ANNUAL REPORT 2016/17

LUCAS BOLS

1575


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Amsterdam
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THE BEST DAM GIN
DAMRAK
GIN


DAMRAK
GIN
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GIN
Please drink responsibly.

1575

LUCAS BOLS
ANNUAL REPORT 2016/17

Lucas Bols is a leading global cocktail and spirits player with a strong position in the bartending community and a unique heritage dating back to 1575 in Amsterdam. Our portfolio includes Bols, the world's oldest distilled spirits brand. Building on this heritage, we have mastered the art of distilling, mixing and blending, creating new flavours and adapting old recipes in line with today's cocktail trends. We offer a portfolio of premium and super-premium global brands, together with strong regional brands in over 110 countries around the world.

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ANNUAL REPORT

THE COMPANY

REPORT OF THE SUPERVISORY BOARD*

REPORT OF THE MANAGEMENT BOARD*

GOVERNANCE*

FINANCIAL STATEMENTS

The paragraphs marked with a * belong to the Report of the Management Board as defined in Title 9, Dutch Civil Code 2.

INTERVIEW WITH THE MANAGEMENT BOARD

Lucas Bols took a number of steps in 2016/17 to further strengthen its commercial organisation and to leverage its strong production and distribution platform. The establishment of the Passoã SAS, a jointly owned entity with Rémy Cointreau was a major highlight, which will create significant shareholder value. The addition of the Passoã brand, combined with expanded distribution partnerships and the various product launches resulted in a strengthening of the positioning of the Lucas Bols brands and contributed to the growth of the global brands. CEO Huub van Doorne and CFO Joost de Vries look back on the past year.

How do you look back on 2016/17?

Huub van Doorne is pleased with how Lucas Bols continued its strategic path. "Following the important steps we took in 2015/16 in our route to market, in 2016/17 we were able to consolidate our expanded distribution network. We increased our ongoing investments focusing on strengthening our commercial team. I am convinced that we now have a commercial organisation in place that can further reinforce the positioning and growth of our brands. These efforts already started bearing fruit in 2016/17, as is evidenced by organic growth of 4.3% in the global brands."

Clearly one of the major highlights of 2016/17 was the establishment of the Passoã SAS with Rémy Cointreau. Huub van Doorne: "We are excited that we have been able to add Passoã to our global brands portfolio – a strong, iconic brand with a rich heritage and a presence in 40 countries."

Lucas Bols is active in so many markets with many brands, and you added brands in 2016/17; how do you maintain focus?

Joost de Vries explains that Lucas Bols is focused and agile at the same time. "We have a clear business strategy with a strong business model, and we are organised very efficiently. Our detailed management information system, focused on brand/markets units enables us to respond swiftly. The effectiveness of our strategy is confirmed by our results: healthy growth in the global brands and increased operating results in the regional brands."

What strategic progress has been made?

"We made strategic progress this year in terms of our operational leverage, exploiting our platform better," says Huub van Doorne. "We took some important strategic steps, both strengthening our position in the Dutch domestic market with the acquisition of the Legner and Floryn brands, and enhancing our global brands portfolio with the addition of Passoã."

Joost de Vries explains how Passoã contributes to the results by improving operational leverage. "Passoã adds approximately € 18 million to our revenue on a full-year basis, with a limited increase in overhead costs which can be largely absorbed by our platform, resulting in an improvement of our global brands operating margin."

In addition, for a relatively small investment, Lucas Bols increased its share of the Dutch domestic genever and vieux market to more than 30% by acquiring the Floryn and Legner brands. "A market in which maintaining market leadership, together with highly efficient blending and bottling capabilities, is the only way to be successful," explains Huub van Doorne. "The Cooymans acquisition strengthened the position of our Avandis joint venture on the Northwest European bottling market, creating opportunities for further synergies."

How is Passoã developing?

"Although I was already familiar with the brand from my Rémy Cointreau days, we started by getting the organisation fully acquainted with the brand and its entire operation," says Huub van Doorne. "We took a deep dive into the DNA of the brand, as well as familiarising ourselves with the operational side of the business, including looking at the marketing tactics and meeting the distributors. We are now ready to fully integrate Passoã into our 2017/18 brand plans and further exploit mutual leverage." For example, Lucas Bols stands to benefit from Passoã's geographical presence, given that the brand is currently present in 40 countries, as well as from the retail expertise it brings in. "We will focus on maintaining Passoã's strong positions in Northwest Europe and a number of other markets like Japan and Puerto Rico. At the same time the brand strategy of Passoã as a cocktail brand, which was successfully implemented in the UK, will be extended to the US and other geographical regions where we see growth opportunities for Passoã as a cocktail brand," explains Huub van Doorne.

What achievement are you most proud of?

"The growth in the US market," is Huub van Doorne's immediate response. "The US market is clearly one of our priorities. We have set ourselves a firm target: growing the market share of our Bols Liqueur range. And our performance demonstrates that efforts are paying off. We have gained market share and achieved sustainable growth, and there is more growth potential to unlock in the retail market. A year ago we hired our Sales Director National Retail Accounts, who put a lot of effort into diligently building relationships and the results are now starting to show."

Joost de Vries highlights the fact that Lucas Bols achieved growth in the challenging Dutch market. "We not only delivered a good performance in the Dutch domestic market, gaining market share in the genever/vieux category, but also achieved good growth levels in our global brands, most notably Damrak Gin and Bols Vodka."

The global growth of the white spirits brands is another thing to be proud of. Huub van Doorne: "The sharper brand strategies for Bols Genever, Damrak Gin and Bols Vodka and their introduction in selected markets worldwide are translating into good overall growth rates."

What are the most notable geographical developments at the moment?

"In our sector, the African continent is where we see the market growing," explains Joost de Vries. "Our regional brand Henkes provides a strong opportunity for growth. In Africa we are at the forefront of developing the market for premium brands, meaning we are well-positioned to benefit when these markets start to advance. This shows the strategic relevance of our regional brands in emerging markets."

Huub van Doorne adds: "In Eastern Europe, mainly Russia and Poland, we are seeing the upturn in the market continue and are being rewarded for our perseverance. Other brands pulled out when circumstances turned negative, but we maintained our presence and that is paying off."

What were the challenges of the past year?

Ongoing challenges include the continuously changing legal landscape and inconsistent governmental policies around the world. Joost de Vries mentions the example of the significant increase in excise duties in Belgium, which hit the market hard. "A market can also become temporarily locked-in, as happened with Indonesia. Situations like that can happen overnight, and are beyond our control." Huub van Doorne adds: "But thanks to our asset-light business model and our Brand Market Units structure, based on our strong partnerships with our distributors and a well-developed management information system, we are agile and have the ability to respond swiftly."

What are the key priorities for 2017/18?

"Of course fully integrating Passoã into our global brands strategy and distribution network is a major focus point for 2017/18, to enable it to become one of the drivers behind our global brands growth," says Huub van Doorne.

"After all the strategic work done in the past year, we believe that our global commercial organisation is set now. Our focus in 2017/18 will be on the investments behind the global brands to accelerate growth. We will further increase our marketing spend where we see the right opportunities. Driving further revenue growth in the US also remains a priority in this respect."

Joost de Vries adds: "Also, we will further optimise the Avandis and Cooymans production plants to create the most competitive bottling and blending facility in the Netherlands."

"It is fair to say that, in this industry, it takes a long-term effort to build brands," says Huub van Doorne. "There is no short route to success. But we believe all parameters indicate that we are on the right track."


PASSOÃ
THE FRIDGE
WAS TOO FAR!
1/3 PASSOÃ + 2/3 TONIC
PASSOÃ
PASSOÃ
THE PASSION DRINK

LUCAS BOLS TIMELINE

1575

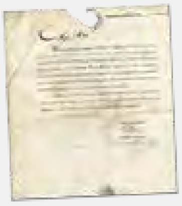
The Bols family establish their distillery 't Lootsje on the Rozengracht in Amsterdam and start distilling liqueurs.

1652

1652 - 1719 Lifetime of Lucas Bols, the founder's grandson who was responsible for expanding the distillery into an international company during Amsterdam's Golden Age.

1820

1820 - 1862 Bols creates a new genever recipe witch played an important role in the emergence of the cocktail culture in the US in the 19th century. The world's first cocktail recipe book in 1862, included many genever based cocktail recipies.



1664

The Bols family start producing genever.

1816

The widow of the last male Bols heir sells the company on condition that the Bols name be used in perpetuity on all its products, thereby ensuring its status as the world's oldest distilled spirits brand.

1883

1883 - 2006 Bols rapidly expands to a large international spirits player. Several changes of ownership follow, including a public listing in 1954 and a take-over by a French multinational in 2000.

2006

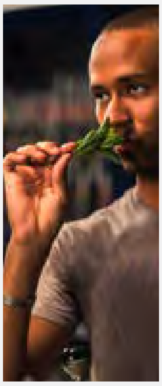
2006 - 2007 Lucas Bols returns to Amsterdam under Dutch ownership following a buyout in 2006. In 2007 the Bols Bartending Academy opens in Amsterdam, Europe's largest bartending school, training 3,000 professionals a year. The same year sees the opening of the House of Bols Cocktail & Genever Experience.

2008

International relaunch of Bols Genever, based on the original Bols Genever recipe from 1820 which stood at the basis of the cocktail revolution in the 19th century.

2010

Establishment of Lucas Bols USA.



2015

Celebration of 440 years of Lucas Bols history and listing on the Amsterdam Stock Exchange.

2016

In 2016 Lucas Bols launched various new flavours and range extensions.

2017

Addition of Passoã to global brands portfolio and launch Henkes Whiskey and Gin in local regions.


BOLS
ANNO 1575
Natural Yoghurt Liqueur
BOLS
AMSTERDAM 1575
BOLS
ANNO 1575
Sour Apple
LIQUEUR
BOLS
AMSTERDAM 1575
BOLS
ANNO 1575
Bols Blue
curacao
LIQUEUR
BOLS
AMSTERDAM 1575

LUCAS BOLS
AT A GLANCE

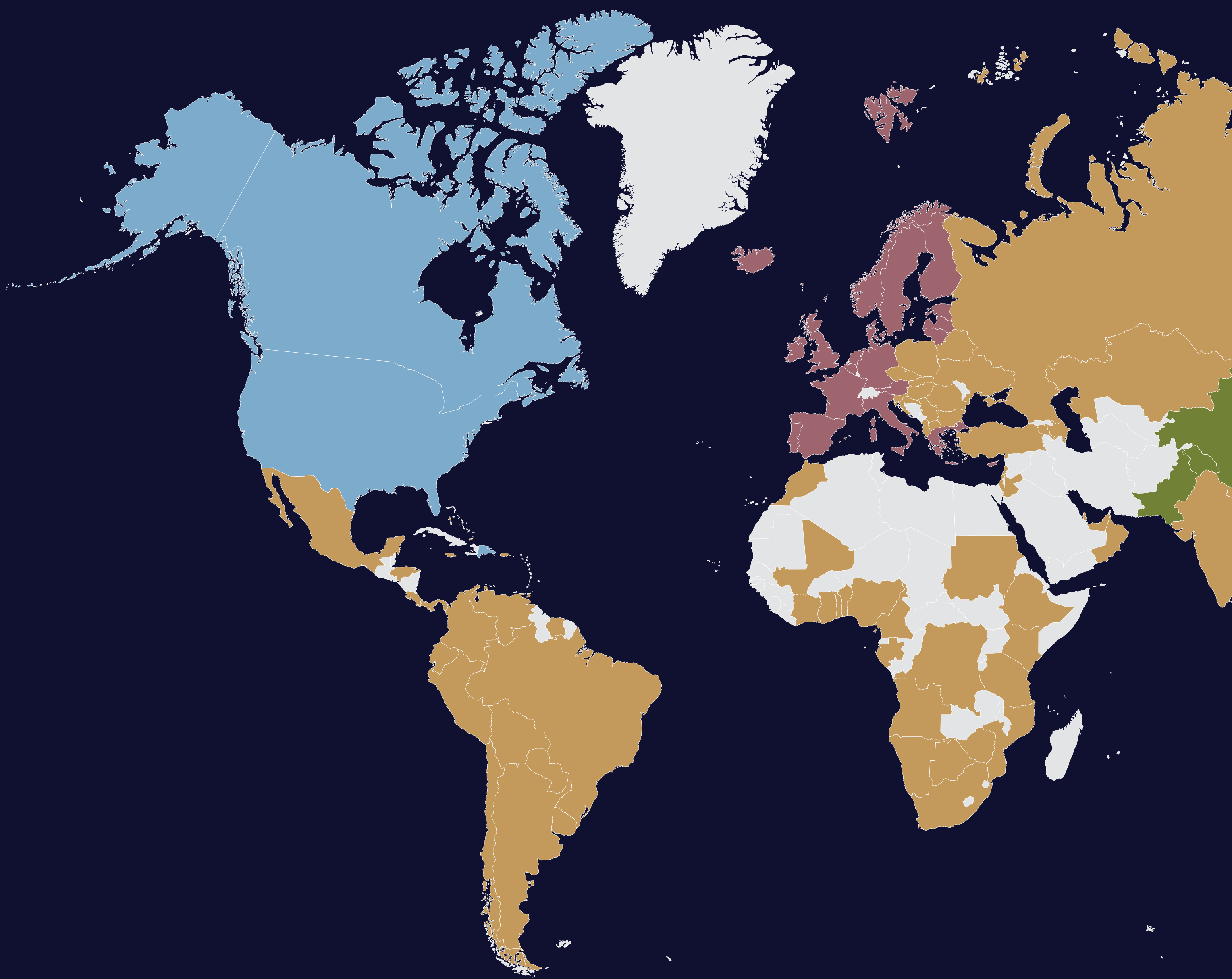
Lucas Bols is a leading global cocktail and spirits player with a strong position in the bartending community and a unique heritage dating back to 1575 in Amsterdam.

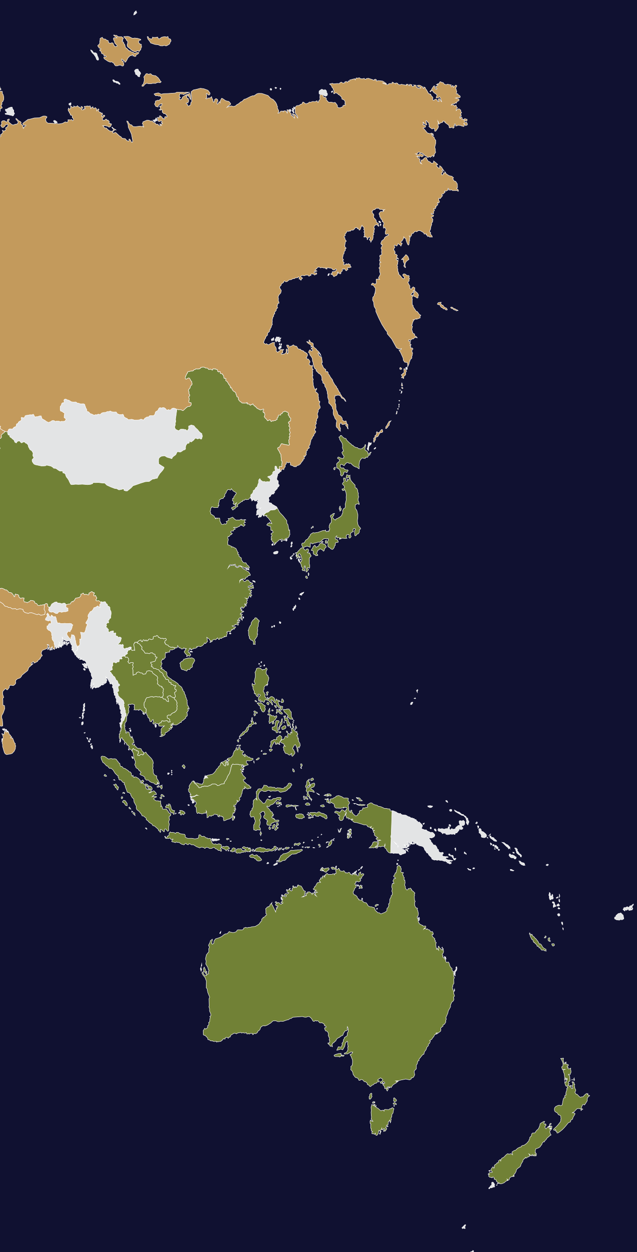
Our product portfolio includes Bols, the world's oldest distilled spirits brand. Building on this heritage, we have mastered the art of distilling, mixing and blending, creating a portfolio of premium and super-premium global brands, together with strong regional brands. Lucas Bols is active in over 110 countries worldwide with the Bols brand as the number one liqueur range globally (excluding the US). Lucas Bols is also the world's largest player in the genever segment.

We conduct our business by investing in strong production and distribution partnerships. Our flexible and asset-light business model enables us to focus fully on innovation and strategic marketing to build the Lucas Bols brands. Key aspects of our business model are the House of Bols Cocktail & Genever Experience, the Bols Bartending Academy, Europe's largest bartending school and the Lucas Bols distillery where we create new flavours and adapt old recipes, in line with the cocktail trends of today.

Lucas Bols has been listed on the Euronext Amsterdam stock exchange since 4 February 2015, and is included in the AScX index.

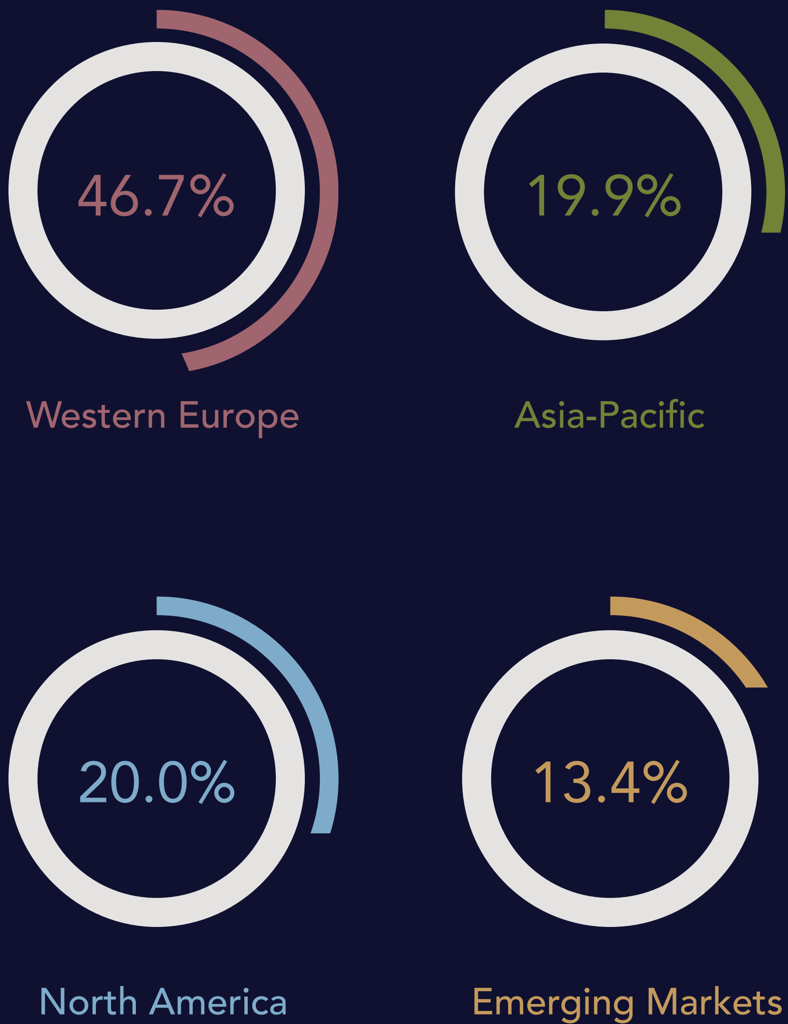
LUCAS BOLS BRANDS
GLOBAL PRESENCE





GLOBAL REVENUE SPLIT

% of total 2016/17 revenue



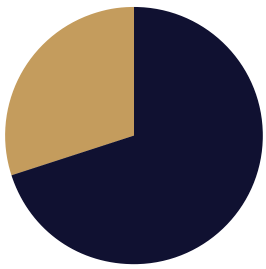
THE COMPANY
HIGHLIGHTS

1575

OLDEST DISTILLED SPIRITS BRAND IN THE WORLD SINCE 1575

442

MORE THAN 440 YEARS OF CRAFTSMANSHIP & COCKTAIL HISTORY



> 25

More than 25 brands

> 110

More than 110 countries

#1

LIQUEUR RANGE

The world's No.1 liqueur range*

#1

GENEVER

The world's No.1 genever

> 40,000

The Bols Liqueurs range is sold in more than 40,000 bars in the USA

> 500,000,000

Over 500 million cocktails are served with our global brands each year

* outside the USA

KEY FIGURES

IN € MILLION UNLESS OTHERWISE STATED	2017	2016	REPORTED CHANGE	ORGANIC CHANGE [1]
Results				
Revenue	80.5	72.6	10.8%	3.4%
Gross profit	48.4	42.7	13.4%	4.3%
Gross margin	60.1%	58.8%	130 bps	50 bps
EBIT [2]	18.2	17.6	3.8%	- 3.0%
EBIT margin	22.7%	24.2%	-150 bps	
Net result	15.1	11.7	28.6%	
Cash flow				
Operating free cash flow	17.5	16.7	4.7%	
Cash conversion ratio [3]	106.2%	97.3%		
Balance sheet				
Working capital [4]	12.7	13.0		
Total equity	170.8	161.8		
Net debt [5]	50.7	51.0		
Net debt/EBITDA ratio [5]	2.8	2.8		
Shares				
# of shares issued at 31 March	12,477,298	12,477,298		
Weighted average # of shares	12,477,298	12,477,298		
Net earnings per share	1.21	0.94	28.6%	
Total dividend per share [6]	0.57	0.54	5.6%	
Employees				
Number of FTEs	70	60		

1 At constant currencies, excluding one-off items and four months of Passoã

2 EBIT is defined as operating profit plus share of joint ventures

3 Cash conversion ratio defined as Operating free cash flow / (operating profit + depreciation); Operating FCF defined as net cash from operating activities minus CAPEX

4 Working capital defined as 'investories + accounts receivable trade – accounts payable trade'

5 Net debt is calculated as per the financing agreements (excluding impact of Passoã)

6 Assuming the proposed final dividend is approved by the AGM


BOLS

LUCAS BOLS
GLOBAL BRANDS

1575

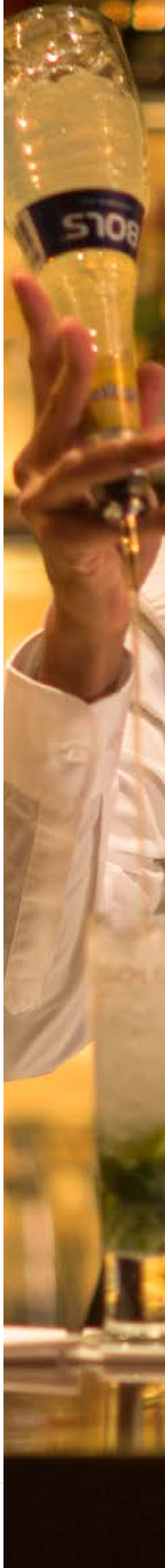
The global brands portfolio consists of Bols Liqueurs, Bols Genever, Bols Vodka, Damrak Gin, Passoã, Galliano and Vaccari. Bols Liqueurs holds a number one position in range liqueurs globally (outside the US). We are also a leading genever player in the world with our Bols Genever, the original spirit of Amsterdam, which was first created in 1664.

BOLS LIQUEURS

Bols Liqueurs comprises 46 unique flavours, divided into six different groups; citrus, orchard, berries, tropical, indulgent and herbs & botanicals. These premium liqueurs that Bols has been making since 1575 are widely used by bartenders to create cocktails and are also consumed at home. They are made from high-quality natural ingredients such as herbs, spices and fruits. Bols Liqueurs are inspired by 400-year-old recipes and techniques, perfected and adapted to today’s tastes. We extract flavour from the natural ingredients using ancient techniques such as distillation, percolation and maceration. Key markets are the US, Canada, Argentina, Japan, China, Germany, the UK, Russia, Poland and Scandinavia.

BOLS GENEVER

The Bols family first produced genever, the original spirit of Amsterdam, in 1664. Genever played an important part in the rise of the cocktail in the 19th century in America, when one in four cocktails was made with genever. It is the high content of malt spirit, a unique triple grain distillate, that gives Bols Genever its characteristic smooth malty taste, making it perfect for mixing and making cocktails, such as the original Collins. Nowadays Lucas Bols is a leading genever player in the world with Bols Genever, Bols Genever Barrel Aged and Bols Genever 21. The US and the Netherlands are the most important markets for Bols Genevers, as well as all major cocktail capitals around the world, such as London, Sydney, Dubai, Tel Aviv, Moscow, Prague, Mexico City, Shanghai, Hong Kong and Singapore.



BOLS VODKA

With craftsmanship and distillation expertise Bols Vodka was developed in order to create the best mixable vodka. Bols Vodka, with a wheat distillate as base, is super natural and is filtered through charcoal filters, resulting in an extraordinary high level of purity. This extraordinary level of purity makes Bols Vodka perfect for mixing and the preparation of cocktails. Key markets for Bols Vodka are Scandinavia, Argentina, Canada and the Netherlands.

DAMRAK
GIN

Damrak Gin combines 17 botanicals and is distilled five times to give Damrak Gin ultimate purity and an exquisite taste. Botanicals used include juniper berry, Valencia orange peel and coriander, as well as a few of the Lucas Bols master distiller's secret botanicals. During the Golden Age, the Damrak harbour in Amsterdam was the mooring place for merchant ships where herbs, fruits and spices were traded, and some of those botanicals are still used in Damrak Gin today. Damrak Gin is exceptionally smooth and has a twist of orange, making it a widely appreciated and easy-mixing gin. The US and the Netherlands are the most important markets for Damrak Gin.

PASSOÃ

Passoã is the world's number one Passion Fruit Liqueur and was created in 1985. The master distiller discovered unique passion fruits in Brazil and created Passoã the Passion Fruit liqueur with it, now a key ingredient for cocktails. It is known for its iconic black bottle and its fresh red color and easy mixability. Many easy to make and low alcohol cocktails can be made with it at home, such as the refreshing signature drink: Passoã Fresh with tonic or a refreshing Sangria, to be shared with friends. Passoã is mainly a retail brand but is also very suitable for bartenders to be used in cocktails. The fastest growing cocktail in the UK, The Porn Star Martini, is based on Passoã and is starting to grow outside the UK as well. Key countries for Passoã are France, the Netherlands, Belgium, Porto Rico, Japan and the UK.

GALLIANO

Galliano traces its roots back to 1896, when Arturo Vaccari first made the iconic liqueur in Tuscany. The liqueur gained international fame in the 1970s as a key ingredient in the Harvey Wallbanger cocktail. Galliano owes its outstanding taste to a complex and unique process involving seven infusions and distillations from 30 meticulously selected herbs and spices. These infusions and distillates have been produced in Italy since 1896. Blending and bottling takes place at our joint venture Avandis. Besides the classic Galliano L'Autentico, the Galliano range comprises Galliano Ristretto, Vanilla, Amaretto and the recently introduced Galliano L'Aperitivo. Galliano's key markets are the US, Australia/New Zealand, Scandinavia, Canada, Germany and the UK. Galliano is used in cocktails and as a single serve and is one of the 'must-have' stock brands in any bar around the world.

VACCARI SAMBUCA

Vaccari Sambuca was launched in 1990 and named after the creator of Galliano, the distiller Arturo Vaccari. Distilled in Italy, the spirit owes its soft and pure anise flavour to a unique distilling process using a very rare Chinese star anise. Vaccari Sambuca has distinctive packaging reflecting its product and brand quality. Mexico, the Netherlands and Ireland are Vaccari's key markets, where it is traditionally consumed neat with three coffee beans for good luck.

LUCAS BOLS
REGIONAL BRANDS

In addition to the global brands, Lucas Bols offers a wide range of more than 15 regional brands of which Pisang Ambon, Bokma, Henkes, Hartevelt and Coebergh are the largest.

The regional portfolio, which can be divided into the Dutch genever portfolio, regional liqueurs and value brands, has proved itself to be a resilient business with strong and stable cash generation. Lucas Bols believes some of the regional brands with their strong heritage have the key attributes for developing internationally, particularly in the Emerging Markets. Other regional brands and products include the Wynand Fockink brand, with a range of artisanal genevers and more than 70 liqueurs, the exclusive KLM Delft Blue miniature houses given to business class passengers travelling with KLM Royal Dutch Airlines and spirit concentrates that are being sold in the African continent.

DUTCH GENEVER PORTFOLIO

With its Dutch genever portfolio Lucas Bols is market leader in the Netherlands. This consists of a domestic Dutch portfolio comprising a wide range of genever and vieux brands, including Hartevelt, Floryn, Corenwyn, Parade, Hoppe, Legner and Bokma. Genever is gaining interest again with a new generation in the Netherlands and it is possibly the next hot spirit after the gin craze. The Dutch genever portfolio also includes brands such as Henkes, which plays an important role in Africa.

REGIONAL LIQUEURS

The regional liqueurs portfolio includes Coebergh, Zwarte Kip and Pisang Ambon, a green banana-based liqueur predominantly sold in the Benelux, France, Scandinavia and Portugal. Coebergh and Pisang Ambon have strong positions in regional and local markets, mainly in the retail segment. Other regional liqueurs are Regnier and La Fleurette, which are popular brands in Japan.

VALUE
BRANDS

Value brands are sold in specific regions around the world. They include Bols Brandy, which is an important brand in South Africa and India that benefits from trade up to accessible international brands. Other brands are Henkes Gin and Henkes Whiskey in a number of countries in Africa and Bootz Rum in India.

WE CREATE GREAT COCKTAIL EXPERIENCES AROUND THE WORLD

MISSION & STRATEGY

MISSION & STRATEGY

MISSION

We create great cocktail experiences around the world by taking our more than 440 years of history as inspiration for developing our brands, maintaining our innovation leadership and becoming the undisputed bartending authority.

STRATEGY

It is our objective to strengthen and grow our global brands in the international cocktail market while maintaining the competitiveness of our regional brands in regional and local markets. To accomplish this, we focus on the key strategic initiatives set out below.

BUILD THE BRAND EQUITY

Enhance the market position of our global brands and maintain the competitiveness of our regional brands.

We position our global brands as leading brands for the international cocktail market. To achieve this, we closely engage with the global bartending community. We share our knowledge and expertise through our extensive network of brand ambassadors, creating new trends in the cocktail market together. We continuously optimise our global brands portfolio and extend our global brands into new and developing markets. Our established regional brands have strong positions in regional and local markets. We actively manage our regional brands by continuously enhancing the portfolio and, where we see good opportunities, introducing existing brands to new markets.

LEAD THE DEVELOPMENT OF THE COCKTAIL MARKET

Use marketing techniques and strategic innovation to optimise the product offering and positioning.

Lucas Bols has an active innovation programme, aimed at continuously updating and launching new flavours and introducing new concepts around the world. We employ various business-to-business (B2B) and business-to-customer (B2C) initiatives. B2B initiatives – such as the Bols Bartending Academy, the Bols Around The World bartending competition and our cocktail recipe database – are used to capture the interest of the bartending community and create an ambassador network, while B2C initiatives – like the House of Bols Cocktail & Genever Experience – raise awareness of Lucas Bols's high-quality products among consumers. Our strong social media presence on various platforms enables direct communication with our community.

ACCELERATE GLOBAL BRAND GROWTH

Tailor growth strategies for the brands to the markets within four geographic segments.

We aim to grow our global brands in all geographic markets. In North America, and in particular the US – a key market for us – we aim to increase our market share through our wholly-owned subsidiary Lucas Bols USA Inc. In Emerging Markets we aim for continued growth of our global brands and pursue selective growth opportunities for the regional brands. In Asia-Pacific, we aim to build the super-premium brands Bols Genever and Galliano as well as accelerate growth of the Bols Liqueurs range. In Western Europe we focus on growth of our global brands, to offset the decline in regional brands in that market.

LEVERAGE OPERATIONAL EXCELLENCE

Optimise and leverage the current business model with a mix of in-house and outsourced activities.

Our current business model with a mix of in-house and outsourced activities provides optimum flexibility and creates a strong platform. We believe we can further leverage our strong platform in various ways. We can add brands, regional as well as global, to either support our regional competitiveness or accelerate our global brand growth, as we have done with the global Passoã brand and the regional Floryn and Legner brands. We believe our platform allows for more selective add-ons to support the further execution of our strategy.

Furthermore we believe our Avandis bottling and blending joint venture can increase its leverage by further growing its bottling and blending activities; the acquisition of the Cooymans distillery is a clear example of this.

CRAFTMANSHIP & INNOVATION

Extracting and creating flavours and spirits is the heart of our company. Building on our heritage dating back to 1575, Lucas Bols has mastered the art of distilling, mixing and blending of natural ingredients into a wide range of exciting flavours.

What we call 'the art of distilling, mixing and blending' is based on four pillars:

- Craftsmanship, expertise and knowledge of the Lucas Bols master distiller and his team;
- Original recipes that have been handed down for the last 4 centuries, as well as innovative recipes created by our team today;
- High-quality natural ingredients that have been carefully selected by the Lucas Bols master distiller and his team;
- The three flavour extraction methods that we have been practicing for over four centuries: distillation, maceration and percolation.

The Lucas Bols master distiller and his team are masters in the art of selecting the right ingredients, and our expertise and curiosity have led to the creation of hundreds of recipes suited to modern-day consumers and bartenders. In our Lucas Bols distillery in the centre of Amsterdam, we produce the essential flavour distillates for the various Bols Genevers, Bols Liqueurs, Damrak Gin and other brands.

The Lucas Bols distillery is a modern yet authentic distillery, where craftsmanship of extracting flavours from natural ingredients through distillation, percolation and maceration is still practised as it has been for the last four centuries. Here we experiment to create new flavours and exciting new products.

History as an inspiration for the future

The original recipes of the Lucas Bols products have been passed down from master distiller to master distiller and are updated to suit contemporary tastes. The Lucas Bols master distiller uses our rich heritage and history as an inspiration for the future, to develop new products or relaunch old recipes for today's tastes and trends. The basis of our products: natural ingredients and craftsmanship of extracting flavours from those ingredients remains the same. Distillation of herbs and spices will extract the flavour molecules through heated evaporation into a clear and flavourful distillate. Maceration extracts both colour and flavour essences from fruit peels and herbs through an alcohol and water mixture like making tea, and percolation also extracts flavour and colour from natural ingredients like making coffee, by continuously pouring hot alcohol and water over a filter with ingredients. This gives yet another taste and colour for the master distiller to create new flavours with.

Product development

Throughout the years, product innovation has been key to the success of Lucas Bols. We work in close collaboration with professional bartenders from all over the world to develop new products, create new flavours and adapt old recipes in line with today's cocktail trends.

Innovation is a continuous process at Lucas Bols, so that the pipeline is always filled with new flavours and spirits, to be launched at the appropriate time and in a relevant market. The creative process can start with a trend that is identified through our international network of bartenders, a trend observed by a local market team or with an idea originating from the creative minds of the master distiller and his product development team. Together with the marketing team, the local market team and the commercial directors, new products are developed, tested and when opportune, launched in one or several markets.

THE LUCAL BOLS PARTNERSHIP MODEL

Lucas Bols has an asset-light business model, which allows the company to focus on its core: brands, marketing and innovative product development. This enables the company to respond rapidly to market trends and new opportunities, giving it a competitive advantage.

This business model also means Lucas Bols can maintain a global footprint, with a relatively small team. To make the model work Lucas Bols enters into long-term partnerships. There are three areas where such partnerships are essential to achieving our business objectives: the blending and bottling of our products, the distribution of our brands and the influencing of our key target groups – bartenders and bar owners. The Lucas Bols partnership model is based on creating a beneficial relationship for both parties.

Distribution partners

For each market where Lucas Bols is present the company operates a distribution model tailored to the specific needs in that market. In the Netherlands distribution of the group's products is handled by Maxxium, a joint venture in which the company holds 50%. In the US, the group distributes its products through its wholly-owned subsidiary Lucas Bols USA Inc. In other markets, the group relies on its strong and long-standing relationships with its distribution partners to assure the route-to-market of its products.

Lucas Bols works with around 60 distribution partners worldwide to supply its products to over 110 countries. The added value of the distribution partners lies in their powerful local networks, their knowledge and understanding of the local markets and their ability to translate Lucas Bols's global marketing plans into effective local brand plans. The relationships with the distribution partners are maintained by the Lucas Bols commercial team, which is responsible for creating added value for the distributors. For example by sharing best practices, developing new products for local needs and liaising with the global marketing team and ensuring that the distributors have a clear added value for Lucas Bols.

In Japan, a key market for Lucas Bols, Asahi Breweries Ltd. has successfully distributed the Bols brands for more than 10 years already. The Lucas Bols products are complementary to the Asahi Beer portfolio and give Asahi the opportunity to build new and stronger relationships with on-trade outlets.

- Bols Liqueurs is able to respond quickly to new flavour trends in the Japanese market allowing the opportunity for tailor-made promotions;
- Bols Genever provides Asahi with access to high-end cocktail bars, allowing it to build relationships with the best bartenders;
- The portfolio of Bols Liqueurs, La Fleurette and Regnier provides the ideal combination to cater to the needs of all customers.

The distribution strength and efforts of Asahi are key contributors to the strong position of Lucas Bols in the Japanese market.

"Bols Liqueurs are complimentary to the Asahi Beer portfolio and provides Asahi with the opportunity to build new and stronger relationships with our customer. Our strong relationship with Lucas Bols helps us to build both our business and brands."

—

Mayuko Matsuo

brand manager at Asahi Breweries,Ltd

Blending and bottling partners

The creation of new products and recipes and the selection and extraction of ingredients are the responsibility of the Lucas Bols master distiller and his team. The final blending and bottling of our products is outsourced to strategic partners in various countries spread across a number of continents, including the US, Argentina, India, South Africa and the Netherlands. The blending and bottling process takes place under the auspices of and is subject to quality control by the Lucas Bols master distiller and his team.

The partner for blending and bottling in the Netherlands is the joint venture Avandis. Lucas Bols was one of the founding partners of Avandis and holds a 33% stake in the company. The Lucas Bols and Avandis teams collaborate very closely, and the master distiller and members of his team are regularly present at the Avandis blending and bottling facility.

"With pride and sense of quality, we at Avandis have been producing the wide variety of the Bols product range for many years. In a team effort we work together with Lucas Bols on new introductions, occasionally facing challenging issues and deadlines. As a result of our collective effort, based on confidence and open communication, Avandis and Lucas Bols have been realising products which can be found in bars and shops all over the world. 'Since 1575' is a slogan also widely heard at the Avandis production plant."

Ingrid Aarssen

manager quality and innovation at Avandis

Bartending partners

Lucas Bols operates in the business-to-business market, where its main clients are bartenders and bar owners. They decide which products are stocked and which products are placed on cocktail menus, and are also the creators of new cocktail trends and popular drinks. Lucas Bols maintains these important relationships via distributors and a network of Bols brand ambassadors. These brand ambassadors are key players in the bartender community and are vital in developing the Lucas Bols brands. Our network of brand ambassadors is spread across the globe but works as a single team. The brand ambassadors, all bartenders themselves, are fully dedicated to transferring knowledge and to promoting the Lucas Bols brands. They give training courses and seminars on the Lucas Bols products and are in constant close contact with their local and international network of bartenders and bar owners.

The Bols Bartending Academy team continuously inspires and trains the brand ambassador team, while the brand ambassadors are consulted in the product development processes of the master distiller and his team. One of our key brand ambassadors is Agostino 'Ago' Perrone, global ambassador for the Galliano brand. Perrone, who is known around the world, works at the world's best bar – the Connaught Bar in London – and was voted 'European Mixologist of the Year' 2017. He has been associated with the brand for over 10 years and plays a fundamental role in the Galliano brand strategy.

"It is great to work with Lucas Bols and Galliano, as our partnership really reflects my work ethic and style, where tradition, (Italian) heritage and innovation meet. Our cooperation is fantastic because we intuitively find new and innovative projects to work on, such as the development of Galliano L'Aperitivo, which we have worked on together from the start. I am very proud when I travel for Lucas Bols, sharing my country's flavour and drinking traditions with bartenders and consumers, as well as the quality and versatility of the Galliano range. Our message stands out and is even more exciting given the new cocktail trends."

Agostino Perrone
global brand ambassador Galliano

Vanilla Berry Crush

15 ml Bols Strawberry
1 dash Bols Vanilla
30 ml Bols Genever
3 Lemon parts
3 Fresh strawberries


BOLS
AMSTERDAM 1575

THE REVAMPED HOUSE OF BOLS
COCKTAIL & GENEVER EXPERIENCE

1575

In the last 10 years the House of Bols Cocktail & Genever Experience in Amsterdam has helped create Bols fans and brand ambassadors among consumers, distributors, clients and bartenders from around the world. It plays a key role in marketing the Bols brand.

The geographical profile of the visitors matches our key markets, which include the US, Germany, the UK, Scandinavia, Asian countries and of course our home market the Netherlands. The House of Bols tour takes around 50,000 visitors each year on an interactive journey into the world of cocktails, the Dutch spirit genever, the history of the world's oldest distilled spirit brand: Lucas Bols and the craftsmanship used to make our products. The tour includes a free audio guide and a cocktail of your choice, prepared by highly trained Bols bartenders.

Since it opened 10 years ago the House of Bols has welcomed nearly 500,000 visitors and served over a million cocktails. To ensure that the House of Bols remains an up-to-date and relevant experience for the next 10 years, it has been revamped and updated in the last two years. This year we specifically added new technology in the 'art of flavour' expierence, and a visitor friendly 'Do-It-Yourself' bar.

The redesigned experience highlights three elements:

- Four centuries of craftsmanship: showcased in the spectacular extraction and ingredients rooms, which display and explain the heart of the Lucas Bols company: how we have been extracting flavour from natural ingredients since 1575.
- Bols is all about flavour: the new 'art of flavour' experience takes flavour to the next level, with video, audio and sensory technology allowing visitors to experience flavour like never before.
- Learn to make your own cocktail: the new 'Do-It-Yourself' bar gives visitors the opportunity to learn to make cocktails themselves, which in turn encourages them to start making cocktails at home using Bols products. The Do-It-Yourself bar is also used for group cocktail workshops.

In addition the House of Bols now offers a complimentary audio tour in five languages, featuring fun new elements such as 'the voice of Lucas Bols' welcoming the visitor to the history room.

www.houseofbols.com


BATW
BOLS AROUND THE
Bols
Genever
Amsterdam
est. 1575

BOLS AROUND THE WORLD BARTENDING COMPETITION
THE NEXT BOLS GENEVER PIONEER

The annual BATW competition is aimed at creating Bols ambassadors in the global bartending community.

BATW 2017: the next Bols Genever Pioneer

This year an innovative approach was taken with the competition, providing a platform for the best bartenders in the world to demonstrate both their creative and their business skills. Instead of a classic cocktail competition to show off their bartending skills, contenders were challenged to show how they can contribute to the quest of bringing back Bols Genever, the forgotten spirit.

An online and offline selection process was designed with the ultimate goal of finding the next Bols Genever Pioneer.

The selection process – from 2,000 to 21 contestants

The competition started with over 2,000 participants from over 75 countries. In three online heats they were tested on their creativity, knowledge, hospitality and the ability to approach Bols Genever from a business angle. In the last heat three semi-finalists in each of seven regions around the world were visited by Bols ambassadors and Lucas Bols commercial directors in their bars, where they showcased their Bols Genever concept.

The final

Seven finalists were invited to Amsterdam for the final competition, which took place on 10 May 2017. The finalists were asked to bring their Bols Genever concept to life in one of the bars in ‘Bols Genever Street’ in the heart of Amsterdam. The winner was chosen by an esteemed panel of international authorities in the cocktail market, including cocktail historian David Wondrich, journalist/author of the PDT Cocktail Book Jim Meehan, Lucas Bols master distiller Piet van Leijenhorst, Lucas Bols master bartender Ivar de Lange, and global brand ambassador Malika Saidi. The proud winner of the BATW 2017 title, Jessica Mili from Canada, will travel the world as the Bols Genever Pioneer, using her innovative concept “Still life” to help bring back the forgotten spirit Bols Genever.

www.bolsaroundtheworld.com

WYNAND FOCKINK
TASTING TAVERN

The Wynand Fockink tasting tavern is located in the Pijlsteeg, an alley off Dam Square in Amsterdam. Wynand Fockink started distilling liqueurs here in 1679.

He later added a tasting tavern and a shop where his products could be sampled and bought. Today you can still experience Wynand Fockink's artisanal genevers and more than 70 liqueurs in the authentic tasting room at exactly the same location in the heart of Amsterdam. In the past year, Wynand Fockink launched it's new liqueur Smoked Bell Pepper, which is popular with cocktails bars in Amsterdam. The tasting tavern continues to be a favorite tourist- and locals destination.

www.wynand-fockink.nl

BOLS BARTENDING
A C A D E M Y

The Bols Bartending Academy is Europe's largest bartending school and provides a unique learning environment with 12 professionally equipped bars and a dedicated team of experienced trainers.

We train our students in all aspects of the bartending profession including industry-wide knowledge of drinks and spirits, speed and efficiency techniques, responsible drinking, hygiene and of course cocktail mixology. Students come here privately from around the world, or are invited through our distributors, to visit Bols in Amsterdam. At the Bols Bartending Academy we work in close collaboration with those global professional bartenders to develop new products that are in line with today's cocktail trends.

www.bolsbartendingacademy.com

COMPOSITION OF THE SUPERVISORY BOARD

MR. D.C. (DERK) DOIJER

1949, Dutch nationality

Chairman

Current term commenced on 4 February 2015 and expires in 2019. Re-election will be scheduled at the AGM in 2018.

Other positions

Member of the Supervisory Board of the Stiho Groep B.V.

MRS. M.M. (MARINA) WYATT

1964, British nationality

Member

Current term commenced on 6 February 2015 and expires in 2019. Re-election will be scheduled at the AGM in 2018.

Other positions

Chief Financial Officer UBM plc

Non-executive director of Renewi plc

MRS. A.L. (ALEXANDRA) OLDROYD

1967, British nationality

Member

Current term commenced on 1 September 2016 and expires in 2020. Re-election will be scheduled at the AGM in 2020.

Other positions

Managing Director Fluxion Advisors

Non-executive director Brockmans Gin

REPORT OF THE SUPERVISORY BOARD

2016/17 was a year in which Lucas Bols further strengthened its market position, both in the Netherlands and globally. North America and Emerging Markets saw favourable developments and as expected Asia-Pacific saw a clear recovery. This all in all translated into healthy organic growth in the global brands and increased operating results in the regional brands.

The year was marked by the establishment of Passoã SAS with Rémy Cointreau to operate the Passoã brand. We are very pleased to have added the iconic Passoã brand to our portfolio. We are fully confident the management of the brand by Lucas Bols will contribute to the further development and the world-wide growth of the Passoã brand and we look forward to a good cooperation with Rémy Cointreau.

Activities of the Supervisory Board in 2016/17

The Supervisory Board held five ordinary meetings and five extraordinary meetings (conference calls) during the year under review. All members were present at all meetings. All meetings were held in the presence of the Management Board, with the exception of one, at which the Supervisory Board discussed and decided on the performance appraisal and associated variable remuneration of the individual Management Board members.

All but one physical meeting took place at the company's offices in Amsterdam. One meeting took place at Avandis, the blending and bottling joint venture of Lucas Bols. Between meetings, the chairman, Mr. Derk Doijer, maintained contact with the Management Board on a regular basis and Supervisory Board member Mrs. Marina Wyatt was in regular contact with Joost de Vries on audit-related matters.

Topics discussed in the various meetings included the financial performance of the company and market, brand and distribution developments in the various markets in which Lucas Bols operates, with special attention to the US, as well as the mid and long-term strategy of the company. In addition, the Supervisory Board discussed the following topics with the Management Board:

- The short-term strategic priorities for the company;
- The establishment of the jointly owned entity with Rémy Cointreau S.A., Passoã SAS;
- The acquisition by the company's joint venture Avandis of the activities of Distillery Cooymans;
- The acquisition of genever brands Floryn and Legner and Leyden Gin;
- Management development, including changes in the organisational structure;
- The assessment of strategic, operational, financial and compliance risks, including internal control systems and risk approach and the internal audit functions;
- Investor relations, including the view of analysts and investors as well as changes in the shareholder base;
- The budget for the 2017/18 financial year;
- The changes in regulations and applicable IFRS;
- The publication of the revised Dutch Corporate Governance Code (the Code) and the implications for Lucas Bols;
- The preparation, evaluation and follow-up of the general meeting of shareholders.

During the financial year 2016/17, the Supervisory Board met with the external auditors on two occasions. The auditors were present at the meeting in June 2016 to discuss the 2015/16 financial statements as well as the external auditor's report and findings. Furthermore, the auditors were present at the Supervisory Board meeting in November 2016 to discuss the key items for the audit of the 2016/17 financial statements. The Company's accounting policies and reporting and financing structures were discussed on both occasions.

Based on the evaluation by the Management Board of Lucas Bols's internal control system and the discussions with the auditor, it is the opinion of the Supervisory Board that internal control elements are effectively integrated within the Company's operations.
In accordance with best practice provision V.3.3 of the Code, based on these observations it is the opinion of the Supervisory Board that there is currently no reason to recommend the installation of a dedicated internal audit function. The Supervisory Board reviews this decision annually.

Composition of the Supervisory Board and Management Board

The composition of the Supervisory Board changed during the year under review. Mrs. Alexandra Oldroyd was nominated for appointment in March 2016 and was appointed as member of the Supervisory Board at the general meeting of shareholders of 1 September 2016. In April 2016 Mr. Bert Meerstadt announced his resignation from the Supervisory Board for personal reasons. Following his resignation, the Supervisory Board in conjunction with the Management Board started the selection procedure for the vacancy, with marketing and digital experience being the most important criteria. The Supervisory Board is very pleased to nominate Mr. Ralph Wisbrun for appointment to the Supervisory Board at the general meeting of shareholders of 7 September 2017. Mr. Wisbrun's in-depth marketing and communication knowledge as well as his entrepreneurial and management experience will be of great added value to the Supervisory Board. Following the appointment of Mr. Wisbrun there will be no more vacancies on the Supervisory Board. Once the Supervisory Board is complete, it will appoint a vice-chairperson from its midst and will also decide who will chair the meetings relating to remuneration. Following the resignation of Mr. Meerstadt from the Supervisory Board, meetings relating to remuneration were temporarily chaired by Mr. Doijer.

There were no changes in the composition of the Management Board during 2016/17.

Supervisory Board committees

Since the Supervisory Board consists of not more than four members it has decided not to appoint any committees from among its members in the interest of efficiency. However, audit-related meetings are chaired by Mrs. Wyatt and during the year under review meetings regarding remuneration were –temporarily- chaired by Mr. Doijer.

Report of the annual general meeting of shareholders

At the Annual General Meeting of Shareholders held on 1 September 2016, the Management Board gave an account of the general state of affairs at Lucas Bols and its financial performance in 2015/16. The meeting adopted the 2015/16 financial statements. The members of the Management Board were discharged from liability for their management and the members of the Supervisory Board for their supervision thereof. The meeting appointed Mrs. Alexandra Oldroyd as member of the Supervisory Board for a 4-year term. The meeting authorised the Management Board to issue ordinary shares, limited to a maximum of 10% of the total number of outstanding shares for a period of 18 months as well as to repurchase ordinary shares limited to 10% of the total number of issued shares outstanding. EY accountants, the auditor of the 2015/16 financial statements gave a presentation on the auditor's opinion.

Remuneration

The remuneration of the members of the Management Board for 2016/17 was determined by the Supervisory Board, with due observance of the remuneration policy adopted by the general meeting on 3 February 2015. The policy is aimed at attracting, motivating and retaining highly qualified executives and offering members of the Management Board a balanced and competitive remuneration package that is focused on sustainable results and is consistent with the strategy of the company. The fixed and variable remuneration package of the Management Board is set around the median of comparable Dutch listed companies and international companies operating in the industry. The remuneration package consists of both fixed and variable components.

Further explanation of the remuneration policy and the implementation thereof as well as the remuneration for the

Management Board and the Supervisory Board in 2016/17 is provided in the Supervisory Board's remuneration report, which is included in this annual report on pages 80-83. Information on the costs of the remuneration of the Management Board and the Supervisory Board in 2016/17 is contained in note 8 to the company's financial statements.

Self-assessment of the Supervisory Board

A self-assessment was carried out in 2017, with all Supervisory Board and Management Board members completing a questionnaire. Items assessed and subsequently discussed included:

(i) composition of the Supervisory Board
(ii) effectiveness of the meetings of the Supervisory Board
(iii) adequacy of the information supplied to the Supervisory Board and
(iv) training of the Supervisory Board.

Overall, these items were assessed positively. Key points for follow-up were that the Supervisory Board would benefit from the appointment of a member with marketing and brand-building knowledge. Furthermore the Supervisory Board would like to increase its exposure to people who report to the Management Board and to young talent.

2016/17 financial statements and dividend

The Supervisory Board reviewed and discussed the 2016/17 annual report and financial statements. The 2016/17 financial statements, as prepared by the Management Board, have been audited by EY, whose auditor's report is included in this report, and were extensively discussed in June 2017 by the Supervisory Board and the external auditor in the presence of the Management Board.

The Management Board will present the financial statements for 2016/17 and its report at the Annual General Meeting on 7 September 2017. The Supervisory Board recommends that the Annual General Meeting adopt the 2016/17 financial statements and discharge the Management Board and the Supervisory Board from liability for their management in the year under review and the supervision thereof, respectively. The Supervisory Board endorses the Management Board's proposal to the Annual General Meeting to pay an all-cash final dividend of € 0.26 per share for 2016/17, bringing the total dividend for the year 2016/17 to € 0.57 per share.

The members of the Supervisory Board wish to thank the employees of Lucas Bols and the Management Board for their efforts and commitment. Furthermore, the members would like to thank the business partners for their long-term relationship with the company and the shareholders of Lucas Bols for their trust in the company and its people.

Amsterdam, 7 June 2017

On behalf of the Supervisory Board, **Derk Doijer, Chairman**

GALLIANO L'APERITIVO

GALLIANO TONIC
THE PRE-DINNER DRINK

SPIRITO ITALIANO

LIVORNO 1896

GALLIANO

SPIRITO ITALIANO

GALLIANO TONIC

1 part GALLIANO L'APERITIVO

2 parts TONIC

Add orange wheel & ice

GALLIANO.COM

Please enjoy Galliano responsibly.

COMPOSITION OF THE MANAGEMENT BOARD

HUUB VAN DOORNE
CHIEF EXECUTIVE OFFICER

MR. H.L.M.P. (HUUB) VAN DOORNE – CEO
(current term expires in 2019, re-election will be scheduled at the AGM in 2018).

Huub van Doorne (1958) initiated a buyout of Lucas Bols in 2006, as a result of which Lucas Bols became independent and returned to Amsterdam.

In addition Huub is vice-chairman of Spirits NL, the Dutch spirits industry organisation, and a board member of STIVA, the Dutch foundation for responsible alcohol consumption. Huub also holds board positions within the Lucas Bols joint ventures: he is a member of the supervisory board of Avandis, chairman of the supervisory board of Maxxium and a member of the board of Bols Kyndal. Furthermore, Huub is chairman of the supervisory board of NL Het Aambeeld N.V., a company based in the Netherlands Antilles.

JOOST DE VRIES
CHIEF FINANCIAL OFFICER

MR. J.K. (JOOST) DE VRIES – CFO
(current term expires in 2019, re-election will be scheduled at the AGM in 2018).

Joost de Vries (1963) teamed up with Van Doorne in 2005 to prepare the buyout of Lucas Bols, which was effected in 2006.

In addition, Joost holds board positions within the Lucas Bols joint ventures: he is chairman of the supervisory board of Avandis, a member of the supervisory board of Maxxium NL and a member of the board of Bols Kyndal.

REPORT OF THE MANAGEMENT BOARD

Introduction

In the 2016/17 financial year Lucas Bols took a number of steps to further leverage its strong production and distribution platform. The establishment of the Passoã SAS, a jointly owned entity with Rémy Cointreau was a major highlight. In 2016/17 the company also further implemented the important steps taken in 2015/16 to optimise our route to market. The expanded distribution partnerships, the new market entries and the various product launches resulted in a clear strengthening of the positioning of the Lucas Bols brands and contributed to the growth of the global brands.
We also strengthened the commercial organisation during the year under review. We increased our local presence in the markets, for instance by relocating our commercial director Asia-Pacific from Amsterdam to Singapore. A number of appointments, including commercial director Southern Europe and national accounts manager retail in the US, noticeably strengthened the commercial team across the board.

These developments were clearly reflected in our results, with a healthy organic revenue growth of 4.2% in our global brands. North America and the emerging markets saw favourable developments with good revenue growth throughout the year. As expected, Asia-Pacific staged a recovery on the back of good performance in Australia.

Leveraging our strong platform

Passoã SAS

One of the most notable developments in 2016/17 was the addition of the Passoã brand to the Lucas Bols global brands portfolio. On 1 December 2016 Lucas Bols and the Rémy Cointreau Group formed Passoã SAS, a jointly owned entity based in France, to operate and further develop the global activities of the iconic Passoã brand. Lucas Bols is responsible for the day-to-day management of Passoã and for running the normal business operations. Lucas Bols assumed operational and financial control of Passoã SAS and as a result fully consolidates Passoã SAS into its accounts. In due time, the jointly owned entity could lead to the acquisition by Lucas Bols of all shares then held by Rémy Cointreau. This chosen structure allows for a smooth transition while enabling Lucas Bols to maintain a prudent financing structure. Passoã was consolidated into Lucas Bols's accounts with effect from 1 December 2016.

Passoã, the passion fruit liqueur, is an iconic premium brand and its addition is an excellent fit with our strategic ambition to strengthen and grow our global brands portfolio. As a key ingredient of various cocktails and with its own signature cocktail Passoã contributes to our mission to create great cocktail experiences around the world. The Passoã brand complements both the Bols Liqueurs range and the Italian liqueurs. There is a significant overlap in distribution partners between

Passoã and the Lucas Bols brands portfolio. Adding Passoã increases the distribution strength of Lucas Bols as it significantly raises the group's sales volumes, especially in France, Belgium and the UK. Furthermore it will enable Lucas Bols to leverage its own distribution network in the Netherlands and the US, generating synergies from distribution efficiencies. We believe we will be able to further grow the Passoã brand, building on its recent successes in the on-trade environment in various markets. Passoã is currently sold in over 40 countries, which presents opportunities for distribution expansion into new markets, building on the global presence of the Bols Liqueurs range and Galliano.

Purchase of Dutch genever brands Floryn and Legner as part of the acquisition of Distillery Cooymans by Avandis

In July 2016 our blending and bottling joint venture Avandis acquired the activities of Distillery Cooymans in Tilburg.This acquisition enables Avandis to strengthen its market position and further enhance the service it provides to clients with this new combination of know-how and production facilities. As part of this transaction, Lucas Bols acquired the Floryn and Legner genever brands and the small brand Leyden Gin, further strengthening our leading position in the genever market.

Route to market

In 2015/16 significant focus was placed on optimising our global distribution platform and renewing contracts with several of our existing distributors, as well as on signing distribution agreements with new partners. These steps were further consolidated in the subsequent financial year, resulting in healthy organic growth of the global brands. In the year under review a small number of new contracts were signed in Croatia, the Baltics and Cyprus. Moreover initial results from new market entries, including the Caucasus and some African markets, have been promising. Furthermore regional brand ambassador networks were introduced, including in Eastern Europe, the Nordic countries and Central Europe.

Operational developments

Global brands

The underlying market dynamics in the global cocktail market remain healthy. The growth trend is continuing, albeit that each region is at a different stage of development. The market developments strengthen our belief in the potential of our global brands.

We see a trend of pure and simple cocktails and basic mixes that is a good fit with our portfolio. We also see a continuation of the classic cocktail trend – a trend our Bols Genever is well able to accommodate. The authenticity and heritage trend also remains present: something we obviously benefit from with our Bols brand and its history that stretches back more than 440 years.

As part of our strategic marketing programme we hosted four editions of Bols Business Class in the year under review: in Copenhagen, St. Petersburg, Bristol and Warsaw. The sessions are aimed at bar owners and bar managers and aim to provide an inspirational and educational event and improve the business side of the bar. We also hosted a large number of Bols Bartending academy on tour activations in various cities around the world. These are training sessions aimed at bartenders to raise the level of hospitality, to inspire, educate and create awareness of the Bols brand.

Bols Liqueurs range

In 2015/16 there was a clear focus on the introduction of a large number of new flavours, such as Date, Pear, Pink Grapefruit and

Pineapple Chipotle. In the year under review these new flavours were launched in various markets worldwide. In Hong Kong six new flavours were introduced while in Japan new recipes were developed to adapt the two most popular flavours – Crème de Cassis and Peach – to local taste preferences. These initiatives are in line with Lucas Bols's strategy of optimising the Bols Liqueurs range on a market-by-market basis.

The Bols brand (including the Liqueurs range and Bols Genever) was represented at a large number of trade shows during the year under review. These shows took place around the globe and include the Singapore cocktail festival, the Paris Cocktail week, the Berlin Bar Convent, the Moscow Bar show and the famous Tales of the Cocktail festival in New Orleans. It goes without saying that the Bols brand also participated in the Amsterdam Cocktail Week in our home town.

In 2016/17 the Bols.com website was completely renewed, with the content being upgraded and the site made more accessible to optimise the user experience. The website content has been clearly segmented to distinguish between professional users and end consumers.

Bols Genever

The Bols Genever brand once again showed good growth in the 2016/17 financial year. The expansion to top-end bars in big cities around the world continued and Bols Genever can already be enjoyed in key cities in over 25 countries. The full Bols Genever range was introduced in Poland, Italy, Scandinavia and South Korea. Bols Genever was one of the sponsors of the World's 50 Best Bars contest, which attracted more than 500 participants, including important bar owners and bartenders from around the world. This resulted in increased acceptance and renewed awareness of the Bols Genever brand among a key target group.

With more than 2,000 bartenders from over 70 countries taking part, the Bols Around the World Bartending contest 2017 aimed at finding the new Bols Genever Pioneer, also greatly enhanced the level of knowledge about and experience with Bols Genever .

Bols Vodka

Bols Vodka continued its growth, further increasing revenue in existing markets and expanding into multiple markets in 2016/17, including into Thailand and Vietnam. In the Netherlands Bols Vodka grew significantly in terms of revenue and market share, in both the on and the off-trade. Bols Vodka also performed very well in Scandinavia. In Canada we saw a decline due to heavy price competition.

Damrak Gin

The gin & tonic trend is still continuing and Damrak Gin is clearly benefitting. The new brand identity developed in 2015/16 supported further strong growth for the brand. Damrak Gin further increased its market share in existing markets such as the US and the Netherlands, including in the retail channel. The brand was also introduced in a number of new markets, including Italy.

Italian Liqueurs

The full Galliano range was introduced in a number of markets, including Poland, Italy and Australia. Galliano L'Aperitivo was introduced in the US, the Netherlands, Israel and Canada to strengthen the Galliano platform and as part of the bitters trend.

The Vaccari Sambuca brand recorded strong growth in the important Mexican market as well as in the Netherlands.

Regional brands

Our regional brands comprise our Dutch domestic portfolio, which performed relatively well with an increase in market share in a still declining market, as well as brands that have a strong position in various regions around the world, such as the Henkes brand and concentrate business for local production in Africa, Bols Brandy in India and the La Fleurette and Regnier liqueurs in Japan.

In the domestic genever and vieux category in the Netherlands we further strengthened our market position with the acquisition of Dutch genever brands Floryn and Legner. This acquisition increases the market share of our domestic genever and vieux portfolio to over 30%.

Outside the Netherlands our regional brands are performing increasingly well. Africa in particular is an important region for these brands and one of the fast-growing regions in our sector today. Africa is therefore an important base for the expansion of our regional brands outside the Netherlands. The regional brands offer good quality at a good price, leading to a strong position in an increasing number of markets. Leveraging the strong brand equity of the Henkes brand, we also launched Henkes Gin and Henkes Whisky in a number of African countries.

Various brand activations involving Pisang Ambon brought a return to growth for this brand in its most important market, France.

Wynand Fockink also had a good year, with the tasting tavern in Amsterdam again experiencing growth and the artisanal liqueurs and genever brand being sold at an increasing number of on-trade outlets in the Dutch capital, beyond the actual tasting tavern.

Lucas Bols Experiences

Ten years after its opening the House of Bols Cocktail and Genever experience was fully revamped in 2016/17. The redesign includes the spectacular extraction and ingredients rooms, which display and explain how Lucas Bols extracts flavours, the new 'art of flavour' experience and the new 'Do it Yourself' cocktail bar.

In 2016/17 the Bols Around The World competition was aimed at finding 'the next Bols Genever Pioneer'. An innovative approach was taken with the competition, which provided a platform for the best bartenders in the world to demonstrate both their creative and their business skills. Contenders were challenged to show how they can contribute to the quest of bringing back Bols Genever, the forgotten spirit. The final of the contest was held in Amsterdam on 10 May 2017 with many visitors from around the world and wide international press coverage. Overall more than 2,000 bartenders from over 75 countries took part in the contest.

Financial review

Revenue

Lucas Bols's revenue for the financial year ended 31 March 2017 amounted to € 80.5 million, an increase of 10.8% compared to € 72.6 million in the previous financial year. The Passoã brand was consolidated from 1 December 2016, contributing € 5.1 million to revenue. Foreign currencies had a positive impact of € 0.3 million, as a strengthening of the Japanese yen, Australian dollar and Russian rouble was offset by a weakening of the pound sterling and Latin American currencies. On an organic basis revenue increased by 3.4%.

Revenue of our global brands segment improved by 14.8% (+4.2% organically) and our regional brands achieved revenue growth of 1.8% (+1.6% organically). All regions reported revenue growth. Emerging Markets reported significant organic growth (+20.1%), with an excellent performance in Eastern Europe (including Russia) and Africa. Revenue in Asia Pacific increased by 5.3% organically due to the recovery of shipments to Australia and New Zealand. In North America (+4.7% organic growth) the US market continued its strong performance with mid-single-digit revenue growth which was partly offset by a decline in Canada. In Western Europe we saw a revenue decrease of 2.3% on an organic basis, an improvement compared to last year as a result of strong growth of the global brands. Including Passoã, Western Europe showed a strong increase of 9.2%.

Gross profit

Gross profit for the full year 2016/17 amounted to € 48.4 million, a 13.4% increase compared to € 42.7 million in the 2015/16 financial year. On an organic basis, gross profit amounted to € 44.5 million, up 4.3%. The reported gross margin increased by 130 bps to 60.1% (up 50 bps organically).

EBIT

EBIT for the full year 2016/17 came in at € 18.2 million (2015/16: € 17.6 million). Passoã contributed € 1.6 million to EBIT in the last four months of the financial year. The limited extra overhead required for Passoã was evidence of the strong leverage of our platform. Currency effects had a positive impact of € 0.2 million on EBIT. In the full year 2016/17 the level of investment (excluding Passoã) was € 2.3 million higher than in the previous year, in line with our strategy to grow our global brands. Furthermore in 2016/17 one-off transaction and advisory costs amounted to € 2.0 million, partly offset by a one-off gain of € 1.4 million related to the acquisition of Distillery Cooymans by Avandis.

Developments in global brands and regional brands

Global brands

Our portfolio of global brands consists of Bols Liqueurs, Bols Genever, Bols Vodka, Damrak Gin, Passoã and our Italian liqueurs Galliano and Vaccari Sambuca.

(IN € MILLION UNLESS OTHERWISE STATED, FOR THE YEAR ENDED 31 MARCH)	2017	2016	% CHANGE REPORTED	% CHANGE ORGANIC*
Revenue	57.8	50.4	14.8%	4.2%
Gross profit	37.0	31.9	16.1%	4.0%
% of total revenue	*64.1%*	*63.3%*	*-80bps*	*-10bps*
EBIT	23.0	19.7	16.7%	3.1%
% of total revenue	*39.8%*	*39.1%*	*70 bps*	*-40 bps*

* at constant currencies, excluding one-off items and four months of Passoã

Revenue of the global brands for the full year 2016/17 amounted to € 57.8 million, an increase of 14.8% compared to € 50.4 million in 2015/16. Passoã contributed € 5.1 million to revenue (consolidated from 1 December 2016). Currencies had a positive impact of € 0.2 million on revenue. Organically, revenue increased by 4.2%.

Growth of the global brands was mainly driven by the addition of the Passoã brand and double-digit revenue growth of the Italian Liqueurs. The latter was the result of the recovery of Galliano shipments to Australia combined with growth of the Galliano brand in Italy, Canada, USA and the Netherlands. In the white spirits segment, Bols Genever and Damrak Gin continued to achieve strong revenue growth. Bols Vodka also posted good growth in the Netherlands and Scandinavia, but this was offset by a decline in Canada due to heavy price competition. The Bols Liqueurs range showed low single-digit growth after an improvement in the second half year.

Western Europe

Revenue in Western Europe showed a strong increase in the 2016/17 financial year. This growth was attributable to the addition of Passoã, as its contribution is the largest in the region. Organically revenue remained more or less stable compared to last year. Shipments to Belgium were significantly down due to the excise duty increase in November 2015. 2016/17 also saw deliberately lower shipments to the German/Scandinavian border. These developments were offset by a good recovery in the second half in this region as a result of a good performance in Germany, Italy and Spain. The Dutch market remained strong with a continuation of double-digit growth, mainly from Damrak Gin and Bols Vodka.

Asia-Pacific

Asia-Pacific returned to healthy growth levels in 2016/17, mainly as a result of the recovery of Galliano shipments to Australia and New Zealand. In South Korea and Indonesia we experienced difficult market circumstances. Bols Liqueurs stabilised in Japan after the price increase. We achieved satisfactory results in the Chinese market, based on the expansion of the number of outlets serving cocktails and the growing culture of mix drinks and cocktails.

Emerging Markets

Eastern Europe showed very good growth, driven by Russia and Poland and the first shipments to new markets including the Caucasus. Continued A&P investments in Bols Liqueurs in Russia and Poland are paying off as the brand has shown significant growth in difficult market circumstances. Also, operating profit from these markets increased compared to last year despite the extra investments. South America was in decline due to deliberately lower shipments to this region.

North America

The Bols Liqueurs range continued its good performance in the US with mid-single-digit revenue growth due to new listings, the expansion of flavours in various states and the first good results in retail. As a result, our market share in the US increased while the category of range liqueurs was slightly down compared to a year ago. The good performance in the US market was partly offset by a decline in Canada in the second half of the year, mainly due to lower shipments of Bols Vodka.

Gross profit increased to € 37.0 million in the year under review from € 31.9 million in 2015/16, a reported increase of 16.1%. On an organic basis gross profit was up 4.0% (currencies had a € 0.2 million positive impact). The gross margin rose 80 bps to 64.1% (2015/16: 63.3%) due to the positive impact of Passoã, while organically the gross margin was flat compared to a year ago.

Reported EBIT for the global brands segment amounted to € 23.0 million (2015/16: € 19.7 million), an increase of 16.7% which was mainly attributable to the addition of Passoã. As a result the EBIT margin increased by 70 bps. Currencies had a positive effect of € 0.2 million on EBIT. On an organic basis EBIT was up 3.1% compared to the year before.

Regional brands

Our regional brand portfolio contains the portfolio of Dutch Genevers and Vieux (which enjoy market leadership in the Dutch market), the Pisang Ambon and Coebergh brands as well as a broader range of products that are sold on one continent or in a specific country such as the Henkes brand in Africa or Regnier Crème de Cassis in Japan.

(IN € MILLION UNLESS OTHERWISE STATED, FOR THE YEAR ENDED 31 MARCH)	2017	2016	% CHANGE REPORTED	% CHANGE ORGANIC*
Revenue	22.7	22.3	1.8%	1.6%
Gross profit	11.4	10.8	5.4%	4.9%
% of total revenue	*50.1%*	*48.4%*	*170 bps*	*160 bps*
EBIT	11.0	9.5	15.9%	6.0%
% of total revenue	*48.4%*	*42.5%*	*590 bps*	*190 bps*

* at constant currencies, excluding one-off items and four months of Passoã

Revenue of the regional brands for the full year 2016/17 amounted to € 22.7 million compared to € 22.3 million for 2015/16. The increase in revenue was mainly the result of the strong performance of our business in Africa as well as a further strengthening of our market share of domestic spirits in the Dutch market to over 30%. These positive developments were offset by a decline in our regional portfolio in Belgium due to the excise duty increase in November 2015. Since January 2017 we have seen a gradual improvement to low single-digit declines in this market. Currencies had a small positive impact of € 0.1 million on revenue.

Gross profit increased by 5.4% from € 10.8 million in 2015/16 to € 11.4 million in the year under review. Currencies had a very small positive impact. The gross margin increased by 160 bps organically, mainly as a result of changes in the regional mix with higher sales in Africa.

EBIT for the regional brands segment came in at € 11.0 million, an increase of 15.9% compared to the previous year (€ 9.5 million). This was mainly the result of the one-off gain following the acquisition of Distillery Cooymans by the Avandis joint venture. EBIT increased by 6.0% organically, exceeding our objective of stabilising the regional brands segment. The EBIT margin was up 590 bps to 48.4%.

Finance costs

Finance costs increased from € 2.6 million in 2015/16 to € 2.9 million in the year under review following higher interest costs as a result of the inclusion of assumed debt related to the Passoã entity (€ 0.5 million). Excluding Passoã, finance costs decreased to € 2.4 million due to lower average net debt.

Taxes

Normalised tax expenses amounted to € 3.2 million in 2016/17 (€ 3.3 million in 2015/16). Reported taxes include a one-off tax benefit of € 3.2 million relating to the application of the research and development tax incentive over the previous fiscal years. This tax incentive also has a modest positive impact in this fiscal year and the coming fiscal years up to 2019/20.

The effective tax rate excluding the one-off tax benefit was approximately 23% for the full year 2016/17, slightly below the nominal tax rate, as a result of the effect of the share of profit of joint ventures.

Profit for the period

Net profit for the 2016/17 financial year amounted to € 15.1 million, a significant increase of 28.6% compared to € 11.7 million in 2015/16. Passoã contributed € 0.7 million, excluding one-off transaction and advisory costs, to the net profit in the last four months of the financial year. Earnings per share came in at € 1.21 compared to € 0.94 a year ago. Normalized earnings per share, excluding one-off items, came in at € 0.98.

Cash flow

The operating free cash flow increased to € 17.5 million (2015/16: € 16.7 million). The strong operating cash flow was supported by an improvement in working capital compared to 2015/16. Cash flows were used to pay dividends (€ 6.7 million) and invest in Distillery Cooymans (€ 1.8 million). Net debt* remained stable despite the investment in Passoã (€ 5 million).

(IN € MILLION UNLESS OTHERWISE STATED, AS AT 31 MARCH)	2017	2016
Total equity	170.8	161.8
Net debt*	50.7	51.0
Net debt* / EBITDA ratio	2.8	2.8

* net debt is calculated as per the financing agreements (excluding impact of Passoã)

Equity

Equity increased by € 9.0 million to € 170.8 million, mainly as a result of the recorded net profit of € 15.1 million and the distribution of the dividend of € 6.7 million.

Net debt

Net debt* decreased by € 0.3 million to € 50.7 million at 31 March 2017 (31 March 2016: € 51.0 million). The net debt* to EBITDA ratio stood at 2.8 as at 31 March 2017 (2.8 as at 31 March 2016). Furthermore, as part of the Passoã transaction, the company assumed a debt of € 66.6 million related to the exercise of the call/put option.

Dividend

Lucas Bols will propose to the Annual General Meeting of Shareholders to be held on 7 September 2017 that a final dividend of € 0.26 per share in cash be distributed for the 2016/17 financial year. Following the distribution of an interim dividend of € 0.31 in November 2016, the total dividend for the financial year would amount to € 0.57, up 5.6% compared to last year. This would represent a pay-out ratio of 58% of the normalized net profit, (excluding one-off items), in line with our dividend policy of a pay-out of at least 50% of net profit.

Outlook

The underlying market dynamics in the global cocktail market remain healthy. The growth trend is continuing, although each region is at a different stage of development. Market developments strengthen our belief in the potential of our global brands and we therefore continue to foresee medium-term revenue growth for the global brands, in line with our strategy. Lucas Bols will continue its investments to support the revenue growth of the global brands. The company will benefit from the inclusion of the Passoã results for the full 12 months of 2017/18.

Management Board statement

The Management Board of Lucas Bols N.V. declares that, to the best of its knowledge, the financial statements give a true and fair view of the assets, liabilities, financial position and the result of Lucas Bols and its subsidiaries, and that the annual report provides a true and fair view of the situation as at 31 March 2017, and of the company's state of affairs for 2016/17, as well as the principal risks faced by Lucas Bols N.V. For a detailed description of the risk factors, please refer to the risk management section in this report.

Amsterdam, 7 June 2017 | Management Board
Huub van Doorne & Joost de Vries


Bols
Genever
Amsterdam
est. 1575

SUSTAINABILITY
AT LUCAS BOLS

At Lucas Bols sustainability is integrated into the company's strategy. Social responsibility is a key area of attention, particularly as a company operating in the spirits industry. We take our role in society seriously and have a policy in place that reflects this.

Our sustainability strategy is focused on four primary stakeholders:

- employees
- consumers
- supply chain
- (local) communities

and starts by addressing the role of spirits in society as a whole.

The Corporate Social Responsability (CSR) focus areas for Lucas Bols are:

- the promotion of responsible alcohol consumption, a cornerstone of our business;
- sustainable supply chain management, by stimulating all suppliers in the chain to operate in a sustainable manner;
- people management, by creating a stimulating and dynamic working environment so that people can make a difference at Lucas Bols;
- contributing to society, through social involvement and numerous volunteering initiatives.

At Lucas Bols the CEO has ultimate responsibility for the CSR strategy. The implementation and execution of the strategy is a company-wide responsibility.

Responsible drinking

As part of our strategy we advocate responsible alcohol consumption and encourage socially responsible communication on this. This is done with and through our local partners, who share our vision to ensure responsible consumption all around the world.

A crucial aspect of this is adhering to the marketing code and contributing to the avoidance of alcohol misuse. In the Netherlands Lucas Bols holds a key position in STIVA (Stichting Verantwoorde Alcoholconsumptie), the Dutch industry board responsible for setting guidelines for socially responsible communication on and marketing of alcoholic beverages. Lucas Bols CEO Huub van Doorne has been a member of the STIVA board since 2006. Responsible alcohol consumption is also an important topic at the Bols Bartending Academy, our bartending school where we train and educate bartenders about the principles of responsible drinking and how to contribute to this.

Sustainable supply chain

Lucas Bols addresses its entire supply chain to contribute to a more sustainable environment. We have a framework in place to implement this, which addresses the following key areas:

Sustainable sourcing

We invite our suppliers to be our partners in providing responsibly sourced materials and services which have a positive impact on the communities and environment in which we operate. For a number of years we have monitored our suppliers' progress in terms of sustainability on an annual basis, with the outcome being a fully integrated part of future contract discussions. In cooperation with its purchasing group Columbus, Avandis has included CSR as part of its annual supplier evaluation. Sustainability in the chain is driven from this platform. Our Avandis joint venture production site in Zoetermeer is BRC 7 certified while the site in Tilburg is FSSC 22000:2011 certified, a key compliance certificate for production organisations.

Reducing environmental impact

In the year under review our production joint venture Avandis reduced its waste water by more than 50 per cent. Furthermore, it initiated a programme to reduce its energy consumption, lowering its carbon footprint in the process. The initiatives include LED lighting and reducing compressed air waste. At Lucas Bols we constantly challenge our main suppliers of glass, sugar and alcohol to reduce their carbon footprint. They have intensive programmes in place to limit waste through cradle-to-cradle management within their chains. All in all, our suppliers are achieving the sustainability goals they have set for themselves. At Lucas Bols there is also an ongoing effort to reduce our environmental impact by optimising our logistics with our logistical service provider Nedcargo. We started using electrically-powered trucks within city centres in the Netherlands. In addition, our main storage location is working to achieve energy-neutral operations. This is being done by cutting electricity consumption (through the use of energy saving light bulbs, etc.) and by generating its own power with the aid of solar panels. Some of the energy generated by these solar panels can even be used to supply energy to our Avandis production joint venture.

The people at Lucas Bols

At Lucas Bols we recognise that strong brands require strong people, which means that our top priority is to provide a vital and dynamic work environment. We constantly seek to create a positive corporate culture where all employees have equal rights and opportunities, regardless of their gender, age, sexual orientation or background.

Entrepreneurship

Entrepreneurship is a very important element in Lucas Bols's culture. We have a flat, project-oriented organisation and we constantly encourage our people to come forward with ideas. Feasible ideas are given all the room they need to be executed. In an entrepreneurial environment where decision-making is rapid, ideas can be turned into marketable products within a matter of weeks. We believe that Lucas Bols is only able to perform at the high level it does thanks to it being organised in this unique way. We believe it is essential to continue to invest in this culture and to have the right mix of people in each project team.

Our values and working principles

At Lucas Bols, we have a number of values and principles that define the way we work together. We believe that by adhering to these values and principles Lucas Bols and our employees can really make a difference. These values and working principles can be found on the following pages.

VALUES & WORKING PRINCIPLES

Make a difference by being creative, innovative and inspiring in all aspects of our business to create accelerated growth for Lucas Bols and personal development for our employees.

LEADERSHIP & ENERGY

THINKING IN POSSIBILITIES

LUCAS BOLS PEOPLE
1575

INFORMAL, FUN & CONFIDENT

SET STRETCH GOALS

Day to day, this means

- Business as usual is not good enough
- Everyone participates and supports
- It's a day to day commitment
- Talk to the person who can make the difference
- Projects will be well defined and team members appointed with a clear leadership role
- Let's celebrate success and learn from mistakes
- We all win together as a team

LIVE SPEED
& ACTION

EXCELLENCE IN
EXECUTION

MAKE A DIFFERENCE

QUALITY IS
OUR JOB

CLIENT &
CONSUMER DRIVEN

Talent development

We encourage and support employees who wish to pursue career development by learning new skills and we challenge them to grow into new positions. Working with a relatively small but dedicated team of professionals enables us to focus fully on the personal growth and individual development of our employees. We manage talent and ambitions and resolve HR issues directly with line managers in order to optimise the use of talent within the company. At Lucas Bols people are encouraged to develop, either through training focused on job-specific skills or training focused on personal development or coaching. Work enjoyment is also high on our agenda. Various staff events are held throughout the year to increase solidarity and optimise team spirit within the group.

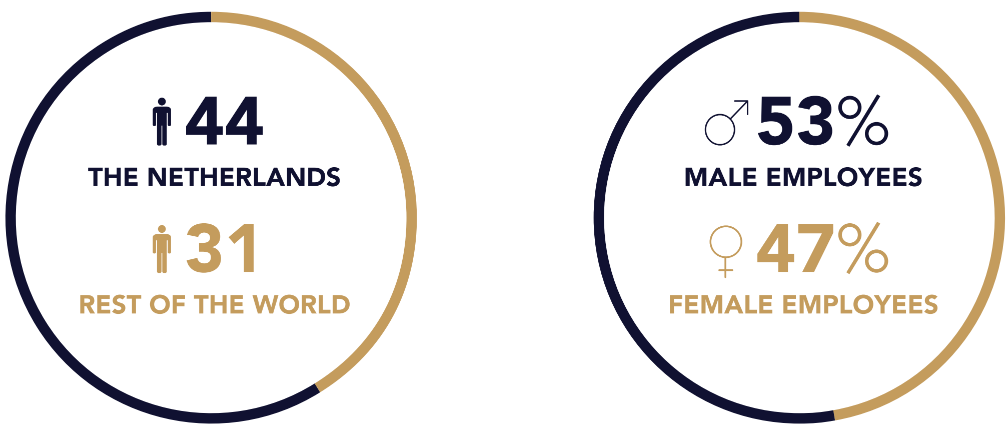
People in numbers

At the end of the 2016/17 year under review Lucas Bols had approximately 70 FTEs in total (75 employees), an increase compared to approximately 60 FTEs at year-end 2015/16 (65 employees). Lucas Bols employed 44 people in the Netherlands at year-end 2016/17 (year-end 2015/16: 39 employees). Lucas Bols also works with flexible staff, particularly at the House of Bols and Wynand Fockinck. Another 31 people work for Lucas Bols outside the Netherlands. The majority is located in the US and this number also includes employees of Passoã SAS. As illustrated in the chart, the number of male employees is 40 and the number of female employees 35. In terms of absenteeism, we see a clear trend that the numbers are declining. In the year under review average absenteeism was 2.90%, a clear drop compared to 5.62% in 2015/16. Increased focus on prevention and internal support, combined with good cooperation with the external health and safety service, has likely contributed to this trend.

Employee Share Participation Plan

As of 24 June 2015 all Lucas Bols employees on a permanent contract are eligible to invest in Lucas Bols shares via the Employee Share Participation Plan (ESPP). The objective is to increase involvement and engagement by making employees owners of the company. Under the plan, shares can be purchased twice a year at a 13.5% discount to the share price, up to a maximum amount of one annual salary per three years. The shares purchased are subject to a three-year lock-up period during which the employee is entitled to receive dividends. In the year under review five employees participated in the plan compared to ten employees in 2015/16.

TOTAL EMPLOYEES
2016 - 2017



Lucas Bols in society

Lucas Bols supports various social initiatives in the Netherlands and other countries where our products are distributed, both with and through our local partners. These programmes range from providing support for senior citizens to sustainability programmes. In the year under review, as in the previous year, dance4life remained our main corporate project.

dance4life

Lucas Bols is proud to be involved with dance4life, an international initiative which empowers and educates young people in 20 countries around the world. Dance4life provides them with the knowledge, skills and confidence they need to protect their health and promote safe sexual choices.

As a partner in dance4life Lucas Bols offers support in three ways:

- financial support for dance4life projects around the world;
- the participation of Lucas Bols employees in sports activities to raise money for dance4life (the amount raised is then doubled by Lucas Bols);
- Bols cocktails at annual donor events, such as the dance4life Funky Fundraiser.

RISK MANAGEMENT AND CONTROL

There are inherent risks related to Lucas Bols's business activities and organisation. We see sound risk management as an integral element of good business practice, which is why the Management Board promotes a transparent, company-wide approach to risk management and internal controls, allowing the company to operate effectively.

This approach is aimed at finding the right balance between maximising the business opportunities and managing the risks involved. The Management Board considers this to be one of its most important tasks. Below you will find an outline of Lucas Bols's approach to risk management and control and an overview of the main risks facing the company.

Risk management approach

General

Our risk management policies are designed to identify and analyse the risks facing Lucas Bols, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

In general Lucas Bols has a low risk appetite. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and our activities. Our risk management framework has been developed to provide reasonable assurance that the risks facing us are properly evaluated and mitigated, and that management is provided with the information it needs to make informed and timely decisions. While the framework is designed to manage risks it cannot prevent with absolute certainty such things as human error, fraud or infringements of laws and regulations. Management has assessed whether the risk management and control systems provide reasonable assurance that the financial reporting does not contain any material misstatements. Based on the approach outlined above the Management Board is of the opinion that, to the best of its knowledge, the internal risk management and control systems are of sound design and functioned effectively in the year under review, and hence provide reasonable assurance that the financial statements are free of any material misstatement.

Risk management responsibilities

The Management Board is responsible for establishing and maintaining sound internal risk management and control systems. Management leads by example. While implementation and monitoring of the risk management function is organised centrally, Lucas Bols has a culture of clear responsibilities, open communication and short communication lines that supports the effectiveness of the group's risk management.

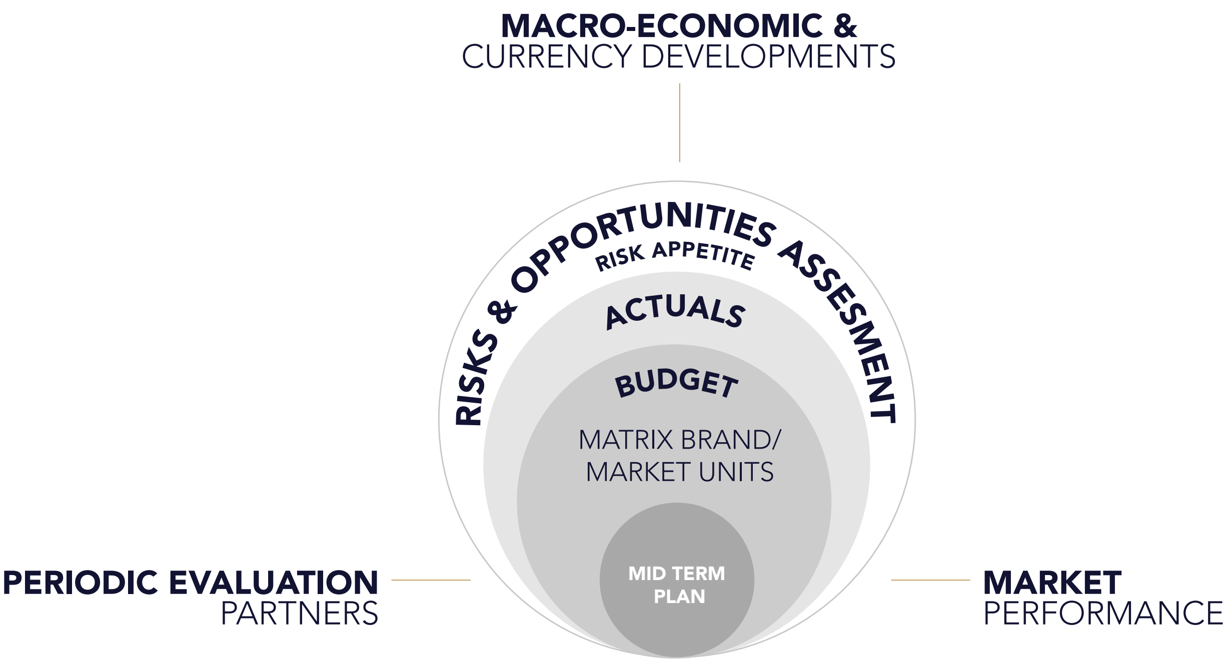
Risk management system

Product development and quality control

Bringing excellent products to the market at a consistently high level of quality as well as innovation forms the core of our activities and is key to maintaining our company's single most important asset: our brands. This process is driven by our master distiller and his team, who develop our products, make our recipes and decide which ingredients and suppliers to use. Only once recipes have been finalised and thoroughly tested are they handed over to our bottlers, who blend and bottle the product as stipulated. Our bottlers' quality assurance procedures are subject to constant screening, and product samples from bottling locations around the world are routinely tested for compliance with our recipes. The process includes numerous checkpoints to ensure that our products meet the highest standards, every single time. This enables us to live up to the Bols family motto: Semper Idem – always the same.

Reporting cycle and management information systems

Our reporting cycle and management information systems are at the heart of our internal risk management and control system. As is illustrated in the figure below the control system is largely embedded in the company's information systems.



Brand Market Units (BMU) structure
Our medium-term plan forms the basis for our annual budget. Our budget is detailed with a separate budget made for each brand in each country, resulting in a matrix of brand/ market units. The annual budget is the result of a diligent process, whereby our distributors provide forecasts, which are challenged by Lucas Bols management and subsequently agreed. The budget is largely based on these forecasts. The actual performance is closely monitored in detail and all risks and opportunities that arise are evaluated and acted upon. This cycle includes managing the currency effects, which arise from our worldwide operational activities.

To ensure that the management information system is accurate, the input for the reports is drawn from various sources including our distributors, actual shipment data for Lucas Bols and market performance data based on publicly available information (such as market share developments). This is further substantiated with macro-economic and currency developments and our periodic evaluation of the performance of our distributors.

Passoã SAS
In December 2016 we established Passoã SAS, a jointly owned entity with Rémy Cointreau, to operate the global Passoã brand. The supply chain is fully outsourced to Lucas Bols and has consequently been integrated into our systems. While Passoã SAS is a standalone entity, its reporting structure is fully compliant with the Lucas Bols models. The entity reports on a monthly basis and these reports are discussed with group management. Furthermore the Passoã entity has been fully included in the budget and monitoring cycle for the 2017/18 financial year.

Code of conduct and brand protection

Both our own communication and business practices and those of our distributors across the globe are characterised by integrity and corporate social responsibility. In order to maintain these high standards we have established a code of conduct, and we monitor compliance with this code. We keep track of all marketing activities, including those of our (distribution) partners, as well as monitoring the social media activities of our company and partners in this respect.

Protecting the value of our brands is furthermore driven by extensive brand registration across the globe, with potential infringements being constantly monitored and appropriate legal action taken where necessary.

Policies

As referred to above, Lucas Bols has a code of conduct drawn up by the Management Board and approved by the Supervisory Board. The code of conduct describes how Lucas Bols's employees should behave and do business in various circumstances and situations. The code of conduct applies to all employees of Lucas Bols and is published on the corporate website. Lucas Bols also has a whistle-blower policy in place which ensures that any violations of existing policy and procedures can be reported without negative consequences for the person reporting the violation. The whistle-blower policy can also be found on the corporate website.

Monitoring

Lucas Bols's risk management systems are constantly monitored, upgraded where necessary and adapted to reflect changes in internal and external circumstances.

In the 2016/17 financial year the risk control framework was further formalised. All strategic, operational, compliance and financial risks are now systematically monitored on a regular basis, leading to regular evaluation by the Management and Supervisory Boards.

Risks and uncertainties that had a significant impact on the company in 2016/17

The overall macro and geopolitical environment has been stable for our sector. Currencies had a lesser impact than in the previous year and the impact from government regulations was also limited, with the exception of a significant increase in excise tax in Belgium. There were no disruptions to the supply of goods and no adverse cost developments. Whereas 2015/16 saw a high impact from changes to our distribution partners and agreements, little changed in the 2016/17 financial year. Continued increasing competitiveness in the spirits business in the Netherlands had an adverse impact on some of our competitors; this created opportunities for Lucas Bols, resulting in the acquisition of Distillery Cooymans by our bottling and blending joint venture Avandis and the purchase of Dutch genever brands Legner and Floryn by Lucas Bols.

For more details on developments in 2016/17 please refer to the risk overview below. For the sensitivity analysis please refer to note 26 of the consolidated financial statements.

Key risk factors

The key risks as perceived by the Management Board are outlined below, along with an overview of how these risks are mitigated. The order in which the risks are presented is in no way a reflection of their importance, probability or materiality. The actual occurrence of any of the following risks could have a material adverse effect on the company's business, prospects, financial condition or results of operations. The overview also lists the risk appetite of Lucas Bols for each of the main categories.

Although management believes that the risks and uncertainties described below are the most material risks, they are not the only ones Lucas Bols may face. All of these risks are contingencies, which may or may not occur. Additional risks and uncertainties which are not presently known to management or which are currently deemed immaterial may also have a material adverse effect on Lucas Bols's results of operations or financial condition.

STRATEGIC

Risk appetite – moderate

Strategic risks for Lucas Bols are primarily related to the risk that investments in markets (mainly in A&P and working capital) will ultimately not produce adequate returns. Lucas Bols has a moderate appetite for strategic risks: we allow some risk in this area, but there must be an appropriate balance between risk and reward.

Risk	Mitigation
Regulatory changes related to alcohol Alcohol remains under scrutiny in a number of markets around the world with some countries, including India and Indonesia, even gradually turning more negative towards alcohol.	Lucas Bols supports a responsible approach to alcohol and considers this a core element of its strategy to grow a sustainable, long-term business. We advocate responsible consumption and encourage socially responsible communication as part of our CSR strategy.
Economic and political conditions in the global markets in which we operate The company's global business is subject to a number of commercial, political and financial risks. The company also operates in emerging markets where the risk of economic and regulatory uncertainty is greater. Lucas Bols's results are dependent on general economic conditions and can therefore be affected by deterioration of the economic conditions in its markets.	Lucas Bols activities are well diversified, in terms of product categories as well as geographically. Lucas Bols sells over 25 brands in more than 110 countries in four regions. In addition Lucas Bols has a sound financial performance with strong operating margins, which can act as a cushion against an economic downturn.
Changes in consumer preferences Demand for the company's spirits products may be significantly adversely affected by changes in customer and consumer preferences.	Lucas Bols's close ties both with its distributors and with the bartender community means that the company is alerted to changes in consumer preferences at an early stage. The innovative nature of the company enables Lucas Bols to respond to such changes with new flavours and products. Thanks to our focused organisation the time-to-market of new products is relatively short.

OPERATIONAL

Risk appetite – low

Our appetite for operational risks is low: we allow little to no risk as the quality of our products is paramount and must not be jeopardised in any way.

Risk	Mitigation
Dependency on key products A few key products contribute a significant portion of the company's revenue, and any reduction in revenue from these products could have a material adverse effect on the company's business, results of operations, financial condition and prospects.	Sales of these products are generally spread across multiple countries and continents. *The addition of Passoã in 2016/17 broadened our portfolio, thus reducing our dependency on individual brands.*
Joint ventures Lucas Bols's involvement in joint ventures (JVs) over which it does not have full control could prevent the company from achieving its objectives.	Managing and monitoring partnerships and joint ventures is at the heart of the company's business. JVs are monitored through direct board involvement, with a focus on achieving long-term objectives. *The joint venture concept was proven by a number of developments in 2016/17 as evidenced by the strong performance of our joint venture Maxxium NL as well as the swift decision-making and action taking by our joint venture Avandis in the Distillery Cooymans acquisition.*
Investments Transactions that the company engages in, such as acquisitions or investments in joint ventures or associates, might not produce the expected returns.	Potential investments and acquisitions are aligned with our strategy. Decisions to invest or acquire are based on thorough processes, where necessary with external support. New brands are integrated in our management information and reporting systems.
Quality controls Inconsistent quality or contamination of the company's products or similar products in the same categories as Lucas Bols products could harm the integrity of, or customer support for, the company's brands and adversely affect the sales of those brands.	The recipes in which the ingredients and procedures are defined are fully controlled by Lucas Bols. The company only partners with certified bottlers and in general our joint venture partners also work exclusively with certified suppliers. The company samples and tests all its products.
Reliance on distribution agreements Lucas Bols is reliant on the performance of its distributors and its operations may be adversely affected by poor performance of its distributors or by the company's inability to enter into or maintain distribution agreements on favourable terms or at all.	The company applies very strict criteria for selecting distribution partners. In addition each distributor and each agreement is subject to annual evaluation and if this evaluation shows that action is needed, that action will be taken, within the contractual terms agreed.
Human capital Lucas Bols's success depends on retaining key personnel and attracting highly skilled individuals, especially given its relatively small number of employees.	Lucas Bols is able to attract, motivate and retain knowledgeable and experienced employees thanks to our reputation and market position, our strategic partnerships and our strong entrepreneurial company culture. *In 2016/17 we clearly strengthened and expanded our global commercial organisation.*
IT IT security threats and levels of sophistication in computer crime are increasing globally, posing a risk to the confidentiality, availability and integrity of data and information and going as far as posing a risk to the order to cash process.	We have invested in protection measures to prevent damage from cyber-attacks and ensure that we have secure and well-controlled IT systems. Furthermore we have further increased our internal controls on outgoing payments. In 2016/17, Lucas Bols has successfully countered a number of so-called DDOS attacks (distributed denial-of-service attacks), but has experienced no other cyberattacks to date. Cybersecurity has our ongoing attention, we continually evaluate our procedures and controls to strive to keep up with the rapid developments in this area.

FINANCIAL

Risk appetite – low

We take a prudent stance with regard to financial risks, hedging (part of) our exposure to currencies and interest in order to limit our risk. Our reporting risk is limited to the minimal risk associated with errors in our reporting.

Risk	Mitigation
Currency fluctuations Exchange rate fluctuations could have a material adverse effect on the company's business, financial condition and results of operations.	Each year the company seeks to mitigate the (unexpected) impact of fluctuations in foreign currency exchange rates on its cash flow and earnings by entering into hedging agreements for approximately 60% to 80% of its total currency exposure at the start of the financial year. The company's strategy is to hedge the currency risk through the application of standard forward contracts.
Liquidity risk Liquidity risk is the risk that the company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.	The company's approach to managing liquidity through its treasury process is aimed at ensuring, insofar as is possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. *In light of the establishment of Passoã SAS, we have extended and renewed our financing facilities in the year 2016/17.*
Interest rate risk Changes in interest rates affect the company's results and cash flow.	Lucas Bols applies a policy which ensures that at least 80% of its medium-term interest rate risk is fixed-rate exposure. This involves entering into and designating interest rate swaps to hedge fluctuations in cash flows attributable to interest rate movements.
Credit risk Credit risk arises from liquid assets, derivative instruments and balances with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and agreed transactions.	The company has implemented a credit policy and monitors its exposure to credit risk on an ongoing basis.

COMPLIANCE

Risk appetite – low

Lucas Bols operates in a market that is strongly regulated worldwide. Compliance with laws and regulations is a fundamental condition for producing and distributing our high-quality products, so we allow only minimal risk in this area.

Risk	Mitigation
Regulatory conditions in the markets in which the company operates Lucas Bols's business and production facilities are subject to significant governmental regulation and failure to comply with relevant regulations or any changes in such regulations could result in interruptions to supply and increased costs. In addition, the company is subject to extensive regulations regarding advertising, promotions and access to its products, and these regulations or any changes to these regulations could limit its business activities, increase costs and decrease demand for its products.	Lucas Bols closely monitors the legal developments in the markets where it is active. In its home country the Netherlands the company is actively involved in the relevant industry bodies, for example through representation on the board of STIVA, the foundation that actively promotes and controls responsible marketing of alcoholic products.
Taxes Increases in taxes, particularly increases in excise tax rates, could adversely affect demand for the company's products.	Excise tax increases which are significant in a given market tend to have a negative impact for a period of 12 months, followed by stabilisation and often recovery of the business. Consequences of tax changes and resulting changes in buying behaviour are constantly monitored in close cooperation with our distributors and market positioning is adjusted where necessary.

CORPORATE GOVERNANCE

Lucas Bols acknowledges the importance of good governance and its vital role in ensuring integrity and maintaining open and transparent communications with stakeholders and other parties interested in Lucas Bols. Our corporate governance is based on principles of integrity, transparency, and clear and timely communication.

The Management Board and the Supervisory Board are jointly responsible for the corporate governance structure at Lucas Bols, thereby adhering to the Dutch Corporate Governance Code (the Code).

Corporate governance declaration

Lucas Bols fully endorses the core principles of the Code and is committed to following the best practices of the Code to the furthest extent possible. However, considering our interests and the interests of our stakeholders, we deviate from a limited number of best practice provisions, which will be specified and explained later in this paragraph.

General

Lucas Bols is a public limited company (NV) incorporated and based in the Netherlands and is therefore subject to Dutch legislation as well as its own articles of association, internal policies and procedures. Responsibility for the management of Lucas Bols lies with the Management Board, under supervision of the Supervisory Board.

Shares - voting rights

The authorised share capital of Lucas Bols comprises a single class of registered shares. All issued shares are fully paid up and each share confers the right to cast a single vote at the general meeting. At the end of 2016/17 Lucas Bols held no shares in the company.

General meeting

Important matters that require the approval of the (annual) general meeting include:

- Adoption of the annual accounts;
- Declaration of dividends;
- Remuneration policy;
- Discharge from liability of the members of the Management Board in respect of their management activities for Lucas Bols;
- Discharge from liability of the members of the Supervisory Board in respect of their supervision of the management of Lucas Bols;
- Appointment of the external auditor;
- Appointment, suspension or dismissal of members of the Management Board and the Supervisory Board;
- Remuneration of the Supervisory Board;
- Any Management Board resolution regarding a significant change in the identity or nature of Lucas Bols or its enterprise;
- Issuance of shares, whereby the Management Board is authorised, subject to prior approval by the Supervisory Board, to issue shares up to a maximum of 10% of the issued share capital as at the date of issue and an additional 10% as at that date, in connection with or on occasion of mergers, acquisitions and strategic alliances and to restrict or exclude the pre-emptive rights in relation to any issuance referred to above. This authorisation is granted until 28 February 2018;

- Acquisition and redemption of shares, whereby the Management Board is authorised, subject to the approval by the Supervisory Board, to acquire up to a maximum of 10% of the shares in the capital of the company, at a price not higher than 10% above the average closing price of the shares on Euronext Amsterdam over the five days preceding the date on which the purchase is made. This authorisation is granted until 28 February 2018;
- Adoption of amendments to the articles of association.

Further details can be found in the articles of association, which are published on the corporate website (**www.lucasbols.com**).

This year the annual general meeting is scheduled to take place on 7 September. Each shareholder may attend the general meeting, address the general meeting and exercise voting rights pro rata to their shareholding, either in person or by proxy. Shareholders may exercise these rights provided they are holders of shares on the record date, which is 28 days before the date of the general meeting, and they or their proxy have notified Lucas Bols of their intention to attend the general meeting. Draft minutes of the meeting will be released within three months of the meeting and will be available for comments for three months thereafter. The final version of the minutes will be published on the corporate website.

In accordance with provision IV.3.1 of the Code, Lucas Bols announces meetings with analysts, presentations to (institutional) investors and press conferences in advance on the corporate website. The presentations will be made available on the corporate website after the meetings. Lucas Bols will regularly examine the desirability of extending these facilities to webcasting or other communication tools and may amend its policy in this respect.

Management Board

The Management Board is collectively responsible for the management of Lucas Bols. This includes the day-to-day management and general affairs of the company as well as formulating its strategies and policies, and setting and achieving the corporate objectives. The Management Board is also responsible for identifying and managing the risks associated with Lucas Bols's activities, and for the financial performance and corporate social responsibility issues relevant to the business. The Management Board consists of two members, each having duties related to their specific responsibilities and area of expertise. The members of the Management Board are individually authorised to represent Lucas Bols.

The general meeting appoints the members of the Management Board, with the Supervisory Board permitted to make non-binding nominations for such appointments. Where the Supervisory Board has made a nomination, the resolution of the general meeting to appoint the nominee must be adopted by an absolute majority of the votes cast. Where the nomination has not been made by the Supervisory Board, the general meeting resolution to appoint a member of the Management Board must be passed by a two-thirds majority of the votes cast, representing over 50% of the issued share capital. This is stricter than prescribed in best practice provision IV.1.1 of the Code.

The Supervisory Board may at any time suspend a member of the Management Board. The general meeting may at any time suspend or dismiss a member of the Management Board. The general meeting may only adopt a resolution to dismiss a member of the Management Board by an absolute majority of the votes cast and at the proposal of the Supervisory Board. Without such proposal, the resolution to suspend or dismiss a member of the Management Board must be passed by a two-thirds majority of the votes cast, representing over 50% of the issued capital. This provision deviates from the Code (best practice provision IV.1.1). Lucas Bols believes this to be justified in the interest of the continuity of Lucas Bols and its group companies.

Remuneration

The remuneration policy was approved by the general meeting on 3 February 2015 at the proposal of the Supervisory Board. The remuneration policy is aimed at attracting, motivating and retaining highly qualified executives and rewarding members of the Management Board with a balanced and competitive remuneration package that is focused on sustainable results and is consistent with the strategy of Lucas Bols.

Pursuant to the remuneration policy, the remuneration packages of the Management Board consist of fixed and variable components. The fixed annual salary of the Management Board members has been set at the current level for a period of four years from the date of the listing of the shares of Lucas Bols on Euronext Amsterdam, i.e. up to and including the financial year 2018/19.

In compliance with the Code, the service agreements of the Management Board members contain a provision relating to severance arrangements to compensate for the loss of income resulting from a non-voluntary termination of the service agreement, up to a maximum equal to one time the fixed gross annual base salary of the Management Board member.

In line with applicable legislation and good governance, the service agreements of the members of the Management Board include a clawback clause, allow for a test of reasonableness and do not include a 'change of control' clause.

Each year the Supervisory Board reports on the implementation of the remuneration policy in the past financial year and the intended implementation in the current year and subsequent years in its remuneration report. This report can be found on page 80 of this report and the corporate website.

Supervisory Board

The Supervisory Board supervises the Management Board and the general course of business of Lucas Bols.

The Supervisory Board also provides advice to the Management Board. In performing their duties the members of the Supervisory Board must be guided by the interests of Lucas Bols and take into account the relevant interests of all of the company's stakeholders (including its shareholders) as well as the corporate social responsibility issues that are relevant to the business of Lucas Bols. The Supervisory Board is responsible for the quality of its own performance. The Supervisory Board currently consists of three members, Mr. D. Doijer, Mrs. M. Wyatt and Mrs. A. Oldroyd. Mr. R. Wisbrun shall be nominated for appointment as a member of the Supervisory Board at the general meeting on 7 September 2017. All members of the Supervisory Board are 'independent' as defined in best practice provision III.2.2.

The Supervisory Board has adopted a profile for its size and composition, taking into account the nature of the Lucas Bols business and activities and defining the desired background and expertise of members. Members of the Supervisory Board are appointed for a term of four years and may be reappointed up to a maximum of two other periods of four years.

In view of its size the Supervisory Board has decided not to appoint any committees in the interest of efficiency. However, audit-related meetings are chaired by Mrs. Wyatt and meetings on remuneration are temporarily chaired by Mr. Doijer. Specific duties, such as the monitoring of the financial reporting process and the effectiveness of the internal control systems are the responsibility of the Supervisory Board as a whole.

The members of the Supervisory Board are appointed by the general meeting. The Supervisory Board is permitted to make a non-binding nomination for the appointment of a member of the Supervisory Board. The resolution of the general meeting to appoint the nominee must be adopted by an absolute majority of the votes cast. If the Supervisory Board has not made a nomination, a resolution of the general meeting for the appointment of a member of the Supervisory Board must be passed by a two-thirds majority of the votes cast, representing over 50% of the issued share capital.

The general meeting may suspend or dismiss a member of the Supervisory Board at any time. In the event the Supervisory Board proposes the dismissal of one of its members, the resolution of the general meeting to dismiss such a member must be adopted by an absolute majority of votes cast. In the absence of a proposal from the Supervisory Board to dismiss one of its members the general meeting resolution to make such a dismissal must be passed by a two-thirds majority of the votes cast, representing over 50% of the issued share capital.

Lucas Bols ensures structured reporting lines to its Supervisory Board. The Supervisory Board meets regularly throughout the year, with a minimum of four meetings a year. The chairman of the Supervisory Board ensures the proper functioning of the Supervisory Board and acts as the main contact for the Management Board.

The Supervisory Board has adopted its own regulations with regard to objectives, composition, duties, responsibilities and working methods; it has also adopted a profile as well as a retirement and resignation schedule. The regulations and other documents are available on the corporate website.

Diversity

In order to achieve a desired balance the Supervisory Board aims for a diverse composition of both the Management Board and the Supervisory Board in terms of for example gender and age, but does not strictly follow best practice provision III.3.1 of the Code to formulate an explicit diversity target in these areas. The Supervisory Board's overriding principle is for both boards to be composed of members who can make a valuable contribution in terms of experience and knowledge of the industry Lucas Bols operates in. In determining profiles for new board members, Lucas Bols will pay close consideration to the aforementioned best practice provision as well as the provisions of article 2:166 section 2 of the Dutch Civil Code which requires companies to pursue a policy of having at least 30% of the seats on the Management Board and Supervisory Board held by men and at least 30% of the seats on the Management Board and Supervisory Board held by women.

Conflict of interest

Any potential or actual conflict between Lucas Bols and a member of the board should be reported to the chairman of the Supervisory Board and the other board members.

Any board member holding shares in Lucas Bols must do so for the purpose of long-term investment. Board members must at all times comply with the provisions set out in the insider trading rules of Lucas Bols. There were no conflicts of interest between Lucas Bols and any member of the boards during the financial year 2016/17. As a result, Lucas Bols complies with best practice provisions III.6.I to III.6.4.

Internal audit

As in previous years the Management Board and the Supervisory Board discussed the need for an internal audit function. Once again the conclusion this year was that an internal audit function is not necessary, given the size of the company and its relatively simple and centralised structure. It is the opinion of the Supervisory Board that the discussions with the Management Board and the external auditor regarding the conclusions of the external auditor as well as the company's control environment provide adequate assurance. Furthermore, Lucas Bols performs periodical audits at its distributors, with the main focus on A&P spending and how this is accounted for. The company will continue to evaluate the need for an internal audit function.

Auditor

At the annual general meeting held on 3 September 2015, Ernst & Young Accountants LLP (EY) was appointed as auditor for the company for a three-year period, ending with the audit of the financial statements for the period ending 31 March 2018.

The Management Board ensures that the external auditor is able to properly perform its audit work. The Management Board reported to the Supervisory Board on EY's functioning as external auditor and its fee. Ernst & Young Accountants LLP confirmed its independence from Lucas Bols in accordance with the professional standards applicable to Ernst & Young Accountants LLP.

Agreements in the sense of art. 1.j. of the Decree of 5 April 2006 (change of control)[1]

The credit facility of Lucas Bols incorporates what is known as a 'change of control' provision. If a party acquires more than 50% of the company's issued share capital or voting rights,

1 This decree implements article 10 of the EU Takeover Directive

the company is subject to a repayment commitment. The agreements entered into with Remy Cointreau S.A. regarding the Passoã SAS also contain a change of control clause. If a party obtains 50.01% or more of the shares in the company's capital, Lucas Bols will be obliged to issue Remy Cointreau with a security in the form of a bank guarantee or an escrow deposit for an amount equal to the exercise price of the call/put option.

Revised Dutch Corporate Governance Code 2016

The revised provisions of the Code were published on 8 December 2016. The revised Code focuses on aspects including long-term value creation, the interests of all stakeholders, strengthening risk management, more effective management and enhanced supervision, culture and remuneration issues. The Management Board and the Supervisory Board will carefully review the provisions of the revised Code during the next financial year and will incorporate any changes in the company's corporate governance structure that Lucas Bols considers useful. The shareholders will be given timely information about these changes and will be involved if necessary.

Closing Statement

The information required to be included in the annual report pursuant to article 2a of the Decree on additional requirements for annual reports (vaststellingsbesluit nadere voorschriften inhoud jaarverslag) is included in this corporate governance chapter as well as the risk management & control chapter of this annual report.

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REMUNERATION REPORT 2016/17

The remuneration policy of Lucas Bols is in accordance with the Dutch Corporate Governance Code. It was adopted at the general meeting of 3 February 2015.

Remuneration policy

The remuneration policy is aimed at attracting, motivating and retaining highly qualified executives and rewarding members of the Management Board with a balanced and competitive remuneration package that is focused on sustainable results and is aligned with the company's strategy. The current remuneration policy is proposed by the Supervisory Board and approved by the general meeting on 3 February 2015.

Within the scope of the remuneration policy as adopted by the general meeting of Lucas Bols, the remuneration and other terms of employment of the Management Board are determined by the Supervisory Board. The remuneration of the members of the Management Board consists of the following components:

- fixed annual base salary
- annual variable remuneration in cash
- allowance for pension and fringe benefits

The remuneration policy does not provide for incentives by way of remuneration in shares in the capital of Lucas Bols, since the members of the Management Board already hold a significant amount of shares in Lucas Bols for long term investment.

Fixed annual base salary

The base salary of the Management Board members is set around the median of remuneration levels payable within relevant markets and comparable Dutch listed and international companies in our industry, which the Supervisory Board analysed. This base salary is fixed for a period of four years, i.e. up to and including the financial year 2018/19.

Annual variable remuneration in cash

The objective of the annual variable remuneration in cash is to ensure that the Management Board members will be focused on realising their short-term operational objectives, leading to longer term value creation. The annual variable remuneration amount will be paid-out when predefined targets are realised, while the maximum variable remuneration amount may be paid out in case of outperformance of the predefined targets. If realised performance is below a threshold level, no variable remuneration will be paid out. On an annual basis, performance criteria are set by the Supervisory Board, at the beginning of the relevant financial year. These performance criteria include the company's financial performance and qualitative criteria related to the company's and/or individual performance.

Allowance for pension and fringe benefits

Both Management Board members are entitled to a pension allowance. For Mr. van Doorne, this allowance is included in his general allowance. For Mr. de Vries, the company contributes an amount equal to 10% of the base salary to his pension scheme.

None of the members of the Management Board participate in a collective pension scheme. The members of the Management Board are entitled to customary fringe benefits, such as expense allowances and reimbursement of costs.

Test of reasonableness and claw back clause

In line with Dutch law and the Code, the variable remuneration may be reduced or (partly) recovered if certain circumstances apply. For any variable remuneration component conditionally awarded to a member of the Management Board in a previous financial year which would in the opinion of the Supervisory Board, produce an unfair result due to extraordinary circumstances during the period in which the predetermined performance criteria have been or should have been achieved, the Supervisory Board will have the power to adjust the value downwards or upwards (test of reasonableness). In addition, the Supervisory Board will have the authority under the Code and Dutch law, to recover from a member of the Management Board any variable remuneration awarded on the basis of incorrect financial or other data (claw back). In case of a share price increase due to a public offer on the company's shares, Dutch law prescribes to reduce the remuneration of a Management Board member by an amount equal to the value increase of the shares. This provision only applies to shares received by means of remuneration (currently the ESA shares awarded to Mr. de Vries at the occasion of the IPO) and not to shares that the Management Board member has obtained other than by means of remuneration. Similar provisions apply in the situation of an intended legal merger of demerger, or in other significant transactions.

Severance payment

Finally, the service agreements with the Management Board contain severance provisions, which provide for a compensation for the loss of income resulting from a non-voluntary termination of employment equal to a maximum amount of the gross fixed annual base salary of the Management Board member.

Remuneration of the Management Board in 2016/17

In the financial year ending 31 March 2017, Mr. van Doorne and Mr. de Vries served Lucas Bols via a service agreement with a management company controlled by Mr. van Doorne and Mr. de Vries respectively. The terms of these service agreements were determined by the Supervisory Board and approved by the general meeting on 3 February 2015, based on the remuneration policy as set out before. The costs for the remuneration of the Management Board members in 2016/17 are as follows:

AMOUNTS IN EUR `000 FOR THE YEAR ENDED 31 MARCH	MR. H.L.M.P. VAN DOORNE 2017	2016
Salary	470	470
Variable remuneration	189	47
Pension	-	-
Other	95	95
	754	**612**

AMOUNTS IN EUR `000 FOR THE YEAR ENDED 31 MARCH	MR. J.K. DE VRIES 2017	2016
Salary	320	320
Variable remuneration	129	32
Pension	31	31
Other	24	24
	504	**407**

AMOUNTS IN EUR `000 FOR THE YEAR ENDED 31 MARCH	TOTAL MANAGEMENT BOARD 2017	2016
Salary	790	790
Variable remuneration	318	79
Pension	31	31
Other	119	119
	1,258	**1,019**

Fixed base salary

The annual base salary for Mr. van Doorne is set at EUR 470,000 and for Mr. de Vries at EUR 320,000.

Annual variable remuneration

The maximum annual variable remuneration for 2016/17 amounts to 50% of the annual base salary.

The performance targets and objectives for the variable remuneration were set by the Supervisory Board for each member of the Management Board, at the beginning of the financial year 2016/17.

These performance targets and objectives form a balanced mix of financial, qualitative and personal measures as follows: 50-70% financial targets: these targets are the same for both members of the Management Board.
30-50% qualitative and personal targets: ranging from increasing depletions in a specific region to multiple year plans and from commercial programs to back office optimisation. The targets are measurable and realistic for the members of the Management Board.

During the financial year 2016/17, the financial targets were aimed at increasing revenue growth and net profit whereas the qualitative and personal targets were aimed at specific subjects referred to above. The thresholds for the revenue and net profit targets were met, whereby the revenue target was mostly realised and the realised net profit over the financial year 2016/17 was above target. The targets for the qualitative and personal targets were mostly realized. As a result, the variable remuneration component with regard to the performance in 2016/17 amounted to 80% of the total achievable variable remuneration, i.e. 40% of the annual base salary for both Mr. van Doorne and Mr. de Vries.

Share-awards

In 2014/15 (as a reward for the successful IPO), Mr. de Vries has been offered a one-off remuneration component consisting of 7,840 depositary receipts of shares in the capital of Lucas Bols. The shares are held by a trust foundation. The shares are subject to a retention period of 5 years during which the shares cannot be disposed of. This retention period ends 5 February 2020. The value of the ESA shares at 31 March 2017 amounted to EUR 134,848 (31 March 2016 140,963).

Remuneration policy Management Board 2017/18

No changes to the remuneration policy for the Management Board are planned for 2017/18.

Remuneration of the Supervisory Board members

The general meeting determines the remuneration of the members of the Supervisory Board. The Supervisory Board periodically submits proposals to the general meeting in respect of the remuneration of the chairman, vice-chairman and the other members of the Supervisory Board. The remuneration of the Supervisory Board is not dependent on Lucas Bols's results.

On 3 February 2015, the general meeting approved a proposal of the Supervisory Board for annual fixed fee levels for the individual Supervisory Board members that are in line with Supervisory Board remuneration levels payable within comparable companies.
The annual fee for the Supervisory Board members is set as follows:

REMUNERATION OF THE SUPERVISORY BOARD MEMBERS	
Chairman of the Supervisory Board	EUR 40,000
Vice-chairman of the Supervisory Board	EUR 35,000
Other members of the Supervisory Board	EUR 30,000

Remuneration of the Supervisory Board in 2016/17

AMOUNTS IN EUR '000	2017	2016
Mr. D.C. Doijer	40	40
Mrs. M.M. Wyatt	30	30
Mrs. A. Oldroyd	30	-
Mr. A. Meerstadt	1	35
Mr. M.W. Staal	-	15
Total	**101**	**120**

Remuneration policy 2017/18

As stated in the annual report 2015/16, an external benchmark is being executed of which the outcome is not yet known at the moment of writing this report. If the outcome of this benchmark warrants an adjustment to the Supervisory Board remuneration, a corresponding proposal will be put forward to Shareholders for their approval in the annual meeting of 7 September 2017.

SHAREHOLDER INFORMATION

Share listing

The shares of Lucas Bols N.V. have been listed on the Euronext Amsterdam stock exchange since 4 February 2015. The Lucas Bols shares are included in the small cap index. Lucas Bols shares are traded under the symbol BOLS under ISIN code: NL0010998878.

The Lucas Bols share

THE LUCAS BOLS SHARE	2016/17	2015/16
Number of outstanding ordinary shares at 31 March	12,477,298	12,477,298
Share price low	EUR 15.11	EUR 16.60
Share price high	EUR 18.25	EUR 22.30
Closing share price on 31 March	EUR 17.20	EUR 18.00
Proposed total dividend per share	EUR 0.57	EUR 0.54
Market capitalisation at 31 March	EUR 214,609,526	EUR 224,528,978

Share capital

All of the issued shares of Lucas Bols are ordinary shares with a nominal value of EUR 0.10 each. At 31 March 2017 the share capital of Lucas Bols consisted of 12,477,298 ordinary shares which have been fully paid-up.

Major shareholders

Pursuant to Dutch Financial markets Supervision Act (Wet op het financieel toezicht) the Netherlands Authority for the Financial Markets (Stichting Autoriteit Financiële Markten) was notified of the following statement of interests of 3% and over in Lucas Bols up to 31 March 2016:

SHAREHOLDER	SHAREHOLDING
Boron Investments N.V.	5.01%
Delta Lloyd Deelnemingen Fonds N.V.	5.01%
Dreamspirit B.V. (controlled by mr. H.L.M.P. van Doorne)	6.06%
Enix NV	5.41%
Lazard Frères Gestion SAS	4.97%
Lucerne Capital Management LLC	10.01%
Nolet Holding B.V.	25.00%

Dividend policy

The Lucas Bols dividend policy takes account of both the interests of the shareholders and the expected further development of the company. We plan to pay dividends in two semi-annual instalments, with a target dividend of at least 50% of the company's net profit realised during the financial year.

We intend to distribute an interim dividend in the third quarter of each financial year after the publication of the first-half results, and following adoption of the annual accounts by the general meeting a final dividend in the second quarter of the following financial year will be declared. There can be no assurance that a dividend will be proposed or declared in any given year.

Financial calendar

September 07
Annual General Meeting 2017
2017

November 16
Publication half year results 2017/18
2017

June 07
Publication full year results 2017/18
2018

September 06
Annual General Meeting 2018
2018

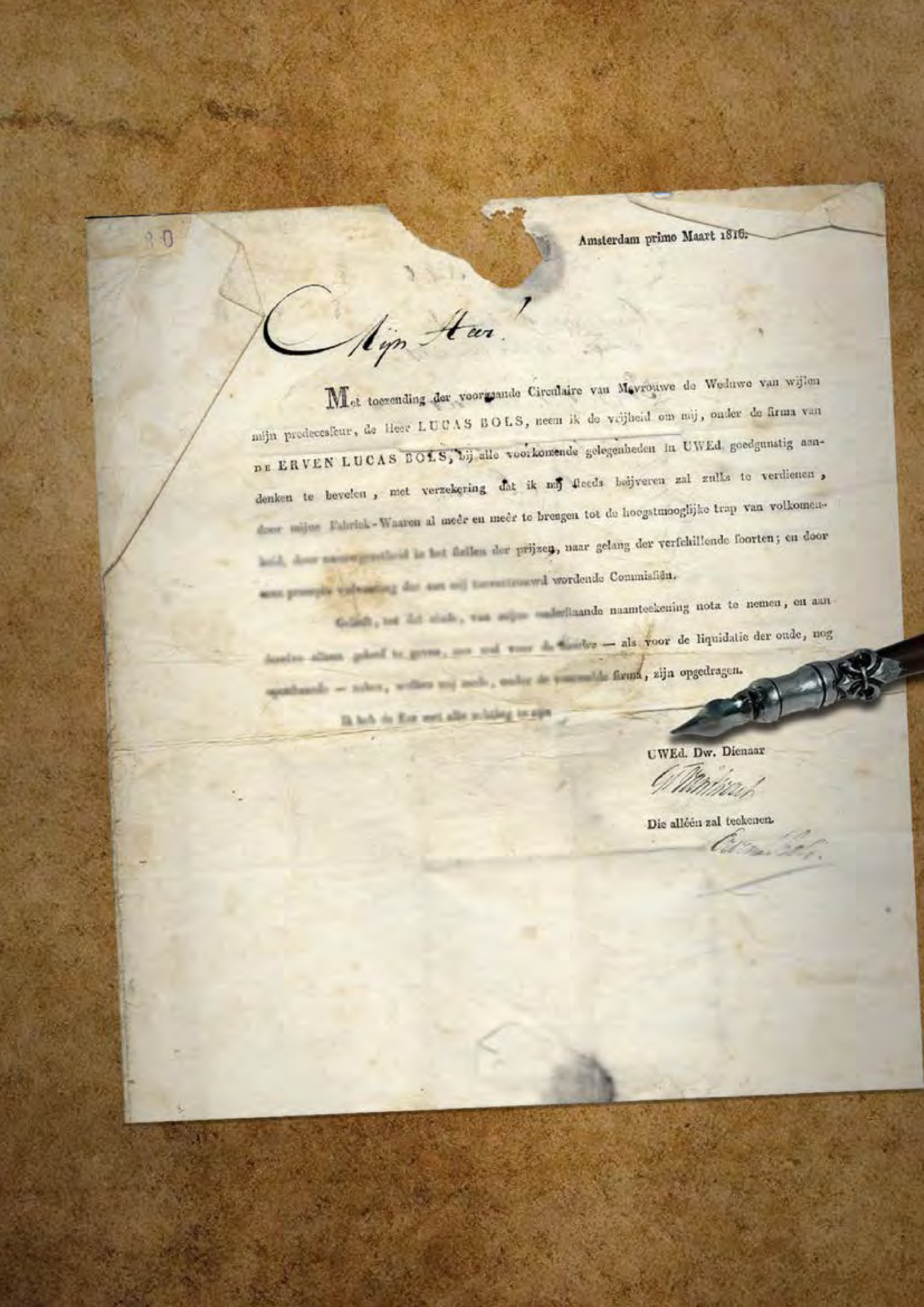
Prevention of insider trading

In consequence of its listing on Euronext Amsterdam Lucas Bols is obliged to have a regulation in place to prevent the use of insider knowledge by its managers, employees or other 'insiders'. Lucas Bols has adapted its existing insider trading regulation to comply with the regulations for listed companies in the Netherlands. Mr. Joost de Vries (CFO) serves as the company's compliance officer and sees to it that the legislation relating to insider knowledge is adhered to and other compliance risks are observed. Lucas Bols has an employee share participation plan (see page 66).

Investors relations

Lucas Bols attaches great importance to maintaining an active dialogue with its shareholders. The aim is to give our (potential) shareholders, analysts and the financial press a broader insight into the company and the sector we operate in. We do this by providing relevant financial and other information in a timely manner and to the best of our ability. To this end Lucas Bols ensures that relevant information is provided equally and simultaneously to all interested parties and that they can access it. From time to time Lucas Bols engages in bilateral contacts with (potential) shareholders and analysts. These contacts can have the form of (reversed) road shows, investors conferences, company visits and one-on-ones. The purpose of these contacts is to explain the strategy and performance of Lucas Bols and thus ensure that correct and adequate information is disseminated about the company.


BOLS
SINCE 1575
BOLS
AMSTERDAM 1575
PREMIUM
VODKA
DISTILLED IN HOLLAND
AMSTERDAM | ANNO 1575
CHARCOAL FILTERED
DISTILLED AND BOTTLED
BY LUCAS BOLS
37,5%vol.
700ml



Amsterdam primo Maart 1816.

Mijn Heer!

Met toezending der voorstaande Circulaire van Mevrouwe de Weduwe van wijlen mijn predecesseur, de Heer LUCAS BOLS, neem ik de vrijheid om mij, onder de firma van DE ERVEN LUCAS BOLS, bij alle voorkomende gelegenheden in UWEd. goedgunstig aandenken te bevelen, met verzekering dat ik mij steeds beijveren zal zulks te verdienen, door mijne Fabriek-Waaren al meêr en meêr te brengen tot de hoogstmooglijke trap van volkomenheid, door [illegible] in het stellen der prijzen, naar gelang der verschillende soorten; en door eene [illegible] der aan mij [illegible] wordende Commissiën.

[illegible] onderstaande naamteekening nota te nemen, en aan [illegible] — als voor de liquidatie der oude, nog [illegible] firma, zijn opgedragen.

[illegible]

UWEd. Dw. Dienaar

[illegible]

Die alléén zal teekenen.

[illegible]

FINANCIAL STATEMENTS
2016/17

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CONSOLIDATED FINANCIAL STATEMENTS 2016/17

Consolidated statement of profit or loss

AMOUNTS IN EUR `000 FOR THE YEAR ENDED 31 MARCH	NOTE	2017	2016
Revenue	5	80,486	72,643
Cost of sales	5	(32,074)	(29,964)
Gross profit		**48,412**	**42,679**
Distribution and administrative expenses	6	(32,385)	(25,980)
Operating profit		**16,027**	**16,699**
Share of profit of joint ventures	18	2,218	880
Finance income		37	37
Finance costs		(2,975)	(2,639)
Net finance costs	8	**(2,938)**	**(2,602)**
Profit before tax		**15,307**	**14,977**
Income tax expense	11	(248)	(3,263)
Net profit		**15,059**	**11,714**
Result attributable to the owners of the Company		**15,059**	**11,714**
Weighted average number of shares	9	12,477,298	12,477,298
Earnings per share			
Basic earnings per share (EUR)		1.21	0.94
Diluted earnings per share (EUR)		1.21	0.94

The notes on page 95 to 132 are an integral part of the consolidated financial statements.

Consolidated statement of other comprehensive income

AMOUNTS IN EUR `000 FOR THE YEAR ENDED 31 MARCH	NOTE	2017	2016
Result for the year		15,059	11,714
Other comprehensive income - Items that will never be reclassified to profit or loss			
Remeasurement of defined benefit liability	10	91	283
Related tax		(23)	(71)
Equity accounted investees – share of other comprehensive income	18	69	243
		137	455
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences		47	(31)
Equity accounted investees – share of other comprehensive income	18	61	(69)
Net change in hedging reserve		618	563
Related tax		(154)	(141)
		572	322
Other comprehensive income for the year, net of tax		709	777
Total comprehensive income for the year, net of tax		15,768	12,491
Total comprehensive income attributable to the owners of the Company		15,768	12,491

The notes on page 95 to 132 are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

AMOUNTS IN EUR `000	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES	CURRENCY TRANSLATION RESERVE	HEDGING RESERVE	OTHER LEGAL RESERVES	RETAINED EARNINGS	RESULT FOR THE YEAR	TOTAL EQUITY
Balance as at 1 April 2016	1,248	130,070	-	(68)	(1,114)	377	19,578	11,714	**161,805**
Transfer result prior period	-	-	-	-	-	-	11,714	(11,714)	-
Total comprehensive income									
Profit (loss) for the year	-	-	-	-	-	-	-	15,059	**15,059**
Other comprehensive income	-	-	-	108	464	-	137	-	**709**
Total comprehensive income	-	-	-	108	464	-	137	15,059	15,768
Dividend paid	-	-	-	-	-	-	(6,738)	-	**(6,738)**
Purchase own shares (ESPP)	-	-	62	-	-	-	-	-	**62**
Own shares delivered (ESPP)	-	-	(62)	-	-	-	-	-	**(62)**
Transfer to legal reserves	-	-	-	-	-	1,273	(223)	(1,050)	-
Balance as at 31 March 2017	1,248	130,070	-	40	(650)	1,650	24,468	14,009	170,835

AMOUNTS IN EUR `000	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES	CURRENCY TRANSLATION RESERVE	HEDGING RESERVE	OTHER LEGAL RESERVES	RETAINED EARNINGS	RESULT FOR THE YEAR	TOTAL EQUITY
Balance as at 1 April 2015	1,248	130,070	-	32	(1,536)	295	22,853	220	**153,182**
Transfer result prior period	-	-	-	-	-	-	220	(220)	-
Total comprehensive income									
Profit (loss) for the year	-	-	-	-	-	-	-	11,714	**11,714**
Other comprehensive income	-	-	-	(100)	422	-	455	-	**777**
Total comprehensive income	-	-	-	(100)	422	-	455	11,714	12,491
Dividend paid	-	-	-	-	-	-	(3,868)	-	**(3,868)**
Purchase own shares (ESPP)	-	-	177	-	-	-	-	-	**177**
Own shares delivered (ESPP)	-	-	(177)	-	-	-	-	-	**(177)**
Transfer to legal reserves	-	-	-	-	-	82	(82)	-	-
Balance as at 31 March 2016	1,248	130,070	-	(68)	(1,114)	377	19,578	11,714	161,805

The notes on page 95 to 132 are an integral part of the consolidated financial statements.

Consolidated statement of financial position

AMOUNTS IN EUR `000 AS AT 31 MARCH	NOTE	2017	2016
Assets			
Property, plant and equipment	16	1,912	1,546
Intangible assets	17	306,495	214,943
Investments in joint ventures	18	7,840	5,766
Other investments	19	599	599
Non-current assets		316,846	222,854
Inventories	13	7,951	7,024
Trade and other receivables	14	21,065	15,152
Other investments, including derivatives	25	316	88
Cash and cash equivalents	15	8,359	6,477
Current assets		37,691	28,741
Total assets		354,537	251,595
Equity			
Share capital		1,248	1,248
Share premium		130,070	130,070
Treasury shares		-	-
Currency translation reserve		40	(68)
Hedging reserve		(650)	(1,114)
Other legal reserves		1,650	377
Retained earnings		24,468	19,578
Result for the year		14,009	11,714
Total equity	20	170,835	161,805
Liabilities			
Other loans and borrowings	22	48,704	49,749
Other non-current financial liabilities	23	67,605	916
Employee benefits	10	216	220
Deferred tax liabilities	11	46,456	22,169
Total non-current liabilities		162,981	73,054
Loans and borrowings	22	4,000	7,135
Trade and other payables	24	16,349	8,854
Derivative financial instruments	25	371	747
Total current liabilities		20,720	16,736
Total liabilities		183,702	89,790
Total equity and liabilities		354,537	251,595

The notes on page 95 to 132 are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

AMOUNTS IN EUR `000 AS AT 31 MARCH	NOTE	2017	2016
Cash flows from operating activities			
Profit		15,059	11,714
Adjustments for:			
• Depreciation of property, plant and equipment	16	471	489
• Net finance costs	8	2,938	2,602
• Share of profit of joint ventures, net of tax		(2,218)	(880)
• Income tax expense	11	248	3,263
• Provision for employee benefits	10	38	(235)
		16,536	16,953
Change in:			
• Inventories		(92)	540
• Trade and other receivables		(6,104)	1,958
• Trade and other payables		6,901	(2,785)
Net changes in working capital		705	(287)
Dividends from joint ventures	29	1,150	900
Interest received		39	32
Income tax paid		(78)	(228)
Income tax received		-	-
Net cash from operating activities		18,352	17,370
Cash flows from investing activities			
Acquisition of/additions to joint ventures	18	(914)	(429)
Acquisition of property, plant and equipment	16	(835)	(638)
Acquisition of intangible assets	17	(1,250)	-
Loans issued and other investments	25	(281)	-
Net cash from (used in) investing activities		(3,280)	(1,067)
Cash flows from financing activities			
Proceeds from loans and borrowings	22	9,100	2,500
Payment of transaction costs related to loans and borrowings		(301)	-
Repayment of loans and borrowings	22	(10,030)	(10,000)
Cash dividend paid to shareholders		(6,738)	(3,868)
Interest paid		(2,127)	(2,205)
Net cash from (used in) financing activities		(10,096)	(13,573)
Net increase/(decrease) in cash and cash equivalents		4,976	2,730
Cash and cash equivalents at 1 April		3,341	630
Effect of exchange rate fluctuations		42	(18)
Net cash and cash equivalents at 31 March	15	8,359	3,341
Cash and cash equivalents (asset)		8,359	6,477
Less: bank overdrafts included in current loans and borrowings		-	(3,135)
Net cash and cash equivalents at 31 March		8,359	3,341

The notes on page 95 to 132 are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements for the years ended 31 March 2017 and 31 March 2016

1. Reporting entity

Lucas Bols N.V. (the 'Company') is a company domiciled in the Netherlands. The address of the Company's registered office is Paulus Potterstraat 14 in Amsterdam. The consolidated financial statements of the Company for the year ended 31 March 2017 comprise the Company and its subsidiaries (together referred to as 'the Group') and the Group's interest in jointly controlled entities.

A summary of the main subsidiaries and jointly controlled entities is included in note 27.

The Company is primarily involved in managing the product development, bottling, distribution, sales and marketing of the brands Bols, Galliano, Vaccari, Damrak Gin, Pisang Ambon, Bokma, Hartevelt, Coebergh, Passoã and a large group of Dutch jenevers and liqueurs.

The Company was incorporated on 27 February 2006. On 11 April 2006 the Company acquired, through its subsidiary Lucas Bols Amsterdam B.V., 100% of the global Bols brand as well as the shares of Galliano B.V., Pisang Ambon B.V., and Bokma Distillateurs B.V. Through its subsidiary Lucas Bols Amsterdam B.V., the Company acquired 100% of the shares of Lucas Bols USA Inc. on 21 May 2008 and 100% of the shares of Pijlsteeg B.V. on 3 September 2013, respectively. On December 1, 2016, Lucas Bols Amsterdam B.V. acquired 7% interest in Passoã SAS, over which it has, following shareholders agreements, full operational and financial control. Based on the contractual terms between the shareholders, the Company assessed that the voting rights in the Passoã SAS are not the dominant factor in deciding who controls the entity. Therefore, the Company concluded Passoã SAS is a jointly owned entity that the Company controls with no non-controlling interests.

As from 4 February 2015 the shares of the Company have been listed on Euronext Amsterdam.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and Part 9 of Book 2 of the Netherlands Civil Code.

The consolidated financial statements were authorised for issue by all members of the Management Board and the Supervisory Board on 7 June 2017.

(b) Basis of measurement

The consolidated financial statements have been prepared on each reporting date on a historical cost basis, except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value;
- interests in the joint ventures are accounted for using the equity method; and,
- the defined benefit asset is recognised as the fair value of plan assets less the present value of the defined benefit obligation, and is as explained in note 3(e).

(c) Functional and presentation currency

These consolidated financial statements are presented in euros, which is the Company's functional currency. All financial information presented in euros has been rounded to the nearest thousand, unless otherwise indicated.

(d) Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

(I)Judgements

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 18 – classification of joint arrangements;
- Note 28 – lease classification;
- Note 12 – business combinations.

(II) Assumptions and estimation uncertainty

Information about assumptions and estimation uncertainty that have a significant risk of resulting in a material adjustment are included in the following notes:

- Note 10 – measurement of defined benefit obligations: key actuarial assumptions;
- Note 11 – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;
- Note 12 – Business combinations: brand valuation and the valuation of the call/put option; and
- Note 17 – impairment test: key assumptions underlying recoverable amounts, including the recoverability of development costs.

(III) Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair value for both financial and non-financial assets and liabilities.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair value is included note 25 – financial instruments.

(e) Changes in accounting policies

The Group has consistently applied the accounting policies set out in note 3 to all periods presented in these consolidated financial statements. Accounting pronouncements, which became effective for the financial year 2016/2017, had no material impact on the Consolidated financial statements.

(f) Changes in comparative figures

The presentation of last year's financial information has been modified to be consistent with the current year financial presentation. These modifications have no impact on the Group's result and/or equity of the previous year.

3. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements. Certain comparative amounts have been reclassified to align with current-year presentation.

(a) Basis of consolidation

(I) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment or when a trigger is identified. Any gain on a bargain purchase is recognised immediately in profit or loss. Transaction costs are recognised when incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.
The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,
- less the net recognised amount of the identifiable assets acquired and liabilities assumed.

(II) Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. If the Group loses control over a subsidiary it derecognises the assets and liabilities of the subsidiary, and any non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value if control is lost.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

Passoã SAS is fully controlled by the Company, which is entitled to the jointly owned entity economic benefits based on contractual arrangements between the shareholders. As a result, the Company consolidates it as a subsidiary and attributes no interest to the non-controlling interests.

(III) Interests in equity-accounted investees
The Group's interests in equity-accounted investees comprise interests in joint ventures.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement rather than rights to its assets and obligations for its liabilities.

Interests in the joint venture are accounted for using the equity method. These are recognised initially at cost and include transaction costs. Subsequent to initial recognition the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income (OCI) of equity-accounted investees until the date on which significant influence or joint control ceases.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

(IV) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Revenue

Revenue comprises predominantly the sale of goods. In addition a non-significant amount of revenue relates to royalty income and services rendered.

(I) Sale of goods

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

Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

(II) Royalties and services rendered

Royalties are proceeds from royalty agreements, net of sales tax, that are recognised in the income statement on an accrual basis in accordance with the substance of the relevant agreement.

Services rendered by the Group are proceeds from ticket sales, training courses and special events and are recognized as the services are rendered.

(c) Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense, including amortisation of deferred finance fees;
- the net gain or loss and early settlement of interest hedging instruments that are recognised in profit or loss.

(d) Foreign currency

(I) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rate on the transaction date.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate on that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currency are recorded on historical cost using the exchange rate at the date of the initial transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

(II) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated to euros at the exchange rates on the transaction date.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign currency differences arising from such item form part of the net investment in the foreign operation. Accordingly, such differences are recognised in OCI and accumulated in the translation reserve.

If a foreign operation is disposed of in its entirety or in part such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. If the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(e) Employee benefits

(I) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under any short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(II) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(III) Defined benefit plans

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI.

The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

If the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(IV) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

(f) Employee share purchase plan

In 2015 the Group set up an employee share purchase plan. Under this plan, employees are entitled to buy shares of the Company from own payment two times a year following publication of the half-year and full-year results, whereas the first time occurred after publication of the full year 2014/15 results. The employees are entitled to buy the shares at a discount of 13.5% of the share price at that time. A three-year lock up period is applicable, in which the employees cannot sell their shares. No other vesting or performance conditions are applicable. The plan qualifies as share based arrangement (equity settled) under IFRS 2. No share based payment costs are recognized in the profit and loss account as the fair value of the share based payment is zero.

(g) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss, except to the extent that it relates to a business combination or items recognised directly in equity or in OCI.

(I) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are only offset if certain criteria are met.

(II) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. In accordance with the Initial Recognition Exemption (IRE) of IAS12 a part of the deferred tax asset is not recognized. For subsequent transactions where the Initial Recognition Exemption has been applied, deferred taxes will be recognized when temporary differences arise;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted, or substantively enacted, at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities can only be offset in the statement of financial position if the entity has the legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to realise the asset and settle the liability at the same time.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Property, plant and equipment

(I) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

(II) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(III) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment.

The estimated useful life is as follows:

• Fixtures and leasehold improvements	10 years
• Furniture	10 years
• Equipment	5 years
• Computers	3 years

The depreciation methods, residual value and useful life are reviewed annually and adjusted if appropriate.

(j) Intangible assets

(I) Brands

Brands acquired are capitalised as part of a brand portfolio in case the portfolio meets the definition of an intangible asset and the recognition criteria are satisfied. The brands and brand portfolios have an indefinite useful life because the period during which it is expected that the brands contribute to net cash inflows is indefinite. Therefore, the brands are not amortised and are tested annually for impairment and whenever there is an indication that the brands may be impaired.
The brands are valued at cost less accumulated impairment losses if and when applicable.

(II) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses if and when applicable.

(k) Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables.
The Group classifies non-derivative financial liabilities into the other financial liabilities category.

(I) Non-derivative financial assets and financial liabilities – recognition and de-recognition

The Group initially recognises loans and receivables and debt securities issued on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(II) Non-derivative financial assets – measurement

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents and statement of cash flows

In the statement of cash flows, cash and cash equivalents are available on demand, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

The Group uses the indirect method to prepare the statement of cash flows.

(III) Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortised cost using the effective interest method.

The call/put option related to Passoã, option over the shares held by the non-controlling interest, is classified as a financial liability fair-valued initially and subsequently measured at amortised cost, with the interest costs being recognised in the profit or loss.

(IV) Share capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

(V) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures, both accounted for as cash flow hedges. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are initially recognised at fair value; attributable transaction costs are recognised in profit or loss as incurred.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, or if it expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

(l) Impairment

(I) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and other non-financial assets with an indefinite life are tested annually for impairment or when a triggering event is identified.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating unit (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets an impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(II) Non-derivative financial assets

Non-derivative financial instruments comprise trade and other receivables and cash and cash equivalents. Financial assets not classified at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- indications that a debtor or issuer will enter bankruptcy;
- observable data indicating that there is a measurable decrease in expected cash flows from a group of financial assets.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between the carrying amount of an asset and the present value of the estimated future cash flows discounted at the original effective interest rate of the asset. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Equity-accounted investees

In respect of an equity-accounted investee an impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(m) Leases

(I) Leased assets

Assets held by the Group under leases that transfer substantially all of the risks and rewards of ownership to the Group are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

(II) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

4. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017 and have not been applied in preparing these consolidated financial statements. The most important upcoming changes to the Group are set out below. The Group does not plan to adopt these standards early.

- IAS 7 Statement of cash flows

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The amendments are effective for financial years beginning on or after 1 January 2017 and will consequently be incorporated in the annual account 2017/18.

- IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. The new standard contains revised rules for the classification and measurement of financial assets and liabilities, impairments of financial assets, and hedge accounting. IFRS 9 defines three instead of four measurement categories for capitalized financial instruments, with classification to be based partly on the company's business model and partly on the characteristics of the contractual cash flows from the respective financial asset.

The new impairment model is based on the principle of accounting for an expected loss from the date of first-time recognition of a financial asset, before a loss event occurs.

IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model aims to provide a better link between an entity's risk management strategy, the rationale for hedging and the impact of hedging on the financial statements.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted (endorsed by the European Union in November 2016).

Based on the assessment performed , the Company does not expect this new standard to have a significant impact on our consolidated financial statements.

- IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The new standard provides a single, principles-based five-step model to be applied to all contracts with customers. Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e., when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. It also provides more guidance on the measurement of revenue contracts which have discounts, rebates, payments to suppliers and consignment stock. Furthermore, it provides new guidance on whether revenue should be recognized at a point in time or over time.

The Company has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements. IFRS 15 is expected to primarily trigger the re-classification of certain advertising and promotional expenses as reduction of revenue. Overall, we currently do not expect any effects on the presentation of the Company's financial position or results of operations as a whole, or on earnings per share.

The Company plans to adopt IFRS 15 in its consolidated financial statements for the year ending 31 March 2019 and intends to apply the full retrospective transition approach.

- IFRS 16 Leases

IFRS 16 replaces existing guidance on lessee accounting for leases. It requires lessees to bring most leases on balance sheet in a single lease accounting model, recognizing a right of use asset and a lease liability.

The Company is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16. So far, the most significant impact identified is that the Company will recognize assets and liabilities for its operating leases of real estate. In this respect, the Company identified EUR 2,4 million of off-balance operating lease obligations (undiscounted) per March 31, 2017. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of use assets and interest expense on lease liabilities.

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted (not yet endorsed by the European Union).

5. Operating segments

The products that the Group sells can be divided into two reportable segments. This segmentation is also the structure in which the brands are managed within the Group, as they require different marketing and sales strategies. Within the Group separate financial information is available internally and used by the main operational decision-makers, based on the resources allocated.

Brand information

The Group identifies global and regional brands:

(I) Global brands

The global brands represent the Group's brands which in general are sold on more than one continent, on which the Group achieves a relatively high margin and which have an on-premise character. The main global brands consist of the Bols Liqueur range, Italian Liqueurs (Galliano and Vaccari), the white spirits portfolio (Bols Vodka, Bols Genever and Damrak Gin) and Passoã.

(II) Regional brands

The regional brands represent the Group's brands which in general are sold on one continent and predominantly have an off-premise character. The main regional brands are the Group's jenever/vieux portfolio, Pisang Ambon, Coebergh, the Strike brands, Regnier, La Fleurette. The Group's management reviews internal management reports of each segment. Information regarding the results of each reportable segment is set out below.

Allocation to the brand segments takes place on specific brand contribution level. Items managed on a group basis (i.e. overheads, finance and tax items) are not allocated to the segments.
Only direct brand allocated assets and liabilities are allocated to the brand segments, all other assets and liabilities are managed on a group basis and not allocated to the segments.

AMOUNTS IN EUR `000	Global brands		Regional brands		Unallocated		Total	
FOR THE YEAR ENDED 31 MARCH	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	57,788	50,353	22,698	22,290	-	-	80,486	72,643
Cost of sales	(20,739)	(18,455)	(11,335)	(11,509)	-	-	(32,074)	(29,964)
Gross profit	**37,049**	**31,898**	**11,363**	**10,781**	-	-	**48,412**	**42,679**
A&P and distribution expenses	(14,638)	(12,377)	(2,026)	(2,009)	-	-	(16,664)	(14,386)
Personnel and other expenses	-	-	-	-	(15,721)	(11,594)	(15,721)	(11,594)
Total result from operating activities	**22,411**	**19,521**	**9,337**	**8,772**	**(15,721)**	**(11,594)**	**16,027**	**16,699**
Share of profit of joint ventures and associates	561	167	1,657	713	-	-	2,218	880
EBIT	**22,972**	**19,688**	**10,994**	**9,485**	**(15,721)**	**(11,594)**	**18,245**	**17,579**
Intangible assets *)	214,334	124,031	92,162	90,912	-	-	306,496	214,943
Inventories	6,738	5,969	1,213	1,055	-	-	7,951	7,024
Other assets	-	-	-	-	40,091	29,628	40,091	29,628
Total segment assets	**221,072**	**130,000**	**93,375**	**91,967**	**40,091**	**29,628**	**354,538**	**251,595**
Total segment liabilities	-	-	-	-	**(183,702)**	**(89,790)**	**(183,702)**	**(89,790)**

*) The economic title to all intangible assets is held by the Dutch companies within the Group.

Geographical information

From a geographical perspective management has identified the following regions in which the business is managed:

AMOUNTS IN EUR `000 FOR THE YEAR ENDED 31 MARCH	Revenue by region of destination 2017	2016	Gross profit 2017	2016
Western Europe *)	37,571	34,397	20,016	18,390
Asia Pacific **)	16,021	14,152	11,818	10,109
North America ***)	16,128	15,022	9,127	8,333
Emerging markets	10,766	9,072	7,451	5,847
Consolidated totals	80,486	72,643	48,412	42,679

*) of which revenue attributed to the Netherlands: EUR 16,772 thousand (2016/17) and EUR 16,015 thousand (2015/16).
**) of which revenue attributed to Japan: EUR 8,007 thousand (2016/17) and EUR 7,318 thousand (2015/16).
***) of which revenue attributed to the USA: EUR 13,485 thousand (2016/17) and EUR 12,102 thousand (2015/16).

6. Distribution and administrative expenses

AMOUNTS IN EUR `000 FOR THE YEAR ENDED 31 MARCH	NOTE	2017	2016
Advertising and promotional expenses		(13,075)	(11,037)
Distribution expenses		(3,588)	(3,350)
Personnel expenses	7	(9,989)	(8,164)
Other administrative expenses *)		(5,262)	(2,940)
Depreciation and amortisation		(471)	(489)
		(32,385)	(25,980)

*) Included in other administrative expense are non-recurring costs in amount of EUR 2 million, mainly related to transactions executed in 2016/17.

7. Personnel expenses

AMOUNTS IN EUR `000 FOR THE YEAR ENDED 31 MARCH	2017	2016
Wages and salaries	(8,261)	(6,876)
Fringe benefits	(1,022)	(797)
Contributions to defined contribution plans	(150)	(169)
Expenses related to post-employment defined benefit plans	(161)	140
Temporary staff	(395)	(462)
	(9,989)	(8,164)

At 31 March 2017 the Group had 39 FTEs in The Netherlands (31 March 2016: 35 FTE) and 31 FTEs abroad (31 March 2016: 25 FTE).

For the disclosure on key management personnel remuneration reference is made to note 29.

8. Net finance costs

AMOUNTS IN EUR `000 FOR THE YEAR ENDED 31 MARCH	2017	2016
Total interest income arising from financial assets not measured at fair value through profit or loss (loans receivable)	37	37
Finance income	37	37
Interest expenses on loans and borrowings	(2,050)	(2,152)
Interest expense on liability related to the Passoã call/put option	(377)	-
Other finance costs	(548)	(487)
Finance costs	(2,975)	(2,639)
Net finance costs recognised in profit or loss	(2,938)	(2,602)

9. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 March 2017 is based on the profit attributable to ordinary shareholders of the Company (net profit) of EUR 15,059 thousand (2015/16 EUR 11,714 thousand) and a weighted average number of ordinary shares - basic outstanding during the year ended 31 March 2017 of 12,477,298 (2015/16 12,477,298). Basic earnings per share for the year amounted to EUR 1.21 (2015/16 EUR 0.94).

Diluted earnings per share

The calculation of diluted earnings per share for the period ended 31 March 2017 is based on the profit attributable to ordinary shareholders of the Company (net profit) of EUR 15,059 thousand (2015/16 EUR 11,714 thousand) and a weighted average number of ordinary shares - basic outstanding after adjustment for the effects of all potentially dilutive ordinary shares of 12,477,298 (2015/16 12,477,298). Diluted earnings per share for the year amounted to EUR 1.21 (2015/16 EUR 0.94).

10. Employee benefits

The Group has two pension schemes in place for its members of staff. One of them qualifies as defined benefit plan, whereas it is an average pay pension scheme. 41 employees participate in this defined benefit plan, whereas 21 of those employees also participate in the defined contribution plans, which is applicable for incomes above the threshold of the defined benefit plan. All pension schemes have been fully insured, therefore no risk of additional premiums is expected. As the plans are fully secured the Group has no influence on the plan assets. During 2015/16 one pension scheme was changed to an average pay pension scheme, which is reported as part of the past service gain of EUR 367 thousand.

Movement in net defined benefit (asset) liability

AMOUNTS IN EUR `000	Defined benefit obligation 2017	2016	Fair value of plan assets 2017	2016	Net defined benefit liability (asset) 2017	2016
Balance at 1 April	2,388	2,619	(2,168)	(1,881)	220	738
Included in profit or loss						
Current service cost	219	208	-	-	219	208
Past service cost and (gain)	-	(367)	-	-	-	(367)
Interest cost/(income)	56	47	(54)	(44)	2	3
	275	(112)	(54)	(44)	221	(156)
Included in OCI						
Effect of changes in economic assumptions	82	(389)	-	-	82	(389)
Effect of changes in demographic assumptions	13	-	-	-	13	-
Effect of experience adjustments	21	247	-	-	21	247
Costs of asset management	-	-	11	9	11	9
Premium change	-	-	(24)	(58)	(24)	(58)
Return on plan assets (excluding interest)	-	-	(194)	(92)	(194)	(92)
	116	(142)	(207)	(141)	(91)	(283)
Other						
Contributions paid by employee	35	31	(35)	(31)	-	-
Contributions paid by the employer	-	-	(152)	(91)	(152)	(91)
Benefits paid	(8)	(8)	8	8	-	-
Administration costs	-	-	18	12	18	12
	27	23	(161)	(102)	(134)	(79)
Balance at 31 March	2,806	2,388	(2,590)	(2,168)	216	220

Plan assets

Plan assets comprise qualifying insurance policies.

Defined benefit obligation

Actuarial assumptions

At the reporting date the principal actuarial assumptions (expressed as weighted averages) were as follows:

AS AT 31 MARCH	2017	2016
Discount rate	2.25%	2.35%
Future salary growth	1.50%	1.50%
Future pension growth	0.00%	0.00%
Price inflation	1.80%	1.80%

Assumptions regarding future mortality are based on published statistics and mortality tables. The following tables are used for both financial years:

- Prognosetafel AG 2016

The duration of the defined benefit obligation is 30,0 years (2015/16 24,4 years).

The Group expects EUR 155 thousand in contributions to be paid to its defined benefit plan in the 2017/18 financial year (31 March 2016: EUR 124 thousand).

Sensitivity analysis

Reasonably possible changes to one of the relevant actuarial assumptions at the reporting date, while holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below. Note: an opposite movement would have an equal but opposite effect of the following amount:

Defined benefit obligation at 31 March 2017

AMOUNTS IN EUR `000	INCREASE	DECREASE
Discount rate (+1%)	-	796
Future salary growth (+1%)	16	-
Future pension growth (+1%)	808	-
Future mortality (+1 yr)	-	87

11. Income taxes

Income tax recognised in profit or loss

AMOUNTS IN EUR `000 FOR THE YEAR ENDED 31 MARCH	2017	2016
Current tax expense	(709)	(133)
Deferred tax expense		
Tax loss carried forward / (reduction of)	908	(2,892)
Origination and reversal of temporary differences	(344)	(568)
Adjustment for prior years	(103)	330
	461	(3,130)
Tax expense	(248)	(3,263)

Tax expense on operations excluded the Group's share of tax expense of the Group's equity-accounted investees of EUR 426 thousand (2015/16: EUR 308 thousand), which has been included in 'share of profit of equity accounted investees, net of tax'.
Included in 2016/17 income tax expense is a tax gain of EUR 3.6 million related to the application of the research & development tax incentive over this year and the previous fiscal years (EUR 3.2 million is related to settlement of previous fiscal years, namely 2009/10-2015/16), as the ruling was agreed upon with the tax authorities in 2016/17.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

Reconciliation of effective tax rate

FOR THE YEAR ENDED 31 MARCH	2017 %	2017 EUR 1,000	2016 %	2016 EUR 1,000
Profit before tax		15,307		14,977
Tax at the Company's domestic tax rate	25.0	(3,827)	25.0	(3,744)
Effect of tax rates in foreign jurisdictions	1.5	(234)	-	-
Non-deductible expenses *)	1.5	(232)	-	-
Effect of share of profits of equity-accounted investees	(3.6)	555	(1.5)	220
Changes in estimates related to prior years	0.7	(103)	(2.2)	330
R&D tax incentive	(23.5)	3,593	-	-
Other	-	-	0.5	(69)
	1.6	(248)	21.8	(3,263)

*) In 2016/17 the non-deductible expenses are mainly related to the Passoã transaction.

Movement in deferred tax balances

2016/17 AMOUNTS IN EUR `000	NET BALANCE AT 1 APRIL 2016	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN OCI/EQUITY	RECLASSIFI-CATION/ OTHER	NET BALANCE AT 31 MARCH 2017	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Intangible assets	(29,528)	(344)	-	(24,605)	**(54,477)**	-	(54,477)
Derivative financial liability	(22)	-	13	-	**(9)**	-	(9)
Derivative financial asset	393	-	(167)	-	**226**	226	-
Employee benefits	84	-	(22)	-	**62**	62	-
Tax loss carry forward	6,366	805	-	-	**7,171**	7,171	-
Tax credits carry forward	538	-	-	33	**571**	571	-
Tax assets (liabilities)	(22,169)	461	(176)	(24,572)	(46,456)	8,030	(54,486)

2015/16 AMOUNTS IN EUR `000	NET BALANCE AT 1 APRIL 2015	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN OCI/EQUITY	RECLASSIFI-CATION/ OTHER	NET BALANCE AT 31 MARCH 2016	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Intangible assets	(29,360)	(568)	-	400	**(29,528)**	-	(29,528)
Derivative financial liability	-	-	(22)	-	**(22)**	-	(22)
Derivative financial asset	512	-	(119)	-	**393**	393	-
Employee benefits	155	-	(71)	-	**84**	84	-
Tax loss carry forward	8,649	(2,562)	-	279	**6,366**	6,366	-
Tax credits carry forward	-	-	-	538	**538**	538	-
Tax assets (liabilities)	(20,044)	(3,130)	(212)	1,217	(22,169)	7,381	(29,550)

On 31 March 2017 the total tax loss carry forward amount of EUR 28.7 million has been capitalised as deferred tax asset (31 March 2016: EUR 25.4 million). Tax credits carry forward of EUR 571 thousand will not expire (31 March 2016: EUR 538 thousand). The deferred tax asset will be gradually realized in the course of the next two years.

As a result of an internal financial restructuring a deferred tax asset amounting to EUR 2.7 million has been realized in the financial year 2015/16. At the same time this led to the recognition of a deferred tax asset linked to intangible assets, related to a temporary difference, for a similar amount.

12. Business combinations

On 1 December 2016 Lucas Bols and the Rémy Cointreau Group formed Passoã SAS, a jointly owned entity based in France, to operate and further develop the global activities of the iconic Passoã brand. At that date Lucas Bols acquired 7% interest in Passoã SAS and started performing the day to day management of the jointly owned entity and running the Passoã brand in the ordinary course of business. Lucas Bols assumes operational and financial control of Passoã SAS. Parties have agreed that for the duration of the jointly owned entity all profits of the company will be withheld, therefore no non-controlling interest has been recognized. Lucas Bols funded Passoã SAS's working capital requirements at the establishment of the entity for an amount of EUR 5 million, equally the starting cash position of the company.

Lucas Bols and Rémy Cointreau Group signed a call/put option agreement. This agreement can be executed in the mid-term. If the agreement is executed, Lucas Bols will acquire the remaining shares for a purchase consideration of approximately EUR 70 million. Lucas Bols has secured funding for this payment.

As part of the transaction, other intangible assets have been recognized, mainly the Passoã trade name for an amount of EUR 70.3 million. Receivables and inventories transferred from Rémy Cointreau as part of the transaction amounted to EUR 1 million. For the temporary difference between the tax base of the brand and its carrying amount, a deferred tax liability of EUR 25 million has been recognized at the reporting date. In addition goodwill, mainly related to the deferred tax liability, was recognized in the amount of EUR 20 million, which will not be deductible for tax purposes.

Passoã SAS contributed EUR 5 million to net sales in 2016/17. The positive impact on net income of EUR 0.7 million in the period from Dec 1, 2016 to March 31, 2017 was offset by the associated one-off transaction costs. Had the transaction occurred on April 1, 2016 and Passoã SAS would have been consolidated for the full year 2016/17, the estimated contribution to revenue would have been EUR 18 million and to net income of EUR 3 million, or per share EUR 0.24 (excluding transaction costs).

The allocation of the fair value of the net assets and the goodwill arising at the transaction date is as follows:

AMOUNTS IN EUR `000 AS AT 1 DECEMBER	2016
Assets	
Intangible assets	70,300
Inventories	835
Trade and other receivables	300
	71,435
Liabilities	
Trade and other payables	(194)
Deferred tax liabilities	(24,605)
	(24,799)
Total identifiable net assets	46,636
Consideration: fair value of call/put option	66,638
Goodwill	20,002

Passoã SAS is fully controlled by Lucas Bols, which is entitled to the jointly owned entity economic benefits based on contractual arrangements between the shareholders. As a result, the Company consolidates its jointly owned entity and attributes no interest to the non-controlling interests.

Rémy Cointreau Group has been granted some minority protection rights to prohibit fundamental changes in the activities of the jointly owned entity, namely to protect the interest of Rémy Cointreau Group. In the normal course of business, these rights will not affect the way Lucas Bols intends to run the operations and therefore Lucas Bols has operational and financial control over the Passoã SAS.

During the period that Passoã SAS is a jointly owned entity, the company will not dividend out its profits and those profits can be used to fund potential additional working capital requirements of Passoã SAS.

The call/put option related to Passoã is classified as a financial liability measured at amortised cost, using a market conform discount rate for funding of a mid-term loan. Interest charges are recognised in the profit or loss.

13. Inventories

AMOUNTS IN EUR `000 AS AT 31 MARCH	2017	2016
Finished goods	7,722	7,024
Raw materials	229	-
	7,951	**7,024**

During 2016/17 inventories of EUR 261 thousand were written down to net realisable value (2015/16: EUR 263 thousand). The write-down is included in 'Cost of sales'.

14. Trade and other receivables

AMOUNTS IN EUR `000 AS AT 31 MARCH	2017	2016
Trade receivables	17,515	11,625
Other receivables	499	274
Accrued income due from joint ventures	4	14
Prepaid expenses and accrued income	3,047	3,239
	21,065	**15,152**

The entire balance of trade and other receivables is classified as current. As at 31 March 2017 and 2016 there was no allowance for doubtful debts.

Receivables denominated in currencies other than the functional currency amounted to EUR 11,522 thousand at 31 March 2017 (31 March 2016: EUR 8,344 thousand).

Information about the Group's exposure to credit and currency risks as well as impairment losses for trade and other receivables is included in note 25.

15. Cash and cash equivalents

AMOUNTS IN EUR `000 AS AT 31 MARCH	2017	2016
Bank balances	8,354	6,472
Cash balances	5	5
Cash and cash equivalents in the statement of financial position	8,359	6,477
Bank overdrafts	-	(3,135)
Cash and cash equivalents in the statement of cash flows	8,359	3,341

All cash and cash equivalents are available on demand.

16. Property, plant and equipment

AMOUNTS IN EUR `000	EQUIPMENT	FIXTURES AND FITTINGS	FURNITURE	TOTAL
Cost				
Balance at 1 April 2016	869	3,532	296	4,697
Investments	218	601	16	835
Disposals	(1)	(12)	-	(13)
Balance at 31 March 2017	1,086	4,121	312	5,519
Accumulated depreciation				
Balance at 1 April 2016	(669)	(2,256)	(226)	(3,151)
Depreciation for the year	(125)	(317)	(29)	(471)
Disposals	1	12	-	13
Balance at 31 March 2017	(793)	(2,561)	(255)	(3,609)
Carrying amounts				
At 1 April 2016	200	1,276	70	1,546
At 31 March 2017	293	1,560	57	1,910

AMOUNTS IN EUR `000	EQUIPMENT	FIXTURES AND FITTINGS	FURNITURE	TOTAL
Cost				
Balance at 1 April 2015	763	3,035	261	4,059
Investments	106	497	35	638
Balance at 31 March 2016	869	3,532	296	4,697
Accumulated depreciation				
Balance at 1 April 2015	(517)	(1,951)	(194)	(2,662)
Depreciation charge for the year	(152)	(305)	(32)	(489)
Balance at 31 March 2016	(669)	(2,256)	(226)	(3,151)
Carrying amounts				
At 1 April 2015	246	1,084	68	1,398
At 31 March 2016	200	1,276	70	1,546

Security

At 31 March 2017 properties with a carrying amount of EUR 1,398 thousand (31 March 2016: EUR 1,546 thousand) were subject to a registered debenture that serves as security for bank loans (see note 22).

17. Intangible assets

AMOUNTS IN EUR `000	BRANDS	GOODWILL	TOTAL
Balance at 1 April 2015	214,743	200	214,943
Additions	-	-	-
Balance at 31 March 2016	214,743	200	214,943
Additions	71,550	20,002	91,552
Balance at 31 March 2017	286,293	20,202	306,495

Passoã trade name has been added to the portfolio in 2016/17, for an amount of EUR 70,3 million. As part of the Passoã transaction, goodwill of EUR 20 million has been recognized and has been allocated to Passoã.

As part of the Cooymans transaction, Lucas Bols has acquired the brands Legner and Floryn for a consideration of EUR 1,3 million. The brands have been included as intangible assets of Lucas Bols as of September 2016.

Goodwill

Goodwill was recognised as a result of the acquisition of Pijlsteeg B.V. in September 2013 and of Passoã in December 2016. The difference between the purchase price and the fair value is recognised as goodwill, which is subject to an annual impairment test.

AMOUNTS IN EUR `000	2017	2016
Balance at 1 April	200	200
Additions from acquisition	20,003	-
Balance at 31 March	20,203	200

Impairment testing for cash-generating units (CGUs) containing brand value

For the purpose of impairment testing the total brand value has been allocated to the Group's CGUs as follows:

AMOUNTS IN EUR `000 AS AT 31 MARCH	2017	2016
Bols	102,097	102,097
Passoã	70,300	-
Galliano	39,076	39,076
Dutch brands	49,833	48,583
Other brands	24,987	24,987
	286,293	214,743

Brands are regarded as having an indefinite useful economic life and are therefore not amortised. Such brands are protected by trademarks, which are renewable indefinitely in all of the major markets in which they are sold. The Company is not aware of any legal, regulatory or contractual provisions that limit the useful life of these brands. The nature of the premium drinks industry is that obsolescence is not a common issue, with indefinite brand lives being commonplace.

The recoverable amount of the CGUs was determined based on a value in use analysis and estimated using discounted cash flows as per period end of the financial year.

The key assumptions used for the impairment test are as follows:

- Cash flows were projected based on the budget for the coming financial year and the next four years based on the mid-term business plan on net contribution margin level. Cash flow forecasts take into account expected revenue growth based on actual experience, an analysis of volume growth and expected market share development, as well as expected margin developments.
- Cash flows after the first five-year period are extrapolated using a terminal average value growth rate of 1.50 percent.
- The discount rate was determined based on external sources:

PERCENTAGE AS AT 31 MARCH	2017	2016
Discount rate	7.60	7.70
Pre-tax WACC	8.94 - 9.32	9.69 - 10.32
Terminal value growth rate	0.00 - 2.00	0.00 - 2.00

Management performed a sensitivity analysis on (i) a revenue decrease of 5%, (ii) a discount rate increase of 1% or (iii) if applicable, a terminal growth rate of 0% for each CGU. The outcome of these individual sensitivity analyses is that no impairment was necessary for any of the CGUs (all other assumptions remained unchanged).

18. Joint ventures

AMOUNTS IN EUR `000	2017	2016
Opening balance	5,766	5,116
Share in profit	2,218	880
Dividend received	(1,150)	(900)
Additions to joint ventures	914	429
Actuarial result through OCI	69	243
Adjustments from currency translation through OCI	61	(69)
Other adjustments	(38)	67
Balance as at 31 March	**7,840**	**5,766**
Avandis (CV & BV) (33,3%)	5,389	3,630
Maxxium Nederland BV (50,0%)	1,093	1,423
BolsKyndal India Pvt Ltd (50,0%)	1,358	713
Balance as at 31 March	**7,840**	**5,766**

Avandis is structured as a separate entity and the Group has a 33.33 percent interest in the net assets of Avandis together with two other partners who each hold 33.33 percent interest. The Group has classified its interest in Avandis as a joint venture. The Avandis joint venture has been contracted for blending and bottling services. Avandis CV is a cost joint venture and consequently Avandis operates on a zero-base result, whereas Avandis BV is the owner of the newly acquired Cooymans Distillery International, which is exploited by the three partners jointly.

In 2016/17, the Group has invested in the extension of the joint venture capital by EUR 0.5 million in Avandis B.V in order to facilitate the Cooymans Distillery International transaction.

Maxxium Nederland B.V. is structured as a separate entity and the Group has a 50.0 percent interest in the net assets of Maxxium Nederland B.V. The Group has classified its interest in Maxxium Nederland B.V. as a joint venture. The principal activity of Maxxium Nederland B.V. is the distribution of distilled products.

BolsKyndal India Pvt. Ltd. is structured as a separate entity and the Group has a 50.0 percent interest in the net assets of BolsKyndal India Pvt. Ltd. The Group has classified its interest in BolsKyndal India Pvt. Ltd. as a joint venture. The principal activity of BolsKyndal India Pvt. Ltd. is the blending, bottling and distribution of distilled products.
In 2016/17, the Group has invested in the extension of the joint venture capital by EUR 0.4 million.

For all three joint ventures the agreements between partners in decision making fully reflects the shared interest as mentioned.

As both Avandis and Maxxium Nederland B.V. are joint ventures which are of significant importance to the Group, a summary of their respective financial information is set out below:

Avandis
The following is a summary of the financial information of Avandis (CV & BV combined), based on its financial statements prepared in accordance with IFRS and modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

AMOUNTS IN EUR `000 FOR THE YEAR ENDED 31 MARCH	2017	2016
Revenue	53,550	34,373
Profit from continuing operations *)	3,777	-
Other comprehensive income	-	-
Total comprehensive income	**3,777**	**-**

*) Profit 2016/17 mainly represents gain on the bargain purchase of Cooymans Distillery International, as Avandis operates as a cost joint venture on a zero result basis

AMOUNTS IN EUR `000 FOR THE YEAR ENDED 31 MARCH	2017	2016
Current assets	17,901	7,288
Non-current assets	24,601	16,171
Current liabilities	(18,520)	(7,865)
Non-current liabilities	(7,814)	(4,703)
Net assets (100%)	**16,168**	**10,891**
Group interest in net assets of investee at beginning of year	3,630	3,630
Share of total comprehensive income	1,259	-
Additions during the year	500	-
Group interest in net assets of investee at year-end	**5,389**	**3,630**
Elimination of unrealised profit on intercompany sales	-	-
Carrying amount of interest in investee at year-end	**5,389**	**3,630**

Maxxium Nederland B.V.
The following is a summary of the financial information for Maxxium Nederland B.V., based on its financial statements prepared in accordance with IFRS and modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

AMOUNTS IN EUR `000 FOR THE YEAR ENDED 31 MARCH	2017	2016
Revenue	66,335	63,341
Profit from continuing operations	1,576	1,485
Other comprehensive income	129	904
Total comprehensive income	**1,705**	**2,389**
Current assets	20,779	17,592
Non-current assets	2,673	2,692
Current liabilities	(19,636)	(15,963)
Non-current liabilities	(1,297)	(1,182)
Net assets (100%)	**2,519**	**3,139**
Group interest in net assets of investee at beginning of year	1,423	1,134
Share of total comprehensive income	858	1,123
Dividends received during the year	(1,150)	(900)
Group's interest in net assets of investee at year-end	**1,131**	**1,357**
Elimination of unrealised profit on intercompany sales	(38)	67
Carrying amount of interest in investee at year-end	**1,093**	**1,423**

BolsKyndal India Pvt Ltd

The profit from continuing operations included in the Groups result is EUR 0.2 million (2015/16 breakeven). This joint venture has not accounted for any other elements in comprehensive income.

19. Other investments

AMOUNTS IN EUR `000 AS AT 31 MARCH	2017	2016
Loan to Avandis C.V. joint venture	599	599
	599	599

The loan with an undefined duration relates to the payment conditions as agreed with Avandis C.V. The loan bears an interest of 4.0 % per annum.

Information about the Group's exposure to credit and market risks and fair value measurement is included in note 26.

20. Capital and reserves

At 31 March 2017 the authorised share capital comprised 21.0 million ordinary shares of EUR 0.10 each. A total of 12.48 million of these shares was issued and fully paid at the balance sheet date.

AMOUNTS IN EUR `000	Ordinary shares 2017	Ordinary shares 2016
In issue at 1 April	1,248	1,248
In issue at 31 March – fully paid	1,248	1,248
Authorised – par value in EUR	0.10	0.10

*) see note 7

Ordinary shares

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share in the General Meeting of Shareholders of the Company. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued. At 31 March 2017 the authorised share capital comprised 21.0 million ordinary shares of EUR 0.10 each. A total of 12.48 million of these shares was issued and fully paid at that date.

NUMBER OF SHARES IN THOUSANDS	2017	2016
Balance at 1 April	12,477	12,477
Balance at 31 March	12,477	12,477

Treasury shares

In 2015/16 and 2016/17 the Group purchased own shares under the Employee share purchase plan (see note 3 (f)). All purchased own shares have been delivered to employees.

Share premium

AMOUNTS IN EUR `000	2017	2016
Balance at 1 April	130,070	130,070
Balance at 31 March	130,070	130,070

*) see note 7

Nature and purpose of legal reserves

Currency translation reserve

The currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation (see note 3(d)).

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value, net of tax, of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss (see note 3(d)).

Other legal reserve

The other legal reserve comprises undistributed profits from joint ventures and the jointly owned entity.

Dividends on common shares

On September 1, 2016, the General Meeting of Shareholders approved the final dividend over financial year 2015/16 of €0.23 per common share in addition to the interim dividend of €0.31 per common share (EUR 6.7 million in the aggregate). The final dividend was paid on September 9, 2016.

The Management Board, with the approval of the Supervisory Board, proposes a final dividend to be paid in 2017 with respect to 2016/17 financial year of €0.26 per common share in addition to the interim dividend of €0.31 per common share already paid. This dividend is subject to approval by the General Meeting of Shareholders and has not been included as a liability on the consolidated balance sheet as of March 31, 2017. The payment of this dividend will not have income tax consequences for the Company.

21. Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders, also taken into account economic conditions and the requirements of the financial covenants. The Group monitors capital using net debt and adjusted equity (see table below). For this purpose, net debt is defined as interest-bearing loans and borrowings less cash and cash equivalents. Adjusted equity comprises all components of equity other than amounts accumulated in the hedging reserve.

The Group expects to continue to generate strong and stable cash flows, which it believes will support its dividend policy and further deleverage with an average mid-term bank debt leverage target of approximately two times EBITDA, subject to temporarily increase following eventual investments made.

The Group's net debt and adjusted equity at 31 March was as follows:

AMOUNTS IN EUR `000 AS AT 31 MARCH	NOTE	2017	2016
Short-term debt		4,000	4,000
Long-term debt		49,400	50,300
Interest-bearing debt		**53,400**	**54,300**
Less: cash and cash equivalents		(2,688)	(6,477)
Plus: bank overdrafts		-	3,135
Net debt *	22	**50,712**	**50,959**
Total equity		170,835	161,805
Undo: hedging reserve		650	1,114
Equity adjusted for hedging reserve		**171,485**	**162,919**

*) Net debt is calculated as per the financial agreements

22. Loans and borrowings

Non-current liabilities

AMOUNTS IN EUR `000 AS AT 31 MARCH	2017	2016
Secured bank loans	48,704	49,749
	48,704	49,749

In December 2016, the Group has reviewed the total financing arrangement with its existing banks. The company has entered into an amended arrangement in which the financing of Passoã SAS and the associated agreements are an integral part. The conditions of the financing arrangement have not materially changed, other than the addition of a secured acquisition facility of EUR 30 million, in order to meet the obligations following the call/put option agreement.

Current liabilities

AMOUNTS IN EUR `000 AS AT 31 MARCH	2017	2016
Current portion of secured bank loans	4,000	4,000
Bank overdrafts	-	3,135
	4,000	7,135

The Group is obliged to meet the covenants required by the new senior credit facilities. These requirements relate to interest cover and maximum leverage ratios. Calculated based on the definitions used in the loan documentation, the actual leverage was 2.8 at 31 March 2017 (31 March 2016 2.8) with a requirement of no more than 3.25. The interest cover ratio was 7.5 at 31 March 2017 with a requirement of at least 4.0 (31 March 2016:7.4). Information about the Group's exposure to interest rate, foreign currency and liquidity risks is included in note 26.

Terms and repayment schedule

The terms and conditions of outstanding loans are as follows:

AMOUNTS IN EUR `000 AS AT 31 MARCH	Currency	Nominal interest rate % P.A.	Year of maturity	Unused facility *) 2017	Face value 2017	Carrying amount 2017	Face value 2016	Carrying amount 2016
Secured bank loan – Term loan	EUR	Euribor + 2,6 %	2021	-	16,000	15,791	20,000	19,835
Secured bank loan – Rollover Facility	EUR	Euribor + 2,6 %	2021	8,600	37,400	36,913	34,300	33,914
Total interest-bearing liabilities				8,600	53,400	52,704	54,300	53,749

*) In addition the Group had a revolving credit facility of EUR 10 million in place, which is mainly used for guarantees. As at 31 March 2017 a total of approximately EUR 2.0 million was used for guarantees, leaving an extra amount of EUR 8.0 million of the facility unused at 31 March 2017. Furthermore, the Group has also secured an acquisition facility of EUR 30 million, in order to meet the obligations following the call/put option agreement.

The repayment schedule of current outstanding loans is as follows:

AMOUNTS IN EUR `000 AS AT 31 MARCH	Currency	Year of maturity	Face value 2017	Less than 1 year	1 - 2 years	2 - 4 years	5 years
Secured bank loan – Term loan	EUR	2021	16,000	(4,000)	(4,000)	(8,000)	-
Secured bank loan – Rollover Facility	EUR	2021	37,400	-	-	(37,400)	-
Total interest-bearing liabilities			53,400	(4,000)	(4,000)	(45,400)	-

Floating rates were hedged for a substantial part by means of interest-rate swap agreements. The bank loans are secured for approximately EUR 104 million by a pledge on most non-current assets and material intellectual property of the Group, as well as trade receivables and stock.

23. Other non-current financial liabilitiess

AMOUNTS IN EUR `000 AS AT 31 MARCH	2017	2016
Fair value of derivatives	531	826
Assumed liability following the Passoã call/put option	67,014	-
Other loans	60	90
	67,605	916

Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates and interest rates. The model used under hedge accounting is the cash-flow hedge model. The other loan bears an interest of 5% per annum and matures in 2018.

Information about the call/put option is included in note 12.

24. Trade and other payables

AMOUNTS IN EUR `000 AS AT 31 MARCH	2017	2016
Trade payables	8,772	5,610
Other payables	294	56
Accrued expenses	6,718	3,188
Corporate income tax payable	565	-
Trade payables	16,349	8,854

At 31 March 2017 trade payables denominated in currencies other than the functional currency totalled EUR 5,285 thousand (31 March 2016: EUR 3,593 thousand).

25. Other investments and derivative financial instruments

Derivative financial instruments consist of hedged foreign exchange contracts and interest rate swaps, both valued at 31 March 2017. The duration of these foreign exchange contracts and interest contracts is less than one year. See note 26 for disclosure on financial instruments. Information about the Group's exposure to currency and liquidity risks is also included in note 26.
In 2016/17 the Group issued a working capital loan to ABV, a new distributor in South Africa, for EUR 0.3 million. The loan is recognized as financial asset not measured at fair value, bears no interest and will be repaid within one year. See also note 26.

26. Financial instruments

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

AMOUNTS IN EUR '000 AS AT 31 MARCH 2017	NOTE	FAIR VALUE -HEDGING INSTRUMENTS	LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2
Financial assets measured at fair value							
Forward exchange contracts used for hedging		316	-	-	316	-	316
		316	-	-	316	-	316
Financial assets not measured at fair value							
Loan to joint venture Avandis CV	19	-	599	-	599	-	599
Loan to ABV	25	-	281	-	281	-	281
Trade and other receivables	14	-	21,065	-	21,065	-	21,065
Cash and cash equivalents	15	-	8,359	-	8,359	-	8,359
		-	30,304	-	30,304	-	30,304
Financial liabilities measured at fair value							
Interest rate swaps used for hedging		(800)	-	-	(800)	-	(800)
Forward exchange contracts used for hedging		(102)	-	-	(102)	-	(102)
		(902)	-	-	(902)	-	(902)
Financial liabilities not measured at fair value							
Secured bank loans	22	-	-	(52,704)	(52,704)	-	(52,704)
Assumed liability Passoã call/put option	23	-	-	(67,014)	(67,014)	-	(67,014)
Other long term loan	23	-	-	(60)	(60)	-	(60)
Bank overdrafts	14	-	-	-	-	-	-
Trade and other payables	24	-	-	(16,349)	(16,349)	-	(16,349)
		-	-	(136,127)	(136,127)	-	(136,127)

AMOUNTS IN EUR '000 AS AT 31 MARCH 2016	NOTE	FAIR VALUE -HEDGING INSTRUMENTS	LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2
Financial assets measured at fair value							
Forward exchange contracts used for hedging		88	-	-	88	-	88
		88	-	-	88	-	88
Financial assets not measured at fair value							
Loan to joint venture Avandis CV	19	-	599	-	599	-	599
Trade and other receivables	14	-	15,152	-	15,152	-	15,152
Cash and cash equivalents	15	-	6,477	-	6,477	-	6,477
		-	22,228	-	22,228	-	22,228
Financial liabilities measured at fair value							
Interest rate swaps used for hedging		(1,481)	-	-	(1,481)	-	(1,481)
Forward exchange contracts used for hedging		(92)	-	-	(92)	-	(92)
		(1,573)	-	-	(1,573)	-	(1,573)
Financial liabilities not measured at fair value							
Secured bank loans	22	-	-	(53,749)	(53,749)	-	(53,749)
Other long term loan	23	-	-	(90)	(90)	-	(90)
Bank overdrafts	15	-	-	(3,135)	(3,135)	-	(3,135)
Trade and other payables	24	-	-	(8,854)	(8,854)	-	(8,854)
		-	-	(65,828)	(65,828)	-	(65,828)

Measurement of fair values

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Forward exchange contracts and interest rate swaps	Market comparison technique: the fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments	n/a	n/a

Financial instruments not measured at fair value:

Type	Valuation technique	Significant unobservable inputs
Financial assets	Discounted cash flows	n/a
Financial liabilities	Discounted cash flows	n/a

Financial assets include trade and other receivables and cash and cash equivalents. Other financial liabilities include bank loans, short-term financial liabilities, trade and other payables, call/put option. The book values of the secured bank loans are considered to be the best approximation of their fair value. For all other financial instruments the fair value is considered to be consistent with the book value.

Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk;
- market risk.

Risk management framework

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investments in debt securities. The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

Almost all of the Group's customers have been transacting with the Group for several years, and no impairment loss has been recognised against these customers.

The Group closely monitors the economic environment in the Eurozone and is taking actions to limit its exposure to customers in countries experiencing particular economic volatility.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. Otherwise the Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables (see note 3(j)).

At year-end, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows:

AMOUNTS IN EUR `000 AS AT 31 MARCH	Carrying amout 2017	Carrying amout 2016
Western Europe	6,311	3,336
Asia-Pacific	5,515	2,570
North America	2,663	3,778
Emerging markets	3,530	2,215
	18,019	**11,899**

At year-end, the ageing of trade and other receivables that were not impaired, was as follows:

AMOUNTS IN EUR `000 AS AT 31 MARCH	2017	2016
Neither past due nor impaired	15,246	10,246
1 – 30 days past due	1,755	914
31 – 90 days past due	557	557
90 days and more past due	461	182
	18,019	**11,899**

Management believes that the unimpaired amounts that are more than 30 days past due are still collectible in full based on historic payment behaviour and extensive analysis of customer credit risk, including the underlying customers' credit ratings if available.

No impairment loss on trade and other receivables was recognised in 2016/17 (2015/16: nil).

Cash and cash equivalents

The Group held cash and cash equivalents of EUR 8,359 thousand at 31 March 2017 (31 March 2016: EUR 3,341 thousand). The cash and cash equivalents are held with bank and financial institution counterparties which are rated at least A, based on ratings assigned by rating agencies.

Derivatives

Derivatives are entered into with bank and financial institution counterparties which are rated AA- to AA+ based on ratings assigned by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it generally has sufficient cash on demand to meet the expected operational expenses for the next few months, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

In addition, the Group maintains the following line of credit: a revolving credit facility of EUR 10 million which is used mainly for guarantees. One guarantee has been issued in relation to the investment of the Company in the joint venture in India (EUR 1.9 million) and one guarantee has been issued for our lessor (EUR 0.1 million).

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments:

31 MARCH 2017 AMOUNTS IN EUR `000	CARRYING AMOUNT	TOTAL	LESS THAN 1 YEAR	1 -2 YEARS	Contractual Cash flows 2 -4 YEARS	5 YEARS
Derivative financial liabilities						
Interest rate swap contracts	(800)	(813)	(260)	(290)	(263)	-
Forward exchange contracts	(186)	(186)	(186)	-	-	-
Non-derivative financial liabilities						
Secured bank loans and other non-current liabilities	(119,718)	(124,700)	(4,000)	(4,000)	(116,700)	-
Interest related to secured bank loans	-	(7,056)	(2,436)	(1,719)	(2,901)	-
Other loans	(60)	(62)	(34)	(28)	-	-
Bank overdrafts	-	-	-	-	-	-
Trade payables	(16,349)	(16,342)	(16,342)	-	-	-
	(137,113)	(149,159)	(23,258)	(6,037)	(119,864)	-

31 MARCH 2016 AMOUNTS IN EUR `000	CARRYING AMOUNT	TOTAL	LESS THAN 1 YEAR	1 -2 YEARS	Contractual Cash flows 2 -4 YEARS	5 YEARS
Derivative financial liabilities						
Interest rate swap contracts	(1,481)	(1,569)	(638)	(367)	(564)	-
Forward exchange contracts	(180)	(180)	(180)	-	-	-
Non-derivative financial liabilities						
Secured bank loans	(53,749)	(64,300)	(4,000)	(4,000)	(56,300)	-
Interest related to secured bank loans	-	(6,190)	(1,642)	(1,580)	(2,968)	-
Other loans	(90)	(96)	(34)	(34)	(28)	-
Bank overdrafts	(3,135)	(3,135)	(3,135)	-	-	-
Trade payables	(8,854)	(8,854)	(8,854)	-	-	-
	(67,489)	(84,325)	(18,483)	(5,981)	(59,860)	-

The Group has a secured bank loan that contains a loan covenant. A breach of this covenant may require the Group to repay the loan earlier than indicated in the above table. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or be significantly different amounts.

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return. The Group uses derivatives to manage market risks. All such transactions are carried out within the guidelines set by management. Generally the Group seeks to apply hedge accounting to manage volatility in profit or loss.

Currency risk

The Group is exposed to currency risk, mainly on sales that are denominated in a currency other than the euro. The currencies in which these transactions are primarily denominated are JPY, USD and AUD.

At the start of the financial year the Group hedges 60 to 80% of its estimated foreign currency exposure in respect of forecast sales for that year. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. Such contracts are generally designated as cash flow hedges.

The Group's investment in its US subsidiary and its joint venture in India are not hedged.

Exposure to currency risk

The summary of quantitative data about the Group's exposure to currency risk as reported to management is as follows:

Trade and other receivables

AMOUNTS IN EUR `000 AS AT 31 MARCH	2017	2016
EUR	8,638	6,446
USD	3,702	3,079
JPY	3,264	2,112
AUD	1,514	741
Other currencies	3,947	2,774
	21,065	15,152

In accordance with external market sources, not taking into account the hedge rates, the following significant exchange rates were applied during the year:

	Average rate against euro		Year end spot rate against euro	
FOR THE YEAR ENDED 31 MARCH	2017	2016	2017	2016
USD	1.0975	1.1036	1.0691	1.1385
JPY	118.78	132.58	119.55	127.90
AUD	1.4578	1.5017	1.3982	1.4807

Sensitivity analysis

A strengthening of the JPY, USD and AUD against the euro at 31 March 2017 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. A weakening would have the same, but opposite effect. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

AMOUNTS IN EUR '000	Profit or loss, net of tax IMPACT
31 March 2017	
JPY (1 % movement)	55
USD (1 % movement)	35
AUD (1 % movement)	30
31 March 2016	
JPY (1 % movement)	54
USD (1 % movement)	35
AUD (1 % movement)	23

Interest rate risk

The Group adopts a policy of ensuring that at least 80% of its interest rate risk exposure is at a fixed rate. To achieve this the Group enters into and designates interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk.

Cash flow sensitivity analysis for variable rate instruments

As a result of the Group's hedging policy for changes in interest rates, the impact of a change of 100 basis points in interest rates would be limited.

27. List of subsidiaries

A list of material subsidiaries of the Group is set out below.

AS AT 31 MARCH		Place and country of incorporation	Ownership interest 2017	2016
Lucas Bols Amsterdam B.V.	*)	Amsterdam, Netherlands	100%	100%
Galliano B.V.	*)	Amsterdam, Netherlands	100%	100%
Vaccari B.V.	*)	Amsterdam, Netherlands	100%	100%
Pisang Ambon B.V.	*)	Amsterdam, Netherlands	100%	100%
Bokma Distillateurs B.V.	*)	Amsterdam, Netherlands	100%	100%
Beleggingsmaatschappij Honthorst II B.V.		Amsterdam, Netherlands	100%	100%
Pijlsteeg B.V.	*)	Amsterdam, Netherlands	100%	100%
Lucas Bols USA Inc.		Wilmington, U.S.A.	100%	100%
Passoã SAS	**	Paris, France	7%	-

** Passoã SAS is an entity that the Company controls and has the right to 100% of the results, with no non-controlling interests in the consolidated financial statements.

For the subsidiaries marked with an *) the Company has issued a guarantee as mentioned in Article 403, Part 9, Book 2 of the Netherlands Civil Code.

28. Commitments and contingencies

Commitments

In the event Lucas Bols does not exercise the call option related to Passoã, Rémy Cointreau has the right to execute the put option and consequently enforce the transaction for pre-agreed considerations.

Leases as lessee

The Group leases an office under an operating lease arrangement. The lease for the head office was renewed on 30 June 2014 for a period of five years as from March 2016. Furthermore another rental contract was renewed for a period of one year as from March 2017.

The Group determined that the office lease is an operating lease. The rent paid to the owner is adjusted to market rent at regular intervals, and the Group does not have an interest in the residual value of the office building. As a result it was determined that all of the risks and rewards of the office buildings are substantially with the owner.

Future minimum lease payments

At 31 March 2017 the future minimum lease owed payments under non-cancellable leases were as follows.

AMOUNTS IN EUR `000 AS AT 31 MARCH	2017	2016
Less than 1 year	795	611
Between 1 and 5 years	1,610	1,978
5 years and more	-	-
	2,405	2,589

The amount of lease expenses recognised in the 2016/17 consolidated statement of profit or loss amounts to EUR 736 thousand (2015/16: EUR 673 thousand). For the lessor a guarantee has been issued for an amount of EUR 138 thousand.

Contingencies

The credit facility of Lucas Bols incorporates what is known as a 'change of control' provision. If a party acquires more than 50% of the company's issued share capital or voting rights, the company is subject to a repayment commitment. The agreements entered into with Remy Cointreau S.A. regarding the Passoã jointly owned entity also contain a change of control clause. If a party obtains 50.01% or more of the shares in the company's capital, Lucas Bols will be obliged to issue Remy Cointreau with a security in the form of a bank guarantee or an escrow deposit for an amount equal to the exercise price of the call/put option.

The Company forms part of a Dutch fiscal unit with its consolidated subsidiaries in respect of corporate income tax and value added tax. Consequently, the Company is jointly and severally liable for all debt arising from the fiscal unit. The Company is fully liable for all obligations in relation to bank loans of its subsidiaries. The Company has issued a guarantee as mentioned in Article 403, Part 9, Book 2 of the Netherlands Civil Code for its subsidiary Lucas Bols Amsterdam B.V. and for the subsidiaries of Lucas Bols Amsterdam B.V., namely Bokma Distillateurs B.V., Galliano B.V., Vaccari B.V., Pisang Ambon B.V. and Pijlsteeg B.V. respectively.

29. Related parties

Transactions with key management personnel

The members of the Management Board and the Supervisory Board are considered key management personnel as defined in IAS 24 'Related party disclosures'. For details on their remuneration, reference is made to the remuneration report in the annual report.
The Management Board and the Supervisory Board member's compensations, as well as the pension obligations as referred to in Section 2:383(b) of the Netherlands Civil Code, which in 2016/17 were charged to the Company and Group companies are as follows:

AMOUNTS IN EUR `000 AS AT 31 MARCH	Huub L.M.P. van Doorne 2017	2016	Joost K. de Vries 2017	2016	Total Management Board 2017	2016
Compensation of the Management Board						
Salary	470	470	320	320	790	790
Variable remuneration	189	47	129	32	318	79
Pension	-	-	32	31	32	31
Other	95	95	25	24	120	119
Total	754	612	506	407	1,260	1,019

The total compensation of the Management Board in 2016/17 amounted to EUR 1,260 thousand (2015/16: EUR 1,019 thousand). Huub L.M.P. van Doorne has no separate pension agreement with the Company. Joost K. de Vries has a defined contribution pension agreement.

The Management Board of the Company controls 6.96% of the voting shares of the Company.

AMOUNTS IN EUR `000 AS AT 31 MARCH	2017	2016
Compensation of the Supervisory Board		
Derk C. Doijer	40	40
Marina M. Wyatt	30	30
Alexandra Oldroyd	30	-
Bert Meerstadt *)	1	35
Mark W. Staal **)	-	15
Total	101	120

*) Bert Meerstadt stepped down as Supervisory Board member in April 2016.
**) Mark W. Staal stepped down as Supervisory Board member in October 2015 and only received remuneration in the first 6 months of 2015/16.

Other related party transactions

31 MARCH	Transaction values for the year ended 2017	2016	Balance outstanding as at 2017	2016
Sale of goods and services				
Joint ventures	13.086	12.335	(93)	42
Purchase of goods and services				
Joint ventures	(21.599)	(19.140)	(1.898)	(1.160)
Others				
Joint ventures dividends received	1.150	900		
Joint ventures loan and related interest	24	24	599	599

Included in Purchases of goods, services and brands is the acquisition of Legner and Floryn brands for a price of EUR 1.25 million. All transactions and outstanding balances with these related parties are priced on an arm's length basis and balances are expected to be settled in cash within two months of the end of the reporting period, except for the long-term loan receivable from Avandis C.V. (undefined duration).

None of the balances is secured. No expense was recognised in the current year or prior years for doubtful debts in respect of amounts owed by related parties. In relation to the investment in the joint venture in India a guarantee has been issued for an amount of EUR 1.9 million (INR 132 million).

30. Subsequent events

There were no material events after 31 March 2017.

COMPANY FINANCIAL STATEMENTS 2016/17

Company balance sheet of Lucas Bols N.V.

(before profit appropriation)

AMOUNTS IN EUR `000 AS AT 31 MARCH	NOTE	2017	2016
Assets			
Investments in subsidiaries	3	116,611	107,581
Deferred tax assets	4	3,045	3,045
Total non-current assets		**119,656**	**110,626**
Receivables from group companies	5	51,179	51,179
Cash and cash equivalents		-	-
Total current assets		**51,179**	**51,179**
Total assets		**170,835**	**161,805**
Equity			
Share capital		1,248	1,248
Share premium		130,070	130,070
Treasury shares		-	-
Currency translation reserve		40	(68)
Hedging reserve		(650)	(1,114)
Other legal reserves		1,650	377
Retained earnings		24,468	19,578
Result for the year		14,009	11,714
Total equity	6	**170,835**	**161,805**
Liabilities			
Other non-current liabilities		-	-
Total non-current liabilities		-	-
Trade and other payables		-	-
Total current liabilities		-	-
Total liabilities		-	-
Total equity and liabilities		**170,835**	**161,805**

The notes on pages 136 - 138 are an integral part of the Company financial statements.

Company profit and loss account of Lucas Bols N.V.

AMOUNTS IN EUR `000 FOR THE YEAR ENDED 31 MARCH	NOTE	2017	2016
Revenue *		1,361	1,139
Cost of sales		-	-
Gross profit		**1,361**	**1,139**
Distribution and administrative expenses *		(1,361)	(1,139)
Operating profit		-	-
Share of profit of participating interests, after income tax	3	15,059	11,714
Finance income		-	-
Finance costs		-	-
Net finance costs		-	-
Profit before tax		**15,059**	**11,714**
Income tax expense		-	-
Other profit after income tax		-	-
Net profit		**15,059**	**11,714**

*The amounts represent the compensation of the management board and supervisory board members, recharged to Lucas Bols Amsterdam B.V.

The notes on pages 136 - 138 are an integral part of the Company financial statements.

Notes to the Company financial statements for the years ended 31 March 2017 and 2016

1. Basis of preparation

The Company's financial statements are prepared in accordance with the provisions of Part 9, Book 2, of the Netherlands Civil Code. The Company uses the option of Article 362.8 of Part 9, Book 2, of the Netherlands Civil Code to prepare the Company financial statements, using the same accounting policies as those used for the consolidated financial statements. Valuation is based on recognition and measurement requirements of accounting standards adopted by the EU, as explained further in the notes to the consolidated financial statements.

For the principles of valuation of assets and liabilities and for the determination of the result, reference is made to the notes to the consolidated financial statements.

2. Significant accounting policies

Financial fixed assets

Participating interests (subsidiaries, joint ventures and associates) are accounted for in the Company financial statements according to the equity method. They are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Reference is made to the basis of consolidation accounting policy in the consolidated financial statements.

Profit of participating interests

The share in the result of participating interests consists of the share of the Company in the results of these participating interests. In so far as gains or losses on transactions involving the transfer of assets and liabilities between the Company and its participating interests or between participating interests themselves can be considered unrealised, they have not been recognised.

3. Investments in subsidiaries

AMOUNTS IN EUR `000	2017	2016
Balance at 1 April	107,581	98,958
Dividend received from subsidiary	(6,738)	(3,868)
Effective portion of changes in fair value of cash flow hedges, net of tax	464	422
Currency translation of foreign interests	108	(100)
Actuarial gains / (losses) through equity	137	455
Profit of participating interests	15,059	11,714
Balance at 31 March	**116,611**	**107,581**

The Company only holds a direct interest in Lucas Bols Amsterdam B.V. A list of other (indirect) participating interests is disclosed in note 26 of the consolidated financial statements.

4. Deferred tax asset

Deferred tax assets on fiscal losses that have been recognised are expected to be utilised in the next years.

5. Receivables from Group companies

The balance is a receivable from a Group company. The receivable is classified as current if it is expected to be recovered within twelve months. The amount is not due yet, nor has any impairment risk been identified.

6. Equity

For a specification of shareholders' equity, see note 19 of the consolidated financial statements.
The retained earnings at 31 March 2017 amount to EUR 24.5 million (31 March 2016: EUR 19.6 million). The legal reserves limit the distribution of retained earnings by the same amounts (31 March 2017: EUR 1.0 million, 31 March 2016: EUR (0.8) million). In the Company financial statements, the net profit of Passoã has been allocated to other legal reserves.

On September 1, 2016, the General Meeting of Shareholders approved the final dividend over financial year 2015/16 of €0.23 per common share in addition to the interim dividend of €0.31 per common share (EUR 6.7 million in the aggregate). The final dividend was paid on September 9, 2016.

The Management Board, with the approval of the Supervisory Board, proposes a final dividend to be paid in 2017 with respect to 2016/17 financial year of €0.26 per common share in addition to the interim dividend of €0.31 per common share already paid. This dividend is subject to approval by the General Meeting of Shareholders and has not been included as a liability on the consolidated balance sheet as of March 31, 2017. The payment of this dividend will not have income tax consequences for the Company.

7. Compensation of the Management Board and the Supervisory Board

The members of the Management Board and the Supervisory Board are considered key management personnel as defined in IAS 24 'Related party disclosures'. For details on their remuneration, reference is made to note 29 of the consolidated financial statements.

8. Fees for audit and other services

In accordance with article 382.a of Part 9, Book 2, of the Netherlands Civil Code, the total audit cost can be specified as follows:

AMOUNTS IN EUR `000 FOR THE YEAR ENDED 31 MARCH	Ernst & Young Accountants LLP		Other EY firms		Total	
	2017	2016	2017	2016	2017	2016
Fees for audit of financial statements and other services						
Audit of financial statements	196	115	-	-	196	115
Other non-audit services	-	-	-	-	-	-
Total	196	115	-	-	196	115

9. Contingent liabilities

The Company forms part of a Dutch fiscal unit with its consolidated subsidiaries in respect of corporate income tax and value added tax. Consequently, the Company is jointly and severally liable for all debt arising from the fiscal unit. The Company is fully liable for all obligations in relation to bank loans of its subsidiaries. The Company has issued a guarantee as mentioned in Article 403, Part 9, Book 2 of the Netherlands Civil Code for its subsidiary Lucas Bols Amsterdam B.V. and for the subsidiaries of Lucas Bols Amsterdam B.V., namely Bokma Distillateurs B.V., Galliano B.V., Vaccari B.V., Pisang Ambon B.V. and Pijlsteeg B.V. respectively.

10. Subsequent events

There were no material events after 31 March 2017.

Amsterdam, 7 June 2017

Management Board:
Huub L.M.P. van Doorne (CEO)
Joost K. de Vries (CFO)

Supervisory Board:
Derk C. Doijer (Chairman)
Marina M. Wyatt
Alex L. Oldroyd

Address:
Lucas Bols N.V.
Paulus Potterstraat 14
1071CZ, Amsterdam
The Netherlands

Trade register Amsterdam: 34242707

OTHER INFORMATION

Appropriation of profits according to the provisions of the articles of association

Pursuant to article 31 of the Articles of Association, the Management Board may, subject to the prior approval of the Supervisory Board, determine which part of the profits shall be reserved. The General Meeting may resolve to distribute any part of the profits remaining after reservation in accordance with the above. If the General Meeting does not resolve to distribute these profits in whole or in part, such profits (or any profits remaining after distribution) shall also be reserved.

The Management Board may, subject to the prior approval of the Supervisory Board, resolve to distribute interim dividend on Shares. Any distributions on Shares shall be made in such a way that on each Share an equal amount or value will be distributed.

Distribution of profit

The Management Board, with the approval of the Supervisory Board, proposes a final dividend to be paid in 2017 with respect to 2016/17 financial year of €0.26 per common share in addition to the interim dividend of €0.31 per common share already paid, the total dividend 2016/17 therefore amounting to €0.57 (2015/16 €0.54).

If the proposed dividend is approved by shareholders, Lucas Bols shares will be quoted ex-dividend on 11 September, 2017, for the shares listed on Euronext. The record date for the dividend on the shares listed on Euronext will be 12 September, 2017.

Non-GAAP measures

This annual report includes the following non-GAAP financial measures:

Earnings before interest, taxes, or EBIT

EBIT is net income before net financial expense and income taxes, depreciation and amortization. Thus, EBIT is defined as operating profit plus share of profit of joint ventures. Profit of joint ventures is included in EBIT, as Lucas Bols' management believes that joint ventures are an integral part of Lucas Bols operations.

Earnings before interest, taxes, depreciation and amortization, or EBITDA

EBITDA is net income before net financial expense, income taxes, depreciation and amortization. However, EBITDA does exclude impairments. EBITDA allows investors to analyse the profitability between companies and industries by eliminating the effects of financing (i.e., net financial expense) and capital investments (i.e., depreciation and amortization).

Free operating cash flow

Free operating cash flow is net operating cash flows from operations minus net capital expenditures. Lucas Bols' management believes this measure is useful because it provides insight into the cash flow available to, among other things, reduce debt and pay dividends.

Net debt

Net debt is the net off (i) the sum of loans, finance lease liabilities, cumulative preferred financing shares and short-term debt (i.e., gross debt) and (ii) cash, cash equivalents, and short-term deposits and similar instruments, all as per the definitions in the financing agreements. In management's view, because cash, cash equivalents, and short-term deposits and similar instruments can be used, among other things, to repay indebtedness, netting this against gross debt is a useful measure for investors to judge Lucas Bols' leverage. Net debt may include certain cash items that are not readily available for repaying debt.

Net sales, gross profit, D&A and EBIT at constant currency

Net sales, gross profit, D&A and EBIT at constant currency exclude the impact of using different currency exchange rates to translate the financial information of Lucas Bols' cash flows in non-euro currencies. Lucas Bols' management believes this measure provides a better insight into the operating performance of Lucas Bols.

Organic change percentages for net sales, gross profit, D&A and EBIT

Organic change percentages are calculated at constant currencies, excluding one-off items and the impact of transactions.

REPORT ON THE AUDIT
OF THE FINANCIAL STATEMENTS 2016/17

Independent auditor's report

To: the shareholders and supervisory board Lucas Bols N.V.

Report on the audit of the financial statements 2016/17 included in the annual report

Our opinion

We have audited the financial statements 2016/17 of Lucas Bols N.V, based in Amsterdam.
The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Lucas Bols N.V for the year ended 31 March 2017, and of its result and its 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.
- The accompanying company financial statements give a true and fair view of the financial position of Lucas Bols N.V for the year ended 31 March 2017, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated statement of financial position for the year ended 31 March 2017
- The following statements for the year ended 31 March 2017: the consolidated statements of profit and loss, comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company balance sheet for the year ended 31 March 2017
- The company profit and loss account for the year ended 31 March 2017
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

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

We are independent of Lucas Bols N.V in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

MATERIALITY	
Materiality	€ 765,000
Benchmark applied	5% of profit before tax
Explanation	We assume the primary focus of shareholders is profit before tax.

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

We agreed with the supervisory board that misstatements in excess of € 38.250 which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Lucas Bols N.V is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Lucas Bols N.V.

Our group audit mainly focused on significant group entities. Group entities are considered significant either because of their individual financial significance or because they are likely to include significant risks of material misstatement due to their specific nature or circumstances. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or on specific items. In establishing the overall approach to the audit, we determined the audit procedures required to be performed by us, as group auditors or by Ernst & Young Global member firms and other audit firms, both operating under our instructions.

We have performed audit procedures ourselves at the entities in the Netherlands, France and United States of America. We used the work of other auditors when auditing the non-consolidated joint ventures Avandis B.V., Avandis C.V. and Maxxium Nederland B.V.

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

Our key audit matters

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

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

Risk	Our audit approach
VALUATION OF INTANGIBLE ASSETS (BRANDS AND RELATED GOODWILL)	
As at 31 March 2017 brands and related goodwill amount to € 306 million or 86% of the balance sheet total. As disclosed in note 3.i and 17, brands are not amortized, since management assumes an indefinite useful life of their brands and therefore are annually tested for impairment. Management performs their annual impairment test at the cash generating unit level which include individually larger brands and buckets of smaller brands. Management uses assumptions in respect of future market growth and economic conditions such as economic growth, expected inflation rates, expected tax rate, Weighted Average Cost of Capital, demographic developments, expected market share, revenue and margin development. The impairment test was important for our audit as the related asset amounts are significant and the impairment test itself requires judgment. The impairment test includes assumptions that are affected by future market conditions.	Our audit procedures included, amongst others, using EY valuation experts to assist us in reviewing the assumptions and methodologies used by Lucas Bols N.V. We compared forecasted revenue and profit margins for all cash generating units with the medium term plan as approved by the supervisory board. As part of our procedures we also reviewed the sensitivity analysis as referred to in Note 17 of the Consolidated Financial Statements.
VALUATION OF DEFERRED TAX ASSETS	
At 31 December 2017, Lucas Bols N.V. recognized deferred tax assets amounting to € 8.1 million. Related disclosures and accounting policies are included in Note 1 and 12 of the Consolidated Financial Statements. The main element in the deferred tax assets is related to tax losses carried forward. This item was significant to our audit because the recognition process requires judgment and is based on assumptions that are affected by expected future market or economic conditions.	Our audit procedures related to the deferred tax assets included, amongst others, using EY tax specialists to assist us in evaluating the methodology and assumptions used by Lucas Bols N.V., such as expected future taxable income. This entailed reviewing Lucas Bols N.V.'s latest approved medium term plan. We discussed the medium term plan with management to determine the reasonableness of the assumptions used regarding the recoverability of the deferred tax assets.
BUSINESS COMBINATIONS	
In December 2016 Lucas Bols N.V. completed the transaction with Remy Cointreau on Passoa S.A.S. As at 31 March 2017 the company recognized brands and goodwill for an amount of € 71 and € 20 million respectively. The corresponding consideration is remained unpaid and valued as put/call option liability at present value for an amount of € 66 million. Accounting for the transaction of Passao S.A.S. is a complex and judgemental exercise, requiring determination of the fair value of acquired assets and liabilities, and the allocation of the acquisition date goodwill to the cash-generating unit. See also note 12.	We used EY valuation specialists to assist in our review of and challenging of the fair values. Our review was related to the underlying macro-economic assumptions used within the detailed models that supported the preliminary fair values. This included the appropriateness of discount rates and terminal growth rates.

Report on other information included in the annual report

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

- The company report
- Report of the Supervisory Board
- Report of the management board
- Governance report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

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

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

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

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

Report on other legal and regulatory requirements

Engagement

We were engaged by the supervisory board as auditor of Lucas Bols N.V. on 3 September 2015, as of the audit for the year 2015/2016 and have operated as statutory auditor since that date.

Description of responsibilities for the financial statements

Responsibilities of management and the supervisory board for the financial statements

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

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

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

Our responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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.

The Hague, 7 June 2017
Ernst & Young Accountants LLP

Signed by F.J. Blenderman

Red Light Negroni

Address

Lucas Bols N.V.

Paulus Potterstraat 14

1071 CZ Amsterdam, The Netherlands

T: +31 (0)20 5708575