances, we have invested in our business and continue to do so. The second part of the investment in the R&D facility last year, has been commissioned this year. The follow-up is scheduled for next financial year. The new office in France was completed this year. The invested capital (total fixed assets) at the end of the 2021/2022 financial year is EUR 30.4 million, which is EUR 2 million lower than last year. For next year, we expect a higher amount of investments. An important part of this is the Aurora project. Here we are trying to improve processes and replace the old ERP system. This is in addition to the regular replacement investments in operations and R&D.

Cash

The cash position has improved compared to last year. The current ratio increased slightly to 1.32. The quick ratio (current ratio excluding stock) also increased slightly to 1.27. This is caused by slightly lower investments, but mainly by a strongly increased result.

Results

Net turnover of EUR 350 million was recorded last year. Like last year, more than 85% of the turnover consists of seed potato trading. Turnover was higher because HZPC realised higher prices. Licence income remained almost the same. In addition, more turnover was made in consumption potatoes. The organisation's gross margin, sum of operating income minus the sum of costs of raw and auxiliary materials and third-party services, freight and loading costs and packaging, increased to EUR 64.0 million. This was achieved besides HZPC realising higher prices by paying close attention to costs. The net profit before deducting the costs of the Connecting Growers programme therefore increased to EUR 7 million. Net profit rose sharply compared to last year.

Financing

There was no major change in the financing structure this year. The improved cash position allows us to reduce our facility in the future. Solvency fell from 41.6% in 2020/2021 to 40.4% in 2021/2022.

Last financial year, sales and margin recovered after the corona crisis. The war in Ukraine accelerated the end of the season and had an impact on our customers and hence on our turnover and margin. One of the largest customers in the Middle East was back to pre-corona crisis levels after ordering less in 2020. Costs were lower as we deferred or delayed several commercial activities. As for the accounts receivable position, the situation is back to pre-pandemic levels.

The corona crisis seems pushed into the background, but may return again in the autumn. This time it will surprise us less and we will be better prepared for it. It is possible we will be better prepared for it this time. The economic consequences of the war and the related energy crisis and rising inflation are also not yet fully understood.

Management is continuously assessing available information and risks, to take appropriate measures. The available funding was and is sufficient to absorb future regular fluctuations and disruptions. Management continuously monitors the development of turnover and costs to keep a good view on the development of liquidity. In addition, analyses are performed to take additional measures in time. Based on the analyses performed by management and the company's current results and financing position, the financial statements have been prepared on the assumption of going concern. Based on updated forecast in September 2022, we expect to be in compliance with the bank's covenants, at least until October 2023.

Personnel matters

HZPC staff play an important role in achieving our results. Through an adequate personnel policy and a remuneration policy in line with the market, we are able to retain staff. All available instruments are used in this respect.

Share certificates

HZPC has issued 783,725 shares with a nominal value of EUR 20. Association HZPC owns 100% of the shares and has certified all 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.

Connecting Growers

Twenty years ago, almost all certificates were in the hands of active growers. This has now fallen to around half. This primarily occurs because many growers are no longer actively involved in growing, but hold onto their certificates and rarely offer them for sale. These certificates are then bought by very few active growers.

The senior managers, in consultation with the SB, the Board and Association HZPC, and with permission from the certificate holders, have decided to find a way to ensure that more certificates end up in the hands of active growers. To this end, the SB and the Board have approved the creation of the Connecting Growers programme, proposed by the Executive Team. As a result, EUR 1.5 million worth of depositary receipts of shares were bought this year. These share certificates were given for free to growers who had a seed potato contract in the EU with an HZPC group entity.

Read more on: www.hzpc.com/cg.

Stock exchange trading

Twice every financial year, in November and May, the Association organises a stock exchange trading day. During these days, as well as the certificate scheme for staff, HZPC will also buy certificates for the Connecting Growers programme.

Association HZPC was the stockholder and Captin was the market supervisor for the stock exchange trading days in November 2020 and May 2021. During the ALV in November 2021, it had been decided to transform the exchange. In this, the stock exchange holder is no longer the HZPC Association but Captin. Captin is an AFM-regulated stock exchange party that handles trading through its platform. Captin also handles the administration of the certificates and also the membership of the Association HZPC. This ensures compliance with EU regulations. This has made the exchange more transparent and the rights of the certificate holder are in line with regulations as on the regular exchange.

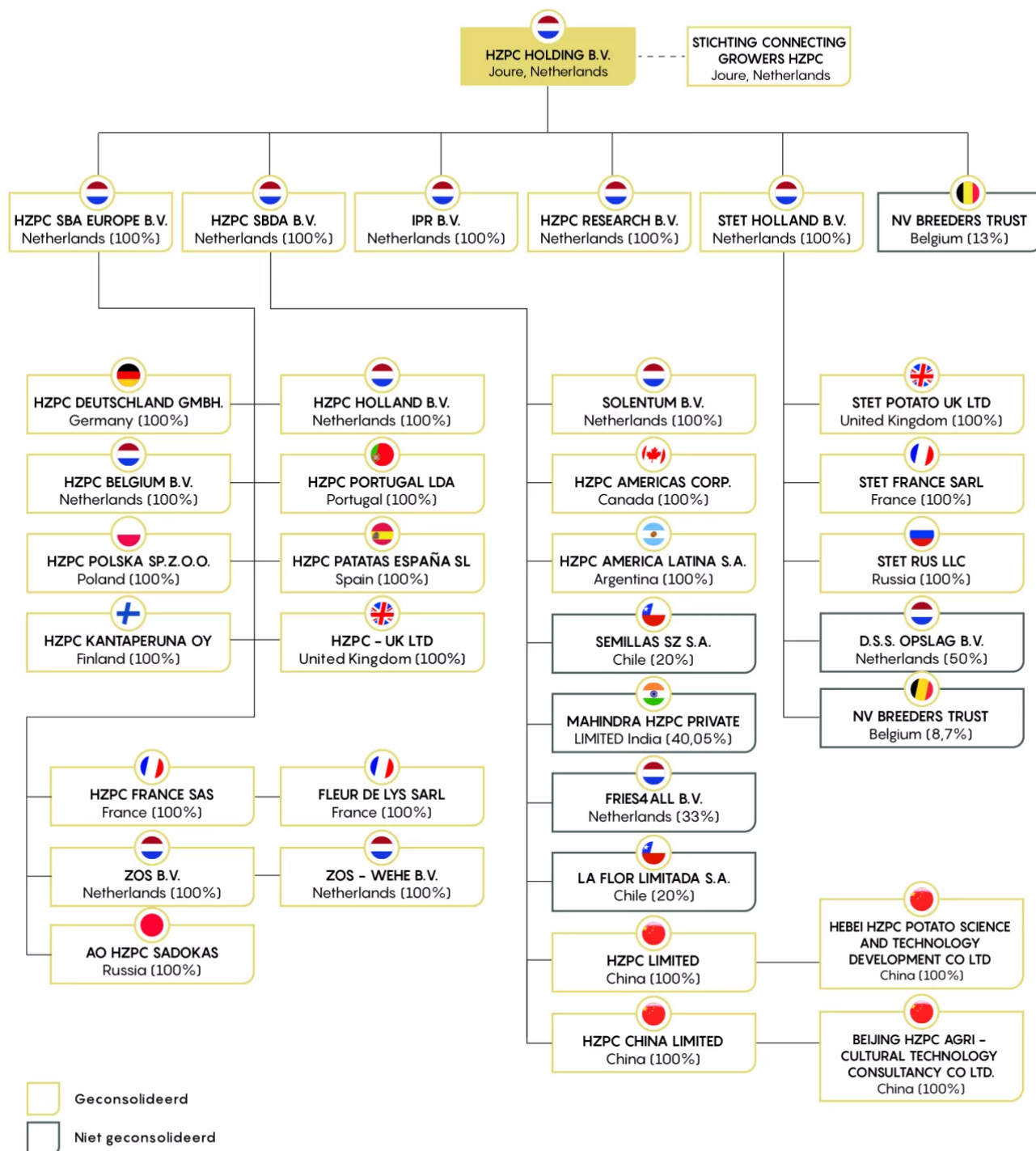
The certificate holders were informed about the business by means of media messages, the annual report and via the website for HZPC Holding (www.hzpc.com). In addition, Dutch certificate holders receive the company's client magazine 'Ruggespraak'.

Trading day

	2017/18	2018/19	2019/20	2020/21	2021/22
Profit per share certificate (x EUR 1)*	€ 6,00	€ 11,93	€ 1,49	€ 1,74	€ 9,00
Dividend per share certificate (x EUR 1)	€ 4,00	€ 7,75	€ 1,00	€ 1,00	€ 6,00
Dividend as % of net result	67,00%	65,00%	67,00%	57,00%	67,00%
Rate as of 30 June (x EUR 1)	€ 200,00	€ 162,00	€ 131,25	€ 106,35	€ 76,60
Dividend as % of rate	2,00%	4,78%	0,76%	0,94%	7,83%
Return on shares (x EUR 1)	€ 38,35	€ (30,25)	€ (29,75)	€ (23,90)	€ (23,75)
Total shareholders return in %					
(as of 30 June of the previous year)	23,15%	-15,13%	-18,36%	-18,21%	-22,33%

*exclusive costs of Connecting Growers

Group structure



07 REPORT OF THE SUPERVISORY BOARD



Report of the Supervisory Board

Michael Kester took over as Chair, from Meerten Ubbens as of 1 October 2021; Mr Ubbens had reached the maximum term of 12 years and thus stood down from HZPC's Supervisory Board. Michael has been part of the SB for seven years and is now retired from his international career with Syngenta. With Michael we will take stock of the financial year 2021-2022 and his first year as Chair of the SB.

A good result in uncertain times

"The past few years have taught us that we can only predict some of the challenges we might have to face. Two years after the coronavirus crisis, we are facing another crisis: the war between Russia and Ukraine. This has led to further shifts in the market and price developments for agricultural products. In good consultation with the Board and Supervisory Board, the management actively anticipated this and partly as a result, the 2021/2022 season ended with a very good result.

On behalf of the SB, I would like to thank the Board, the Executive Board and of course the employees of HZPC for their commitment, flexibility and the result achieved."

Responsibility for preventing hunger

The conflict between Ukraine and Russia immediately raises the issue of whether you continue to supply countries such as Russia. This discussion, of course, also took place within the SB. HZPC has always had a clear vision: the people who live in conflict zones have not caused the problem and HZPC feels a responsibility to prevent hunger and, where possible, to carry on supplying the countries that are involved in conflicts. As the SB, we support this policy but also monitor developments with a critical eye. Unfortunately, there are countries in conflict areas whose banking systems are not functioning. As a result, HZPC would not be able to abide by general agreements about international trade and payment traffic. It is the task of the SB to ensure that HZPC does stick to these rules.

Aurora determines HZPC's success

"In 2021-2022, every meeting had developments around the Business Transformation Program Aurora as the first topic on the agenda. There has been a massive focus on this area. And that is also vital. The successful implementation of Aurora will determine the success of HZPC in the future. This encompasses an IT component but primarily equates to a significant change in our working methods and collaborations within HZPC. The development and implementation of Aurora requires a lot of time and attention, in which it is important that everyone in the organisation is included, including the wishes and requirements to be able to work efficiently with Aurora. As the SB, we have engaged an external adviser who can view issues from a distance and flag up topics that we can then discuss with the Executive Board."

Greater maturity

"The new trading platform for HZPC certificates is principally a subject for the Board of the Association of shareholders. As the SB, we have a supervisory role and have considered the various risks, opportunities, costs and expenses. The new trading platform is a great step towards greater maturity within HZPC. It is a very positive development."

How can HZPC stay successful in the future?

"To answer this question, HZPC has embarked on a thorough process to develop its strategy for the next 15 years. This seeks answers to fundamental questions such as: where is the journey going? What is happening in the world? What emphases in the strategy do we choose? And what is realistic? These are interesting conversations. SB, Association Board and Executive Board contributed to this in a joint, informal session. After all, the importance of a solid strategy is great. It will help HZPC keep focus on those points where the company makes a difference, even in worse times."

Leading the way in breakthrough technology

"Over the past few years, there have been huge investments in Research & Development. The SB follows these with a critical eye. HZPC is now leading the field in research into diploid potatoes, a breakthrough technology the world is waiting for. HZPC has already taken huge strides. We are not there yet but there is a good chance that the first diploid varieties will be introduced in five years. Seed potatoes will not disappear entirely but markets that are tricky to access with seed potatoes will be brought within easy reach with this technology. HZPC is also able to introduce resistances much quicker and, in turn, reduce the levels of crop protection agents that are required. This offers genuine benefits to the world and contributes towards resolving the global food problem. That's fantastic."

How the Supervisory Board and directors of HZPC collaborate

"The SB is a sounding board for HZPC's Executive Board. We work on strategies, choices and dilemmas without treading on the toes of the directors. This collaboration goes much further than the legal obligation to appoint a Supervisory Board and the duty for the Executive Board to provide information to the SB. The meetings are always constructive and exceptionally well prepared. Of course, we sometimes have heated debates but, in the seven years I've been part of this, I have never seen an issue that wasn't settled. There is an exceptional team of Supervisory directors and we have the luxury of having a very experienced executive team. This offers stability." HZPC now operates in many countries and this places higher demands on financial supervision. For this reason, an Audit Committee has been set up. This consists of Cor Biemond and Irina Frolova (chair) and in 2021 - 2022 it dealt with topics such as bank financing, the audit plan of the new external auditor and the annual accounts."

What does the Supervisory Board do?

The SB of HZPC monitors and advises the Executive Board on company strategy, policy and objectives. In this, the aim is to ensure the continuity of the company and thus protect the interests of all stakeholders, including employees, growers, customers, legislators, and the public domain. As an employer, the SB also sets the remuneration for the Executive Board. The SB operates entirely independently of the Executive Board. As a shareholder, the Association HZPC appoints the members of the SB.

In 2021 - 2022, spread across the year, six meetings took place between the SB and Executive Board of HZPC. The Chair of the SB works with CEO Gerard Backx to prepare for the meetings. Prior to meetings between the SB and Executive Board, the members of the SB talk to one another. This financial year, the SB has also held two meetings of shareholders with the Board of Association HZPC.



From left to right: Jean-Pierre Bienfait, Martine Hommes-Gesink, Michael Kester, Irina Frolova, Cor Biemond



Consolidated balance sheet

Consolidated balance sheet as of 30 June (after profit appropriation)

Assets

(in EUR x 1.000)

	Notes	30-Jun-22	30-Jun-21
FIXED ASSETS			
Intangible fixed assets	1		
Research and development costs	589	1.231	
Concessions, licensces and intellectual property	545	1.090	
		1.134	2.321
Tangible fixes assets	2		
Company buildings and land	19.005	18.619	
Plant and equipment	4.820	6.573	
Other fixes operating assets	730	710	
Operating assets under construction	642	63	
		25.197	25.965
Financiell fixed assets	3		
Participating interest	1.435	1.440	
Receivables from Association HZPC	0	16	
Other securities	24	25	
Deferred taks assets	2.296	3.311	
Other receivables	289	337	
		4.044	5.129
TOTAL FIXED ASSETS		30.375	33.415
CURRENT ASSETS			
Inventories	4	3.397	2.178
Trade and other receivables			
Trade receivables	5	45.133	47.858
Account receivables from participating interests	6	425	441

	Notes	30-Jun-22	30-Jun-21
Taxes, contributions and social insurance	7	10.874	10.998
Other receivables and accrued income	8	12.775	12.856
		69.207	72.153
Cash and cash equivalents	9	31.818	18.251
TOTAL CURRENT ASSETS		104.422	92.582
TOTAL ASSETS		134.797	125.997

Liabilities

(in EUR x 1.000)

	Notes	30-Jun-22	30-Jun-21
GROUP EQUITY	10		
Shareholders' equity		54.471	52.478
Provisions	11		
Pensions		213	184
Other provisions		422	444
		635	628
Current liabilities			
Debts to credit institutions	12	43.678	36.268
Accounts payable to suppliers		17.382	16.460
Debts to Vereniging HZPC		306	0
Taxes, contributions and social insurances	13	1.415	1.643
Dividend to be paid		4.702	784
Other debts and accrued liabilities	14	12.208	17.736
		79.691	72.891
TOTAL LIABILITIES		134.797	125.997

Consolidated profit and loss statement

	Notes	2021/2022	2020/2021
Net turnover	15	350.309	312.781
Other operating income	16	1.863	1.840
Total operating revenue		352.172	314.621
Cost of raw materials and other consumables and outsourced work		244.758	226.936
Freight cost		31.862	21.501
Packaging		11.614	8.967
Wages and salaries	17	22.739	22.602
Social security costs and pension costs	17	6.596	6.982
Depreciation of intangible fixed assets		1.111	1.070
Depreciation of tangible fixed assets		2.625	2.734
Impairment of current assets		0	2.292
Other operating costs	18	22.849	20.682
Total operating expenses		344.154	313.766
Operating income		8.018	855
Interest and similar income	19	1.661	190
Interest and similar expenses	20	-2.256	-1.104
		-595	-914
Result before income tax		7.423	-59
Corporate income tax	21	-1.853	-166
Share on result from participating interests		-20	240
		-1.873	74
Net result		5.550	15
Total of direct changes in shareholders' equity of the company			
change in foreign currency translation reserve		1.190	-111
Total comprehensive income of the year, net of tax		6.740	-96

Consolidated cash flow statement

(in EUR x 1.000)

Consolidated cash flow statement for the year 2021/2022(in EUR x 1.000)

	Notes	2021/2022	2020/2021
Operating result		8.018	485
Adjusted for:			
Book result tangible fixed assets		-218	0
Depreciation/amortisation	1,2	3.736	3.804
Changes in provisions	11	-7	32
Changes in working capital		-4.358	-10.640
Cash flows from business operations		7.171	-6.319
Interest received	19	1.661	253
Dividend received		63	76
Income tax received	21	2.275	46
Interest paid	20	-1.932	889
Income tax paid	21	-2.535	-2.537
Cash flow from operating activities		6.703	-7.592
Investments in:			
Intangible fixed assets	1,2	-14	-754
Financial fixed assets	3	-236	53
Investments in existing participations	3	0	-140
Divestments of financial fixed assets		34	0
Tangible fixed assets	2	-3.316	-6.126
Disposals of tangible fixed assets	2	1.780	746
Cash flow from investing activities		-1.752	-6.221
Financing activities			
Increase bank loan		7.410	0
Dividend paid		-784	-783
Bought certificates		-46	0
Cash flow from financing activities		6.580	-783
Net cash flow		11.531	-14.596

Consolidated cash flow statement for the year 2021/2022(in EUR x 1.000)

Currency and exchange rate differences		2.036	-370
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Changes in cash and cash equivalents		13.567	-14.966
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Cash and cash equivalents at the beginning of the year	9	18.251	33.217
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Changes in cash and cash equivalents	9	13.567	-14.966
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Cash and cash equivalents at the end of the year	9	31.818	18.251
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Notes to the consolidated financial statements 2021/2022

General

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 Vereniging HZPC (Association HZPC).

The group's primary activities focus on the potato and encompass:

- research;
- breeding and cultivation of varieties;
- (facilitating) growing, trading and distribution of seed and ware potatoes;
- enabling all other processes in a commercial, industrial and financial context;
- developing concepts.

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 proceeded 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.

General accounting principles for the consolidated annual accounts

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 Netherlands Civil Code. The applied accounting policies are based on the historical cost convention.

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

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

Going concern

Last financial year, sales and margin recovered after the COVID-19 pandemic. The war in Ukraine accelerated the end of the season and had an impact on our customers and thus on our sales and margin. One of the largest customers in the Middle East was back to pre-COVID-19 pandemic levels after ordering less in 2020. Costs were lower as we deferred or delayed several commercial activities. As for the accounts receivable position, the situation is back to pre-COVID-19 levels.

COVID-19 seems to be on the wane but may come back again in the autumn. This time it will surprise us less and we are better prepared for it. The economic impact of the war and related energy crisis and rising inflation is also not yet fully understood.

Management is continuously assessing the available information and risks to take appropriate measures. The funding we have available is sufficient to absorb future regular fluctuations and disruptions. Management continuously monitors the development of turnover and costs to keep a good view on the development of liquidity. In addition, analyses are performed to take additional measures in time. Based on the analyses performed by management and the company's current results and financing position, the financial statements have been prepared on the assumption of going concern. Based on updated forecast in September 2022, we expect to be compliant with the bank's covenants, at least until October 2023.

General valuation

The 2020/2021 figures have been reclassified to allow comparability with 2021/2022, these reclassifications have no impact on the assets and results for the financial year. It concerns the following reclassifications:

- reclassification of receivables from growers from other receivables to debtors (EUR 1,465,000)
- reclassification of exchange differences from net turnover to interest expenses (EUR 370,000)
- reclassification of charged-on pallets from net turnover to packaging (EUR 262,000)

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

An asset is disclosed 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 and its group companies. Group companies are legal entities and companies in which dominant control is exercised. This includes financial instruments containing potential voting rights if they have economic significance.

For an overview of the consolidated group companies, please refer to the Table of participating interests (PDF, pages 70 and 71).

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.

Notes to the consolidation method

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 interest 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 2022

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

HZPC SBA Europe B.V. with its participation:

Consolidated:	Interest:
HZPC SBA Europe B.V. in Joure, the Netherlands	100%
HZPC Holland B.V., in Joure, the Netherlands	100%
HZPC Belgium 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	100%
with its participation:	
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%
AO HZPC Sadokas, in Sint Petersburg, Russia	100%

HZPC SBDA B.V. with its participation:

Consolidated:	Interest:
HZPC SBDA B.V. in Joure, the Netherlands	100%
HZPC Americas Corp., in Charlottetown, Canada	100%
HZPC América Latina S.A., in Buenos Aires, Argentina	100%
HZPC China Ltd, in Hongkong, China	100%
with its participation:	
Beijing HZPC Agricultural consultancy Co. Ltd., in Beijing, China	100%
HZPC Ltd, te Hongkong, China	100%
with its participation:	
Hebei HZPC Potato Science and Technology Development Co., Ltd., in Langfang, China	100%
Solentum B.V., in Joure, the Netherlands	100%

Non-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%
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HZPC Research B.V., in Metslawier, the Netherlands (consolidated)	100%
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STET Holland B.V. with its participation:

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 Rus LLC, in Moskou, Russia	100%

Non-consolidated:

D.S.S. Opslag B.V., in Dronten, the Netherlands	50%
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N.V. Breeders Trust, in Brussels, Belgium (non-consolidated)	21,7%
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The HZPC Connecting Growers Foundation is part of the group and is 100% included in the consolidated figures. The capital interests are unchanged compared to the previous financial year, with the exception of the interest in N.V. Breeders Trust. The interest in N.V. Breeders Trust was 22.7% in the previous financial year.

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.

Currency translation differences are recognised in the translation differences reserve. On disposal of business operations abroad, the relevant cumulative amount of translation differences recognised in equity is recognised in the income statement as part of the result on disposal.

Development of most important foreign exchange currencies

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

EUR 1 t.ov. Foreign currency	Rate 30-06-2022	Average exchange rate	Rate 30-06-2021
Canadian Dollar	1,349	1,427	1,471
British Pound	0,862	0,847	0,859
Polish Zloty	4,699	4,614	4,502
American Dollar	1,048	1,128	1,193
Russian Rubel	57,495	85,557	86,164

Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when contractual rights or obligations arise in respect of that instrument. A financial instrument is derecognised if a transaction results in all or substantially all rights to economic benefits and all or substantially all risks relating to the position being transferred to a third party. Financial instruments (and individual components of financial instruments) are presented in the consolidated financial statements in accordance with the substance of the contractual terms. Presentation is made on the basis of individual components of financial instruments as financial assets, financial liabilities or equity.

Financial instruments include primary financial instruments such as receivables, securities and payables, as well as financial derivatives.

Financial and non-financial contracts may contain arrangements that meet the definition of derivatives. Such an arrangement is separated from the primary contract and accounted for as a derivative if its economic characteristics and risks are not closely related to those of the primary contract, a separate instrument with the same terms would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Embedded financial instruments that are not separated from the host contract are accounted for in accordance with the host contract.

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

Financial instruments are initially recognised at fair value, with (dis)premium and directly attributable transaction costs included in the initial recognition. The fair value of a financial instrument is the amount for which an asset could be traded or a liability settled between knowledgeable, willing parties in an arm's length transaction. However, if financial instruments are measured at fair value through profit or loss on subsequent measurement, directly attributable transaction costs are recognised directly in profit or loss on initial measurement.

After initial recognition, financial instruments are measured as 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 extent of ineffectiveness would be established by comparing the change in fair value of the hedging instrument, with the change in fair value 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.

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.

In addition, subjective and objective indicators of an impairment would be considered. Examples include the loss of active markets in the case of financial assets with a market listing, a reduction in the creditworthiness of the other party, i.e. the legal person or debtor of the issued instrument, or a reduction in the fair value of a financial asset to beneath the cost price or the amortised cost.

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.

Accounting principles for evaluation assets and liabilities

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 capitalised.

Development costs (software)

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

Development costs are valued at production cost, less accumulated amortisation and impairment losses. The manufacturing price mainly comprises the employee's salary costs. The capitalised costs are depreciated after the completion of the development phase (actively ready for commissioning) over the estimated useful life, which is 3 to 7 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, machines 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 subsidies are deducted from the cost price of the assets to which the subsidies 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. Depreciation does not take place on land and assets in progress. 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%
• Machines and equipment	10% - 33.3%
• Other fixed operating assets:	10% - 33.3%

Major maintenance costs are recognised in cost as soon as they arise and the capitalisation criteria are met. The carrying amount of the items to be replaced is then considered disinvested and charged to the income statement in a lump sum. All other maintenance costs are recognised directly in the income statement.

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

For the valuation of other financial fixed assets, reference is made to the principles under deferred taxes and financial instruments. Other securities are valued at amortised cost.

Impairment

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

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

If the book 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 book 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 book value of the asset (or cash flow generating unit) is increased up to the amount of the estimated recoverable value, but not higher than the carrying value that would have applied (after depreciation) if no impairment loss had been recorded in prior years for the asset (or cash flow generating unit).

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

Inventories 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 stocks 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'. The valuation of all individually significant receivables is assessed on an individual basis whether there are objective indications of impairment. For individually immaterial receivables, this assessment is made on an individual basis.

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:

- a legally enforceable or constructive obligation, arising from a past event; whereby
- a reliable estimate can be made; and
- it is probable that an outflow of resources 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 separately as an asset.

Pension and jubilee provisions

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. Revenue from the sale of potatoes is processed 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.

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.

Licenses

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.

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. 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 over the useful life of the asset.

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.

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 scheme

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 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 2020/2021 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 1.70% of the pensionable salary based on the gross salary minus a franchise (EUR 14,618). The pensionable salary is maximised (at EUR 59,706). 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 2021, the coverage rate of the industry-funded pension fund concerned will be 122.3% according to the fund's statement. Based on the implementing regulation, the group has no obligation to meet additional contributions other than by higher future premiums in case of a shortfall in the fund.

In addition to the basic pension plan, there is also a surplus pension plan based on a defined premium plan.

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 accounted for in the period to which they refer.

Corporate income tax

Corporate income taxes include the tax on profit and deferred tax due and payable 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.

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

If the carrying values of assets and liabilities for financial reporting purposes differ from their values for tax purposes, this results in temporary differences. A provision for deferred tax liabilities is recognised for taxable temporary differences.

For deductible temporary differences, unused loss carry forwards and unused tax credits, a deferred tax asset is recognised, but only in so far as it is probable that taxable profits will be available in the future for offset or compensation. Deferred tax assets are reviewed on each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised. For taxable temporary differences related to group companies, foreign branches, associates and interests in joint ventures, a deferred tax asset is recognised unless the company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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.

Cash flow statement

The cash flow statement has been prepared on the basis of the indirect method. Cash flows in foreign currencies have been converted to euros using the weighted average conversion rates for the relevant periods.

The cash in the cash flow statement consists of the cash and cash equivalents and investments that can be converted into cash without restrictions and without material risk of impairment as a result of the transaction.

Cash flows in foreign currencies have been converted at an estimated weighted average exchange rate for the reporting period/the exchange rate on the date on which the transactions took place. Currency exchange differences are shown separately in the cash flow statement.

Interest income and expenses, dividends received and income taxes are included in the cash flow from operating activities. Dividends paid are included in the cash flow from financing activities.

The acquisition price of the acquired group company is included in the cash flow from investing activities, insofar as payment has been made in cash. The cash available in the acquired group company has been deducted from the purchase price.

Transactions in which no exchange of cash takes place, including financial leases, are not included in the cash flow statement. The payment of the lease installments under the finance lease contract has been classified as an expense from financing activities for the part relating to the redemption and as an expense from operating activities for the part relating to the interest.

Cash flows from financial derivatives that are accounted for as fair value hedges or cash flow hedges are classified in the same category as the cash flows from the hedged balance sheet items. Cash flows from financial derivatives where hedge accounting is no longer applied are classified consistently with the nature of the instrument, from the date on which hedge accounting is discontinued.

Related parties

Transactions with related parties will be explained if they 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 which provide further information about the actual situation as of the balance 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 per category for intangible fixed assets for the year 2021/2022 is as follows:

	Research and development costs	Concessions, permits and Intellectual properties	Total 2021/2022
Purchase value	3.176	3.817	6.993
Cumulative depreciation	-1.945	-2.727	-4.672
Book value as per 1 July	1.231	1.090	2.321
Investments	14	0	14
Disposals	-90	0	-90
Depreciation	-566	-545	-1.111
Total	-642	-545	-1.187
Purchase value	2.868	3.817	6.685
Cumulative depreciation	-2.279	-3.272	-5.551
Book value as per 30 June	589	545	1.134

2. Tangible fixed assets

The composition and movement per category for tangible fixed assets for the year 2021/2022 is as follows:

	Bedrijfsgebouwen en - terreinen	Machines en installaties	Andere vaste bedrijfsmiddelen	Activa in uitvoering	Totaal 2021/2022
Purchase value	44.959	30.854	4.120	63	79.996
Cumulative depreciation	-26.340	-24.281	-3.410	0	-54.031
Book value as per 1 July	18.619	6.573	710	63	25.965
Investments	1.734	522	484	642	3.382
Reclassification and exchange differences	1.287	-1.133	-65	0	89
Commissioning	0	0	63	-63	0
Disposals	-1.613	170	-171	0	-1.614
Depreciation	-1.022	-1.312	-291	0	-2.625
Balance	386	-1.753	20	579	-768
Purchase value	43.566	20.088	3.608	642	67.904
Cumulative depreciation	-24.561	-15.268	-2.878	0	-42.707
Book value as per 30 June	19.005	4.820	730	642	25.197

3. Financial fixed assets

The movement per category of financial fixed assets for the year 2020/2021 is as follows:

	Participating interests	Receivables from association HZPC	Other securities	Deferred tax assets	Other receivables	Total 2021/2022
Book value as per 1 July	1.440	16	25	3.311	337	5.129
Investments/increase	226	0	0	0	10	236
Results from participating interests	-20	0	0	0	0	-20
Impairments/repayments	0	-16	-1	-1.015	-58	-1.090
Disposals	-8	0	0	0	0	-8
Dividend received	-63	0	0	0	0	-63
Exchange rate flucuations	-140	0	0	0	0	-140
Movements 2021/2022	-5	-16	-1	-1.015	-48	-1.085
Book value as per 30 June	1.435	0	24	2.296	289	4.044

Participating interests

These are participating interests that are not consolidated due to minority interests. For a summary of the consolidated group companies, refer to the Table of Participations (PDF page 70 and 71).

Receivables from Association HZPC

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

Other securities

The item other securities refers to securities that are intended to be held long-term. The market value of the different classes other securities approximates to the carrying value EUR 24,000.

Deferred taxes

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 valued are EUR 300,000.

Other receivables

The other receivables relates to loans granted to personnel with an amount of EUR 3,000 (2020/2021: EUR 20,000) with an average maturity 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%. The present value of the interest rate cap as at 30 June 2022 is eur 412,000.

4. Inventories

	30-Jun-22	30-Jun-21
Packaging	1.948	1.190
Finished products	701	988
Prepayments on stock	748	0
	3.397	2.178

The stock of finished products consists of self-developed mini tubers. A provision has been made on balance sheet of nil (EUR 2020/2021: nil).

Trade and other receivables

5. Trade receivables

	30-Jun-22	30-Jun-21
Amortized cost of outstanding receivables	47.101	49.926
Less: Allowance for doubtful debts	-1.968	-2.068
	45.133	47.858

The trade receivables does not include an amount with a remaining term of more than 1 year which are not unforeseen.

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-Jun-22	30-Jun-21
Sales tax	9.270	7.770
Payroll tax and social insurance	0	3
Corporate income tax	1.582	3.225
Other taxes and premiums	22	0
	10.874	10.998

8. Other receivables and accrued assets

	30-Jun-22	30-Jun-21
Pension contributions	0	5
Licences to be claimed	5.241	5.193
Prepaid expenses	3.486	2.048
Turnover to be invoiced	1.583	56
Health insurance premium	104	13
Government grants	1.027	1.362
Receivable on growers	70	97
Operating result pool	639	1.187
Other amounts	625	2.895
	12.775	12.856

The item 'Operating result pool' concerns the receivable Stet Holland B.V. has on its growers and is the difference between the direct costs of the seed potatoes grown in a pool and the income received in return. The difference is added to the exploitation of the pool in the next financial year.

9. Cash and cash equivalents

	30-Jun-22	30-Jun-21
Cash	2	2
Bank account current	31.816	18.249
	31.818	18.251

The bank has an amount of nil (2020/2021: nil) which is not due and payable. Bank guarantees of EUR 121,750 (2020/2021: EUR 120,000) have been provided.

10. Group equity

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

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 2020/2021 are shown in the following overview:

Pension provision staff

	2021/2022	2020/2021
Amounts as of 1 July	184	177
Additions	29	23
Withdrawals	0	-16
Amount as per 30 June	213	184

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 composition and movement of the other provisions in the 2021/2022 financial year are as follows:

	2021/2022	2020/2021
Amount as of 1 July	444	419
Additions	20	67
Withdrawals	-42	-42
Amount as of 30 June	422	444

The other provision relates to anniversary liabilities, calculated on the basis of a 4% discount rate and taking the expected turnover in personnel into account. Of the amount, EUR 17,000 has a term of less than 1 year and EUR 233,000 has a term of more than 5 years.

Current liabilities

12. Debts to credit institutions

Credit facility

The company has a credit facility with ING Bank N.V. and Deutsche Bank A.G. in which the banks each are committed pro rata. There is a credit facility of EUR 25 million as at July 1, 2022. The interest rate is calculated as Euribor plus 1.1%. In addition, there is a seasonal facility of 50 millions euros. The credit facility is available from October 1, 2022 until June 30, 2023. With the 75 million euros we can continue our current activities support and invest for the future. This facility can still be extended for 1 year until 1 July 2024 with the conditions that this application is timely submitted by HZPC, HZPC continues to comply with bank covenants and the banks agree to the extension.

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

- Pledge of accounts receivable (first right of distraint) from: IPR B.V., HZPC Research B.V., HZPC Holding B.V., HZPC Holland B.V., HZPC SBDA B.V., HZPC SBA Europe B.V., ZOS B.V. and STET Holland B.V.

Covenants

The credit facility is subject to the following covenants:

- Solvency ratio
- Asset coverage ratio
- Turnover ratio
- EBITDA coverage
- Minimum EBITDA of 8 million
- Maximum CAPEX of 10,0 million for business year 2021/2022

HZPC Holding B.V. has agreed the following covenants with its banks:

	Solvency ratio	Asset coverage ratio	Turnover ratio	EBITDA Coverage
For the term	> 35%	> 70%	> 70%	> 70%
30-Jun-2022	> 35%	> 70%	> 70%	> 70%

The solvency ratio is defined as follows: Corrected capital/corrected balance sheet total. The asset coverage ratio is defined as follows: Assets from selected businesses/consolidated assets. The turnover coverage ratio is defined as follows: Turnover from selected businesses/consolidated turnover. The EBITDA coverage ratio is defined as follows: EBITDA from selected businesses/consolidated EBITDA.

13. Taxes, contributions and social insurances

	30-Jun-22	30-Jun-21
Corporate income tax to be paid	10	420
Corporate sales tax to be paid	500	538
Payroll tax and social insurances	826	685
Other taxes and premiums	79	0
	1.415	1.643

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

14. Other debts and accrued liabilities

	30-Jun-22	30-Jun-21
Licenses to be paid	1.652	1.559
Wages and salaries to be paid	1.428	1.544
Pension contributions	591	590
Holiday allowances	2.189	1.988
Deferred income	3.244	4.313
Growers	22	3.686
Operating result pool	624	0
Other amounts	2.458	4.056
	12.208	17.736

The item 'Operating result pool' concerns the payable HZPC Holland B.V. has on its growers and is the difference between the direct costs of the seed potatoes grown in a pool and the income received in return. The difference is added to the exploitation of the pool in the next financial year.

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.

To hedge trading transactions in ware potatoes for the coming year, HZPC Holland B.V. takes forward positions on the potato futures market for the account and risk of the growers. These positions are valued daily at cost price or lower market value. Any results on open positions at the end of the financial year are recognised in the financial year to which the harvest relates. The unrealised price result for the account and risk of growers on the balance sheet date is EUR 7,500 positive.

Credit risk

The company incurs credit risk on loans and receivables recorded under financial fixed assets, other receivables and cash. The maximum credit risk facing the company amounted to EUR 75 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, as 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 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 2022 the net exposure was converted into EUR at the spot rate on the balance sheet date as follows:

x 1.000	Rate VV/€	ASSETTS Local Currency	ASSETS in €	LIABILITIES Local Currency	LIABILITIES in €
USD	1.165	1,048	1.112	52	50
GBP	3.404	0,862	3.951	3.077	3.571
PLN	11.929	4,699	2.538	10.051	2.139
CAD	5.853	1,349	4.339	4.099	3.039
ARS	207.689	131,193	1.583	175.385	1.337
RUB	364.750	57,495	6.344	150.312	2.614
RMB	1.266	8,222	154	452	55
Totaal			20.021		12.805

The company's policy is not to take positions to hedge future cash flows or the debts and/or receivables on the balance sheet.

Liquidity risk

The company monitors the liquidity position by means of successive liquidity budgets. Management ensures that sufficient liquidity is available to meet the obligations. The company runs liquidity risks with regard to the interest on the credit facility. An interest rate cap has been entered into to cover the interest rate risk on the credit facility. The conditions for hedge accounting are met, as a result of which the hedge relationship is accounted for in accordance with the rules of cost hedge accounting. For the collateral provided, we refer to 'Credit facility'.

The company ensures that there are sufficient retrievable funds to cover expected operating costs, including meeting financial obligations. This does not take into account the possible effect of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the company has the following credit facilities:

- Revolving facility of EUR 25 million. The interest to be paid is 1.10%.
- Seasonal facility of EUR 50 million from October 1 to June 30 of the following year. The interest to be paid is (1, 3, or 6 monthly) Euribor 1.10%.

Interest risk

The company runs interest rate risk on the interest-bearing receivables and debts. A variable interest rate agreement has been agreed on both these receivables and debts, as a result of which the company runs a risk with regard to future cash flows. An interest cap agreement has been concluded as a mitigating measure to limit the interest rate risk on the credit facility.

If interest rates were to rise by 1% as of June 30, with all other variables held constant, the annualized interest expense would increase by approximately EUR 450K. To hedge the interest rate risk, an interest cap of 2% has been concluded on EUR 15 million, which runs until 2028.

Off-balance sheet assets and liabilities

Total liabilities amount to EUR 2,900,000. These include:

- Operating lease commitments and rentals for an amount of EUR 1,8 million. Of this amount, EUR 1,1 million has a term of less than 1 year. The remainder is an obligation of less than 5 years. The expense for rent and lease in the financial year 2021/2022 amounted to EUR 2,0 million.
- Liabilities arising from the implementation of an ERP system amounting to EUR 1.1 million. This amount entirely has a term of less than 1 year.
- Several claims have been filed against the company and/or group companies, against the Challenger variety for example, which are contested by it/them. The company has also submitted a claim for the unlawful growing and processing of HZPC varieties. 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.
- HZPC has received a positive ruling on an international arbitration case on IP rights in China. The other party has been ordered to pay a significant amount of damages. The ruling has yet to be confirmed by court in China. For this reason, it has not yet been recognised as a receivable in the financial statements.

Notes to the consolidated profit and loss statement

15. Net turnover

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

	2021/2022	2020/2021
Seed potatoes	299.020	274.717
Licenses	23.919	24.219
Services	3.046	3.088
Ware potatoes	24.324	10.757
	350.309	312.781

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

	2021/2022		2020/2021	
	€	%	€	%
The Netherlands	64.357	18	52.402	17
Other E.U. countries	146.750	42	150.004	48
Other European countries	8.453	2	27.437	8
Outside Europe	130.749	38	82.938	27
	350.309	100	312.781	100

A number of seed potato customers of HZPC Holland B.V. and Stet Holland B.V., especially from countries where sanction measures apply, experience problems transferring money to the company's bank account. As a result, they engage third parties, often through distributor or agent, to transfer money to the company. In FY2021/2022, 2%-2.5% of net sales were received through various unknown third parties for the reasons mentioned above. Receipts through such parties inherently involve an increased risk of cooperating in terrorism financing or money laundering. We found no evidence of this. However, we did not gain insight into how payments to our companies were made in all cases, the background of the third parties that transferred funds to our companies and the relationship between our seed potato customers and these third parties. Among other things, we did establish that the parties from which the funds originated do not appear on sanctions lists of Office of Foreign Assets Control, European Union and United Nations. Direct sales to customers from ultra-high-risk countries have been discontinued from harvest 2022.

16. Other operating income

These are mainly government grants (EUR 224.000) and incidental income (EUR 1.638.000).

17. Personnel expenses

	2021/2022	2020/2021
Personnel expenses	22.739	22.602
Social security costs	3.583	4.088
Pension costs	3.013	2.894
	29.335	29.584

For the Dutch employees of HZPC Holland B.V. and ZOS, personnel costs include the provision of depositary receipts for HZPC shares.

Number of employees

During the financial year, the average number of employees at HZPC Holding B.V. and its subsidiaries was 398 FTE, of which 291 are employed in the Netherlands (previous financial year 398, of which 293 FTE were employed in the Netherlands).

As of current financial year, the FTE calculation consists of the average number of FTEs in the financial year instead of the number of FTEs at year-end. The comparative figures of the number of FTEs have been adjusted accordingly to allow comparability with 2021/2022.

Specification number of FTE's

	2021/2022	2020/2021
Management, administration and IT	87	89
Commerce and communication	69	75
Purchasing and logistic planning	127	116
Storage, grading and transport	26	28
Research	89	90
	398	398

18. Other operating expenses

	2021/2022	2020/2021
Sales costs	4.508	2.763
Office costs	3.729	3.962
Staffinf relates costs	4.967	4.088
Repair and maintenance	1.975	1.991
Other costs	7.670	7.878
	22.849	20.682

The cost of sales includes costs for Connecting Growers EUR 1.5 million (2020/2021 EUR 1.35 million).

Other costs consist of taxes, insurance, energy and various costs related to Research & Development. Research and development costs of EUR 1.4 million have been recognised as expenses in the income statement.

19. Interest receivable and similar income

	2021/2022	2020/2021
Debtors	39	82
Received interest R/C	447	75
Currency differences	1.076	0
Other	99	33
	1.661	190

20. Interest payable and similar charges

	2021/2022	2020/2021
Disconto	-56	-33
Bank account current	-324	-105
Currency differences	-1384	-370
Other	-492	-596
	-2.256	-1104

21. Corporate income tax

	2021/2022	2020/2021
Applicable tax rate in The Netherlands	25,80%	25,00%
Foreign effect	-1,40%	-143,80%
Non-deductible amounts	6,20%	-261,90%
Change in temporary differences	0,00%	0,00%
Other	-5,60%	279,10%
Recognition of previously non recognised tax losses	25,00%	-101,60%

Discussions are ongoing between the company and the Dutch Tax Authorities regarding the tax treatment of the employee stock option plan, the Connecting Growers programme and the innovation box. At present, no clarity has been obtained from the tax authorities and these uncertain tax positions have not been reflected in the financial statements.

Together with HZPC Holland B.V., STET Holland B.V., HZPC Belgium 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 a nominal rate, not taking into account any tax facilities applicable for the company.

The effective tax rate is 25% (2020/2021: -101,6%). For the Dutch companies, this concerns the effective rate of 27% due to the permanent variations in value. For the foreign companies an average tax rate of 23,1% applies (2020/2021: 30%) applies, which is influenced by higher normative tax rates abroad and non-offset losses. Change in effective tax charge is mainly explained by the improved results in HZPC's Dutch entities.

Other explanatory notes

Transaction with related parties

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

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

Auditor's fees

The following audit firms' fees have been charged to the company, its subsidiaries and other companies it consolidates, all as referred to in Article 2:382a(1) and (2) of the Dutch Civil Code. Ernst & Young Accountants LLP is responsible for the audit of the HZPC Holding 2021/2022 annual accounts and KPMG Netherlands for the 2020/2021 annual accounts. Auditor fees have been recognised on the basis of the agreed fee. Subsequent costs are recognised at the time of invoicing.

	2021/2022	2020/2021
Expenses in the year:		
Audit of the financial statements, the Netherlands (Ernst & Young Accountants LLP)	187.200	0
Audit of the financial statements, the Netherlands (KPMG Accountants N.V.)	49.000	218.628
Audit of the financial statements abroad (KPMG network)	37.000	46.280
Tax - related advisory services (KPMG network)	122.713	130.282
Other non-audit services (KPMG network)	14.597	0
Auditor's fees	410.510	395.190

Remuneration of managing and supervisory directors

Refer to the [notes to the separate company financial statement](#) (PDF, page 109).

Subsequent events

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

Company balance sheet

Assets

(x EUR 1.000)

Company balance sheet as of 30 June (after profit appropriation)

(in EUR x 1.000)

	Notes	30-Jun-22	30-Jun-21
FIXED ASSETS			
Intangible fixed assets			
Research and developments costs	22	36	0
		36	0
Tangible fixed assets			
	23		
Company buildings and land		14.470	15.487
Other fixed assets		130	0
Operating assets under construction		559	16
		15.159	15.503
Financial fixed assets			
	24		
Participating interests in group companies		50.088	41.640
Accounts receivables from group companies		1.664	2.477
Other participating interests		8	8
Receivables from Association HZPC		0	16
Other securities		24	24
Deferred takas assets		2.077	2.951
Other receivables		225	265
		54.086	47.381
TOTAL FIXED ASSETS		69.281	62.884
CURRENT ASSETS			
Receivables			
Group companies		21.775	29.411

Company balance sheet as of 30 June (after profit appropriation)

Trade debtors	1	
Payables to participating interests and companies in which there is a participation	24	39
Taxes and premiums	1.084	2.970
Other receivables and accrued assets	25	274
		68
		23.158
		32.488
Cash and cash equivalents	15.464	770
TOTAL CURRENT ASSETS	38.622	33.258
TOTAL ASSETS	107.903	96.142

Liabilities

(x EUR 1.000)

	Notes	30-Jun-22	30-Jun-21
Shareholders' equity	26		
Issued capital	15.675	15.675	
Share premium reserve	1.433	1.433	
Legal reserves for participating interests	2.077	1.689	
Legal reserve for development costs	590	977	
Foreign currency translation reserve	-99	-1.289	
Other reserves	34.796	33.993	
		54.471	52.478
Provisions	27	84	22
Current liabilities			
Debts to group companies	6.303	11.675	
Debts to suppliers	693	235	
Payables to participating interests and companies in which there is a participation	306	0	
Dividend to be paid	4.702	784	
Debts to credit institutions	39.964	30.069	
Taxes and premiums	28	27	31
Other debts and accrued liabilities	29	1.353	848
		53.348	43.642
TOTAL LIABILITIES		107.903	96.142

Company profit and loss statement

	Notes	2021/2022	2020/2021
Share in result of participating interests after tax	30	6.398	4.573
Other result after tax	31	-848	-4.558
Net result		5.550	15

Notes to the company financial statements

General

The company financial statements are part of the 2020/2021 financial statements of the group. With respect to the separate company profit and loss statement, HZPC has made use of the exemption pursuant to Section 2:402 of the Netherlands Civil Code.

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

Principles for the valuation of assets and liabilities and the general 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 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.

Provision for participating interests

The provision is formed for the amount of the expected payments for the account of the company on behalf of the participating interests.

Result of participating interests

The share in the result of companies in which a participation is taken concerns the company's share in the results 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 recognised.

Notes to the company balance sheet

22. Intangible assets

The composition and movement per category for intangible fixed assets for the year 2021/2022 is as follows:

	Research and development costs	Total 2021/2022
Purchase value	802	802
Cumulative depreciation	-802	-802
Book value as per 1 July	0	0
Investments received from group companies (cumulative purchase value)	434	434
Investments received from group companies (cumulative depreciation)	-257	-257
Disposals	-96	-96
Depreciation	-45	-45
Movements 2020/2021	36	36
Purchase value	1.139	1.139
Cumulative depreciation	-1.103	-1.103
Book value as per 30 June	36	36

23. Tangible fixed assets

The composition and movement per category for tangible fixed assets for the year 2021/2022 is as follows:

	Company buildings	Operating assets under construction	Assets under in progress	Total 2021/2022
Purchase value	30.692	0	16	30.708
Cumulative depreciation	-15.205	0	0	-15.205
Book value as per 1 July	15.487	0	16	15.503
Investments	46	242	559	847
Commissioning	0	0	-16	-16
Disposals	-283	0	0	-283
Depreciation	-781	-112	0	-893
Balance	-1.018	130	543	-345
Purchase value	29.596	972	559	31.127
Cumulative depreciation	-15.126	-842	0	-15.968
Book value as per 30 June	14.470	130	559	15.159

24. Financial fixed assets

The composition and movement per category for financial fixed assets for the year 2021/2022 is as follows:

	Participating interests in group companies	Accounts receivable from group companies	Other participating interests	Receivables from Vereniging HZPC (HZPC Association)	Deferred tax assets	Other securities	Other receivables	Total 2021/2022
Book value as per 1 July	41.640	2.477	8	16	2.951	24	265	47.381
Investments/increase	0	0	0	0	0	0	0	0
Result from participating interests	7.258	0	0	0	0	0	0	7.258
Exchange rate fluctuation	1.190	0	0	0	0	0	0	1.190
Depreciation	0	0	0	0	0	0	-40	-40
Withdrawals	0	0	0	0	-874	0	0	-874
Repayments	0	-813	0	-16	0	0	0	-829
Dividend	0	0	0	0	0	0	0	0
Mutation provision for participating interests	0	0	0	0	0	0	0	0
Book value as per 30 June	50.088	1.664	8	0	2.077	24	225	54.086

The negative result of participating interests with negative equity of EUR 860,000 has been deducted from the receivables from group companies, included under current assets.

The receivables from group companies have an indefinite term. Interest of 2.5% is charged on the receivable.

25. Other receivables and accrued assets

	30-Jun-22	30-Jun-21
Government grants to be claimed	0	37
Prepaid amounts	274	31
Status as of 30 June	274	68

26. Shareholders' equity

The composition and movement per category for shareholders' equity for the year 2021/2022 is as follows:

	Issued capital	Share premium reserve	Legal reserves for participating interests	Legal reserve for development costs	Foreign currency translation reserve	Other reserve	Total 2021/2022	Total 2020/2021
Book value as of 1 July	15.675	1.433	1.689	977	-1.289	33.993	52.478	53.356
Movements in financial year 2021/2022								
Dividend	0	0	0	0	0	-4.702	-4.702	-784
Results of financial year	0	0	0	0	0	5.549	5.549	15
Exchange rate fluctuations	0	0	0	0	1.190	0	1.190	-109
Other changes	0	0	388	-387	0	-44	-44	0
Status as of 30 June	15.675	1.433	2.077	590	-99	34.796	54.471	52.478

Issued capital

The authorised capital of the company amounts to EUR 50,000,000 (2020/2021 EUR 50,000,000) divided into 2,500,000 shares 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 2020/2021).

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 capitalised 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. When the foreign business is divested, the relevant cumulative amount of the translation differences, which is included in equity, is recognized in the profit and loss account as part of the result on sale.

Other reserves

At the General (Annual) Shareholders Meeting, it will be proposed to approve the following appropriation of the 2021/2022 result after tax: to deduct an amount of EUR 850,000 from the other reserves and for an amount of EUR 4,702,000 to be paid out as dividend.

The change amounting to EUR 313,000 refers to the legal reserve of EUR 358,000 and EUR 45,000 purchase certificates.

Proposal for result appropriation

At the General (Annual) Shareholders Meeting, it will be proposed to approve the following appropriation of the 2021/2022 result after tax: to add an amount of EUR 850,000 to the other reserves and to distribute the remaining amount of EUR 4,702,000 as a dividend. EUR 6 is available per share. This proposal has been included in the balance sheet under current liabilities.

27. Provisions

Other provisions

The composition and movement of the provisions in the financial year 2021/2022 are as follows:

	2021/2022	2020/2021
Amount as of 1 July	22	29
Additions	62	0
Withdrawals	0	-7
Amount as of 30 June	84	22

The other provision relates to anniversary liabilities, calculated on the basis of a 4% discount rate and taking the expected turnover in personnel into account.

28. Taxes and contributions

	30-Jun-22	30-Jun-21
Payroll tax and social insurances	27	31
	27	31

29. Other debts and accrued liabilities

	30-Jun-22	30-Jun-21
Wages and salaries to be paid	645	519
Pension contributions	13	15
Invoices to be received	25	149
Other amounts	670	165
	1.353	848

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 6,418,000 (2020/2021: EUR 4,573,000) relates to group companies. The other part concerns results in minority interests amounting to EUR 20,000 negative (2020/2021: EUR 240,000).

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, special devaluations, and interest assets/liabilities.

Wages and salaries

	2021/2022	2020/2021
Gross staff wages	3.818	1.487
Employer's social security contributions for staff	409	104
Pension premium	453	116
	4.680	1.707

Specification number of FTE's

	2021/2022	2020/2021
Management, administration and IT.	48	8

At HZPC Holding B.V. there were an average of 6 FTE in service, all working in the Netherlands (previous financial year 10 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 560,000. Of this amount, EUR 344,000 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 2021/2022 amounted to EUR 320,000.

Liabilities arising from the implementation of an ERP system for an amount of EUR 1.1 million. This amount has a term of less than 1 year.

Tax entity

The company, together with its domestic subsidiaries, forms a fiscal unity for the corporation tax 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 of the consolidated Company.

Remuneration of managing and supervisory directors

A statement of the remuneration of the management has been omitted, pursuant to the provisions of Section 383 article 1 of Book 2 of the Dutch Civil Code, final sentence. The remuneration of Supervisory Board members amounts to EUR 95,000 (2020/2021: EUR 98,000).

Joure, 12 October 2022

The Executive Board:

G.F.J. Backx (CEO), statutory director

H. Verveld (CCO)

J.L. van Vilsteren (CFO)

The Supervisory Board:

M. Kester, chairman

C.J. Biemond

J.-P. Bienfait

I. Frolova

M. Hommes-Gesink

09 OTHER INFORMATION



Statutory provisions on profit appropriation

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 which 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 which must be maintained by law or by way of statutes.

Independent auditor's report

These financial statements are an English translation of the financial statements prepared on 12 October 2022. In case of any discrepancies or possible differences in interpretation between the English translation and the financial statements prepared on 12 October 2022, the latter prevail.

To: the shareholders and the supervisory board of HZPC Holding B.V.

Report on the audit of the financial statements 2021/2022 included in the annual report

Our opinion

We have audited the financial statements 2021/2022 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 for the year ended 30 June 2022, and of its result for the period 1 July 2021 to 30 June 2022 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The consolidated and company balance sheet for the year ended 30 June 2022;
- The consolidated and company profit and loss account for the period 1 July 2021 to 30 June 2022;
- 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.

Emphasize on receipts through unknown third parties

We draw attention to the textual disclosure in note 15 on net turnover which describes receipts through unknown third parties and an inherent risk of cooperating with terrorist financing and/or money laundering. Our opinion is not modified in respect of this matter.

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.

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

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

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

Management is responsible for the preparation of the other information, including the management board's report and other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of management and the supervisory Board for the financial statements

Management 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, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Groningen, 12 October 2022

Ernst & Young Accountants LLP

J.J. Kooistra RA