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Tom van Aken  
Chief Executive Officer

Frank Roerink  
Chief Financial Officer

## Report of the Management Board

*Avantium is a renewable chemistry company that develops breakthrough technologies on the basis of renewable feedstocks to sustainably produce superior materials. We believe the world is moving to a new economy that is not dependent on fossil fuels. This calls for chemical and plastic products based on renewable raw materials such as biomass, sugars and CO<sub>2</sub> and advanced production processes based on these next-generation feedstocks. Avantium's strategy is to be a leading technology company in the emerging field of renewable chemistry and to work with partners across the globe to deploy these innovative technologies. The exciting space of renewable chemistry and biobased and recyclable plastic materials is receiving even more attention amid climate change concerns caused by the massive use of fossil fuels, and public outcry over the impact of plastic materials on our natural environment, such as the plastic soup (source: <https://www.ellenmacarthurfoundation.org/circular-economy/overview/concept>). The COP23 climate convention in Bonn was evidence of increasing awareness of the impact of climate change and the increasing willingness to reduce CO<sub>2</sub> emissions (source: <https://cop23.com.fj/>).*

### Safety

Safety continues to be of the utmost importance to Avantium. We recorded no safety accidents in 2017. All our employees have committed to a list of so-called 'Golden Safety Rules', which remind us every single day to take safety very seriously to make sure that every employee returns home safely every day of the year. We have implemented these Golden Safety Rules and have procedures and good safety systems in place, but we know that continuous attention and awareness (behaviour and culture) is required to ensure that we operate in a safe manner. In addition we have organized safety refresher trainings for all our staff to ensure their knowledge about safety is up to date.

### People

People are at the center of our company's innovation-driven culture. We encourage our employees to be creative, in particular to come up with unconventional solutions, and to deliver result-driven teamwork. The energy level and passion of our staff have contributed to the company's success, and to sustain such high levels of loyalty and commitment we have started to implement a new employee vitality program. We believe that diversity is essential to create an innovation-driven company culture. In 2017 we added 55 new employees to our organization. The number of nationalities increased further, adding to the diversity of our organization. With a 30% female/ 70% male gender balance, we have a good mix for a company that operates in the conservative chemical industry. Our Management Team is 33% female and 67% male, our Supervisory Board is 40% female and 60% male, which is aligned with the organization's balance.

### Financing

Building a leading technology company in the field of renewable chemistries will require time and support from financial markets and industrial partners willing to invest in new technologies in the area of

renewable chemistry. On 15 March 2017, we successfully completed the IPO of Avantium at Euronext Amsterdam and Euronext Brussels. The company raised total gross proceeds of €109 million. The Company's share capital consequently increased through a combination of the proceeds of the offering and the conversion of the 2016 convertible loan. A capital restructuring also took place, leading to an increase of the nominal value of the shares from €0,01 to €0,10. Following this transaction the outstanding share capital as at 31 December 2017 consists of 25,764,466 ordinary shares.

We believe the successful listing of Avantium on Euronext Amsterdam and Brussels is an important milestone for the future success of the company. It will support us in effectively implementing our ambitious strategy. The strong demand from both institutional and retail investors gave us confidence for our future as a listed company.

In 2017 the company entered into a new facility agreement with Rabobank, replacing the previous agreement with ABN AMRO Bank. The facility includes a €4.0 million credit facility, and a €2.0 million bank guarantee facility. The company did not make use of the credit facility and will keep it as an additional buffer.

### Strategy

Avantium's strategy is to develop innovative technologies across the value chain for the production of chemicals and materials on the basis of renewable feedstock and to bring them to the market in collaboration with partners. Avantium's business comprises (i) Synvina, the joint venture between BASF and Avantium, aimed at commercializing the YXY Technology which converts plant-based sugars into FDCA and biobased chemicals and plastics, like PEF, (ii) Renewable Chemistries, researching and developing novel processes for the conversion of biomass feedstock to chemical building blocks and plastic materials, and (iii) Catalysis, a catalysis research service pro-



*The impact of climate change is becoming increasingly clear to the public. This is driving the transition from a fossil and linear economy to a biobased and circular economy (source: Ellen MacArthur Foundation, pictures from [wired.co.uk](http://www.wired.co.uk), <http://www.wired.co.uk/article/climate-change-facts>)*





vider to an international customer base of several leading chemical, refinery and energy companies.

**Synvina, our joint venture with BASF**

Avantium developed the proprietary YXY technology to catalytically convert plant-based sugar (fructose) into a wide range of biobased chemicals and plastics, such as polyethylene-furanoate, or PEF. PEF is a 100% biobased, 100% recyclable plastic with superior performance properties compared to today's widely used plastics packaging materials made from petroleum. These properties make PEF an attractive alternative to PET (the omnipresent plastic used for bottles and a host of other products, made from petroleum) and packaging materials such as aluminum, glass, and cartons. On an industrial scale, various PEF grades offer a cost-effective solution for applications ranging from bottles to packaging film and in the long term fibers too, positioning it to become the next generation packaging material.

The main building block of PEF is furandicarboxylic acid, or FDCA, a key component for a wide range of biobased chemicals and plastics. Industrial production of FDCA has been pursued and researched for over a century without success. Avantium believes the YXY technology will unlock the high potential of the FDCA market.

On 30 November 2016, Avantium established a 49:51 joint venture with BASF (with economic effect as of 1 July 2016), named Synvina C.V., to commercialize the YXY Technology and build the first commercial scale plant to produce FDCA and sell FDCA and PEF (the Reference Plant). The joint venture intends to build and operate the first commercial scale plant for the production of FDCA up to 50,000 ton scale (the Reference Plant) in Antwerp, Belgium. On the basis of the Reference Plant the joint venture intends to commercialize the YXY technology by selling FDCA and PEF from the Reference Plant and selling Licenses of the YXY technology to third parties to produce and use FDCA and/or PEF.

In May 2017, Synvina received interim approval from the European PET Bottle Platform for the integration of PEF through existing recovery and recycling systems for PEF resin produced in the Reference Plant that Synvina is planning to build in Antwerp, Belgium.

In June 2017, Synvina, BASF, Avantium and an industry consortium under the leadership of Synvina, was awarded a €25 million EU grant. The European Joint Undertaking on Bio-Based Industries (BBI), consisting of representatives from the European Union and the bio-based industry, granted €25 million to "PEFerence", a consortium of eleven companies. The grant supports the establishment of an innovative value chain for bio-based raw materials as well as chemicals and materials based on PEF. It includes the intended construction of the 50,000 tons FDCA Reference Plant, the main chemical building block for the production of PEF. Synvina is coordinating the "PEFerence" project.

**Renewable Chemistries – building the portfolio**

Renewable Chemistries is Avantium's development division with a portfolio of new projects focusing on the conversion of biomass to chemical building blocks and plastic materials. It operates on the basis of our extensive experience and expertise in catalysis R&D, processing and conversion of biomass feedstock, chemical process design and pilot scale operations. The strategy for Renewable Chemistries is to (i) evaluate the most promising development projects, (ii) explore partnerships and (iii) commercialize these technologies in collaboration with industrial partners. Through portfolio management and stage-gate approach, we intend to bring the Renewable Chemistries projects from ideation to proof-of-principle to a fully developed business case that forms the basis for partnering and attracting funding. The strategy to commercialize such technologies will be determined on a case-by-case basis. At each stage, we assess which approach best suits each project, for example continuing on a stand-alone basis, partnering or selling the technology.

The YXY technology our most advanced technology initially developed by the Renewable Chemistries team. Two other programs have reached or are entering pilot plant stage: the Zambezi and Mekong programs. Both programs are complementary to but not dependent on the YXY technology.

The Zambezi program aims to create cost-effective process for the

production of high-purity glucose from non-food biomass for conversion into biobased chemicals. In 2017, Avantium completed the engineering of the Zambezi pilot plant and initiated construction of this pilot plant that will be located in Delfzijl, the Netherlands, with a planned opening ceremony in July 2018. In the pilot plant Avantium will process woodchips in a proprietary biorefinery process to make glucose, mixed sugars and lignin. Together with partners Akzo-Nobel, RWE, Staatsbosbeheer and Chemport Europe, Avantium is developing a commercial-scale biorefinery in Delfzijl as a next step after the pilot plant phase. In parallel, we are exploring multiple options around the globe to deploy the Zambezi technology for converting 2G biomass for the production of glucose for the production of biobased chemicals, mixed sugars for biofuels and biogas and lignin for the production of electricity and other high-value chemicals.

The Mekong program is a one-step catalytic process for the production of mono-ethylene glycol, or MEG, from glucose. Today's market for MEG is predominantly fossil-based and represents annual turnover of over US\$20 billion. Biobased MEG is chemically identical to fossil-based MEG. We continue to test the catalyst longevity, efficiency, recyclability and suitability for continuous operation of this highly advanced proprietary technology. In 2017, we initiated the engineering of a Mekong pilot plant in anticipation of a pilot plant investment decision in the first half of 2018. In parallel, we are in discussions with potential partners about the production and usage of biobased MEG.

The Volta program is in lab stage and comprises the combination of chemical catalysts and direct use of electricity in chemical processes, to convert CO<sub>2</sub> to chemical building blocks. In 2017, we secured new government grants for the electrochemistry development program amounting to €2.9 million for Avantium.

**Catalysis – "Tomorrow's catalysis. Today"**

For more than 16 years, Avantium's Catalysis business has been pro-

viding advanced catalysis R&D services and systems to companies in the chemical, refinery and energy sector. We have developed a strong, international customer base including several industry leaders. From our R&D facilities in Amsterdam, we help our customers to innovate faster with a higher probability of success and to achieve faster times-to-market for new catalysts. Avantium has gained considerable experience and expertise from its Catalysis business and has enabled the invention of numerous new catalysts and new and improved chemical processes for its customers.

The objective of the Catalysis business is to maintain technological leadership in advanced catalysis R&D, serving a robust customer portfolio and delivering sustainable financial performance. In addition, we aim for our Catalysis business to enable experimentation technologies, leverage synergies between Catalysis and Renewable Chemistries and enable technological and organizational learning. The expertise and experience that we have built up through the execution of more than 100 catalytic development projects, as well as the high-tech infrastructure that enables the parallel testing of catalysts and process conditions, provide a unique basis for developing novel catalytic technologies.

The Catalysis business achieved strong growth in 2017, with revenue increasing by 22%. This was largely supported by the Systems business which saw robust demand across broad industry segments and geographic regions. In addition, the newly launched Flowrence XD testing unit for early stage R&D was well received by the market, with early sales orders placed. Systems revenue was further boosted by demand for our maintenance and support services as well as high value upgrades of testing unit to our MicroFluidic technology.

The R&D services business was supported by our ongoing long-term testing programs as well as continued growth in our refinery catalyst testing offering. Continued low oil prices did dampened overall demand, particularly from our historical customer base.



### Financial analysis

Consolidated revenues from continuing operations significantly improved by 21% from €10.5 million in 2016 to €12.7 million in 2017. Operating expenses increased from €14.3 million to €22.7 million, which is mainly the result of increased development costs in Renewable Chemistries for engineering, external trials, and dedicated equipment costs in our Zambezi, Mekong and Volta programs, increased raw materials and contract costs relating to the corresponding increase in revenues in the Catalysis systems business, and increased employee benefit expenses predominantly explained by the initiation of the new Share Based Compensation plan.

The net loss for the year 2017 amounts to €16.8 million resulting in a net equity at year end of €158.3 million. The reduction of the net result was caused by the one-off gain from the transfer of assets to Synvina in 2016, which had a positive impact of €48.8 million on the net profit in that year. Our cash position at year end 2017 increased from €14.2 million to €100.2 million, which was predominantly due to the listing of Avantium on Euronext Amsterdam and Brussels on 15 March 2017, raising gross proceeds of €109 million. The cash outflow in 2017 was planned for and resulted from investments in our development programs. We continued to operate under strict working capital management and reduced capital expenditures to protect the cash position of the company. We will continue our risk management strategy of minimizing our foreign exchange and interest volatility. Although this impact is not material, thus not requiring the need for financial hedging instruments, we continue to monitor this exposure periodically and adjust when necessary. We will continue to properly manage our capital risk, as expressed in our solvability ratio. Furthermore note 3 highlights other financial risk factors and how these are managed.

### Corporate governance

Avantium aligned its corporate governance policies with the principles and best practice rules of the Code Frijns as adopted in 2008 and with the principles and best practice rules of the Dutch Corporate Governance Committee (chaired by Mr. Van Manen) as published on 7 September 2017. As the new Corporate Governance code was enshrined in Dutch law in 2017, we are required to report on our compliance with the new Code. We refer to pages 17-24 of this report and to the Avantium website for further details. During the year, there were no transactions or issues giving rise to a (possible) conflict of interest between Management, members of the Su-

pervisory Board and the Company. The full text of the Code is available on: [www.mccg.nl](http://www.mccg.nl).

### Risk Management

In our daily business operations, Avantium and its subsidiaries incur general business risks as well as specific financing risks. Risk management is a company-wide activity. The Management Board has the ultimate responsibility to manage and control the risks associated with the activities and the strategy of the Company, to achieve our ambitions, to ensure compliance with corporate governance policies and the law in general and to ensure accurate financial reporting. The Supervisory Board oversees the Management Board on these subjects.

The risk approach and appetite are determined by the nature of the risk. The main risks relate to strategic, operational and financing risks. We refer to pages 14-17 of this report and to note 3 to the annual accounts for further details. This assessment is not exhaustive, nor does it provide any guarantee against future losses or failure.

With respect to the risks relating to our business and industry, we focus on monitoring the developments within our markets and reflecting the implications in day-to-day operations. Given the innovative nature of our activities, these risks are real yet extremely difficult to predict. The Company is however committed to delivering attractive returns and is therefore willing to accept risks in this area.

We actively seek to minimize the financial and financing risks of Avantium through active interactions with our investors and with various groups and types of potential new equity and/or debt providers. In 2017, we also undertook a number of risk-mitigating activities to further strengthen our operations. After upgrading our general ledger software Navision in 2016, last year saw us improve our internal reporting in terms of quality and completion time. A tool for dynamic management information was developed and implemented, to increase budget ownership. We also improved our internal controls relating to programs for which we received subsidies or grants, as the number of people and the value involved has increased significantly over time.

The governance of Synvina was discussed frequently with our Supervisory Board, as Synvina's performance is a significant factor in Avantium's overall performance. Active involvement with BASF senior management remains key to jointly drive the execution of the Synvina strategy.

We recruited Zanna McFerson to lead the business development activities for all our Renewable Chemistry programs. She brings a

wealth of experience and a strong deal track record structuring, negotiating and managing strategic partnerships for transformative products and the renewables industry. We look forward to her contribution to the successful growth of Avantium.

The environment in which Avantium does its business is dynamic, complex and subject to constant change. Given the culture of the company and size of the operations, we have short lines of communication. We are of the opinion that, given these circumstances, internal risk management worked properly within the Company, and that our financial reporting does not contain any errors of material importance.

### Subsequent events and Outlook

On 12 January 2018 Avantium announced that Synvina plans to extend the pilot phase in order to optimize future commercial-scale production. Synvina had completed a broad feasibility assessment for commercial-scale production of FDCA (furandicarboxylic acid) in its Reference Plant intended to be built in Antwerp. The assessment looked at product performance, market appetite and technical process. The assessment confirmed that product performance and customer demand are strong. In the technical process evaluation, Synvina identified some steps that require improvement. It recommended undertaking additional development work on these steps, to ensure the most efficient process and best product for current and future customers. As a result, Synvina intended to extend the pilot phase, which will in turn extend the timeline to start up the Reference Plant by 24 to 36 months.

Focus for 2018 remain on providing full support to Synvina. The outlook for 2018 in Catalysis remains on continued growth of the top and bottom line. In Renewable Chemistries the focus is on completing the construction of the Zambezi pilot plant in Delfzijl, running the process and attracting additional partnerships on different feedstock and end applications. We also aim to start with investments in the Mekong pilot plant. The construction is foreseen to take about one year and we aim to have it running in 2019. During summer 2018, the company will upgrade the laboratories in Amsterdam, shutting them for long-scheduled maintenance and improvement of the air treatment and ventilation systems. This will expand the research capacity and increase energy efficiency. The shutdown is expected to have a modest impact on 2018 growth, which is already fully accounted for in budgeting and outlook.

As a result of the IPO and strict working capital management Avantium maintained its short-term and medium-term liquidity position,

resulting in an end-of-year cash position of €100.2 million. We believe the anticipated cash flows of our Catalysis services and systems business and the cash position at the start of 2018 are sufficient to meet the requirements for working capital, capital expenditures and R&D for at least the next twelve months from the date of this report.

### Declarations

In accordance with provision 1.4.3. of the Code and Article 5:25c of the Financial Supervision Act, the Management Board declares that, to the best of its knowledge:

1. The paragraphs within the Report of the Management Board as included in this report provides sufficient insights into any deficiencies in the effectiveness of Avantium's internal risk management and control systems;
2. The aforementioned systems provide reasonable assurance that Avantium's financial reporting does not contain any material errors;
3. Based on Avantium's current status of affairs, it is justified that the financial reporting is prepared on a going concern basis;
4. The paragraphs within the Report of the Management Board lists those material risks and uncertainties that are relevant to the expectation regarding Avantium's continuity for the period of twelve months after the preparation of the Management report;
5. The financial statements as included in this report provide a true and fair view of the assets, liabilities, financial position, and result for the financial year of Avantium and the group companies included in the consolidation;
6. The paragraphs within the Report of the Management Board as included in this report provides a true and fair view of the situation on the balance sheet date, the business development during the financial year of Avantium, and of its affiliated group companies included in the financial statements. The risk management paragraph describes the material risks to which Avantium is exposed.

Amsterdam, 28 March 2018

Tom van Aken  
Chief Executive Officer

Frank Roerink  
Chief Financial Officer

# Report of the Supervisory Board

2017 was a year of great importance to Avantium. The company's long term strategy was executed with diligence and perseverance and resulted in both organic growth in the Catalysis business and important progress throughout the company as evidenced by reaching milestones in Renewable Chemistries. Synvina, the joint venture with BASF, completed a broad feasibility assessment on product performance, market appetite and technical progress. The IPO of Avantium and the capital increase will support the company in reaching the ambitious growth plans and capturing increasing demand for renewable chemicals and materials.

For Avantium's Supervisory Board the year 2017 was characterised by a number of changes to its composition. In March 2017 Jan van der Eijk was reappointed to the Supervisory Board to temporarily resume the position of Chairman due to the unexpected illness and subsequent resignation of Michiel Boersma. Michiel de Haan and Claude Stoufs, Avantium Supervisory Board members since 2008, resigned at Avantium's General Meeting in March 2017 and June 2017 respectively. In June 2017, Margret Kleinsman was appointed to the Supervisory Board.

In the second quarter of 2017 the Supervisory Board started the selection procedure for a new chairman of the Supervisory Board. An executive search bureau was engaged to propose and pre-screen suitable candidates who fit the Avantium Supervisory Board profile. At the EGM of November 2017, Jan van der Eijk resigned from the Supervisory Board and the General Meeting appointed Kees Verhaar as a new member. The Supervisory Board unanimously agreed to appoint Kees Verhaar to the position of Chairman of the Supervisory Board.

The Supervisory Board expresses its gratitude to Michiel de Haan, Claude Stoufs, Michiel Boersma and Jan van der Eijk for their commitment and valuable contribution to Avantium as Supervisory Board members over the past period.

All members of the Supervisory Board, except Denis Lucquin, are deemed independent. In the Supervisory Board's opinion, the composition of the Supervisory Board is such that the members can act critically and independently from each other and the Management Board, as stipulated in the Code. This means that the tasks of the Supervisory Board as laid down by the articles of association are being fulfilled, including providing the Management Board with solicited and unsolicited advice and support.

With respect to the composition and diversity of the Supervisory Board, members of the Board will continue to be selected on the basis of their wide-ranging experience within the industry, backgrounds, skills, knowledge and insight. Within this profile, it is noted that the Board is currently in compliance with article 2:166 of the Dutch Civil Code.

## Supervisory Board and committee meetings in 2017

The Supervisory Board of Avantium N.V. in its oversight capacity has frequent communications with the Management Board in and between Supervisory Board meetings. Supervisory Board meetings are held regularly to discuss the company's achievements and plans, the functioning of the Supervisory Board and the performance of the Management Board.

In 2017, the Supervisory Board held six ordinary meetings and two extra-ordinary meetings (conference calls) with both members of the Management Board present. The attendance rate of all Supervisory Board members in 2017 was 100%. New Supervisory Board members followed an induction programme to get familiar with Avantium's business, people and governance. Regular items on the Supervisory Board agenda were detailed progress reports on Synvina, Renewable Chemistries, and Catalysis, the development of results, the balance sheet, and reports on any matters related to material risks and compliance issues.

The Management Board reported to the Supervisory Board on the Company's strategy and the risks associated with it, as well as on the functioning of the Company's risk management and control systems. The 2018 budget, the transition to an independent Supervisory Board and investor relations were also discussed.

In 2017 the Supervisory Board gave due consideration to the progress of Synvina, its governance and information disclosure. The Supervisory Board will continue to closely monitor the additional development work required on the technical process and the extension of the timeline to start up the reference plant.

An important topic on the Supervisory Boards agenda was Avantium's IPO. Which resulted in a listing on Euronext Amsterdam and Brussels on 15 March 2017. The Management Board regularly briefed the Supervisory Board on the progress of the preparatory activities during regular planned meetings and several conference calls. The prospectus was shared and discussed several times before the final version was approved. The IPO process was evaluated in the Supervisory Board meeting of May 2017. The Supervisory Board greatly appreciated how the Management Board and the IPO-team performed in this project with both energy and dedication.

The Audit Committee held two meetings that were also attended by the CFO, the Corporate Controller and the independent external auditor. Minutes of all meetings were submitted to the Supervisory Board. As preparation for the regular meetings of the Supervisory Board, the Audit Committee discussed the 2016 financial statements, the external auditor's report and findings, the Company's accounting policies as well as reporting and financial structure. Furthermore the auditors were present at the Supervisory Board meeting of 20 April 2017 to discuss the 2016 financial statements as well as the external auditor's report and findings.

As of the IPO, the Nomination & Remuneration Committee was split in the Nomination Committee and the Remuneration Committee. Their meetings are attended by the CEO, except when issues relating to the Management Board are discussed. The Remuneration Committee held two meetings in 2017 and held regular consultations to discuss and formulate proposals for the remuneration of the individual members of the Management Board and the related performance targets in 2017 and 2018. The remuneration policy and its implementation, taking into account possible outcomes of the variable remuneration components and internal relativity, were evaluated to establish that the current Management Board remuneration structures and levels provide for balanced and sufficiently competitive remuneration packages that focus on sustainable results and are aligned with Avantium's long-term growth strategy. The Remuneration Committee presented its findings and proposals to the Supervisory Board. In the absence of the Management Board, the Supervisory Board decided on the performance appraisal and related remuneration of the individual Management Board members.

The Nomination Committee held two meetings in 2017 and discussed subjects including the transition towards an independent Supervisory Board, succession planning, the composition of and changes to the Supervisory Board, and the performance of the Management Board and its members. The Nomination Committee made recommendations to the Supervisory Board regarding topics to be approved by the full Supervisory Board.

## Financial statements 2017 and profit appropriation

The financial statements for the financial year 2017 have been prepared by the Management Board in compliance with article 20 and 21 of the Articles of Association. Attached to these statements is the unqualified auditor's report from PricewaterhouseCoopers Accountants N.V. The financial statements and the outcome of the audit performed by the external auditor were discussed by the Supervisory Board in the presence of the external auditor. The financial statements 2017 were endorsed by all Management Board and Supervisory Board members and are, together with PWC's auditor's report, included in this annual report. The Management Board will present the financial statements 2017 and its report at the Annual General Meeting. The Supervisory Board recommends the Annual General Meeting to adopt the financial statements 2017. In addition, it recommends that the members of the Management Board and Supervisory Board be discharged from liability in respect of their respective management and supervisory activities performed in 2017.

## Gratitude

The Supervisory Board likes to conclude its report by thanking the Management Board and all employees of Avantium for their hard work and dedication. The determination, ingenuity and professionalism shown during the year render the Supervisory Board full confidence in the future success of the company.

Amsterdam, 28 March 2018

On behalf of the Supervisory Board,

Avantium N.V. Supervisory Board  
Kees Verhaar, Chairman  
Denis Lucquin  
Gabrielle Reijnen  
Jonathan Wolfson  
Margret Kleinsman



## Risk management

Risk management is one of the key responsibilities of the Management Board and Supervisory Board. The Group's principal risks and uncertainties – whether under our control or not – are highly dynamic and Avantium's assessment of and responses to them are critical to the Company's future business and prospects. Avantium's approach towards risk management is framed by the ongoing challenge of understanding the risks that the Company is exposed to, what the Company's risk appetite is and how these risks change over time. The Management Board assesses and approves Avantium's overall risk appetite, monitors the Group's risk exposure and sets the Group-wide limits, which are reviewed on an ongoing basis. This process is supported by the Supervisory Board. A number of key risk factors relating to Avantium's industry, business and operations affect the group. The risk factors are based on assumptions that are not exhaustive, nor do they provide any guarantee against future losses or failure. Although the Group believes that the risks and uncertainties described below are the material risks and uncertainties concerning the Group's business, they are not the only risks and uncertainties relating to the group. The main

risks relating to the group's business, industry and operations include the possibility of (i) the continuation of losses, (ii) challenges in commercialization of the YXY technology, (iii) inability to further develop R&D projects in the Renewable Chemistries business, (iv) challenges in finding partners for commercialization of R&D projects in Renewable Chemistries, (v) possible scale-up challenges in the Renewable Chemistries business, (vi) Catalysis revenues being based on a small number of large customers, and (vii) difficulties in protection of intellectual property. Furthermore the Synvina joint venture also contains potential risks that the group anticipates to manage and mitigate, which include (i) the conditions to continue with construction of the Reference Plant, (ii) control over the joint venture and BASF's interests, (iii) commercial success of PEF and PEF products, (iv) scaling of the YXY technology, and (v) possibility of litigation or third party claims on intellectual property. Avantium's risk appetite per main risk category can be found below. Furthermore we explain how we intend to mitigate these risks through use of the key risk factors.

Risk category	Risk appetite
Business and industry	Medium to High
Joint Venture	Medium to High
Financial and financing	Low
Compliance	Low

Below is an overview of the key risk factors and mitigating measures. These risk factors are an indication of what Avantium management believes to be the main mitigators the group has put in place to counter the risks mentioned.

Risks related to the business and industry	Mitigating factors
The Group has incurred losses and negative operating cash flow and has an accumulated deficit. The Group anticipates that it will continue to incur losses for the foreseeable future and the Group may never achieve or sustain profitability.	<ul style="list-style-type: none"> <li>Attract new sources of funding, via public offering and/or existing investors, and/or non-dilutive funding.</li> <li>Diversify technology portfolio in Renewable Chemistries and maintain profitability of Catalysis.</li> </ul>
The Group's ability to generate profits from the YXY technology depends mainly on the joint venture being able to successfully commercialize this technology.	<ul style="list-style-type: none"> <li>Continue to provide active support and guidance to the Management Team of the joint venture to help broaden market interest, help defend and strengthen the IP portfolio and provide resources to meet agreed timelines.</li> </ul>
The Group may not be able to successfully develop its R&D projects in the Renewable Chemistries business, which may adversely affect the Group's business, financial condition, result of operations and prospects.	<ul style="list-style-type: none"> <li>Continue to apply strict portfolio management and stage-gate approach, to bring projects from ideation to proof-of-principle, to a fully developed business case that forms the basis for partnering and attracting funding.</li> </ul>

In order to further develop or to commercialize its R&D projects in the Renewable Chemistries business, collaboration with partners may be necessary. If the Group fails to enter into, maintain or successfully execute joint development agreements with partners for its R&D projects in the Renewable Chemistries business, it may not be able to develop and commercialize these projects.	<ul style="list-style-type: none"> <li>Continue to include lessons-learned from partnerships in other programs, such as in YXY.</li> <li>Diversify project portfolio to allow for multiple non-competing partnerships in parallel.</li> </ul>
The Group could face technology scale-up challenges in its Renewable Chemistries business which could delay or prevent the further development and commercialization of its projects.	<ul style="list-style-type: none"> <li>Continue to apply strict portfolio management and stage-gate approach, to bring projects from ideation to proof-of-principle, to a fully developed business case that forms the basis for partnering and attracting funding.</li> </ul>
The Group's revenues from its Catalysis business are, for a large part, generated from a small number of large customers.	<ul style="list-style-type: none"> <li>Through active customer engagement session, maintaining dialogue with all key customers.</li> <li>Continue to develop leading edge technologies addressing urgent and/or latent customer needs.</li> <li>Expand offering into adjacent markets and customers.</li> </ul>
If the Group is unable to adequately protect its proprietary technology, products and processes, information, trade secrets and know-how this could have a material adverse effect on its business.	<ul style="list-style-type: none"> <li>Maintain, protect and expand current IP portfolio in line with IP strategy.</li> <li>Active monitoring of IP infringement.</li> <li>Maintain adequate IT/Legal/Compliance controls.</li> </ul>

Risks relating to the Joint Venture	Mitigating factors
The decision to proceed with the construction of the Reference Plant is subject to certain conditions and each of Avantium and BASF may exercise its exit right resulting in a winding up of the joint venture prior to a positive decision to construct the Reference Plant. No assurance can be given that the Reference Plant will be completed on schedule or within budget, or at all.	<ul style="list-style-type: none"> <li>Continue to provide active support and guidance to the Management Team of the joint venture to help broaden market interest, help defend and strengthen the IP portfolio and provide resources to meet agreed timelines.</li> <li>Continue active engagement with BASF senior management.</li> </ul>
The Group does not control the joint venture and the interests of BASF may conflict with the interests of the Group which may have an adverse impact on the value of the joint venture.	<ul style="list-style-type: none"> <li>Until Final Investment Decision is taken all decision making is done on basis of joint control</li> <li>Continue active engagement with BASF senior management</li> </ul>
The commercial success of the joint venture will depend on the market acceptance of PEF and PEF products and the joint venture's ability to sell FDCA, PEF and Licenses, which may only become clear once the Reference Plant becomes operational.	<ul style="list-style-type: none"> <li>Continue to monitor competitor activities and competitive technologies.</li> <li>Provide full support to Joint Venture to ensure the agreed timeline is met and help develop strong partnerships in the field of renewable chemistry.</li> </ul>
The YXY technology may not perform as expected at the planned scale at the Reference Plant and FDCA produced at the Reference Plant or PEF produced by third parties may not meet the required product quality standards or specifications.	<ul style="list-style-type: none"> <li>Continue to work with potential customers to demonstrate the performance of FDCA and/or PEF, provide application development resources, jointly develop new applications to broaden the application fields and develop alternative outlets for FDCA.</li> <li>Access to BASF proven engineering and manufacturing capabilities to validate each production and process step.</li> </ul>

Litigation or third party claims of intellectual property infringement could require substantial time and money to resolve and may result in liability for damage. Unfavourable outcomes in these proceedings could limit the joint venture's intellectual property rights and could prevent it from commercializing the YXY technology.	<ul style="list-style-type: none"> <li>• Provide help to joint venture to maintain, protect and expand current IP portfolio in line with IP strategy.</li> <li>• Provide help to joint venture to monitor IP infringement.</li> <li>• Provide help to joint venture to maintain adequate IT/Legal/ Compliance controls.</li> </ul>
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Financial and financing risks	Mitigating factors
Availability of financing and interest rate developments. Our failure to access funds (liquidity) would severely limit our ability to execute our strategy. Liquidity risk is the risk that we are unable to meet our payment obligations when due, or are unable, on an ongoing basis, to borrow funds in the market on an unsecured or secured basis at an acceptable price to fund actual or proposed commitments.	<ul style="list-style-type: none"> <li>• Maintaining headroom under committed revolving credit facilities.</li> <li>• As at 31 December 2017, the Group had available undrawn credit facilities amounting to € 6 million from a new facility agreement with Rabobank (€4m credit facility and €2m guarantee facility) and cash amounting to € 100 million.</li> </ul>
Construction or large maintenance of laboratory space: unforeseen delays could impact the use of the laboratories and impact project revenues in the Catalysis business.	<ul style="list-style-type: none"> <li>• Project team in place which closely monitors facilities related projects.</li> <li>• Planning of on-site revenue projects takes place minimizing impact of facilities project delays, and flexibility with potential off-site revenues can be scheduled in the same period.</li> </ul>

Compliance risks	Mitigating factors
New government measures, including increased regulations on the production and use of sustainable products versus oil-based products, may have a major impact on our business and financial position, and can present an opportunity or threat to activities.	<ul style="list-style-type: none"> <li>• Monitoring and adapting to relevant (changes in) rules and regulations.</li> <li>• Maintaining a dialogue with authorities, where possible.</li> </ul>

## Governance and policies

### Management Board

The Company has a two-tier board structure consisting of the Management Board and the Supervisory Board. The Management Board is responsible for the management of the Company's operations, as well as the operations of the Group, subject to the supervision of the Supervisory Board. The Management Board's responsibilities include the day-to-day management of the Company's operations. The members of the Management Board may divide its duties among its members in the Management Board Regula-

tions. The Management Board shall timely provide the Supervisory Board with all information required for the exercise of its duties.

The Company's Articles of Association, and the Code of Conduct for the Management Board include most of the Code's principles and best practice provisions insofar they apply to a two-person Management Board. Both documents are published on the Company's website <https://www.avantium.com/corporate-governance/>.

The Management Board is composed of the following two members:

Name	Date of birth	Position	Member as of	Scheduled for re-election
T.B. Van Aken	19 October 1970	CEO	17 February 2006	At the general meeting in 2021
F.C.H. Roerink	14 June 1969	CFO	11 May 2007	At the general meeting in 2021

Each Management Board member shall be appointed or re-appointed for a period of not more than 4 years.

The Management Board may in principle pass resolutions only if at least the majority of the Management Board members are present. The CEO may depart from this principle with respect to decision making in urgent situations. Management Board resolutions may at all times be adopted outside of a meeting, in writing or otherwise, provided that the proposal concerned is submitted to all Management Board members then in the office and none of them objects to this manner of adopting resolutions. Where possible, resolutions shall be passed by unanimous vote. If this is not possible, the resolution shall be taken by a majority of votes. If there is a tied vote, the decision shall be taken by the Supervisory Board.

Pursuant to Dutch law and the Articles of Association, the Management Board must obtain the approval of the General Meeting for resolutions regarding an important change of identity or character of the Company or its business. This includes in any event: (i) the transfer of all or substantially all business activities of the Company to a third party, (ii) the conclusion or cancellation of any long-lasting cooperation by the Company or a subsidiary with another legal entity or company or as a fully liable general partner of a limited partnership or a general partnership, provided that such cooperation or the cancellation thereof is of essential importance to the Company and

(iii) the acquisition or disposal by the Company or a subsidiary of a participating interest in the capital of a company with a value of at least one-third of the sum of the assets according to the consolidated balance sheet of the Company's most recently adopted financial statements with explanatory notes thereto.

The Management Board must obtain the approval of the Supervisory Board for various resolutions listed in the Management Board Regulations including: (i) entering into agreements, whereby the Company is granted credit by a bank, (ii) lending and borrowing money, with the exception of acquiring money under a credit already granted to the Company by a bank, (iii) long term direct or indirect cooperation with another company and the termination of such cooperation, (iv) investments and divestitures, (v) entering into agreements by which the Company binds itself as guarantor or as severally liable co debtor, or otherwise guarantees or agrees to bind itself as security for a debt of a third party, (vi) making settlements, (vii) being a party to legal proceedings, including conducting arbitration, with the exception of taking legal measures that cannot be delayed, (viii) entering into and changing employment agreements, whereby remuneration is granted, which exceeds the annual maximum amount determined by the Supervisory Board and notified to the Management Board in writing, (ix) establishing pension plans and granting pension rights in excess of those arising from existing arrangements, (x) adoption and amend-



ment of the strategy of the enterprise and the business plan, (xi) adoption of the annual budget and (xii) adoption of employee stock-option plans.

The Supervisory Board may determine that such a resolution does not require its approval if the amount involved does not exceed a value fixed by the Supervisory Board and notified to the Management Board in writing.

Pursuant to the Management Board Regulations, each member of the Management Board is required to immediately report any conflict or potential conflict of interest to the chairman of the Supervisory Board and the other members of the Management Board. The chairman of the Supervisory Board must determine whether a reported conflict or potential conflict of interest qualifies as a conflict of interest within the meaning of Section 2:129 DCC to which the following applies.

A member of the Management Board may not participate in the adoption of resolutions (including any deliberations) if he or she has a direct or indirect personal interest conflicting with the interests of the Company and the business connected therewith. If all members of the Management Board have a conflicting personal interest, the resolution concerned will be adopted by the Supervisory Board. If a member of the Management Board does not comply with the provisions on conflicts of interest, the resolution concerned is subject to nullification (*vernietigbaar*) and this member may be held liable towards the Company. All transactions in which there are conflicts of interest with members of the Management Board must be agreed on terms that are customary in the sector in which the Company operates and must be approved by the Supervisory Board.

With respect to the composition of the Management Board, it is noted that its members will con-

tinue to be selected on the basis of their wide-ranging experience within the industry, backgrounds, skills, knowledge and insight. Within this profile, gender diversity has the Board's attention in accordance with article 2:166 of the Dutch Civil Code, although so far this has not resulted in increased gender diversity in the Management Board. In 2017 the Management Team has been strengthened by appointing Zanna McFerson as Chief Business Development Officer and member of the Management Team.

### Supervisory Board

The Supervisory Board supervises the management of the Management Board and the general course of affairs in the Company and the business connected with it. The Supervisory Board shall assist the Management Board by giving advice. In performing their duties, the Supervisory Board members act in accordance with the interests of the Company and the Group, taking into consideration the interests of the Company's stakeholders (including the Shareholders and the Company's creditors, employees and clients) as well as the corporate social responsibility issues that are relevant to the business.

If the General Meeting has not already done so, the Supervisory Board is obliged to appoint an accountant to audit and report on and issue a statement concerning the annual financial statements of the Company. If the Supervisory Board fails to make such an appointment, due to absence or otherwise, the Management Board is authorised to do so.

The Supervisory Board Regulations can be found on the Company's website <https://www.avantium.com/corporate-governance/> and will apply in addition to the relevant provisions of the Articles of Association.

### Composition

As of 31 December 2017 the Supervisory Board composition is as follows:

Name	Date of birth	Gender	Member as of	Scheduled for re-election
C. Verhaar	28 August 1953	Male	30 November 2017	At the general meeting in 2021
D.J. Lucquin	13 January 1957	Male	19 May 2011	At the general meeting in 2018
G.E.A. Reijnen	20 December 1967	Female	14 April 2015	At the general meeting in 2019
M.G. Kleinsman	24 October 1963	Female	14 June 2017	At the general meeting in 2021
J.S. Wolfson	31 January 1971	Male	15 January 2013	At the general meeting in 2019

Michiel de Haan, former vice chairman of the Supervisory Board, resigned on 15 March 2017. Due to health reasons Jan van der Eijk temporarily replaced Michiel Boersma as acting chairman of the Supervisory Board. As of 1 April 2017 Michiel Boersma resigned and as of 20 April 2017 Jan van der Eijk was appointed Chairman. As of 30 November 2017, Kees Verhaar was appointed member of the Supervisory Board and elected as chairman of the Supervisory Board.

At the Annual General Meeting of Shareholders of 14 June 2017, Claude Stoufs resigned and was discharged from his role as member of the Supervisory Board. At the same meeting Margret Kleinsman was appointed as member of the Supervisory Board and as chairman of the Audit Committee.

Further information about the Supervisory Board members is published on the Company's website <https://www.avantium.com/corporate-governance/>

The Supervisory Board shall consist of at least three members. The members of the Supervisory Board are appointed by the General Meeting as described below. Each Supervisory Board member shall be appointed or re-appointed for a period of not more than 4 years. The Supervisory Board member may then subsequently be re-appointed again for a period of 2 years, which appointment may be extended by 2 years at most. In the event of a re-appointment after an 8 year period, reasons should be given in the consultative report of the Supervisory Board.

The Supervisory Board shall appoint one of its members to be the chairperson of the Supervisory Board.

The Supervisory Board can in principle only validly adopt resolutions in a meeting at which at least one half of its members is present or represented provided that members who have a conflict of interest shall not be taken into account when calculating this quorum. Resolutions of the Supervisory Board are adopted by a simple majority of votes. The Supervisory Board may also adopt resolutions outside a meeting.

Pursuant to the Supervisory Board Regulations, each Supervisory Board member (other than the chairperson) shall immediately report any conflict or potential conflict of interests concerning a Supervisory Board member to the chairperson. In case the chairperson has a conflict or potential conflict of interests, he/she shall immediately inform the vice-chairperson of the Supervisory Board thereof. The chairman or the vice-chairman (as applicable) shall determine whether a reported conflict or potential conflict of interest qualifies as a conflict of interest within the mean-

ing of Section 2:140 DCC to which the following applies.

A Supervisory Board member may not participate in the adoption of resolutions (including any deliberations) if he or she has a direct or indirect personal interest conflicting with the interests of the Company and the business connected therewith. If all members of the Supervisory Board have conflicting personal interest, the resolution concerned will nevertheless be adopted by the Supervisory Board. If a member of the Supervisory Board does not comply with the provisions on conflicts of interest in the Supervisory Board Regulations, the resolution concerned is subject to nullification (*vernietigbaar*) and this member may be held liable towards the Company.

All transactions in which there are conflicts of interest with members of the Management Board must be agreed on terms that are customary in the sector in which the Company operates and must be approved by the Supervisory Board.

The evaluation of the Supervisory Board, the committees and the individual Supervisory Board members was performed on an irregular basis prior to the IPO, with a minimum of once a year a self-assessment. After the IPO, the Supervisory Board had appointed an external consultant to perform a detailed evaluation of the Supervisory Board, the Committees and the individual Supervisory Board members. This assessment is expected to be finalized towards the end of 2018.

The performance of the Management Board and individual members of the Management Board is evaluated at every closed session of all Supervisory Board meetings and subsequently communicated to the Management Board by the chairman of the Supervisory Board.

The Supervisory Board has appointed an Audit Committee, a Remuneration Committee and a Nomination Committee. These committees are tasked with preparing the decision-making of and advising the Supervisory Board, although the Supervisory Board remains collectively responsible for the fulfilment of the duties delegated to its committees. In accordance with the Articles of Association and the Supervisory Board Regulations, the Supervisory Board has drawn up rules on each committee's role, responsibilities and functioning. The committee regulations are incorporated in the Supervisory Board Regulations that are published on the Company's website <https://www.avantium.com/corporate-governance/>.

### Corporate governance

On 9 December 2016, the Dutch Corporate Governance Committee (chaired by Mr. Van Manen)

presented the final revised Dutch Corporate Governance Code (the Dutch Code), revising the Code of 9 December 2008. The Dutch Code contains principles and best practice provisions for management boards, supervisory boards, shareholders and general meetings of shareholders and audit and financial reporting. The Code is applicable as of the financial year 2017.

Each public company (naamloze vennootschap) under Dutch law, with its official seat in the Netherlands, whose shares or depositary receipts for shares have been admitted to listing on a stock exchange, or more specifically to trading on a regulated market or a comparable system, and all large companies whose registered offices are in the Netherlands (balance sheet value > €500 million) whose shares or depositary receipts for shares have been admitted to trading on a multi-lateral trading facility or a comparable system, are required under Dutch law to disclose in their annual reports whether or not they apply the provisions of the Dutch Code that relate to the management board or supervisory board and, if they do not apply, to explain the why not. The Dutch Code provides that if a company's general meeting explicitly approves the corporate governance structure and policy and endorses the explanation for any deviation from the best practice provisions, such company will be deemed to have applied the Dutch Code.

The Company acknowledges the importance of good corporate governance and agrees with the principles of the Dutch Code. It has taken and will take further steps it considers appropriate to implement the Dutch Code.

The 2009 Belgian Code on Corporate Governance (the Belgian Code) applies to companies incorporated in Belgium whose shares are admitted to trading on a regulated market. The Belgian Code and the Dutch Code are mainly based upon the same or at least comparable principles of good corporate governance. As the Company is incorporated under Dutch law and also has a listing on Euronext Amsterdam, it applies the Dutch Code.

#### Non-compliance with the corporate governance code

Avantium applies all relevant provisions of the Dutch Corporate Governance Code. The practices where it is not in compliance with the Dutch Code are the following:

- Principle 1.3: The duty of the internal audit function is to assess the design and the opera-

tion of the internal risk management and control systems. The management board is responsible for the internal audit function. The supervisory board oversees the internal audit function and maintains regular contact with the person fulfilling this function.

Due to its size, the Company shall initially not install a separate department for the internal audit department. In line with best practice provision 1.3.6, the Supervisory Board will assess annually whether adequate alternative measures have been taken, partly on the basis of a recommendation issued by the audit committee, and will consider whether it is necessary to establish an internal audit department. The Supervisory Board shall include its conclusions, along with any resulting recommendations and alternative measures in its report.

- Best practice provision 3.3.2: Supervisory board members may not be awarded remuneration in the form of shares and/or rights to shares.

To continue to be able to attract and retain top talent in a competitive and global environment and to focus the Supervisory Board on creation of sustainable added value, Avantium has, as of the date of IPO, introduced an employee share option plan (ESOP).

- Best practice provision 4.2.3: Analyst meetings, analyst presentations, presentations to institutional or other investors and press conferences should be announced in advance on the company's website and by means of press releases. Analysts' meetings and presentations to investors should not take place shortly before the publication of the regular financial information. All shareholders should be able to follow these meetings and presentations in real time, by means of webcasting, telephone or otherwise. After the meetings, the presentations should be posted on the company's website.

The Company shall initially not enable Shareholders to follow analyst meetings, presentations to (institutional) investors and press conferences in real time by means of webcasting, telephone or otherwise. In this respect the Company does not comply with best practice provision 4.2.3 of the Dutch Code, since, considering the Company's size, it would create an excessive burden to provide such facilities. The Company shall regularly examine whether it is desirable to provide those facilities and possibly amend its policy in

this respect. In accordance with best practice provision 4.2.3 of the Dutch Code, the Company shall announce meetings with analysts, presentations to analysts, presentations to (institutional) investors and press conferences in advance on the Company's website and by means of press releases. After the meetings, the presentations shall be posted on the Company's website.

- Best practice provision 4.3.3: The general meeting of shareholders of a company not having statutory two-tier status (structuurregime) may pass a resolution to cancel the binding nature of a nomination for the appointment of a member of the management board or of the supervisory board and/or a resolution to dismiss a member of the management board or of the supervisory board by an absolute majority of the votes cast. It may be provided that this majority should represent a given proportion of the issued capital, which proportion may not exceed one-third. If this proportion of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favor of a resolution to cancel the binding nature of a nomination, or to dismiss a board member, a new meeting may be convened at which the resolution may be passed by an absolute majority of the votes cast, regardless of the proportion of the capital represented at the meeting.

The Articles of Association provide that the Supervisory Board may make binding nominations. In case the Supervisory Board has made a binding nomination for the appointment of a Management Board or a Supervisory Board member, the nominee shall be appointed irrespective of the majority of the votes cast in favor. The General Meeting may override the binding nature of such nomination by a resolution of two-thirds of the votes cast, which votes also need to represent more than half of the issued share capital. If the Supervisory Board has not made a binding nomination, the General Meeting shall be free to appoint a member of the Management Board or the Supervisory Board at its discretion by a simple majority representing at least one-third of the issued share capital.

Pursuant to the Articles of Association, the General Meeting may at any time dismiss a member of the Management Board or the Supervisory Board. The General Meeting may only adopt a resolution to dismiss such a member by a simple majority at the proposal of the Supervisory Board. Without such proposal, the resolution shall require

a two-thirds majority of the votes cast, representing more than half of the issued share capital.

These provisions deviate from best practice provision 4.3.3 of the Dutch Code. The purpose of these provisions is to safeguard the continuity of the Company and its Group companies.

#### Tax

The Company calculates tax charges on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Avantium does not use contrived or abnormal tax structures that are intended for tax avoidance. The Company pays an appropriate amount of tax according to where value is created within the normal course of business activities. For further disclosure see Note 2.18 of the Company financial statements.

#### Human resources and remuneration

The human resources and remuneration policy of the Company is described in the Employee Handbook published on the website: <https://www.avantium.com/corporate-governance/>. The information relative to the remunerations of directors and the members of the Supervisory Board is disclosed in note 28 of the consolidated financial statements.







## FLOWRENCE XD

On March 13, 2017 Avantium launched the Flowrence XD. This unit is the perfect testing system for early-stage research and development. Our customers benefit from high flexibility, ease of use, reproducible and reliable results. This Flowrence unit was built based on our customers' needs and wishes. Even before the official launch we had already sold two Flowrence XD units to customers.

## Consolidated Financial Statements 2017

### Consolidated statement of comprehensive income

in Euro x 1,000

	Notes	Year ended 31 December	
		2017	2016
<b>Continuing operations</b>			
Revenues	19	12,652	10,491
<b>Expenses</b>			
Raw materials and contract costs	20	(4,030)	(2,292)
Employee benefit expenses	21	(10,611)	(6,590)
Depreciation, amortization and impairment charge	20	(885)	(768)
Office and housing expenses	20	(1,649)	(1,591)
Patent, license, legal and advisory expenses	20	(2,122)	(600)
Laboratory expenses	20	(1,348)	(1,135)
Advertising and representation expenses	20	(1,130)	(621)
Other operating expenses	20	(988)	(744)
<b>Operating loss</b>		<b>(10,111)</b>	<b>(3,851)</b>
Finance income	22	50	56
Finance costs	22	(667)	(2,295)
<b>Finance costs - net</b>		<b>(617)</b>	<b>(2,239)</b>
Share in loss of joint ventures	7	(6,032)	(771)
<b>Loss before income tax</b>		<b>(16,760)</b>	<b>(6,861)</b>
Income tax expense	23	-	-
<b>Loss for the year from continuing operations</b>		<b>(16,760)</b>	<b>(6,861)</b>
Profit / (loss) for the year from discontinued operations	11	-	44,998
<b>Profit / (loss) for the period</b>		<b>(16,760)</b>	<b>38,137</b>
<b>Other comprehensive income</b>			
Share of other comprehensive income of joint ventures accounted for using the equity method	7	-	-
<b>Total comprehensive income / (expense) for the year</b>		<b>(16,760)</b>	<b>38,137</b>
<b>Profit / (Loss) attributable to:</b>			
Owners of the parent		(16,760)	38,137
		<b>(16,760)</b>	<b>38,137</b>
<b>Total comprehensive income / (expense) attributable to:</b>			
Owners of the parent		(16,760)	38,137
		<b>(16,760)</b>	<b>38,137</b>

	Note	Year ended 31 December	
		2017	2016
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company</b>			
Basic earnings per share	14	(0.72)	(0.52)
Diluted earnings per share	14	(0.72)	(0.52)
<b>Earnings per share for profit attributable to the ordinary equity holders of the company</b>			
Basic earnings per share	14	(0.72)	2.89
Diluted earnings per share	14	(0.72)	2.69

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated statement of financial position

<i>in Euro x 1,000</i>		As at 31 December	
	Notes	2017	2016
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	8,811	4,716
Intangible assets	6	833	807
Investments in joint ventures and associates	7	48,197	54,229
<b>Total non-current assets</b>		<b>57,841</b>	<b>59,752</b>
<b>Current assets</b>			
Inventories	8	1,255	1,190
Trade and other receivables	9	9,478	10,991
Cash and cash equivalents	10	100,237	14,223
<b>Total current assets</b>		<b>110,970</b>	<b>26,405</b>
<b>Total assets</b>		<b>168,811</b>	<b>86,158</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	16	-	3,834
<b>Total non-current liabilities</b>		<b>-</b>	<b>3,834</b>
<b>Current liabilities</b>			
Borrowings	16	-	22,609
Trade and other payables	15	10,314	12,407
Provisions for other liabilities and charges	17	137	166
<b>Total current liabilities</b>		<b>10,451</b>	<b>35,182</b>
<b>Total liabilities</b>		<b>10,451</b>	<b>39,016</b>
<b>Equity</b>			
<b>Equity attributable to owners of the parent</b>			
Ordinary shares	12	2,577	1,319
Share premium	12, 13	204,296	79,734
Other reserves	12, 13	8,252	6,212
Accumulated losses		(56,765)	(40,122)
<b>Total equity attributable to the owners of the parent</b>		<b>158,360</b>	<b>47,143</b>
<b>Total equity</b>		<b>158,360</b>	<b>47,143</b>
<b>Total equity and liabilities</b>		<b>168,811</b>	<b>86,158</b>

The consolidated statement of financial position has been prepared before appropriation of current year result. The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

<i>in Euro x 1,000</i>	Attributable to equity holders of the company				Total Equity
	Ordinary shares	Share premium	Other reserves	Accumulated losses	
<b>Balance at 1 January 2016</b>	1,319	81,272	5,266	(78,499)	9,358
<b>Comprehensive income</b>					
Result for the year	-	-	-	38,137	38,137
Other Comprehensive income for the year	-	-	-	-	-
<b>Total Comprehensive income at 31 December 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,137</b>	<b>38,137</b>
<b>Transactions with owners</b>					
- Employee share schemes – value of Employee services	-	-	1,184	-	1,184
- Transfer value share scheme to retained earnings	-	-	(239)	239	-
- Transaction costs - IPO	-	(1,538)	-	-	(1,538)
- Issue of ordinary shares	-	-	-	-	-
<b>Total transactions with owners</b>	<b>-</b>	<b>(1,538)</b>	<b>946</b>	<b>239</b>	<b>(354)</b>
<b>Balance at 31 December 2016</b>	<b>1,319</b>	<b>79,734</b>	<b>6,212</b>	<b>(40,122)</b>	<b>47,143</b>
<b>Balance at 1 January 2017</b>	<b>1,319</b>	<b>79,734</b>	<b>6,212</b>	<b>(40,122)</b>	<b>47,143</b>
<b>Comprehensive income</b>					
Result for the year	-	-	-	(16,760)	(16,760)
Other Comprehensive income for the year	-	-	-	-	-
<b>Total Comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,760)</b>	<b>(16,760)</b>
<b>Transactions with owners</b>					
- Employee share schemes – value of Employee services	-	-	2,783	-	2,783
- Transfer value share scheme to retained earnings	-	-	(118)	118	-
- Treasury shares	-	-	(624)	-	(624)
- Transaction costs - IPO	-	(5,098)	-	-	(5,098)
- Issue of ordinary shares	1,258	129,660	-	-	130,918
<b>Total transactions with owners</b>	<b>1,258</b>	<b>124,562</b>	<b>2,041</b>	<b>118</b>	<b>127,979</b>
<b>Balance at 31 December 2017</b>	<b>2,577</b>	<b>204,296</b>	<b>8,252</b>	<b>(56,765)</b>	<b>158,360</b>

The accompanying notes are an integral part of these consolidated financial statements.



## Consolidated statement of cash flows

	Notes	Year ended 31 December	
		2017	2016
<i>in Euro x 1,000</i>			
<b>Cash flows from continuing operations</b>			
<b>Cash flows from operating activities</b>			
Loss for the year from continuing operations		(16,760)	(6,861)
Adjustments for:			
- Depreciation	5	723	640
- Amortization	6	162	128
- Share in loss of joint ventures	7	6,032	771
- Share-based payment	13	2,783	1,184
- Finance costs - net	22	617	2,239
Changes in working capital (excluding exchange differences on consolidation):			
- (Increase) in inventories	8	(65)	(145)
- (Increase) in trade and other receivables	9	1,513	(5,583)
- Increase in trade and other payables <sup>1</sup>	15	(846)	4,964
- Increase in provisions	17	(29)	(2)
		<b>(5,871)</b>	<b>(2,664)</b>
Interest (paid)	22	(48)	(59)
<b>Net cash used in operating activities</b>		<b>(5,919)</b>	<b>(2,722)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment (PPE)	5	(4,828)	(1,341)
Purchases of intangible assets	6	(188)	(576)
<b>Net cash used in investing activities</b>		<b>(5,017)</b>	<b>(1,917)</b>
<b>Cash flow from financing activities</b>			
Interest received	22	50	56
Proceeds from issuance of ordinary shares	16	108,602	-
Incremental costs paid directly attributable to IPO <sup>2</sup>	12	(6,314)	(322)
Proceeds from issuance of convertible bond	16	-	20,000
Repurchase of shares	16	(624)	-
Repayments of borrowings	16	(4,722)	(400)
Other		(40)	-
<b>Net cash generated from financing activities</b>		<b>96,953</b>	<b>19,334</b>
<b>Net increase / (decrease) in cash, cash equivalents</b>		<b>86,017</b>	<b>14,694</b>
Cash and cash equivalents at beginning of the year	9	14,223	6,981
Effect of exchange rate changes	21	(3)	(128)
<b>Cash and cash equivalents from continuing operations at end of financial year</b>		<b>100,237</b>	<b>21,547</b>
<b>Cash flows from discontinued operations</b>			
Net cash from/ (used in) operating activities	11	-	(5,674)
Net cash from/ (used in) investing activities	11	-	(1,649)
Net cash from/ (used in) financing activities	11	-	-
<b>Change in cash used in discontinued operations</b>		<b>-</b>	<b>(7,323)</b>
<b>Cash and cash equivalents at end of financial year</b>		<b>100,237</b>	<b>14,223</b>

The accompanying notes are an integral part of these consolidated financial statements.

1) Note that the non-cash portion of the transaction costs (in relation to the IPO) recorded on the balance sheet per 31 December 2016, amounting to €1,246,000, have been added to the increase in trade and other payables.

2) Further disaggregation of incremental costs directly attributable to the IPO (cash portion in FY16) which was recorded in trade and other payables in the financial statements of prior year.

## Notes to the consolidated financial statements

### 1. General information

Following the successful IPO, Avantium Holding B.V. was converted to Avantium N.V. on 15 March 2017. Avantium N.V. ('the company') and its subsidiaries (together 'the group') develop and commercialize next generation bio-based plastics and chemicals based on our unique technological capabilities in advanced catalysis research & development. The company is also the ultimate parent of the group. Over the years our company has established a leading market position in providing advanced catalysis services and systems. The company has its statutory seat at the Zekeringsstraat 29-31, 1014 BV in Amsterdam, The Netherlands.

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result of its company financial statements, Avantium N.V. makes use of the option provided in Section 2:362 (8) of the Dutch Civil Code. This means that the principles of the recognition and measurements of assets and liabilities and determination of the result (hereafter referred to as accounting policies) of the company financial statements of Avantium N.V. are the same as those applied for the consolidated financial statements under IFRS (refer to note 2). By applying this option, reconciliation is maintained between the group's and the company's equity.

These consolidated financial statements are approved for issue by both the Supervisory Board and the Management Board on 28 March 2018.

### 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

The consolidated financial statements of Avantium N.V. have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires man-

agement to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in [note 4].

#### 2.1.1 Going concern

The net loss for the year 2017 amounts to €16,760,000, and in anticipation of the Annual Meeting's adoption of the annual accounts, this has been added to the accumulated deficit resulting in a net equity of €158.4 million.

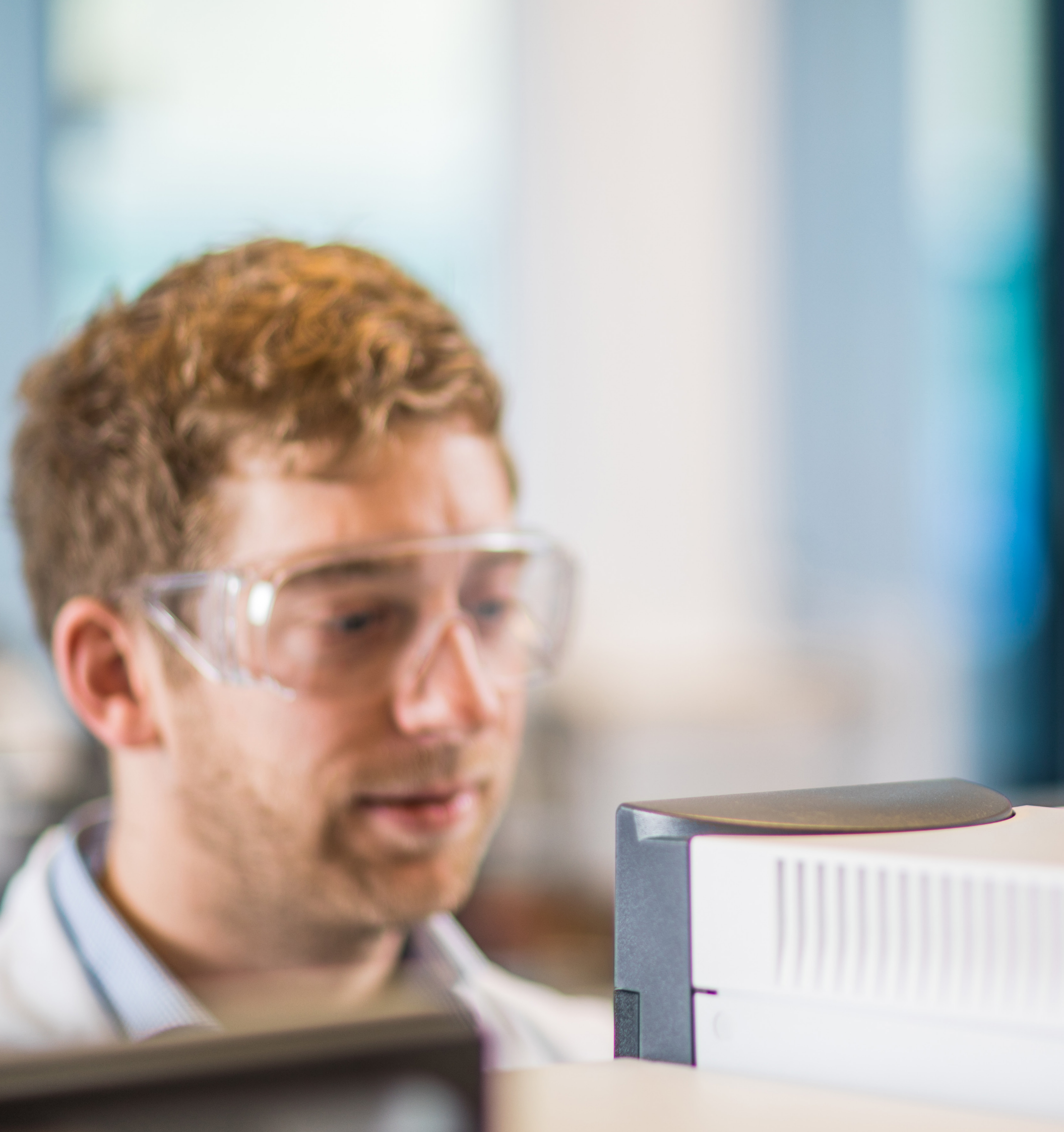
On 15 March 2017, the company completed its listing on Euronext Amsterdam and Brussels raising gross proceeds of €109 million (including the over-allotment exercise). This capital raise is intended to support the company in realizing growth plans and capturing the anticipated increasing demand for renewable chemicals and materials.

With successfully reaching the next phase of the YXY technology through the transfer to Synvina, the company complied with all requirements pertaining to the RVO Innovation Loan. The company repaid the principal amount and accrued interest totaling €4.7 million in April 2017. Refer to note 16.

In 2017 the company entered into a new facility agreement with Rabobank, replacing the previous agreement with ABN AMRO Bank. The facility includes a €4.0 million credit facility (where the ABN AMRO agreement included a €2.0 million credit facility), and a €2.0 million bank guarantee facility (where the ABN AMRO Bank facility agreement included a €0.7 million bank guarantee facility). The company did not make use of the credit facility and will keep the facility as an additional buffer. The company complies at year end with the financial covenants as agreed with Rabobank, mainly related to tangible net worth (TNW) requirements. Refer to note 3.2 for the group's objective in terms of capital management.

Also for 2018 the company anticipates on a net loss including negative operating cash flows. However the company's anticipated positive cash flows from the services and systems business and with the funding obtained in March 2017 from the Initial Public Offering sufficient cash flows are available to meet the requirements for working





# MICROFLUIDIC DISTRIBUTION

Gas and liquid feeds, can be efficiently distributed using our microfluidic distribution. This technology provides a very narrow distribution of feeds to our parallel reactors. Each chip is manufactured according to strict specifications to guarantee the quality of the distribution. The replacement of the chips can be done in minutes, offering much more operational flexibility and reduction of maintenance efforts. With Avantium's microfluidic distribution customers increase their data quality and uptime.



capital, capital expenditures and R&D for both the short term and the medium term. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

### 2.1.2 Changes in accounting policy and disclosures

#### (a) New standards, amendments and interpretations adopted by the group

No new standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2017. Standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2017 are not material to the group.

#### (b) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing the consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9, 'Financial instruments', a forthcoming standard, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI, and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39, however is determined to be of immaterial impact to the consolidated financial statements of the Group. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by

replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. Based on the group's current financial position and the IFRS 9 impact assessment performed in 2017, the company anticipates that the application of IFRS 9 in 2018 has limited impact on the company's financial assets and financial liabilities.

- IFRS 15, 'Revenue from contracts with customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue', IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and will then be adopted by the group. The company has identified the following areas where accounting policies will change: (1) contracts for integrated solutions, where one or multiple performance obligations could exist, and (2) renewals and contract modifications could have an impact on (separate) performance obligations. Based on the qualitative and quantitative IFRS 15 impact assessment performed, we conclude that these changes in accounting policies have no material effect on the consolidated financial statements. Therefore, the Group intends to use the full retrospective method of transition to implement IFRS 15. The Group will continue to assess the impact of IFRS 15 on the consolidated financial statements.
- IFRS 16, 'Lease accounting', will become effective for accounting periods beginning on or after 1 January 2019. To increase comparability, the new standard will eliminate nearly all off balance sheet accounting for lessees and re-define many commonly used financial metrics. This will have an impact on the Group, as the current off balance sheet lease commitments as reported in note 27, will be presented on the balance sheet starting 2019, impacting our

balance sheet totals. As both sides of the balance sheet will show a similar increase with a right-of-use asset and a lease liability, no significant impact is expected on current ratios or metrics as used in the Group, except for the adjusted EBITDA figure as reported in the segment reporting note 18, which will be favorably impacted as rent expenses will be replaced by depreciation expenses. The transition provisions of IFRS 16 allow the Company to apply the standard using a full retrospective approach or a modified retrospective approach. Whichever approach is chosen, the Company must apply the election consistently to all of its leases. The Company will adopt IFRS 16 on 1 January 2019. The Company has not made a final decision on the transition approach, pending the finalization of our quantitative assessment, which we expect to finalize mid-2018. By then, the Company will decide on whether any exemptions for short term leases and low-value items will be applied. As the Company has a limited number of operational lease agreements in place in which straight-forward terms and conditions are applied, we do not anticipate significant judgments to be necessary to determine the lease obligations under IFRS 16. As of 31 December 2017, the Company's future contractual minimum lease payments under non-cancellable operating leases to third parties amounted to €9,467,000 on an undiscounted basis (see note 27).

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

## 2.2 Consolidation

### (a) Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The consolidated companies are listed below:

- Avantium Technologies B.V., Amsterdam (100%);
- Avantium Support B.V., Amsterdam (100%);
- Avantium Cleantech B.V., Amsterdam (100%);
- Avantium Chemicals B.V., Amsterdam (100%);
- Avantium Knowledge Centre B.V., Amsterdam (100%);
- Furanix Technologies B.V., Amsterdam (100%);
- YXY Technologies B.V., Amsterdam (100%);
- Stichting Administratiekantoor Avantium, Amsterdam (100%);
- Stichting Stock Options Avantium, Amsterdam (100%);
- Feedstock Technologies B.V., Amsterdam (100%).

As per 30 November 2016, Synvina C.V. and Synvina B.V., in which Avantium holds a 49% share, and where BASF SE holds the remaining 51%, were incorporated in the Netherlands. The joint venture (JV) aims to commercialize Furan-Di-Carboxylic-Acid (FDCA), Poly-Ethylene-Furanoate (PEF) and related technologies (YXY technology). The JV will engage in (i) the manufacturing and marketing of FDCA, (ii) marketing of PEF manufactured under toll-manufacturing arrangements, (iii) the licensing of FDCA and PEF production and application IP, as well as (iv) the research and development. Within Avantium N.V. the entities involved in the transaction are YXY Technologies B.V. (of which the machines and equipment have been transferred) and Furanix Technologies B.V. (in which the YXY IP was filed and has been transferred to the joint venture). Reference is made to note 7 for further disclosure on the fair value measurement of the company's financial assets and liabilities.

In accordance with IFRS 5.31 and 5.32, the YXY technology classified as a discontinued operation in the financial statements of 2016 until the incorporation of Synvina on 30 November 2016, and therefore the results of the discontinued operation are included as such in the comparative information.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.



*(b) Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

*(c) Disposal of subsidiaries*

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

*(d) Principles of consolidation and equity accounting*

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

*(e) Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Manage-

ment Board has appointed the Management Team which assesses the financial performance and position of the group, and makes strategic decisions. The Management Team, which has been identified as being the chief operating decision maker, consists of the chief executive officer, the chief financial officer, the chief technology officer, the Group legal counsel, the chief business development officer, and the managing director of Catalysis.

### 2.3 Foreign currency translation

*(a) Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euros, which is the company's functional currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'.

*(c) Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each statement of comprehensive income are translated at the average exchange rates; and
- All resulting exchange differences are recognized as a separate component of other comprehensive income.

### 2.4 Use of estimates

The preparation of consolidated financial statements requires management to make estimates

and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The use of estimates is or could be a significant factor affecting the reported carrying values of property, plant and equipment, intangibles, trade and other receivables and trade and other payables. Despite management's best efforts to accurately estimate such amounts, future results could materially differ from those estimates.

### 2.5 Property, plant and equipment

Property, plant and equipment comprise mainly laboratory equipment, hardware and leasehold improvements. All property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance charges are expensed in the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost of the assets to their residual values over their estimated useful lives as follows:

- Leasehold improvements 5-20 years
- Machinery, laboratory equipment and vehicles 5 years
- Computer hardware 3 years
- Office furniture and equipment 3-5 years

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. Gains and losses are included in the consolidated statement of comprehensive income.

### 2.6 Intangible assets

*(a) Research and development*

Research expenditures are recognized as expenses as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the group are recognized as intangible assets when the following criteria are fulfilled:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset and use or sell it;

- There is an ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use on a straight-line basis over its estimated useful life of 5 years. Intangible assets not ready for use are tested for impairment at least on an annual basis.

Amortization of development costs is included in depreciation, amortization and impairment charge, in the statement of comprehensive income. All development costs arose from internal development.

*(b) Computer software*

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and use the specific software. These costs are amortized straight-line over their estimated useful lives of 3 years.

Costs associated with developing or maintaining computer software programs are recognized as expenses as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group, that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets.

*(c) Intellectual property*

Following the closing of the Liquid Light acquisition on 30 December 2016, the company records intellectual property (patent portfolio acquired) on its consolidated balance sheet. The intellectual property is stated at historical cost, which will subsequently be lowered with accumulated amortization the following years, when the technology on which the intellectual property is filed, is ready to deploy commercially.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

Amortization is calculated using the straight-line method to allocate their cost of the assets to their residual values over their estimated useful lives (average lifetime of patent portfolio) as follows:

- Intellectual property 5-20 years

### 2.7 Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.8 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

### 2.9 Financial assets

#### 2.9.1 Classification

The group classifies its financial assets in the loans and receivables category. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

### 2.9.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date, the date on which the group commits to purchase or sell the asset. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Financial assets are derecognized when the rights to receive cash flows from the financial assets expire, or if the company transfers the financial asset to another party and does not retain control or substantially all risks and rewards of the asset. Financial liabilities are derecognized when the company's obligations specified in the contract expire or are discharged or cancelled.

### 2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### 2.11 Impairment of financial assets

#### (a) Assets carried at amortized cost

The group assesses at the end of each reporting year whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the pres-

ent value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of comprehensive income.

#### (b) Assets classified as available for sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

### 2.12 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of raw materials, finished goods and work in progress comprises all purchase costs including charges incurred to bring inventories to their current location and into their current state. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 2.13 Trade receivables

Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

### 2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, de-

posits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

### 2.15 Share capital

#### Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### Treasury shares

Where any group company or liquidity provider appointed by the Group, purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders. No gain or loss is recognized in the statement of comprehensive income on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

### 2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### 2.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to

the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The convertible loans agreement is accounted initially at fair value and subsequently at amortized cost using the effective interest rate. The Convertible debt in total has been converted to equity as part of the IPO transactions.

#### *Fair value measurement of financial assets and financial liabilities*

The fair value of financial assets and financial liabilities is included at the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties, other than in forced or liquidation sale. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy defines a three-level valuation hierarchy for disclosure of fair value measurements as follows:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Observable inputs that reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Unobservable inputs reflecting the Company's own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be con-

sistent with market participant assumptions that are reasonably available.

#### **2.18 Current and deferred income tax**

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### **2.19 Employee benefits**

##### *(a) Pension obligations*

The group operates a defined contribution pension plan for all employees funded through payments to an insurance company. The group has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. The contributions are recognized as employee benefit expense when they are due. Pre-paid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

##### *(b) Share-based payments*

The group operates a share-based compensation plan for its employees, which consist of an Employee Stock Option Plan (ESOP) and a Long Term Incentive Plan (LTIP), also refer to note 13. These plans are classified as an equity-settled share option plan which was initially adopted in 2006 and replaced by the new share-based compensation plans at the IPO in 2017.

Share options granted to employees are measured at the fair value of the equity instruments granted, or indirect method of measurement. Fair value is determined through the use of an option-pricing model considering, amongst others, the following variables:

- a The exercise price of the option;
- b The expected life of the option;
- c The current value of the underlying shares;
- d The expected volatility of the share price, calculated considering the effect of dividends on stock price;
- e The dividends expected on the shares; and
- f The risk-free interest rate for the life of the option.

For the company's share option plan, management's judgment is that the Black-Scholes valuation model is most appropriate for determining fair values as this model allows accounting for non-transferability, vesting conditions and early exercise. Since the company became listed in March 2017, there is published share price information available to determine the fair value of its shares and the expected volatility of that value. These assumptions and estimates are further discussed in note 13 to the IFRS consolidated financial statements. The result of the share option valuations and the related compensation expense is dependent on the model and input parameters used.

The costs of the employee share-based payment plan are measured by reference to the fair value of the options at the date at which the options are granted using a Black-Scholes option valuation model. For the equity-settled Avantium ESOP and LTIP, the fair value is determined at the grant date.

The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. For share-based payments that do not vest until the employees have completed a specified period of service, the group recognizes the services received as the employees render service during that period.

At each balance sheet date, the company revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the statement of comprehensive income and for the equity settled plan a corresponding adjustment to equity.

The proceeds received from exercised options net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

##### *(c) Profit-sharing and bonus plans*

The group recognizes a liability and an expense for bonuses and profit-sharing where contractually obliged or where there is a past practice that has created a constructive obligation.

#### **2.20 Provisions**

Provisions are recognized when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

The group provides for the estimated cost of product warranties at the time revenue is recognized and the group has a constructive obligation. Warranty provision is established based on the group's best estimates of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. Product return provisions are based on our historical experiences.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.





# PILOT BIOREFINERY

In the transformation towards a renewable economy, waste streams such as woody biomass and agricultural residuals will become resources for green solutions. Avantium's innovative Zambezi technology converts these waste streams to high quality sugars and lignin for the production of renewable chemicals, materials and energy.



## 2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

### a) Sale of goods

Revenue and expense related to Flowrence™ systems are accounted for using the percentage-of-completion method, which recognizes revenue as performance of the contract progresses. A Flowrence™ system is a tailor made machine, with varying components for differing chemistries they are to be used for. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the balance sheet, the group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognized profits (less recognized losses) exceed progress billings; a contract represents a liability where the opposite is the case.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

Where the income of a revenue contract cannot be estimated reliably, contract revenue that is probable to be recovered is recognized to the extent of contract costs incurred. Contract costs are recognized as expenses in the period in which they are incurred.

### b) Multiple element arrangements

In certain circumstances, it is necessary to apply the recognition criteria to the separately identified

components of a single transaction in order to reflect the substance of the transaction. Conversely, the recognition criteria are applied to two or more transactions together when they are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole.

The group offers arrangements whereby a customer purchases systems and installations services under one arrangement. When such multiple element arrangements exist, an element is accounted for as a separable element if it has value to the customer on a standalone basis and the fair value can be determined objectively and reliably.

When Catalysis Systems revenues and installation service revenues are identified as separable elements in a multiple element transaction, the Systems revenue recognized is determined based on the fair value of the Systems in relation to the fair value of the arrangement taken as a whole and is recognized as discussed above. The revenue relating to the installation service element, which represents the fair value of the installation services in relation to the fair value of the arrangement, is recognized upon completion of the installation services.

This separation is justified due to the fact that the supply and installation of the goods are offered to the customer separately as the installation can also be executed by an independent third party.

Timing of payment by the customer from the supply of goods is based on the contractual identified installments. This could result, on a product by product basis, in advanced payments. These amounts are reported on the balance sheet under other current liabilities.

### c) Sales of services

Revenue from the sale of services is recognized under the percentage-of-completion (POC) method. Under the POC method, revenue is generally recognized based on the services performed to date as a percentage of the total services to be performed.

Timing of payment by the customer from sale of services is based on the contractual identified technical milestones. This could result, on a project by project basis, in unbilled revenues or advanced payments. These amounts are reported on the balance sheet under other receivables or other current liabilities.

As part of the renewable chemistries business development agreements which constitute solely a step-in without subsequent requirements, management identified this as one-off revenue recognition at moment of signing the agreements, in accordance with IAS18.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

## 2.22 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

## 2.23 Interest income

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognized using the original effective interest rate.

## 2.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. The Group has no financial lease obligations.

## 2.25 Earnings per Share

### a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (note 14).

### b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### 3. Financial risk management

#### 3.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group's financial performance.

#### Financial instrument by category

Loans and receivables:

in Euro x 1,000	Notes	As at 31 December	
		2017	2016
Trade receivables	9	2,310	4,767
Other receivables	9	7,168	6,225
Cash and cash equivalents	10	100,237	14,223

Financial liabilities:

in Euro x 1,000	Notes	As at 31 December	
		2017	2016
Trade payables	15	3,757	3,434
Other liabilities	15	6,558	5,220

The carrying amounts of these financial assets and liabilities are assumed to approximate their fair values. Also refer to note 15 and 16 for an overview of Trade and other payables and Borrowings.

#### (a) Currency risk

The group operates internationally and is exposed to foreign exchange risk primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities. Management has set up a policy that requires group companies to manage their foreign exchange risk against their functional currency. The group companies are required to close commercial transactions in Euros. Certain US-based customers negotiate US dollar contracts. The numbers of those contracts are very limited and the group companies can close such contract only after written approval of management, and therefore the group's operations are not subject to significant foreign exchange rate risks. Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the entity's functional currency.

Risk management is carried out by the central Finance & Accounting department (Group F&A) under policies approved by the Management Board. Group F&A identifies, evaluates and covers financial risks in close co-operation with the group's operating units. The board provides principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments, and investment of excess liquidity.

The group had outstanding trade receivables in US dollars of \$3,900 (2016: \$3,000) and in \$74,000 (2016: \$476,000) in US dollars of outstanding trade payables. The group had no trade receivables in another foreign currency. The group had outstanding trade payables in British pounds of £2,000, and no trade payables in other foreign currencies.

At 31 December 2017, if the currency had weakened by 10% against the US dollar with all other variables held constant, post-tax result for the year would have been €7,000 lower (2016: €1,000 higher). The US dollar cash position as at 31 December 2017 is \$83,000. The group had no cash position in other foreign currencies.

#### (b) Credit risk

Credit risk is managed on group basis. The group does not have any significant concentrations of credit risk and is limited to outstanding trade receivables and cash and cash equivalents. On 31 December 2017, the largest single client exposure consisted of 24% of the outstanding trade receivables. The group clients are subject to creditworthiness tests. Sales are subject to payment conditions varying between payments in advance and 30 days after invoice date. For certain pro-

jects, deviations to this rule may apply only after approval of group F&A, in which case additional security, including guarantees and documentary credits, may be required. Management does not expect any losses from non-performance by its clients.

In 2017 nil Euro (2016: €141,000) was written off. €1,252,000 was past due, of which 48% had been paid before the date of this report.

in Euro x 1,000	As at 31 December	
	2017	2016
Up to 3 months past due	665	1,586
3 – 6 months past due	588	206
	1,252	1,793

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The group does not hold any collateral as security. Group funds are held at Rabobank with a long term credit rating between A+ and AA, Deutsche bank with a long term credit rating between bbb and A-, ABN AMRO bank with a long term credit rating of between A and A+, and at ING Bank also with a long term credit rating of between A+ and Aa3.

On 31 December 2017						
in Euro x 1,000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 year	Over 5 years	Total	
Borrowings	-	-	-	-	-	-
Trade payables	3,757	-	-	-	3,757	
Other current liabilities	6,558	-	-	-	6,558	
	10,314	0	0	0	10,314	

On 31 December 2016						
in Euro x 1,000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 year	Over 5 years	Total	
Borrowings	22,609	800	3,034	-	26,443	
Trade payables	3,434	-	-	-	3,434	
Other current liabilities	7,893	-	-	-	7,893	
	33,936	800	3,034	0	37,770	

The carrying amounts of these financial liabilities are assumed to approximate their fair values.

#### (d) Cash flow and fair value interest rate risk

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. At 31 December 2017, if variable interest rates on the euro-de-

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

In 2017, the group refinanced its banking facilities with improved terms.

As at the end of 2017, the group has a banking facility with Rabobank of €4.0 million, which has not been utilized. All assets, excluding the intangible assets and excluding its shares in Synvina C.V. are pledged to Rabobank. Furthermore, the group has a €2.0 million bank guarantee facility with Rabobank. Management monitors monthly rolling forecasts of the group's cash and cash equivalents (note 10) on the basis of actual results and expected cash flow.

The table below analyzes the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows for continuing operations. The specific time buckets are not mandated by the standard but are based on a choice of management.

nominated borrowings and cash and cash equivalents had been 0.1% higher with all other variables held constant, post-tax results for the year would have been €100,000 higher (2016: €14,000 higher) as a result of higher interest received.



### 3.2 Capital management

The group's objective when managing capital is to safeguard the group's ability to continue as a going concern (also refer to 2.1.1) in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group monitors capital on the basis of its adjusted solvability ratio. This ratio is calculated as adjusted equity divided by the adjusted balance sheet total.

The adjusted equity is calculated as equity:

- Minus the intangible assets, participating interests and receivables from shareholders

The adjusted balance sheet total is calculated as total assets:

- Minus the intangible assets, participating interest, receivables from shareholders and shares held in the own company

The adjusted solvability ratios at 31 December 2017 and 2016 were as follows:

in Euro x 1,000	As at 31 December	
	2017	2016
Equity attributable to owners of the parent	158,360	47,143
Intangible assets	(833)	(807)
Adjusted equity total	157,527	46,336
Adjusted balance sheet total	167,978	85,350
Adjusted solvability ratio	94%	54%

### 4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### (a) Income taxes

The group, which has a history of recent tax losses, recognizes deferred tax assets arising from unused tax losses or tax credits only to the extent that the relevant fiscal unity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the fiscal unity. Management's judgment is that there is not a high degree of certainty that sufficient profits will be earned to utilize the losses. Consequently, based on management's judgment, sufficient convincing other evidence is not available and a deferred tax asset is therefore not recognized.

#### (b) Share-based payments

Share options granted to employees are measured at the fair value of the equity instruments granted (indirect method of measurement). Fair value is determined through the use of an option-pricing model considering, among others, the following variables:

- a The exercise price of the option;
- b The expected life of the option;
- c The current value of the underlying shares;
- d The expected volatility of the share price, calculated considering the effect of dividends on stock price;
- e The dividends expected on the shares; and
- f The risk-free interest rate for the life of the option.

For the company's share option plan, management's judgment is that the Black-Scholes valuation method is most appropriate for determining fair values as this method allows accounting for non-transferability, vesting conditions and early exercise. Since the company became listed in March 2017, there is published share price information available to determine the fair value of its shares and the expected volatility of that value. These assumptions and estimates are further discussed in note 13 to the consolidated financial statements.

The result of the share option valuations and the related compensation expense is dependent on the model and input parameters used. Even

though management considers the fair values reasonable and defensible based on the methodologies applied and the information available, others might derive at a different fair value for each of the company's share option plan.

#### (c) Research and development expenditures

The project stage forms the basis in the decision whether costs made for the group's product development programs should be capitalized or not. Management judgment is required in determining when the group should start capitalizing development costs as intangible assets.

Management determined that for a system commercial feasibility is, in general, probable when the group has built a successful prototype and has interested customers for the commercial product. Management determined that for product development (note 2.6) commercial feasibility is, in general, probable when the group has successfully completed essential testing phases and are in a late stage of discussions with potential partners for commercialization opportunities.

#### (d) Revenue recognition

The group uses the percentage-of-completion (POC) method in accounting for its fixed-price contracts to construct the Flowrence™ systems, the fixed-price contracts to deliver services and for revenue generated by discontinued operations by the fixed-price contracts to deliver the YXY polymer PEF to our partners. For the Flowrence™ systems the stage of completion is measured by reference to the total contract costs incurred up to the end of the reporting year as a percentage of total estimated costs for each contract. For services, use of the POC method requires the group to estimate the services performed to date as a proportion of the total services to be performed. To define the recognized revenues, the group estimates the required total costs (Flowrence™) or man-hours (Services and Renewable Chemistries) to complete each project.

#### (e) Going Concern

For the critical accounting judgment with regard to the going concern assumption, we refer to note 2.1.1.

#### (f) Government grants

The group uses the percentage-of-completion (POC) method in accounting for its granted governmental subsidies. For subsidy programs, use of the POC method requires the group to estimate the services/actions performed to date as a proportion of the total services or actions to be performed. For further considerations and assumptions in regards to the critical accounting estimate in relation with government grants, we refer to note 2.22.

#### (g) JV Accounting

Following the joint venture agreement with BASF, we deem that a situation of joint control is present up to the moment that a positive plant investment decisions is made, where all decisions within the shareholder meeting require unanimous consent. The joint arrangement with BASF, can be classified as a joint venture in accordance with IFRS 11, and will therefore be accounted for as an investment using the equity method. Please also refer to note 7.

At the level of Synvina C.V. an impairment test is performed, focused on the intangible asset relating to Intellectual Property. Management has incorporated the extension of the pilot plant phase in their assessment. Management's key assumptions are disclosed in note 7. The assumptions underlying the impairment assessment are judgmental, based on external market studies and on the best estimate of management as of 31 December 2017. Any changes to those assumptions may impact the outcome of the assessment and potentially result in an impairment.

Avantium management performs their assessment for the joint venture equity value as a whole, taking into account the underlying developments in Synvina.

## 5. Property, plant and equipment

<i>in Euro x 1,000</i>	Leasehold improvements	Laboratory equipment	Hardware	Office furniture and equipment	Construction in progress	Total
<b>At 1 January 2016</b>						
Cost	9,262	27,020	2,180	1,693	1,096	41,251
Accumulated depreciation	(6,313)	(22,264)	(2,113)	(1,641)	-	(32,331)
Transferred to disposal group classified as held for sale	(319)	(3,672)	(5)	(9)	(898)	(4,903)
<b>Net book amount</b>	<b>2,630</b>	<b>1,084</b>	<b>62</b>	<b>44</b>	<b>197</b>	<b>4,017</b>
<b>Year ended 31 December 2016</b>						
Opening net book amount	2,630	1,084	62	44	197	4,017
Additions	5	1,126	158	35	17	1,341
Disposals	(2)	-	-	-	-	(2)
Transfers	6	148	62	(19)	(197)	-
Depreciation charge	(295)	(297)	(35)	(13)	-	(640)
<b>Closing net book amount</b>	<b>2,344</b>	<b>2,061</b>	<b>247</b>	<b>47</b>	<b>17</b>	<b>4,716</b>
<b>At 31 December 2016</b>						
Cost	8,952	24,622	2,396	1,700	17	37,687
Accumulated depreciation	(6,608)	(22,561)	(2,149)	(1,653)	-	(32,971)
<b>Net book amount</b>	<b>2,344</b>	<b>2,061</b>	<b>247</b>	<b>47</b>	<b>17</b>	<b>4,716</b>
<b>Year ended 31 December 2017</b>						
Opening net book amount	2,344	2,061	247	47	17	4,716
Additions	131	534	(7)	64	4,105	4,828
Disposals	-	(1)	-	(0)	-	(1)
Transfers	-	-	-	-	-	-
Depreciation charge	(295)	(359)	(58)	(20)	-	(732)
<b>Closing net book amount</b>	<b>2,180</b>	<b>2,234</b>	<b>183</b>	<b>91</b>	<b>4,123</b>	<b>8,811</b>
<b>At 31 December 2017</b>						
Cost	8,907	24,237	2,385	1,763	4,123	41,414
Accumulated depreciation	(6,727)	(22,004)	(2,202)	(1,672)	-	(32,604)
<b>Net book amount</b>	<b>2,180</b>	<b>2,234</b>	<b>183</b>	<b>91</b>	<b>4,123</b>	<b>8,811</b>

The additions are predominantly related to the engineering and construction of laboratory and pilot plant equipment for the Renewable Chemistries segment.

## 6. Intangible assets

<i>(In Euro x 1,000)</i>	Development costs	Software	Intangible assets under development	Intellectual Property	Other	Total
<b>At 1 January 2016</b>						
Cost	2,159	6,563	83	-	968	9,773
Accumulated amortization and impairment	(2,159)	(6,296)	-	-	(960)	(9,415)
<b>Net book amount</b>	<b>-</b>	<b>268</b>	<b>83</b>	<b>-</b>	<b>8</b>	<b>359</b>
<b>Year ended 31 December 2016</b>						
Opening net book amount	-	268	83	-	8	359
Additions	-	143	-	433	-	576
Transfers	-	83	(83)	-	-	-
Amortization charge	-	(121)	-	-	(7)	(128)
<b>Closing net book amount</b>	<b>-</b>	<b>374</b>	<b>0</b>	<b>433</b>	<b>1</b>	<b>807</b>
<b>At 31 December 2016</b>						
Cost	2,159	6,789	-	433	968	10,349
Accumulated amortization and impairment	(2,159)	(6,417)	-	-	(967)	(9,543)
<b>Net book amount</b>	<b>-</b>	<b>374</b>	<b>0</b>	<b>433</b>	<b>1</b>	<b>807</b>
<b>Year ended 31 December 2017</b>						
Opening net book amount	-	374	0	433	1	807
Additions	-	165	-	-	23	188
Transfers	-	-	-	-	-	-
Amortization charge	-	(162)	-	-	-	(162)
<b>Closing net book amount</b>	<b>-</b>	<b>376</b>	<b>0</b>	<b>433</b>	<b>24</b>	<b>833</b>
<b>At 31 December 2017</b>						
Cost	2,159	6,954	-	433	992	10,537
Accumulated amortization and impairment	(2,159)	(6,579)	-	-	(967)	(9,705)
<b>Net book amount</b>	<b>-</b>	<b>376</b>	<b>0</b>	<b>433</b>	<b>24</b>	<b>833</b>

### Development costs

The development costs consist of the development and prototype expenses of the Flowrence™ system and are all fully amortized.

### Intellectual Property

Following the Liquid Light acquisition in 2016, the company records intellectual property (patent portfolio acquired) on its consolidated balance sheet, which will subsequently be lowered with accumulated amortization the following years, when the technology on which the intellectual property is filed, is ready to deploy commercially. Per 31 December 2017, the recoverable amount of the intellectual property exceeds the carrying amount.

### Software and other intangibles

Software mainly comprises purchased general laboratory and office related software. Other intangibles are the in-kind contribution of a shareholder relating to software at the foundation of the group and compensation paid to a third party to exclusively use parts of their technology.

### Impairment tests

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Total of research expenditures recognized as an expense in the consolidated statement of comprehensive income amount to €2.1 million in 2017, and mainly constitute of early stage research trials.



# MEKONG

Plastics such as PET and PEF include a large portion of monoethylene glycol (MEG), a monomer that is currently primarily petroleum based. The Mekong technology produces a MEG from bio-based feedstock such as glucose in a single-step, with the aim to compete with petroleum based MEG.





## 7. Investments in Joint Ventures and Associates

On 30 November 2016, Avantium established a joint venture with BASF, Synvina C.V., in which it has a non-controlling interest of 49%, to commercialize the YXY technology, to which Avantium contributed the YXY technology, the pilot plant in Geleen that has been operational since 2011, the related patents and know-how and employees. The joint venture intends to build and operate the first commercial scale plant for the production of FDCA (the Reference Plant). The Reference Plant is expected to be operational in the 2023-2024 timeframe (reference is made to note 30). The joint venture intends to subsequently license the YXY technology to BASF and others to enable global industrial scale production of FDCA and PEF.

The joint venture has the legal form of a limited partnership under Dutch law (commanditaire vennootschap) with (a subsidiary of) the Company and BASF as the two limited partners, holding a 49% equity share and a 51% equity share respectively. The name of the joint venture is Synvina C.V. The managing partner of the joint venture is a Dutch limited liability company (besloten vennootschap) Synvina B.V. (the Managing Partner). Avantium and BASF hold 49% and 51% respectively of the shares in the capital of the Managing Partner. All assets, liabilities and employees are held by Synvina C.V., for which the financial information is disclosed within this paragraph. At 31 December 2017, Synvina B.V. is deemed to be immaterial to the Group. Having been established on 30 November 2016, the JV has opted for an extended fiscal year up to 31 December 2017, and will then report over the 13 months ending 31 December 2017. As of the date of this report, the statutory financial statements of Synvina C.V. have not been finalized. However the audited figures as included in the 2017 reporting package of the JV, were used to determine the value of the Company's share in the JV.

On the establishment of Synvina C.V. in 2016 the transaction result was recorded, which led to the €54.2 million investments on the Avantium N.V. balance sheet at 31 December 2016. BASF SE holds a 51% share of the JV, where Avantium holds the remaining 49%. The arrangement with BASF, is currently deemed to be a joint arrangement, where both parties have joint control (in accordance with IFRS 11.4 and IFRS 11.7), as decisions about relevant activities require unanimous consent of both parties, following the joint venture agreement, up till the decision to build the Reference Plant. The joint arrangement is classified as a joint venture and is accounted for using the equity method. There is no quoted market price available. No accounting policy changes or fair value adjustments have taken place.

The main contractual terms in the joint venture agreement between the Company and BASF, can be summarized as follows:

- *Proceeds from the joint venture*; The joint venture will pay 20% of the license income to the Group until 2035 (earn-out). Payments of earn-outs might be deferred for a maximum of five years if such distribution (i) is not available from distributable annual profits and/or retained earnings or otherwise prohibited under Dutch law, (ii) would result in a negative balance of BASF's or Avantium's capital accounts or negative equity of the

joint venture, or (iii) is in conflict with obligations under any financing agreement or liquidity planning of the joint venture. Earn-out payments have priority over dividend payments. In case Avantium dilutes its equity share in the joint venture to below 40%, the Group's entitlement to the earn-out will be reduced according to a pre-determined schedule. At least once per year, the Group and BASF will discuss the payment of any dividends, which will be distributed in accordance with the joint venture partners' pro rata interests in the joint venture.

- *Exit rights*; Until the FID (financial investment decision), both joint venture partners have the right to initiate the unwinding of the Joint Venture. Regardless of the cause of such unwinding and regardless of who triggered such unwinding, the unwinding shall entail the Group purchasing and acquiring BASF's interest in the joint venture. The cause of any unwinding and whether the Group or BASF triggered such unwinding does inter alia influence the scope of any cash settlement between the parties after such unwinding, as summarised below. In the event of an exit, the IP and assets in relation to the YXY technology contributed by Avantium to the joint venture as well as the employees transferred shall be returned to Avantium. All cash remaining in the joint venture after settlement of all outstanding accounts payable of the joint venture shall be returned to BASF.

- *Service level agreement*; The joint venture and Avantium Support B.V. (100% subsidiary of Avantium N.V.) have entered into a framework service level agreement, pursuant to which the Group will provide and the joint venture will purchase certain facilities and services, such as the laboratory, IT services, HR services, IP services and administrative services. The services provided and the terms thereof are to be determined separately. Unless otherwise expressly provided, the fee consists of all operating costs plus 5%. The budget for the services provided will be reviewed and confirmed on an annual basis.

### Impairment tests

Management performed their impairment assessment and concluded no impairment loss needed to be recognized. The impairment test has been performed at the level of Synvina C.V. Management has determined the recoverable amount by preparing a value in use model and compared this to the carrying amount of the assets. The recoverable amount, based on management's impairment assessment, exceeds the carrying amount of Synvina's assets.

The main input for this model is management's business case with BASF which supported the establishment of the joint venture in November 2016. The underlying (key) assumptions in the business case have been updated. This also includes but is not limited to an assessment of changes in technical and economic circumstances of the license plant for commercial scale production (the Reference Plant), competitive and regulatory environment as well as the impact of the extension of the pilot plant phase as publically announced by Avantium on 12 January 2018. A sensitivity analysis has been applied (not aiming to arrive at the recoverable amount being equal to the carrying amount). This assessment included the individual impact of the following assumptions, which are consid-

ered to be most critical when determining the recoverable value:

- 1) Weighted average cost of capital of 12.8% (pre-tax): increase by 0.5% point
- 2) Reference Plant capital expenditures: increase of 15%
- 3) License fee income: decrease of 15%
- 4) Terminal value growth rate: decrease of 15%

Based on the sensitivity analysis, management concluded that the recoverable amount based on value in use is higher than the carrying amount.

The share in loss of the joint venture of €6,032,000 is the result of the 49% stake in the Synvina joint venture. Set out below is the summarized financial information for Synvina (on a 100% basis). The numbers as set out below are the result of the updated purchase price accounting assessment performed by Synvina in 2017.

Summarized balance sheet	Year ended 31 December	
	2017	2016
<i>(In Euro x 1,000)</i>		
Current		
Cash and cash equivalents	13,201	10,732
Other current assets	25,170	40,583
<b>Total current assets</b>	<b>38,371</b>	<b>51,315</b>
Financial liabilities (excl. Trade payables)	-	-
Other current liabilities	6,137	2,385
<b>Total current liabilities</b>	<b>6,137</b>	<b>2,385</b>
Non-current		
<b>Non-current assets</b>	<b>66,145</b>	<b>61,760</b>
Financial liabilities	-	-
Other liabilities	-	-
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>98,379</b>	<b>110,690</b>

Summarized statement of comprehensive income	2017	2016
Net sales	-	23
Depreciation and amortization	(527)	(63)
Interest expense	30	(0)
Other expenses	(11,814)	(1,533)
Income tax expense	-	-
<b>Net loss</b>	<b>(12,311)</b>	<b>(1,573)</b>

## 8. Inventories

	Year ended 31 December	
	2017	2016
<i>(In Euro x 1,000)</i>		
Raw materials	751	788
Finished goods	-	-
Work in progress	505	402
	<b>1,255</b>	<b>1,190</b>

Changes in the carrying amount of the Group's interest in Synvina are as follows:

<i>(In Euro x 1,000)</i>	
<b>At November 30, 2016</b>	<b>55,000</b>
Share in loss of joint venture	(771)
Dividend	-
<b>At December 31, 2016</b>	<b>54,229</b>
Share in loss of joint venture	(6,032)
Dividend	-
<b>At December 31, 2017</b>	<b>48,197</b>

The costs of inventories recognized as an expense and included in raw materials and contract costs, amounted to €132,000 (2016: €191,000). During the year a one-off write-off for obsolete inventory parts was recorded amounting to €91,000.

## 9. Trade and other receivables

<i>(In Euro x 1,000)</i>	Year ended 31 December	
	2017	2016
Trade receivables	2,310	4,767
Social security and other taxes	233	-
Prepayments	68	102
Unbilled revenue	5,163	3,651
Other receivables	1,704	2,472
<b>Current portion</b>	<b>9,478</b>	<b>10,991</b>

In 2017 nil Euro (2016: €141,000) of trade receivables was written off, and €1,252,000 (30 days or more after invoice date) was past due, of which 48% has been paid before the date of this report and of the remaining 52%, 42% is for one credit worthy customer. The company does not foresee a risk of impairment considering the fact that a large portion of this balance have been collected after year-end and based on individual client payment history no provisions are deemed necessary. See also note 3.1. The carrying amounts of these financial assets are assumed to approximate their fair values.

## 10. Cash and cash equivalents

<i>(In Euro x 1,000)</i>	Year ended 31 December	
	2017	2016
Cash at bank and on hand	99,861	14,223
Cash equivalents	376	-
<b>Cash and cash equivalents</b>	<b>100,237</b>	<b>14,223</b>

The carrying amounts of these financial assets are assumed to approximate their fair values. A notional cash pool agreement is in place for all Rabobank accounts where balances are netted on a daily basis. Within the cash pool nil Euro concerns overdrafts. The cash equivalents balance of €376,000 concerns a cash balance held by Kepler Cheuvreux in order to execute in accordance with the liquidity agreement between the Group and Kepler Cheuvreux. The liquidity agreement was ended in December 2017 by Avantium and the related cash balance was subsequently transferred to Avantium early January 2018.

Cash and cash equivalents include the following for the purpose of the statement of cash flows:

<i>(In Euro x 1,000)</i>	Year ended 31 December	
	2017	2016
Cash and cash equivalents	100,237	14,223
<b>Cash and cash equivalents</b>	<b>100,237</b>	<b>14,223</b>

## 11. Assets held for sale and discontinued operations

As per the 30th of November 2016, the company formed and incorporated a joint venture (JV) with BASF SE: Synvina C.V. and Synvina B.V. In accordance with IFRS 5.31 and 5.32, the component for sale (YXY technology) classified as a discontinued operation up until 30 November 2016.

The results of the discontinued operations in 2016 are as follows:

<i>in Euro x 1,000</i>	Year ended 31 December	
	2017	2016
<b>Discontinued operations</b>		
Revenues	-	326
Expenses	-	(4,170)
Expenses for the period 1 July 2016 - 30 November 2016, subsequently reimbursed as part of Synvina transaction	-	(3,407)
Other income	-	-
<b>Operating profit</b>	<b>-</b>	<b>(7,251)</b>
Income tax expense	-	-
<b>Loss for the period from operating activities</b>	<b>-</b>	<b>(7,251)</b>
Gain from transfer of assets	-	48,842
Reimbursements as part of Synvina transaction	-	3,407
<b>Profit for the period</b>	<b>-</b>	<b>44,998</b>

## 11.1 Cash flows

*in Euro x 1,000*

	Year ended 31 December	
	2017	2016
<b>Cash flows from operating activities</b>		
Profit / (loss) for the year from discontinued operations	-	44,998
Adjustments for:		
- Depreciation	-	102
- Amortization	-	-
- Gain on the sale of assets / disposal groups held for sale (non-cash)	-	(48,842)
- Finance costs - net	-	-
Changes in working capital (excluding exchange differences on consolidation)		
- (Increase) in inventories	-	406
- (Increase) in trade and other receivables	-	116
- Increase in trade and other payables	-	(2,454)
- Increase in provisions	-	-
<b>Net cash used in operating activities</b>	<b>-</b>	<b>(5,674)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment (PPE)	-	(1,649)
Purchases of intangible assets	-	-
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(1,649)</b>
<b>Cash flows from financing activities</b>		
Effect of exchange rate changes	-	-
Repayment profit participating loan	-	-
Interest (paid) / received	-	-
<b>Net cash used in financing activities</b>	<b>-</b>	<b>-</b>
<b>Change in cash used in discontinued operations</b>	<b>-</b>	<b>(7,323)</b>

The gain on sale of assets of €48,842,000, as included in the cash flow statement in 2016, is the result of a non-cash transaction where fixed assets, inventory and intellectual property have transferred to Synvina in return of a 49% stake in this joint venture with BASF SE (where BASF will contribute in total €57,245,000 in cash).

## 12. Share capital and other reserves

On 15 March 2017 Avantium N.V. listed on Euronext Amsterdam and Euronext Brussels. The listing follows the company's successful Initial Public Offering (IPO), with a total offering and total gross cash proceeds of €109 million (including over-allotment exercise).

Prior to the IPO, a capital restructuring took place, which consisted of the following steps: an amendment to the Company's articles of association providing for a reverse share split and consequently an increase of the nominal value of the

Shares from €0.01 to €0.10. The share capital of the company was increased by the combination of the issuance of ordinary shares at the offering (including over-allotment exercise) and the conversion of the 2016 convertible loan. The over-allotment exercise or greenshoe, concerns a clause contained in the underwriters agreement of the IPO, that allowed the Company's underwriters to buy up to an additional 15% of Avantium shares at the offered price. All lenders of the convertible loan exercised their right to convert its loan into shares at IPO at a discount of 25% to the offered price (€11 per share). Following these transactions, the outstanding share capital as at 31 December 2016 of 131,866,911 ordinary shares changed to 25,764,466 ordinary shares as per the date of this report.





# VOLTA

Innovative solutions are needed to transform CO<sub>2</sub> from a pollutant into a useful resource. The Volta program utilizes CO<sub>2</sub> for electrocatalytic conversion to value-added chemical building blocks.



		Number of ordinary shares	Equity movements (in Euro x 1,000)	
			Ordinary shares	Share premium
<b>Balance at 1 January 2017</b>		<b>131,866,499</b>	<b>1,319</b>	<b>79,734</b>
Mar/17	Reverse share split	(118,679,853)	-	-
Mar/17	IPO issuance new shares	9,353,143	935	101,949
Mar/17	Convertible loan - conversion	2,704,883	270	22,045
Apr/17	Greenshoe (over-allotment exercise)	519,794	52	5,666
	Incremental costs paid directly attributable to IPO - FY17	-	-	(5,098)
<b>Balance at 31 December 2017</b>		<b>25,764,466</b>	<b>2,576</b>	<b>204,296</b>

### 12.1 Ordinary shares

The authorized share capital amounts to €4,500,000 consisting of 45,000,000 ordinary shares, with a nominal value of €0.10 each. The issued share capital at 31 December 2017 comprises of 25,764,466 ordinary shares (2016: 131,866,499 against €0.01 nominal value). In 2017, no options were exercised by employees and nil employee shares were re-purchased. All 25,764,466 shares issued are fully paid and 30,000 shares are held by the foundation.

### 12.2 Other reserves

The costs of equity settled share-based payments to employees are recognized in the statement of comprehensive income, together with a corresponding increase in equity during the vesting period, taking into account (deferral of) corporate income taxes. The accumulated expense of the share incentive plan recognized in the statement of comprehensive income is shown as a total of the equity category "other reserves" in the "consolidated statement of changes in equity".

### 12.3 Currency translation difference

The group does not hold a company reporting in any other currency than Euros and therefore does not hold a currency translation reserve.

### 12.4 Transaction costs

Transaction costs made in anticipation of a successful Initial Public Offering (15 March 2017), have been accounted for as a deduction from Equity, in accordance with IFRS IAS32.35, and total to €6,636,000, of which €1,538,000 was recorded in 2016.

### 12.5 Treasury shares

As a result of the liquidity agreement signed in 2017 with Kepler Cheuvreux as liquidity provider, Avantium has re-purchased a number of shares

from the market. The total value of treasury shares outstanding at 31 December 2017 is €624,000.

### 13. Share-based payment

The group operates a share-based compensation plan for its employees, which consist of an Employee Stock Option Plan (ESOP) and a Long Term Incentive Plan (LTIP). These plans are classified as an equity-settled share option plan which was initially adopted in 2006 and replaced by the new share-based compensation plans at the IPO in 2017. Due to the closure of the former option plan, accelerated vesting occurred resulting in a non-recurring and non-cash expense in the consolidated statement of comprehensive income amounting to €2.6 million. The total share-based payment expense for 2017 amounts to €2.8 million. Note that the reverse share split at IPO, where the nominal value of the shares increased from €0.01 to €0.10, has a significant effect on the number of options outstanding in relation to the comparison information.

Each option relates to one share. Eligible employees are offered options to purchase depository receipts of ordinary shares in the company. The depository receipts acquired upon exercise of options granted under the equity-settled ESOP and LTIP are blocked (i.e. may not be transferred, sold, assigned, charged, pledged or encumbered during a vesting period of three years) as follows: 33% of the depository receipts will be unblocked following the first anniversary of the date of grant of the relevant options, an additional 33% of the depository receipts will be unblocked following the second anniversary of the date of grant of the relevant options and the remaining 34% of the depository receipts will be unblocked following the third anniversary of the date of grant of the relevant options. Granted

options under the ESOP plan have an exercise period of 5 years (after the 3 year vesting period). The (depository receipts for) shares under the LTIP plan are subject to a retention period of 5 years. After the end of the retention period, the Company will match the (depository receipts for) shares granted under the LTIP in a 1:1 ratio. Pursuant to the LTIP the members of the Management Team have the opportunity to invest a percentage of their (net) bonus up to a maximum of

100%, in (depository receipts for) shares to be delivered by the Company under the LTIP.

In 2017, 2.776.594 share options were granted prior to the IPO and the reverse share split, and 280.418 options were granted after the IPO and reverse share split (2016: 495,000 – prior to reverse share split). In 2017, no options were exercised by employees. Further details on the grants in 2017 can be found in the table below.

Grant date	Plan	Number of options granted - Old option plan	Number of options granted - New ESOP / LTIP plan	Exercise price in Euro per option
2 March 2017	ESOP	2,002,500		0.98
2 March 2017	ESOP	774,094		0.01
17 May 2017	ESOP		275,000	10.58
1 July 2017	LTIP		5,418	8.86

The movements in outstanding options with the Management Board, senior management and certain other employees can be summarized as follows:

	2017		2016	
	Number	Weighted Average exercise price (in Euro)	Number	Weighted Average exercise price (in Euro)
<b>Number of options outstanding 1 January</b>	<b>9,673,852</b>	<b>0.13</b>	<b>10,105,946</b>	<b>0.11</b>
Number of options granted - prior to IPO	2,776,594	0.71	495,000	0.74
Number of options exercised	-	-	-	-
Number of options forfeited	(150,000)	0.01	(927,094)	0.22
Number of options expired	-	-	-	-
Reverse share split at IPO	(11,070,401)	0.26	-	-
Number of options granted - after IPO	280,418	10.55	-	-
<b>Number of options outstanding 31 December</b>	<b>1,510,463</b>	<b>4.09</b>	<b>9,673,852</b>	<b>0.13</b>

Avantium N.V. has issued shares resulting from the exercise of options to the "Stichting Administratiekantoor Avantium" (the Foundation).

certain other employees and consequently the shares held by the Foundation are not considered treasury shares.

The Foundation has issued depository receipts to members of the Management Board, senior management and certain other employees. The Foundation is a consolidated special purpose entity by Avantium N.V. However, the shares held by the Foundation only represent the voting rights associated with the issued shares and depository receipts representing all economic benefits are issued by the Foundation to members of the Management Board, senior management and

Share options outstanding at the end of the year have the following expiry date and exercise price:

Expiry date	Exercise price in Euro per option	Options 2017
15 March 2023	2.62	1,230,045
17 May 2025	10.58	275,000
1 July 2022	8.86	5,418
<b>At 31-12-17</b>	<b>4.09</b>	<b>1,510,463</b>

Accelerated vesting occurred for the options issued under the old Avantium Option plan on 15 March 2017 (at IPO). Subsequently these options (1,230,045 in total) are subject to a one year lock-up period, and expire 5 years after lock-up.

All outstanding options are exercisable but still restricted by the vesting period. The fair value of options under the equity-settled share-based payment plans is determined using the Black-Scholes valuation model and the weighted average fair value of options granted during 2017 was €8.83 per option (2016: €0.99).

#### 14. Earnings per share

Note: The disclosure below refers to the situation after the reverse share split in March 2017 leading to an increase of the nominal value of the shares from €0.01 to €0.10.

##### a) Earnings per share

Earnings per share for the years 2017 and 2016 are derived below:

	Year ended 31 December	
	2017	2016
Profit / (Loss) from continuing operations	(16,760,346)	(6,860,703)
Profit / (Loss) from discontinued operation	-	44,997,867
<b>Profit / (Loss) for the period - basic</b>	<b>(16,760,346)</b>	<b>38,137,164</b>
Dilutive adjustments	-	-
<b>Profit / (Loss) for the period - diluted</b>	<b>(16,760,346)</b>	<b>38,137,164</b>
<b>Weighted average number of ordinary shares<sup>1</sup></b>	<b>23,199,059</b>	<b>13,186,691</b>
Options per end of the year	1,510,462	967,385
Other relevant dilutive securities	-	-
Effect of dilutive / anti-dilutive securities	-	967,385
<b>Weighted average number of shares - diluted<sup>1</sup></b>	<b>23,199,059</b>	<b>14,178,205</b>
<b>Earnings per share - basic</b>	<b>(0.72)</b>	<b>2.89</b>
<b>Earnings per share - diluted</b>	<b>(0.72)</b>	<b>2.65</b>

The significant inputs into this model were as follows:

	Jul-17	May-17	Mar-17
Input price	10.50	10.58	1.10
Volatility	31%	31%	34%
Risk free interest rate	-0.19%	0.19%	-0.28%
Dividend yield	-	-	-
Maturity	5 years	8 years	8 years
Early exercise rate	5%	5%	5%

The historical volatility used is based on the volatility of the Company's own shares in combination with the historical volatility of a peer group (five companies in total which are considered to be comparable listed companies), of which the daily stock returns over a period equal to the maturities of each plan related to the valuation dates was used.

During the year a reclassification was made from other reserves to retained earnings, totalling €118,000, to reflect the effect of forfeited options in 2017.

1) Note: Weighted average number of ordinary shares have been adjusted in full (for 2017 and 2016) to reflect the effects of the reverse share split in March 2017 leading to an increase of the nominal value of the shares from €0.01 to €0.10.

Basic earnings per share are calculated by dividing the net result for the period by the weighted average number of ordinary shares. Diluted earnings per share are calculated by dividing the net results for the period on a diluted basis by the weighted average number of shares on a diluted basis.

##### b) Basic earnings per share

	Year ended 31 December	
	2017 (euro)	2016 (euro)
From continuing operations attributable to the ordinary equity holders of the company	(0.72)	(0.52)
From discontinued operation	-	3.41
<b>Total basic earnings per share attributable to the ordinary equity holders of the company</b>	<b>(0.72)</b>	<b>2.89</b>

##### c) Diluted earnings per share

	Year ended 31 December	
	2017 (euro)	2016 (euro)
From continuing operations attributable to the ordinary equity holders of the company	(0.72)	(0.52)
From discontinued operation	-	3.17
<b>Total diluted earnings per share attributable to the ordinary equity holders of the company</b>	<b>(0.72)</b>	<b>2.65</b>

#### 15. Trade and other payables

(In Euro x 1,000)	Year ended 31 December	
	2017	2016
Trade payables	3,757	3,434
Social security and other taxes	-	637
Holiday pay and holiday days	649	442
Other current liabilities	5,908	7,893
	<b>10,314</b>	<b>12,407</b>

The other current liabilities comprises primarily of the deferred revenues (€1,614,000), advances received in relation to government grants (€2,267,000) and accrued expenses (€818,000). The carrying amounts of these financial liabilities are assumed to approximate their fair values.

#### 16. Borrowings

The carrying amounts of the group's borrowings are denominated in Euros.

	Year ended 31 December	
	2017	2016
Non-current		
Innovation loan	-	3,834
	-	<b>3,834</b>
Current		
(In Euro x 1,000)		
Convertible Loans Agreement	-	21,809
Innovation loan	-	800
	-	<b>22,609</b>
<b>Total borrowings</b>	<b>-</b>	<b>26,443</b>



The carrying amounts of these financial liabilities are assumed to approximate their fair values, due to their short term nature.

*a) Innovation loan*

On 28 October 2010 Rijksdienst Voor Ondernemend Nederland (RVO) granted the group a €4.0 million Innovation Loan facility, which had been drawn down in full in 2016. In 2017 the group paid back this loan including in full, including accumulated interest, amounting to €4.7 million.

*b) Bank overdrafts*

At the end of 2017, the group has an unutilized banking facility with Rabobank of €4.0 million with an interest rate determined on the basis of the average one-month EURIBOR +0,70% per annum. Also refer to note 26. At 31 December 2017 the group had not drawn down any amounts under this facility.

*c) Convertible bond*

In March 2016 two new shareholders, in combination with a large number of existing shareholders, committed to a 1% per month subordinated convertible bond of €20.0 million. This bond converted during the initial public offering on 15 March 2017.

**17. Provisions for other liabilities and charges**

(In Euro x 1,000)	Warranty provision	Total
<b>At January 1, 2016</b>	<b>168</b>	<b>168</b>
Additional provision	71	71
Unwinding of discount	-	-
Unused amounts reversed	(69)	(69)
Used during the year	(4)	(4)
<b>At December 31, 2016</b>	<b>166</b>	<b>166</b>
<b>At January 1, 2017</b>	<b>166</b>	<b>166</b>
Additional provision	174	174
Unwinding of discount	-	-
Unused amounts reversed	(191)	(191)
Used during the year	(12)	(12)
<b>At December 31, 2017</b>	<b>136</b>	<b>136</b>

*a) Warranty*

The provision for warranty consists of estimated costs for repairs of installed products during the warranty period of one year. This estimate is based on historical experience of broken or repaired units and the costs associated with that. This provision is current (shorter than 1 year). Unused amounts are reversed after expiration of the warranty period.

**18. Segment information**

*a) Description of the segments and principal activities*

Within the company the Management Team is considered the chief operating decision maker, consisting of the chief executive officer, chief financial officer, chief technology officer, group legal counsel, the chief business development officer, and the managing director of Catalysis, and has identified three separate segments:

- Catalysis - parallel fixed bed reactor equipment for catalysis R&D at industrial conditions and process R&D projects for the industry, tailored to specific applications. Catalysis by Avantium offers two specific types of R&D solutions for organizations looking to advance their catalysis and chemical process development.
- Renewable Chemistries - a portfolio of development projects based on renewable chemistry and catalytic process technology. The common basis, on which each activity rests, is formed by Avantium's unique technological capabilities that have been validated through the execution of millions of experiments, covering a broad range of chemistries, including highly complex and challenging R&D projects. The portfolio of programs include the Zambezi, Mekong, and Volta programs.

- YXY (assets transferred to Synvina in 2016) - the YXY technology platform helps to produce a wide range of novel materials and products, all 100% bio based, by converting plant-based sugars into chemical building blocks such as Furanics and Levulinics, for plastics and other applications. YXY is a game-changing technology that offers bio based products and fuels with superior properties at market competitive prices, enabling a green way of doing business. The adjusted EBITDA and revenues reported in the YXY segment in 2017 are the result of remaining commitments from the YXY business (now part of the Company's continuing operations), of which the assets, employees and intellectual property were transferred to Synvina in November 2016. As a result, in 2017 the YXY business no longer classifies as a separate operating segment as defined in IFRS 8 – Operating Segments.

*b) Adjusted EBITDA*

The main KPI of the company within the profit & loss account is an adjusted EBITDA figure. Note that the Adjusted EBITDA number excludes overhead. The adjusted EBITDA is calculated in the following manner:

Operating profit / loss + depreciation & amortization -/- CAPEX

The adjusted EBITDA figures of the company segments are as follows.

(In Euro x 1,000)	2017	2016
Catalysis	2,810	2,639
Renewable Chemistries	(7,095)	(2,168)
YXY	73	(5,297)
<b>Total adjusted EBITDA</b>	<b>(4,211)</b>	<b>(4,827)</b>

Revenue is only generated from external customers and no transactions with other segments have taken place.

*c) Revenues per segment*

(In Euro x 1,000)	2017	2016
Catalysis	12,504	10,241
Renewable Chemistries	-	250
YXY	147	326
<b>Total segment revenue</b>	<b>12,652</b>	<b>10,817</b>

*d) Reconciliation*

(In Euro x 1,000)	2017	2016
<b>Total adjusted EBITDA</b>	<b>(4,211)</b>	<b>(4,827)</b>
Amortisation	(162)	(128)
Depreciation	(723)	(640)
Finance costs - net	(617)	(2,239)
CAPEX	5,015	3,566
Share based compensation	(2,783)	(1,184)
Rent	(717)	(674)
Gain from transfer of assets	-	48,842
Share in loss of joint ventures	(6,032)	(771)
Results of discontinued operation	-	(44,998)
Other	(6,530)	(3,809)
<b>Profit before income tax from continuing operations</b>	<b>(16,760)</b>	<b>(6,861)</b>

The 'other costs' category comprises mainly of company overhead costs. The increase in other costs in 2017 are mainly due to costs related to the initial public offering of Avantium shares at the Amsterdam and Brussels Euronext stock exchanges.

*e) Other profit and loss disclosures*

2017 (in Euro x 1,000)	Subsidies recognized	Depreciation and amortisation	Income Tax expense
Catalysis	-	(448)	-
Renewable Chemistries	2,588	(78)	-
YXY	42	-	-
Unallocated items	-	(359)	-
<b>Total</b>	<b>2,630</b>	<b>(885)</b>	<b>-</b>

2016 (in Euro x 1,000)	Subsidies recognized	Depreciation and amortisation	Income Tax expense
Catalysis	-	(402)	-
Renewable Chemistries	2,740	(37)	-
YXY	519	(102)	-
Unallocated items	-	(227)	-
<b>Total</b>	<b>3,258</b>	<b>(768)</b>	<b>-</b>

**19. Revenues**

Reported consolidated revenue from continuing operations increased by 21% from €10.5 million in 2016 to €12.7 million in 2017, all recognized using the percentage-of-completion method, refer to note 2.21. Revenues per segment are reported under note 18. All revenue reported originates in the Netherlands.

**20. Expenses by nature**

Overall operational costs in 2017 were €8,392,000 higher compared to 2016. The increase is driven by €4,020,000 higher employee benefit expenses, €1,737,000 higher Raw materials and contract costs, and €1,521,000 higher Patent, license, legal and advisory expenses.

Raw materials and contract costs in 2017 amounts to €4,030,000 (2016: €2,292,000) and comprises of cost of goods sold, costs of laboratory consumables directly attributable to revenue projects, and other specific costs related to revenues. This increase is mainly due to the significant growth in revenues on systems sold, including the new XD units, with associated costs of goods sold.

Employee benefit expenses in 2017 amount to €10,611,000 (2016: 6,590,000) and includes wages and salaries, social security costs, share options granted to directors and employees, pension costs, and government grants received. The group recognized total government grants of €2,630,000 (2016: €2,740,000) to contribute to the Avantium development program in Renewable Chemistries where efforts are focused on developing a new catalytic process for making biobased ethylene-glycol and on developing an economical viable chemical process to convert

ligno-cellulosic biomass into high quality glucose as feedstock for bio based chemicals. The increase in wages and salaries in 2017 is mainly due to the organizational growth due to the renewable chemistries programs. Furthermore, due to the closure of the former option plan, accelerated vesting occurred resulting in a non-cash expense amounting €2,630,000. Also refer to note 21.

Office and housing expenses in 2017 amount to €1,649,000 (2016: €1,591,000) and comprises of rent, other facility related costs, telephony, and other IT related office materials and costs. Laboratory expenses in 2017 amount to €1,348,000 (2016: €1,135,000) and comprises of laboratory consumables, spare parts, maintenance and repair work in the laboratory, and small laboratory projects. The cost increase includes a one-off write-off of obsolete inventory parts amounting to €91,000.

Patent, license, legal and advisory costs in 2017

amount to €2,122,000 (2016: €600,000) and include regulatory filings expenses related to IP, and costs associated with the IPO. Also refer to note 12.

Advertising and representation expenses relate to external and internal marketing, communications, and business development efforts including travel. They exclude wages for internal business development staff, which are included under employee benefit expenses.

Other operating expenses in 2017 amount to €988,000 (2016: €744,000) and comprises external development costs, such as trials, and other general costs including company insurances. The increased investment in earlier stage programs within renewable chemistries is the main reason for higher 2017 costs.

## 21. Employee benefits

(In Euro x 1,000)	2017	2016
Wages and salaries	9,834	7,731
Subsidies recognized	(2,630)	(2,740)
Government grants R&D (WBSO)	(1,043)	(778)
Social security costs	1,254	873
Share options granted to directors and employees (note 12)	205	1,184
Expense related to accelerated vesting of options (note 12)	2,578	-
Pension costs – defined contribution plans	412	319
	<b>10,611</b>	<b>6,590</b>

Number of full time equivalent employees at December 31	<b>138.9</b>	<b>96.1</b>
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The average number of FTE during 2017 was 116 (2016: 90.1).

The group received government grants in 2017 and 2016. In 2017 €1,043,000 (2016: €836,000) government grants were recognized relating to research and development (WBSO) and €2,630,000 (2016: €2,740,000) for other specific development projects related to development programs which were deducted from the employee benefits.

## 22. Finance income and costs

(In Euro x 1,000)	2017	2016
Finance costs:		
- Interest on Innovation loan	87	298
- Interest on Convertible loans agreement	507	1,809
- Net foreign exchange (gains) loss	(42)	128
- Interest current accounts	48	59
- Other finance costs	68	2
<b>Finance costs</b>	<b>667</b>	<b>2,295</b>
Finance income:		
- Interest current accounts	(50)	(56)
<b>Finance income</b>	<b>(50)</b>	<b>(56)</b>
<b>Finance costs - net</b>	<b>617</b>	<b>2,239</b>

The finance costs for the innovation loan and convertible loans agreement (CLA) are non-cash; interest was added to the principal amount of the loans and subsequently was part of the repayment of the innovation loan (in April 2017) and the CLA conversion to shares (at IPO in March 2017). Also refer to note 16.

## 23. Income tax expense

No tax charges or tax income were recognized in 2017 since the company was in a loss-making position and no deferred tax asset was recognized for carry-forward losses. The loss in 2017 was mainly driven by significant investments in product development programs. As a result of the significant investment in our product development programs, we do not expect any taxable income in the following year(s).

(In Euro x 1,000)	2017	2016
Current tax	-	-
Deferred tax	-	-
	-	-
<b>Profit / (Loss) before tax</b>	<b>(16,760)</b>	<b>38,137</b>
Temporary differences	-	-
Expenses not deductible for tax purposes	-	-
Profit for the year offset against available tax losses	(16,760)	38,137
Tax losses for which no deferred income tax asset was recognized	-	-
<b>Tax charge</b>	<b>-</b>	<b>-</b>

The nominal tax rates and amounts in 2017 are 20% up to €200,000 and 25% over €200,000.

## 24. Dividends

The company declared no dividends for any of the years presented in these consolidated financial statements.

The company forms an income tax group with its subsidiaries. Under the standard conditions, the members of the tax group are jointly and severally liable for any taxes payable by the group.

Tax loss carry-forward is subject to a time limitation of nine years. In 2011, we completed a fiscally approved transaction that decreased but at the same time extended a significant part of our losses carried forward. Fiscally IP was valued, annually being amortized over 10 years and ensuring the carry-forward losses will increase again. The total amount of tax losses carried forward as of 31 December 2017 is estimated at €78,627,000 and a first part (the loss of 2014) will expire in 2023 which is estimated at €17,970,000.

## 25. Cash flow statement

In the cash flow statement, purchases of property, plant and equipment comprise:

(In Euro x 1,000)	2017	2016
Additions according to note 5	4,828	1,341
<b>Purchases of property, plant and equipment</b>	<b>4,828</b>	<b>1,341</b>



# IDEATION PORTFOLIO

Avantium has several Renewable Chemistries projects at concept and lab stage. In our early stage projects, we aim to develop new products, processes and technologies that have renewable feedstock as their common denominator.





The following table presents additional cash flow information:

(In Euro x 1,000)	Convertible Loans Agreement (CLA)	Innovation Loan
<b>Non-cash financing activities</b>		
<b>Net debt as of 31 December 2016</b>	<b>21,809</b>	<b>4,634</b>
Accumulated accrued interest	506	88
Conversion of CLA to Shares	(22,315)	-
Repayment of loan incl. accrued interest	-	(4,722)
<b>Net debt as of 31 December 2017</b>	<b>-</b>	<b>-</b>

## 26. Contingencies

For our €4.0 million credit facility, assets of the following legal entities, excluding the intangible assets and a permitted security (currently not utilized) relating to RVO grants up to €5.0 million for the possible Zambesi and Mekong pilot plants, are pledged to the Rabobank:

- Avantium N.V.
- Avantium Technologies B.V.
- Avantium Knowledge Center B.V.
- Avantium Support B.V.
- Avantium Cleantech B.V.
- Furanix Technologies B.V.
- Feedstock Technologies B.V.
- Avantium Chemicals B.V.

The consolidated statement of financial position of these entities form the credit base and the credit agreement requires a tangible net worth above €120 million. The tangible net worth of the credit base was €157,527 million on 31 December 2017.

## 27. Commitments

### Operating lease commitments

The operating lease commitment comprises a lease contract to rent the site at the Zekeringstraat 29 – 31 for a remaining €7.3 million. The contract of the Zekeringstraat 29 – 31 expires in 2027. A bank guarantee is in place which covers 3 months of rent, to an amount of €0.2 million. In December 2017, Avantium signed a 10-year lease contract for an additional building at the site of its headquarters a Zekeringstraat (Penta 4) which will commence on 1 March 2018. That lease commitment comprises €2.0 million for a duration of 10 years.

A lease agreement is in place for a pilot plant building in Geleen, which was signed in November 2016 and lasts for 3 years. Our operating lease commitments under the lease agreement at 31 December 2017 are €0.2 million (2016: €0.3 million). A bank guarantee is in place for the amount of €36,000.

A lease contract is in place for the HUGS government grant program in order to house five research participants. The lease contract was

signed in October 2016 and has a duration of 3 years. Our operating lease commitments under the lease agreement at 31 December 2017 are €0.1 million (2016: €0.1 million).

A new lease agreement is in place for additional office and laboratory space in the Matrix VI building at the Science Park in Amsterdam, primarily in use for Avantium's Volta and Parana programs.

The lease contract was signed in March 2017 and has a duration of 13 months. Our operating lease commitments under the lease agreement at 31 December 2017 is €36,000 (2016: nil Euro).

As of July 2017 a new lease contract with Akzo Nobel is in place for rent of a pilot plant building in Delfzijl, to be used to house the Zambesi pilot plant. The lease period lasts 3 years. Our operating lease commitments under the lease agreement at 31 December 2017 are €0.1 million (2016: nil Euro).

The future aggregate minimum lease payments under non-cancellable operating leases for continuing operations are as follows:

(In Euro x 1,000)	Year ended 31 December	
	2017	2016
No later than 1 year	1,058	886
Later than 1 year and no later than 5 years	3,930	3,361
Later than 5 years	4,479	4,404
	<b>9,467</b>	<b>8,651</b>

### Guarantees

Guarantees to third parties issued by Avantium total to €2,220,000, which was primarily issued in relation to payments from customers following a systems deal, for which a bank guarantee had to be issued.

## 28. Related-party transactions

The following transactions were carried out with related parties:

### a) Key management compensation

Key management is defined as those persons having legal authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Our key management comprises the members of the Management Board and the Supervisory Board.

The following persons are members of the Management Board at December 31, 2017:

- Tom van Aken, Chief Executive Officer
- Frank Roerink, Chief Financial Officer

The following persons are members of the Su-

pervisory Board at December 31, 2017:

- Kees Verhaar, chairman
- Margret Kleinsman, vice chairman
- Denis Lucquin
- Jonathan Wolfson
- Gabrielle Reijnen

The total remuneration paid to or for the benefit of members of the Management Board and independent members of the Supervisory Board in 2017 amounted to €1,312,000 and €342,000 respectively. The payout ratio at Avantium (defined as gross wages, plus social securities and bonus of the highest paid individual versus the median of all employees) is 1:5. Note that former vice chairman of the Supervisory Board Michiel de Haan (who resigned on 15 March 2017) was a representative of a shareholder and no remuneration was therefore paid. The following table provides the breakdown in the remuneration in 2017 of the members of the Management Board and Supervisory Board:

(In Euro x 1,000)	Salary	Bonus	Share-based payments	Post-employee benefits	Total
<b>Management Board</b>					
Tom van Aken					
2017	254	75	370	17	716
2016	251	82	200	16	549
Frank Roerink					
2017	230	51	298	16	595
2016	225	56	131	15	427
<b>Total - 2017</b>	<b>484</b>	<b>126</b>	<b>668</b>	<b>33</b>	<b>1,312</b>
Total - 2016	475	138	330	31	975

(In Euro x 1,000)	Salary	Bonus	Share-based payments	Post-employee benefits	Total
<b>Supervisory Board</b>					
Kees Verhaar					
2017	6	-	-	-	6
2016	-	-	-	-	-
Denis Lucquin					
2017	53	-	-	-	53
2016	-	-	-	-	-
Gabrielle Reijnen					
2017	50	-	31	-	81
2016	30	-	30	-	60
Jonathan Wolfson					
2017	45	-	26	-	71
2016	25	-	3	-	28
Margret Kleinsman					
2017	27	-	-	-	27
2016	-	-	-	-	-
<b>Total - 2017</b>	<b>181</b>	<b>-</b>	<b>58</b>	<b>-</b>	<b>239</b>
Total - 2016	55	-	34	-	89



(In Euro x 1,000)	Salary	Bonus	Share-based payments	Post-employee benefits	Total
<b>Former Supervisory Board members</b>					
Jan van der Eijk					
2017	47	-	26	-	73
2016	50	-	-	-	50
Claude Stoufs					
2017	11	-	-	-	11
2016	-	-	-	-	-
Michiel Boersma					
2017	19	-	-	-	19
2016	-	-	-	-	-
<b>Total - 2017</b>	<b>77</b>	<b>-</b>	<b>26</b>	<b>-</b>	<b>103</b>
Total - 2016	50	-	-	-	50

b) Shares and share options held by key management

The Management Board currently holds 33,650 shares, while the Supervisory Board holds none. The following table provides information on their share options:

**Management Board**

Share Options	2017		2016	
	Number	Exercise price (in Euro)	Number	Exercise price (in Euro)
<b>Number of options outstanding 1 January</b>	<b>4,944,046</b>	<b>0.08</b>	<b>4,944,046</b>	<b>0.08</b>
Number of options granted - prior to IPO	580,005	0.55	-	-
Reverse share split - at IPO	552,405	1.29	-	-
Number of options granted - after IPO	80,000	10.58	-	-
Number of options exercised	-	-	-	-
Number of options forfeited	-	-	-	-
Number expired	-	-	-	-
<b>Number of options outstanding 31 December</b>	<b>632,405</b>	<b>2.47</b>	<b>4,944,046</b>	<b>0.08</b>

In 2017, 580,005 additional share options were granted to the Management Board prior to the reverse share split, and 80,000 options granted after the reverse share split. The share-based payment expenses of the Management Board of €668,000 comprise the part of the share-based compensation (note 13) contributable to the share options granted in previous years (including accelerated vesting of options granted under the old ESOP plan).

**Supervisory Board**

Share Options	2017		2016	
	Number	Exercise price (in Euro)	Number	Exercise price (in Euro)
<b>Number of options outstanding 1 January</b>	<b>300,000</b>	<b>0.33</b>	<b>300,000</b>	<b>0.33</b>
Number of options granted - prior to IPO	140,000	0.84	-	-
Reverse share split - at IPO	44,000	4.92	-	-
Number of options granted	-	-	-	-
Number of options exercised	-	-	-	-
Number of options forfeited	-	-	-	-
Number expired	-	-	-	-
<b>Number of options outstanding 31 December</b>	<b>44,000</b>	<b>4.92</b>	<b>300,000</b>	<b>0.33</b>

As at 31 December 2017, Management Board and Supervisory Board members held the following shares and other interests in the Company:

	Number of outstanding options at 31 December 2017	Number of depositary receipts for shares owned
<b>Management board</b>		
Tom van Aken	379.157	20.000
Frank Roerink	253.248	13.650
<b>Total - executive board</b>	<b>632.405</b>	<b>33.650</b>
<b>Supervisory board</b>		
Jan van der Eijk	15.000	-
Jonathan Wolfson	15.000	-
Gabrielle Reijnen	14.000	-
<b>Total - supervisory board</b>	<b>44.000</b>	<b>0</b>

Note that just prior to the IPO date (15 March 2017), a capital restructuring took place, which consisted of the following steps: an amendment to the Company's articles of association providing for a reverse share split and consequently an increase of the nominal value of the shares from €0.01 to €0.10.

c) Transactions with the Synvina joint venture

Within 2017, several transactions were recorded between the group and Synvina, primarily in relation to the service level agreements for which Avantium's support departments deliver services to Synvina, on which the below are the outstanding balances at 31 December 2017:

Synvina transactions	2017	2016
(In Euro x 1,000)		
Receivable recorded by the group	207	1,343
Payable recorded by the group	405	-
Total reimbursement recorded in the consolidated statement of comprehensive income	1,782	7,593

There are no related party transactions which would need to be disclosed other than those described above.

**29. Proposed appropriation of result**

According to article 31 of the company's articles of association, the Annual Meeting of Shareholders determines the appropriation of the company's net result for the year.

In anticipation of the Annual Meeting's adoption of the annual accounts, the net loss for the year of €16,760,000 has been added to retained earnings (accumulated deficit).

**30. Events after the balance sheet date**

On 12 January 2018 Avantium announced that Synvina plans to extend the pilot phase in order to optimize future commercial-scale production. Synvina has now completed a broad feasibility assessment for commercial-scale production of FDCA (furanicarboxylic acid) in its Reference Plant intended to be built in Antwerp. FDCA is the main building block for the new polymer PEF (polyethylenefuranoate). The assessment looked at product performance, market appetite and technical process. The assessment confirmed that product performance and customer demand are strong. In the technical process evaluation, Synvina identified some steps that require improvement. It recommends undertaking additional development work on these steps, to ensure the most efficient process and best product for current and future customers. As a result, Synvina intends to extend the pilot phase, which will in turn extend the timeline to start up the Reference Plant by 24 to 36 months.

# Company financial statements 2017

## Company income statement

<i>in Euro x 1,000</i>	Year ended 31 December	
	2017	2016
Other revenues	-	-
<b>Expenses</b>		
Employee benefit expenses	(2,800)	(1,200)
Office and housing expenses	(712)	(679)
Patent, license, legal and advisory expenses	(218)	556
Other operating expenses	(108)	(73)
<b>Operating profit / (loss)</b>	<b>(3,839)</b>	<b>(1,396)</b>
Finance costs - net	(604)	(2,076)
<b>Result before income tax</b>	<b>(4,443)</b>	<b>(3,472)</b>
Income tax expense	-	-
Result subsidiaries and joint ventures	(12,317)	41,608
<b>Profit / (Loss) for the period</b>	<b>(16,760)</b>	<b>38,137</b>

## Company balance sheet

<i>(In Euro x 1,000)</i>	Note	As at 31 December	
		2017	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial fixed assets	32	72,106	69,789
<b>Total non-current assets</b>		<b>72,106</b>	<b>69,789</b>
<b>Current assets</b>			
Other receivables		1	308
Cash and cash equivalents		95,303	9,480
<b>Total current assets</b>		<b>95,304</b>	<b>9,789</b>
<b>Total assets</b>		<b>167,411</b>	<b>79,578</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the company</b>			
Share capital	12	2,577	1,319
Share premium	12, 13	204,296	79,734
Other reserves	12, 13	8,252	6,212
Accumulated losses	12	(56,765)	(40,122)
<b>Total equity</b>		<b>158,360</b>	<b>47,143</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Provisions	34	8,680	9,121
<b>Total Non-current liabilities</b>		<b>8,680</b>	<b>9,121</b>
<b>Current liabilities</b>			
<b>Liabilities to group companies</b>			
Trade payables		308	1,442
Convertible loans agreement		-	21,809
Finance lease liabilities		-	-
Other current liabilities		63	62
<b>Total current liabilities</b>		<b>371</b>	<b>23,313</b>
<b>Total liabilities</b>		<b>9,050</b>	<b>32,434</b>
<b>Total equity and liabilities</b>		<b>167,411</b>	<b>79,578</b>

The balance sheet has been prepared before appropriation of current year result.



# Notes to the company balance sheet and company income statement

## 31. General information

The company statements are part of the 2017 financial statements of Avantium N.V.

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result of its company financial statements, Avantium N.V. makes use of the option provided in Section 2:362 (8) of the Dutch Civil Code. This means that the principles of the recognition and measurements of assets and liabilities and determination of the result (hereinafter referred to as accounting policies) of the company financial statements of Avantium N.V. are the same those applied for the consolidated financial statements under IFRS (refer to note 2). By applying this option, reconciliation is maintained between the group's and the company's equity.

In the company financial statements, investments in group companies are stated as net asset value if the company effectively exercises influence of significance over the operational and financial activities of these investments. The net asset value is determined on the basis of the accounting

(In Euro x 1,000)	Investment in group companies	Loans to group companies	Financial fixed assets
<b>On January 1, 2017</b>	<b>107,300</b>	<b>(37,511)</b>	<b>69,789</b>
Share of profit of group companies	-	-	-
Movements in loans to group companies/provision	(9,521)	11,838	2,317
<b>On December 31, 2017</b>	<b>97,779</b>	<b>(25,673)</b>	<b>72,106</b>

The financial fixed assets consist of investments in group companies and loans to group companies. The value of the loans of Avantium N.V. to group companies was €25.7 million on 31 December 2017.

## 33. Equity attributable to equity holders of the company

For details of the movements in and components of equity, reference is made to the consolidated statement of changes in equity of the consolidated financial statements and the notes to these.

## 34. Provisions

(In Euro x 1,000)	Provisions
<b>On January 1, 2017</b>	<b>(9,121)</b>
Share of profit of group companies	-
Movements in loans to group companies/provision	441
<b>On December 31, 2017</b>	<b>(8,680)</b>

principles applied by the company. In case the net asset value of an investment in a group company is negative, any existing loans to group companies considered as net investment are impaired. A provision for any remaining equity deficit is recognized when an outflow of resources is probable and can be reliably estimated.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Please refer to the notes to the consolidated financial statements for a description of these principles.

## 32. Financial fixed assets

At 31 December 2017 the company directly held a 100% interests in the following subsidiaries:

- Avantium Technologies B.V., Amsterdam;
- Avantium Cleantech B.V., Amsterdam;
- Avantium Support B.V., Amsterdam;
- Avantium Knowledge Centre B.V., Amsterdam;
- Feedstock Technologies B.V., Amsterdam.

The movements in financial fixed assets can be summarized as follows:

€8.7 million is the value on 31 December 2017 of Avantium N.V.'s financial fixed assets with a negative net equity and this is reported under provisions.

The provisions for financial fixed assets with a negative net equity as at 31 December 2017 relate to the following:

- Equity deficit of Feedstock Technologies B.V. of €24,000;
- Equity deficit of Avantium Support B.V. of €8,325,000;
- Equity deficit of Avantium Knowledge Centre of €33,000 and;
- Equity deficit of Avantium Technologies B.V. of €297,000

## 35. Commitment and contingencies

Guarantees as defined in Book 2, section 403 of the Dutch Civil Code have been given by Avantium N.V. on behalf of the following group companies in the Netherlands and filed within the Chamber of Commerce:

- Avantium Support B.V.
- Avantium Technologies B.V.

## 36. Audit fees

The fees listed below relate to the procedures applied to the Company and its consolidated group entities by PricewaterhouseCoopers Accountants N.V., The Netherlands, the independent external auditor as referred to in section 1(1) of the Dutch Accounting Firms Oversight Act (Dutch acronym: Wta), as well as by other Dutch and foreign-based PricewaterhouseCoopers individual partnerships and legal entities, including their tax services and advisory groups:

2017 (In Euro x 1,000)	PwC Accountants N.V.	Other PwC offices	Other audi- tors	Total audit fees
Audit of the financial statements	108	-	-	108
Other audit procedures	101	-	-	101
Tax services	-	-	-	0
Other non-audit services	-	-	-	-
<b>Total</b>	<b>209</b>	<b>-</b>	<b>0</b>	<b>209</b>

2016 (In Euro x 1,000)	PwC Accountants N.V.	Other PwC offices	Other auditors	Total audit fees
Audit of the financial statements	89	-	-	89
Other audit procedures	266	-	-	266
Tax services	-	-	25	25
Other non-audit services	-	-	5	5
<b>Total</b>	<b>355</b>	<b>-</b>	<b>30</b>	<b>385</b>

## 37. Remuneration of Management Board and Supervisory Board

The remuneration of the Supervisory Board amounts to €342,000 (2016: 139,000). The total remuneration paid to or for the benefit of members of the Management Board in 2017 amounted to €1,312,000 (2016: 975,000). For further details, reference is made to note 28 of the consolidated financial statements.

## 38. Employee information

The company had no employees in 2017 (2016: nil).

Amsterdam, 28 March 2018  
Avantium N.V.

### Management Board

Tom van Aken, Chief Executive Officer  
Frank Roerink, Chief Financial Officer

### Avantium Supervisory Board

Kees Verhaar, chairman  
Margret Kleinsman  
Denis Lucquin  
Jonathan Wolfson  
Gabrielle Reijnen

The financial statements on pages 25-79 are authorized for issue by the Management Board on 28 March 2018.

T.B. van Aken, Chief Executive Officer  
F.C.H. Roerink, Chief Financial Officer



# MICROFLUIDIC DISTRIBUTION

Gas and liquid feeds, can be efficiently distributed using our microfluidic distribution. This technology provides a very narrow distribution of feeds to our parallel reactors. Each chip is manufactured according to strict specifications to guarantee the quality of the distribution. The replacement of the chips can be done in minutes, offering much more operational flexibility and reduction of maintenance efforts. With Avantium's microfluidic distribution customers increase their data quality and uptime.

## Independent auditor's report

To: the general meeting and supervisory board of Avantium N.V.

### Report on the financial statements 2017

#### Our opinion

In our opinion:

- Avantium N.V.'s consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- Avantium N.V.'s company financial statements give a true and fair view of the financial position of the Company as at 31 December 2017 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

#### What we have audited

We have audited the accompanying financial statements 2017 of Avantium N.V., Amsterdam (hereafter: 'the Company'). The financial statements include the consolidated financial statements of Avantium N.V. and its subsidiaries (together: 'the Group') and the company financial statements.

The consolidated financial statements comprise: the consolidated statement of financial position as at 31 December 2017;

- the following statements for 2017:
- the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2017;
- the company income statement for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

### The 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 section 'Our responsibilities for the audit of the financial statements' of our report.

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

#### Independence

We are independent of Avantium N.V. in accordance with the European Regulation on specific requirements regarding statutory audit of public interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

### Our audit approach

#### Overview and context

Avantium N.V. is a chemical technology company, developing and commercialising innovative renewable chemistry solutions. As of 31 December 2017 the Company comprises two divisions (Catalysis and Renewable Chemistries) and the joint venture with BASF named Synvina C.V ('Synvina'), which were subject to our audit procedures as set out in 'The scope of our group audit' section. We paid specific attention to the areas of focus driven by the Initial Public Offering (IPO) and operations of the Group, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the management board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In paragraph 4 of the financial statements the company describes the areas of judgment in applying



accounting policies and the key sources of estimation uncertainty.

Given the estimation uncertainty and the related higher inherent risks of material misstatement in the valuation of the joint venture Synvina, revenue recognition and capitalisation of Research and Development expenses, we considered these to be key audit matters as set out in the section 'Key audit matters' of this report.

Beside the key audit matters, other areas of focus in our audit include valuation of the new share-based compensation plan, recording of IPO related transaction expenses, accounting for Intellectual Property and accounting for treasury shares.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the management board that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a chemical technology company. We therefore included valuation experts, IT and accounting specialists in our team.

The outline of our audit approach was as follows:



*Materiality*

- Overall materiality: €250,000.

*Audit scope*

- The group consists of two components, being the head-office function including operational activities in Amsterdam and the joint venture.
- We conducted our group audit procedures on the head-office function and operational activities in Amsterdam.
- We instructed the local auditor of the joint venture to audit the Synvina joint venture.
- Based on the above procedures all operations, including the head-office function and the joint venture are part of our audit procedures.

*Key audit matters*

- Valuation of Synvina joint venture.
- Revenue recognition.
- Capitalisation of Research & Development expenses.

*Materiality*

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the

table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

<b>Overall group materiality</b>	€250,000 (2016: €240,000).
<b>Basis for determining materiality</b>	We used our professional judgment to determine overall materiality. As a basis for our judgment we used 2% of the adjusted profit/loss before income tax.
<b>Rationale for benchmark applied</b>	We used adjusted profit/loss before income tax as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that adjusted result before tax as the primary benchmark is an important metric for the financial performance of the company. In previous year we applied 1% of total expenses, however given Avantium became listed in 2017 and therefore the focus is more on results, we considered adjusted profit/loss before income tax more appropriate.
<b>Component materiality</b>	To each component in our audit scope, being the Avantium operations and the Synvina joint venture, we, based on our judgment, allocated materiality that is not higher than our overall group materiality.

We also take misstatements and/or possible misstatements into account that, in our judgment, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €12,500 (2016: €12,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

*The scope of our group audit*

Avantium N.V. is the parent company of a group of entities in the Netherlands. The financial information of this group is included in the consolidated financial statements of Avantium N.V.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at the compo-

nent level by the group engagement team and by the component auditor. In performing our group audit procedures we identified two significant components. The first component consist of the head-office function and all operational activities of the Group which are located in Amsterdam. The second component is the Synvina joint venture. Both components were subjected to audits of their complete financial information as they are individually significant to the Group.

The group engagement team audited the component comprising of the head office function and the operational activities of the Group in Amsterdam. Where the work was performed by component auditor, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. These procedures include issuing and discussing our audit instructions, review of the audit documentation, discussing the audit findings and review of the memorandum of work performed and auditors report. In addition, the group engagement team performed procedures over the valuation of the Synvina joint venture.

The group consolidation, financial statement disclosures and a number of complex items (e.g. equity pick-up and impairment assessment of the joint venture) are audited by the group engagement team at the head office. By performing the procedures above we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

*Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. In this section, we described the key au-

dit matters and included a summary of the audit procedures we performed on those matters..

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comments or observations we make on the results of our procedures should be read in this context.

Last year's key audit matter on the IPO was followed up by focused audit procedures on the IPO related transactions but not considered a key audit matter for this year. The other key audit matters are similar to last year and correspond with the Group's activities.

**Key audit matter**

*Valuation of Synvina joint venture*

Avantium has a non-controlling interest of 49% in Synvina C.V., a joint venture together with BASF, and recorded a value for the joint venture amounting to €48.2 million per 31 December 2017. Separate financial information and relevant assumptions are disclosed in note 7 of the financial statements.

On 12 January 2018 Avantium publicly announced that Synvina plans to extend the pilot phase which will in turn extend the timeline to start up the reference plant by 24 to 36 months. The reference plant is now expected to be operational in the 2023-2024 timeframe. Significant losses are to be incurred until the reference plant is operational for commercial scale production.

**How our audit addressed the matter**

We obtained the impairment assessment over the valuation of the joint venture from management and assessed the assumptions used.

For the valuation on Avantium level we considered the joint venture's loss for the year, the impact on the valuation of the extension of the pilot phase and Avantium's share price development and analyst reports. Also, we challenged management's key assumptions underlying their forecast, being expected number of licenses to be sold and expected price per license based on information obtained from investor reports. We assessed the reasonableness of the aforementioned assumptions based on (external) market research and investor reports and noted no significant matters.

**Key audit matter**

Due to the significance of the valuation and the extension of the pilot plant phase management assessed whether an impairment was required. The impairment assessment has been performed both at the level of the joint venture as a whole and at the level of the Synvina C.V. focussing on the valuation of the (intangible) assets. To perform an impairment assessment at the level of Avantium effectively an impairment test is performed at the level of Synvina C.V.. Management assessed qualitative factors, such as milestones reached in terms of development of the technology and quantitative factors such as the expected (pre-tax) weighted average cost of capital, reference plant capital expenditure, license fee income and terminal value growth rate. These factors are subject to management's judgment. Management concluded that no impairment is required both at the level of Avantium N.V. and Synvina C.V.

Given the significance of the assumptions and the value of the joint venture per 31 December 2017, an incorrect valuation could result in a material misstatement to the financial statements and consequently we considered this a key audit matter.

**How our audit addressed the matter**

We assessed the valuation of (intangible) assets at the level of Synvina, by means of instructing the component auditor to perform an audit of the financial information of the joint venture. Together with our valuation experts, we reviewed the work performed by the component auditor and performed our own additional procedures. Amongst others, we have assessed the audit documentation, supporting the discussions held with management, involvement of experts in the field of valuations and detailed procedures over reliability and reasonableness of forecasts and key assumptions. The key assumptions are expected (pre-tax) weighted average cost of capital, reference plant capital expenditure, license fee income and terminal value growth rate. The reasonableness of the assumptions is supported by (external) market studies. We have cross-checked these assumptions with investor reports and consider the assumptions to be within the reasonable range of our expectations. We have discussed with the component auditor the outcome of their audit procedures and reviewed their audit documentation.

We assessed whether the required disclosures regarding the uncertainty and risks of the valuation of joint venture are adequately included in the financial statements 2017 and found that the key requirements are met.

**Key audit matter**

*Revenue recognition*

As disclosed in note 2.21 and note 4(d) of the financial statements revenue is recognised based on the percentage-of-completion method as revenue consists of projects.

We focused on this area due to the inherent judgment required by management to assess the percentage-of-completion of a project or service provided. This assessment is based on the incurred expenses (both external expenses and internal hours) related to the latest forecasted of the total attributable cost and hours allocated to the project. As actual project expenses and revenues may differ from the initial budget, the determination of the percentage-of-completion requires judgment to determine the appropriate accounting for revenue and the recognition of revenue in the correct period. Differences between budget and actuals could result in potential overrun on projects and as a result overstatement of revenues and project results.

**How our audit addressed the matter**

We assessed the consistency of the application of the revenue recognition policy by evaluating the accounting policy for each of the different revenue streams and determined that the policy is consistently applied.

We have updated our understanding of the controls over (monitoring of) revenue streams and monthly closing procedures.

We performed testing over the hours and cost charged to projects by performing reconciliations to the application in which the hours are recorded and detailed testing of expense allocation, including testing of invoices. We sampled revenue transactions, by amongst others, reconciling these to the terms included in the sales contract, that revenue is recognised in the appropriate period and deviations from initial budget are timely identified and accounted for. Also, we performed look-back procedures to assess previous estimates. Our procedures did not identify material exceptions and we considered management's key assumptions to be within a reasonable range of our expectations.



Key audit matter	How our audit addressed the matter
<p><b>Capitalisation of Research &amp; Development expenses</b></p> <p>As disclosed in the 'Report of the Management Board Avantium has various innovative renewable chemistry product development programs in place for which expenses are made in 2017. These development programs are ultimately intended for commercialisation. However, none of these programs have been capitalised in 2017.</p> <p>We focused on this area due to the significant judgment involved in assessing whether the criteria set out in the accounting standards for capitalisation of such expenses should have been met, in particular:</p> <ul style="list-style-type: none"> <li>• the technical feasibility of the project;</li> <li>• the likelihood of the project delivering sufficient future economic benefits.</li> </ul> <p>In the Report of the Management Board, management discloses the progress in relation to the Renewable Chemistries. Progress was made with the development of renewable chemistry products, as disclosed in the Report of the management board, during the year. As a result of this, we paid particular attention to the above mentioned criteria and if these were met in 2017. In 2017 no development expenses are capitalised. Management determined that insufficient objective evidence is available to support that sufficient economic benefits will be obtained in relation to the development expenses incurred during the year.</p> <p>As part of our procedures we focused on management's judgement made as to the level of future economic benefits due to the innovative nature of some of the technology being developed.</p>	<p>We assessed management's accounting policy for Research &amp; Development expenses as disclosed in note 2.6 of the financial statements.</p> <p>We have evaluated management's assessment over the Development expenses incurred in 2017 that none of the projects meet all criteria for capitalisation. In particular management's assessment relating to the technical feasibility of the projects and evaluated whether there is sufficient objective evidence that sufficient future economic benefits will be obtained.</p> <p>We specifically assessed the Renewable Chemistries related expenses against the aforementioned criteria and consider management's assessment that the capitalisation recognition criteria were not met to be reasonable.</p>

### Report on the other information included in the annual report

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

- the report of the management board;
- the report of the supervisory board;
- Risk management;
- Governance and Policies; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is 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 in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our 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 such procedures was substantially less than the scope of those performed in our audit of the financial statements.

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

### Report on other legal and regulatory requirements

#### Our appointment

We were appointed as auditors of Avantium N.V. on 14 June 2017 by the supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 14 June 2017 and the appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of fourteen years.

#### No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public interest entities.

#### Services rendered

We have not provided any other services to the company and its controlled entities, in addition to our audit, for the period to which our statutory audit relates.

### Responsibilities for the financial statements and the audit

*Responsibilities of the management board and the supervisory board for the financial statements*  
The management board is responsible for:

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

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

The supervisory board is responsible for overseeing the company's financial reporting process.

*Our responsibilities for the audit of the financial statements*

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 30 March 2018

PricewaterhouseCoopers Accountants N.V.

Original signed by J. van Meijel RA

**Appendix to our auditor's report on the financial statements 2017 of Avantium N.V.**

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

*The auditor's responsibilities for the audit of the financial statements*

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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- 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 intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.

- Concluding on the appropriateness of the management board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/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 and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

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 deficiencies in internal control that we identify during our audit. In this respect we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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

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



