

Avantium N.V.

Annual report 2016

Amsterdam

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Report of the Management Board

Avantium is a leading chemical technology company and pioneer in renewable chemistry. The company develops innovative solutions on the basis of renewable feedstock as sustainable alternatives to fossil-based chemicals and materials. The aim is to develop high-performance and cost effective products on the basis of proprietary process technologies and to bring these new technologies to the market in collaboration with partners around the globe. Avantium also provides advanced catalysis R&D services and systems to renowned chemical, refinery and energy companies. The Management Board is pleased to report the strong progress the company has made in 2016, including its financial results, in the execution of its strategy.

Avantium's market opportunity is driven by the increasing demand for renewable chemicals. While there is an ongoing process of innovation and technological development in the chemical industry, petroleum (oil) is currently still the primary feedstock for chemicals. Chemicals are utilized as building blocks for materials, such as plastic bottles for beverages, films for food packaging and electronics, fibers for textiles, coatings and engineering plastics. Rapidly increasing consumption, driven by a growing population and rising prosperity in developing countries, together with climate change concerns, puts pressure on the use of fossil resources. Consumers are becoming more conscious of the sustainability of products and production methods and have become more vocal in demanding accountability from manufacturers and brand owners on sustainability. Climate change regulations and initiatives are increasing and can drive up the cost of fossil resources and carbon dioxide CO₂ emitting processes. In 2015, The United Nations Climate Change Conference in Paris set ambitious targets for reduction of CO₂ and other greenhouse gas emissions. The chemical industry is at the intersection of converting feedstock into a wide range of chemicals, plastics and fuels and will play a pivotal role in the transition from the current fossil to the future biobased economy. The chemical industry is very dependent on fossil resources such as petroleum and natural gas. This creates a massive market opportunity for new technologies that can convert renewable feedstock, such as sugars and biomass into chemicals and plastics, provided these technologies can meet the economic, quality and performance criteria of end users. Avantium is a pioneer in the emerging industry of renewable and sustainable chemistry and has signed collaborations with world leading industrial and FMCG companies to commercialize its proprietary technologies and bring renewable chemicals and bioplastics to the market.

Avantium's business comprises (i) the "YXY Technology", converting plant-based sugars into FDCA and biobased chemicals and plastics, like PEF, which became part of Synvina, the Joint Venture between BASF and Avantium, (ii) "Renewable Chemistries", researching and developing novel processes for the conversion of biomass feedstock to chemical building blocks and plastic materials, and (iii) "Catalysis", a catalysis research service provider to an international customer base of several leading chemical, refinery and energy companies.

Safety continues to be of the utmost importance to the company. We recorded no safety accidents in 2016. All of our employees have committed to a list of so-called 'Golden Safety Rules', which reminds us all every single day to take safety very seriously. We have implemented these Golden Safety Rules and have procedures and good safety systems in place, but we know that continuous attention and awareness (behaviour and culture) is required to ensure that we operate in a safe manner.

YXY: formation of Joint Venture with BASF, the start of a new era

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

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

On 30 November 2016, Avantium established a 49:51 Joint Venture with BASF (with economic effect as of 1 July 2016), named Synvina C.V., to commercialize the YXY Technology and build the first commercial scale plant to produce FDCA and sell FDCA and PEF (the Reference Plant). The Joint Venture also intends to commercialize the YXY Technology by licensing it to BASF and others to enable global industrial scale production of PEF. The formation of the Joint Venture with BASF was a major milestone for the company as it is evidence of the strengths of our YXY technology, the dominant position of our intellectual property for the production and use of FDCA and PEF, and the large market potential for this new technology. Finding a strong industrial partner has been an important element of our strategy for commercializing our YXY technology, and we believe that BASF brings all relevant capabilities to make this Joint Venture successful, including strong engineering and manufacturing expertise, a solid track record in the development and production of monomers and polymers, a world-wide reach and the required financial resources. We are pleased that BASF, the world's largest chemical company, has decided to pursue this market opportunity in partnership with Avantium, and has put renewable chemistry high on its strategic agenda.

The initial contribution to the Joint Venture by Avantium comprises its IP in relation to the YXY Technology, the FDCA Pilot Plant in Geleen that has been operational since 2011, laboratory equipment relating to the YXY Technology, collaboration agreements and employment contracts relating to the YXY Technology, whilst BASF contributed cash. In addition, Avantium transferred a European subsidy application to the Joint Venture. The application entails a Horizon 2020 Bio Based Industries flagship subsidy of Euro 25.0 million to establish with a consortium of eleven partners a first-of-a-kind, commercial scale, cost effective FDCA reference plant. In December 2016, Avantium received from the European Commission a favorable evaluation report and the exclusive invitation to prepare the documentation. Currently Avantium is the subsidy coordinator, but is in the process of transferring this role to the Joint Venture. The consortium encompasses the full value chain including feedstock suppliers, technology providers, application developers and brand owners. The grant of the subsidy is only subject to finalization of a final grant agreement which the European Commission scheduled for 8 May 2017. Subsequently, the European Commission will publish the subsidy information including the consortium partners.

The Joint Venture intends to build and operate the first commercial scale plant for the production of FDCA up to 50,000 ton scale (the Reference Plant) in Antwerp, Belgium. On the basis of the Reference Plant the Joint Venture intends to commercialize the YXY Technology by selling FDCA and PEF from the Reference Plant and selling Licenses of the YXY Technology to third parties to produce and use FDCA and/or PEF.

In 2015, FDCA was adopted by the European Food Safety Authority (EFSA). In August 2016 FDCA was included in the Plastics Regulation as a food contact material by the sixth amendment to the Plastics Regulation, which entered into force on 14 September 2016.

In 2016 Avantium signed a framework agreement with Mitsui to commercialize FDCA and PEF in film and bottle applications in the Asian region together with Mitsui affiliates and other industrial parties. This agreement builds on a three party market development agreement between Toyobo, Mitsui and YXY Technologies B.V. for the development by Toyobo of PEF thin films, and the market development for such films by Mitsui. In September 2016 we announced our partnership with Toyobo on PEF polymerization and development on PEF thin films for packaging applications. These partnerships demonstrate our drive to collaborate with leading companies in Japan, one of the most innovative and sophisticated chemical material markets around the world.

Renewable Chemistries – building the portfolio

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

The YXY Technology our furthest advanced technology that was initially developed by the Renewable Chemistries team. Two other projects have reached or are entering pilot plant stage: Project Zambezi and Project Mekong. Both projects are also complementary to but not dependent on the YXY Technology (owned by Synvina, our Joint Venture with BASF).

Project Zambezi aims for a cost-effective process for the production of high-purity glucose from non-food biomass that can be converted into biobased chemicals. It was decided to move the project from lab-scale to pilot plant to prove the technology as soon as sufficient funding is obtained.

As per 1 September 2016 Avantium participates in an EU subsidy project named Bioforever (BIO-based products from FORestry via Economically Viable European Routes). This subsidy will support us in Zambezi's market development as we will provide (amongst others) Zambezi glucose and co-products produced by the Zambezi

technology (e.g. lignin) to subsidy partners including DSM (The Netherlands) and Borregaard (Norway) for testing.

In December we signed a non-binding memorandum of understanding with AKZO Nobel Industrial Chemicals B.V., RWE Generation NL B.V and Staatsbosbeheer to explore a flagship wood-to-chemicals biorefinery at the chemical cluster in Delfzijl, the Netherlands.

Project Mekong is a one-step process for the production of mono-ethylene glycol, or MEG, from glucose. Today's market for MEG is predominantly fossil-based and represents an annual turnover of over US\$20 billion. Biobased MEG is chemically identical to fossil-based MEG. We continue to test the catalyst longevity, efficiency, recyclability and suitability for continuous operation. We are currently scaling up the process initially in the United States on a contract research and manufacturing basis, meaning that the intellectual property is retained by Avantium.

Project Volta is in lab stage and comprises the direct use of electricity in chemical processes including the conversion of CO₂ to chemical building blocks. In December, we acquired the assets (IP, know-how and hardware) from Liquid Light, which developed technologies to convert CO₂ in chemicals based on the basis of electrochemistry. This acquisition strengthens our activities in electrochemistry and accelerates the demonstration of novel, electrochemical processes on kilogram scale. Moreover, the extensive patent portfolio of Liquid Light brings Avantium in the top of the world with respect to patent applications on electrochemical carbon dioxide conversions.

Catalysis – continue to develop new catalytic services and systems to maintain technology leadership

For over 15 years, Catalysis has been providing advanced catalysis R&D services and systems to companies in the chemical, refinery and energy sector. We have developed a strong, international customer base including several industry leaders. From our R&D facilities in Amsterdam, we help our customers to innovate faster with a higher probability of success and to achieve faster times-to-market of new catalysts. Avantium has gained considerable experience and expertise from its Catalysis business and has (co-)invented numerous new catalysts and new and improved chemical processes for its customers.

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

Overall performance in Catalysis has been in line with our expectations, as the generation of revenues and adjusted EBITDA in 2016 remained in line with 2015. We have recently developed a new Flowrence system for early stage catalytic experimentation, with a high level of operational flexibility and with fewer parallel reactors. Market interest for this system is evidenced by first sales already in 2016.

Financial analysis

Consolidated revenues from continuing operations slightly increased with 2% from Euro 10.3 million in 2015 to Euro 10.5 million in 2016. Operating expenses increased from Euro 13.7 million to Euro 14.3 million, predominantly driven by higher raw materials and contract costs and higher other operating expenses mainly constituting of external development costs such as trials.

The net profit for the year 2016 amounts to Euro 38.1 million resulting in a net equity at year end of Euro 47.1 million. The major improvement was caused by the one-off gain from the transfer of assets to Synvina, which had a positive impact of Euro 48.8 million on the net profit. Our cash position at year end 2016 increased from Euro 7.0 million to Euro 14.2 million.

For our credit facility with ABN AMRO Bank, only a limited number of legal entities are used to determine the applicable solvability ratio. This solvability of the credit base of the relevant entities must be above 35% and was 55% on 31 December 2016 (see note 26, contingencies). The cash outflow was planned for and resulted from investments in our development programs. We continued to operate under strict working capital management and reduced capital expenditures to protect the cash position of the company. We will continue our risk management strategy of minimizing our foreign exchange and interest volatility. Although this impact is not material, thus not requiring the need for financial hedging instruments, we continue to monitor this exposure periodically and adjust when necessary. We will continue to properly manage our capital risk, as expressed in our solvability ratio. Furthermore note 3 highlights other financial risk factors and how we manage these.

In March, the Company, PMV and FPIM and certain of its existing Shareholders, entered into a subordinated convertible loans agreement (CLA) for the principal amount of Euro 20.0 million. As a result of this new funding and strict working capital management Avantium has maintained its short-term and medium-term liquidity position. We believe that the anticipated cash flows of our Catalysis services and systems business and the new funding closed in 2016 are sufficient to meet the requirements for working capital, capital expenditures and R&D for at least the next twelve months from the date of this report.

Corporate governance

Avantium has aligned its corporate governance policies with the principles and best practice rules of the Code Frijns as adopted in 2008 and with the principles and best practice rules of the Dutch Corporate Governance Committee (chaired by Mr. Van Manen) as proposed on 9 December 2016. Although formally Avantium should apply the Dutch Code as adopted in 2008, management disclosed its alignment with the principles and best practices with the new Code, which is expected to be adopted in 2017. This to remain consistent with the information about the compliance with the Dutch Code as disclosed in the prospectus, which was issued as part of the IPO in March 2017. We refer to pages 16-22 of this report and to the website of the Company for further details. During the year, there were no transactions or issues giving rise to a (possible) conflict of interest between Management, members of the Supervisory Board and the Company.

The full text of the Code is available on: www.mccg.nl.

Risk Management

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

The risk approach and appetite are determined by the nature of the risk. The main risks relate to strategic, operational and financing risks. We refer to pages 12-15 of this report and to note 3 to the annual accounts for further details. This assessment is not exhaustive, nor does it provide any guarantee against future losses or failure.

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

Regarding the risks relating to the Joint Venture, we seek to minimize downside risks where possible by active involvement in the Joint Venture operations in our capability as shareholder and as Supervisory Board member, policies and procedures. Each risk is mitigated where possible by targeted actions.

We actively seek to minimize the financial and financing risks of Avantium by active interactions with our current investors and with various groups and types of potential new equity and/or debt providers.

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

We have increased our efforts in ensuring regulatory compliance for a listed company by a re-implementation of our financial bookkeeping system and an overhaul of our processes and procedures surrounding governance and control.

Subsequent events and Outlook

The company has made significant steps in the execution of its strategy. The Joint Venture with BASF is a key step towards the commercialization of the YXY technology. This transaction has the potential to further strengthen the profile of Avantium as a pioneer in the exciting transition from the petroleum based chemical industry to a renewable industry. It is also expected to catalyze the ability of Avantium to attract the financial resources that are required for building the first commercial-scale FDCA plant and the continued efforts to develop Avantium's Renewable Chemistry portfolio.

In parallel the management board looks forward to see the initial results of the efforts to achieve sustainable growth of its Catalysis business.

Building a leading technology company in the field of renewable chemistries will require time and support from financial markets and industrial partners to invest in new technologies in the area of renewable chemistry. As of the date of this report, we have successfully completed the IPO of Avantium at Euronext Amsterdam and Euronext Brussels. The company was able to raise total gross proceeds of Euro 109 million, thus securing its funding for the next years. Consequently the share capital of the company was increased by the combination of the proceeds of the offering and the conversion of the 2016 convertible loan. Furthermore a capital restructuring took place, leading to an increase of the nominal value of the Shares from €0.01 to €0.10. Following this transaction the outstanding share capital as of 31 December 2016 of 131.866.499 ordinary shares, changed to 25.764.466 ordinary shares as per the date of this report.

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

Declarations

The members of the Management Board confirm that to the best of their knowledge:

- The financial statements for the financial year 2016 give a true and fair view of the assets, liabilities, financial position and the profit of the Company and its consolidated entities.
- The Management Board report gives a true and fair view of the position of the Company and its related entities whose financial information has been consolidated in the financial statements as the balance sheet date 31 December 2016 and of their state of affairs during the financial year 2016.
- The annual report describes the principal risks that the Company faces.

Amsterdam, 20 April 2017

Tom van Aken
Chief Executive Officer

Frank Roerink
Chief Financial Officer

Report of the Supervisory Board

It is our pleasure to present the consolidated and company-only financial statements of Avantium N.V. as prepared by the Management Board in compliance with articles 20 and 21 of the Articles of Association. The net profit for the year 2016 amounts to Euro 38,137,000. Attached to these statements is the unqualified auditor's report from PricewaterhouseCoopers Accountants N.V.

The Supervisory Board of Avantium N.V. has adopted the financial statements for 2016. We recommend the shareholders to approve the Financial Statements in the manner submitted by the Management Board and grant discharge to the Management Board with respect to its management and to the Supervisory Board with respect to its supervision.

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

In 2016 the Supervisory Board has held six plenary meetings and five conference calls to discuss the progress of the company. The audit committee held two meetings in 2016 which were joined by the auditor. The remuneration committee held two meetings in 2016.

In 2016, further progress was made in the development and demonstration of process technology for the production of FDCA and PEF. Furthermore, a number of high value applications were identified of PEF in various packaging applications. The demonstration facilities in Geleen played a major role in both the honing of our process technologies and in the production of samples needed for product application activities.

The attractiveness of the YXY platform was confirmed by the successful closure of the Joint Venture Agreement with BASF. Per November 2016, Avantium's YXY business was transferred to a self-standing JV company named Synvina. The key focus of Synvina will be the design, construction and operation of a first FDCA plant at the BASF site in Antwerp as well as securing the off-take of FDCA from this plant through development of attractive PEF applications in close cooperation with partners and target customers.

In 2016, the Catalysis business continued to deliver value to its customers through the sales of leading enhanced experimentation equipment and execution of experimental programs requested by clients. Initiatives were taken to support further growth of revenues and cash generation.

Avantium's expertise in catalysis and chemistry was fruitfully employed in the identification of additional green chemistry technology platforms. Further progress was made in demonstrating the technical and economic potential of a new process for the manufacture of a major bulk chemical from biomass. Additionally, further discussions were held with potential partners about the unlocking of the value of a promising process for retrieving carbohydrates from lignocellulosic biomass. Business discussions were initiated with the aim of acquiring new technology for the electrochemical conversion of CO₂ to various chemical products. These discussions were successfully concluded in 2016.

With respect to the composition of the Supervisory Board, it is noted that the members of the Board will continue to be selected on the basis of their wide-ranging experience within the industry, backgrounds, skills, knowledge and insight. Within this profile, it is noted that the Board is currently not in compliance with article 2:166 of the Dutch Civil Code.

The Supervisory Board likes to conclude its report with congratulating the Avantium employees with the major progress made in 2016. The determination, ingenuity and professionalism shown during the year render the Board with full confidence in the future success of the company, furthermore strengthened by the successful IPO in March 2017, raising total gross proceeds of Euro 109 million.

Amsterdam, 20 April 2017

On behalf of the Supervisory Board,

Avantium N.V. Supervisory Board

Jan van der Eijk, Chairman

Denis Lucquin

Gabrielle Reijnen

Claude Stoufs

Jonathan Wolfson

Risk management

Risk management is one of the key responsibilities of the Management Board and Supervisory Board. The Group's principal risks and uncertainties – whether under our control or not – are highly dynamic and Avantium's assessment of and responses to them are critical to the Company's future business and prospects. Avantium's approach towards risk management is framed by the ongoing challenge of understanding the risks that the Company is exposed to, what the Company's risk appetite is and how these risks change over time. The Management Board assesses and approves Avantium's overall risk appetite, monitors the Group's risk exposure and sets the Group-wide limits, which are reviewed on an ongoing basis. This process is supported by the Supervisory Board.

A number of key risk factors relating to Avantium's industry, business and operations affect the group. The risk factors are based on assumptions that are not exhaustive, nor do they provide any guarantee against future losses or failure. Although the Group believes that the risks and uncertainties described below are the material risks and uncertainties concerning the Group's business, they are not the only risks and uncertainties relating to the group. The main risks relating to the group's business, industry and operations include the possibility of (i) the continuation of losses, (ii) challenges in commercialization of the YXY Technology, (iii) inability in further development of R&D projects in the Renewable Chemistries business, (iv) challenges in finding partners for commercialization of R&D projects in Renewable Chemistries, (v) possible scale-up challenges in the Renewable Chemistries business, (vi) Catalysis revenues being based on a small number of large customers, and (vii) difficulties in protection of intellectual property. Furthermore the Joint Venture also contains potential risks that the group anticipates to manage and mitigate, which include (i) the conditions to continue with construction of the Reference Plant, (ii) control over the Joint Venture and BASF's interests, (iii) commercial success of PEF and PEF products, (iv) scaling of the YXY Technology, and (v) possibility of litigation or third party claims on intellectual property.

Avantium's risk appetite per main risk category can be found below. Furthermore we explain how we intend to mitigate these risks by use of the key risk factors.

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

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

| Risks related to the business and industry | | Mitigating factors |
|--|--|---|
| The Group has incurred losses and negative operating cash flow and has an accumulated deficit. The Group anticipates that it will continue to incur losses for the foreseeable future and the Group may never achieve or sustain profitability | | <ul style="list-style-type: none"> Attract new sources of funding, via IPO and/or existing investors, and/or non-dilutive funding Diversify technology portfolio in Renewable Chemistries and maintain profitability of Catalysis |

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

| Risks relating to the Joint Venture | Mitigating factors |
|---|--|
| <p>The decision to proceed with the construction of the Reference Plant is subject to certain conditions and each of Avantium and BASF may exercise its exit right resulting in a winding up of the Joint Venture prior to a positive decision to construct the Reference Plant. No assurance can be given that the Reference Plant will be completed on schedule or within budget, or at all</p> | <ul style="list-style-type: none"> • Continue to provide active support and guidance to the management team of the Joint Venture to help broaden market interest, help defend and strengthen the IP portfolio and provide resources to meet agreed timelines • Continue active engagement with BASF senior management |
| <p>The Group does not control the Joint Venture and the interests of BASF may conflict with the interests of the Group which may have an adverse impact on the value of the Joint Venture</p> | <ul style="list-style-type: none"> • Until Final Investment Decision is taken all decision making is done on basis of joint control • Continue active engagement with BASF senior management |
| <p>The commercial success of the Joint Venture will depend on the market acceptance of PEF and PEF products and the Joint Venture's ability to sell FDCA, PEF and Licenses, which may only become clear once the Reference Plant becomes operational</p> | <ul style="list-style-type: none"> • Continue to monitor competitor activities and competitive technologies • Provide full support to Joint Venture to ensure meeting the agreed timeline and help develop strong partnerships in the field of renewable chemistry |
| <p>The YXY Technology may not perform as expected at the planned scale at the Reference Plant and FDCA produced at the Reference Plant or PEF produced by third parties may not meet the required product quality standards or specifications</p> | <ul style="list-style-type: none"> • Continue to work with potential customers to demonstrate the performance of FDCA and/or PEF, provide application development resources and jointly develop new applications to broaden the application fields • Access to BASF proven engineering and manufacturing capabilities to validate each production and process step |
| <p>Litigation or third party claims of intellectual property infringement could require substantial time and money to resolve and may result in liability for damage. Unfavourable outcomes in these proceedings could limit the Joint Venture's intellectual property rights and could prevent it from commercialising the YXY Technology</p> | <ul style="list-style-type: none"> • Provide help to Joint Venture to maintain, protect and expand current IP portfolio in line with IP strategy • Provide help to Joint Venture to monitor IP infringement • Provide help to Joint Venture to maintain adequate IT/Legal/Compliance controls |

| Financial and financing risks | Mitigating factors |
|---|---|
| <p>Availability of financing and interest rate developments. Our failure to access funds (liquidity) would severely limit our ability to execute our strategy. Liquidity risk is the risk that we are unable to meet our payment obligations when due, or are unable, on an ongoing basis, to borrow funds in the market on an unsecured or secured basis at an acceptable price to fund actual or proposed commitments</p> | <ul style="list-style-type: none"> • Maintaining headroom under committed revolving credit facilities • As at 31 December 2016, the Group had available undrawn credit facilities amounting to € 2 million and cash amounting to € 14 million • Attract new sources of funding, via IPO and/or existing investors, and/or non-dilutive funding |
| Compliance risks | Mitigating factors |
| <p>New government measures, including increased regulations on the production and use of sustainable products versus oil-based products, may have a major impact on our business and financial position, and can present an opportunity or threat to activities</p> | <ul style="list-style-type: none"> • Monitoring and adapting to relevant (changes in) rules and regulations • Maintaining a dialogue with authorities, where possible |

Governance and policies

Management Board

The Company has a two-tier board structure consisting of the Management Board and the Supervisory Board. The Management Board is responsible for the management of the Company's operations, as well as the operations of the Group, subject to the supervision of the Supervisory Board. The Management Board's responsibilities include, among other things, the day-to-day management of the Company's operations. The members of the Management Board may divide its duties among its members in the Management Board Regulations. The Management Board shall timely provide the Supervisory Board with all information required for the exercise of its duties.

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

The Management Board is composed of the following two members:

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

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

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

Pursuant to Dutch law and the Articles of Association, the Management Board must obtain the approval of the General Meeting for resolutions regarding an important change of identity or character of the Company or its business. This includes in any event: (i) the transfer of all or substantially all business activities of the Company to a third party, (ii) the conclusion or cancellation of any long-lasting cooperation by the Company or a subsidiary with another legal entity or company or as a fully liable general partner of a limited partnership or a general partnership, provided that such cooperation or the cancellation thereof is of essential importance to the Company and (iii) the acquisition or disposal by the Company or a subsidiary of a participating interest in the capital of a company with a value of at least one-third of the sum of the assets according to the consolidated balance sheet of the Company's most recently adopted financial statements with explanatory notes thereto.

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

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

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

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

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

With respect to the composition of the Management Board, it is noted that the members of the Board will continue to be selected on the basis of their wide-ranging experience within the industry, backgrounds, skills, knowledge and insight. Within this profile, gender diversity has the Board's attention in accordance with article 2:166 of the Dutch Civil Code, although so far this has not resulted in increased gender diversity in the Management Board. In 2016 the management team has been strengthened by appointing Carmen Portocarero as General Counsel and member of the management team.

Supervisory Board

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

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

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

Composition

The Supervisory Board composition is as follows:

| Name | Date of birth | Member as of | Scheduled for re-election |
|-------------------|----------------------|---------------------|----------------------------------|
| J.M. van der Eijk | 23 November 1953 | 1 January 2010 | At the general meeting in 2018 |
| D.J. Lucquin | 13 January 1957 | 19 May 2011 | At the general meeting in 2018 |
| G.E.A. Reijnen | 20 December 1967 | 14 April 2015 | At the general meeting in 2019 |
| C.J. Stoufs | 5 November 1950 | 29 October 2008 | At the general meeting in 2018 |
| J.S. Wolfson | 31 January 1971 | 15 January 2013 | At the general meeting in 2019 |

Michiel de Haan, former vice chairman of the Supervisory Board, has resigned on 15 March 2017. Due to health reasons Jan van der Eijk temporarily replaced Michiel Boersma as acting chairman of the Supervisory Board. As of 1 April 2017 Michiel Boersma resigned and as of 20 April 2017 Jan van der Eijk is appointed Chairman. Further information about the Supervisory Board members is published on the Company's website <https://www.avantium.com/corporate-governance/>

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

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

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

Pursuant to the Supervisory Board Regulations, each Supervisory Board member (other than the chairperson) shall immediately report any (potential) conflict of interests concerning a Supervisory Board member to the chairperson. In case the chairperson has a (potential) conflict of interests, he/she shall immediately inform the vice-chairperson of the Supervisory Board thereof. The chairman or the vice-chairman (as applicable) shall determine whether a reported (potential) conflict of interest qualifies as a conflict of interest within the meaning of Section 2:140 DCC to which the following applies.

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

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

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

Corporate governance

On 9 December 2016, the Dutch Corporate Governance Committee (chaired by Mr. Van Manen), presented the final revised Dutch Corporate Governance Code (the Dutch Code), revising the Code of 9 December 2008. The Dutch Code contains principles and best practice provisions for management boards, supervisory boards, shareholders and general meetings of shareholders and audit and financial reporting. The Code will be applicable as of the financial year 2017 (presuming that the relevant resolutions will be adopted by the cabinet of the Dutch government in the course of 2017).

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

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

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

Non-compliance with the corporate governance code

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

- Principle 1.3: The duty of the internal audit function is to assess the design and the operation of the internal risk management and control systems. The management board is responsible for the internal audit function. The supervisory board oversees the internal audit function and maintains regular contact with the person fulfilling this function.

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

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

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

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

time, by means of webcasting, telephone or otherwise. After the meetings, the presentations should be posted on the company's website.

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

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

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

Pursuant to the Articles of Association, the General Meeting may at any time dismiss a member of the Management Board or the Supervisory Board. The General Meeting may only adopt a resolution to dismiss such a member by a simple majority at the proposal of the Supervisory Board. Without such proposal, the resolution shall require a two-thirds majority of the votes cast, representing more than half of the issued share capital.

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

Tax

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

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

Human resources and remuneration

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

Avantium N.V.

Consolidated Financial Statements 2016

Consolidated statement of comprehensive income

in Euro x 1,000

| | Notes | Year ended 31 December | |
|--|-------|---------------------------|-----------------|
| | | 2016 | 2015 |
| Continuing operations | | | |
| Revenues | 19 | 10,491 | 10,266 |
| Expenses | | | |
| Raw materials and contract costs | 20 | (2,292) | (1,767) |
| Employee benefit expenses | 21 | (6,590) | (6,841) |
| Depreciation, amortization and impairment charge | 20 | (768) | (621) |
| Office and housing expenses | 20 | (1,591) | (1,846) |
| Patent, license, legal and advisory expenses | 20 | (600) | (1,002) |
| Laboratory expenses | 20 | (1,135) | (1,009) |
| Advertising and representation expenses | 20 | (621) | (559) |
| Other operating expenses | 20 | (744) | (94) |
| Operating loss | | (3,851) | (3,473) |
| Finance income | 22 | 56 | 124 |
| Finance costs | 22 | (2,295) | (1) |
| Finance costs - net | | (2,239) | 123 |
| Share in loss of joint ventures | 7 | (771) | - |
| Loss before income tax | | (6,861) | (3,350) |
| Income tax expense | 23 | - | - |
| Loss for the year from continuing operations | | (6,861) | (3,350) |
| Gain / (loss) for the year from discontinued operations | 11 | 44,998 | (9,828) |
| Profit / (loss) for the period | | 38,137 | (13,178) |
| Other comprehensive income | | | |
| Share of other comprehensive income of joint ventures accounted for using the equity method | 7 | - | - |
| Total comprehensive income for the year | | 38,137 | (13,178) |
| Profit attributable to: | | | |
| Owners of the parent | | 38,137 | (13,178) |
| Non-controlling interests | | - | - |
| | | 38,137 | (13,178) |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | 38,137 | (13,178) |
| Non-controlling interests | | - | - |
| | | 38,137 | (13,178) |
| Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company | | | |
| Basic earnings per share | 14 | (0.05) | (0.03) |
| Diluted earnings per share | 14 | (0.05) | (0.02) |
| Earnings per share for profit attributable to the ordinary equity holders of the company | | | |
| Basic earnings per share | 14 | 0.29 | (0.10) |
| Diluted earnings per share | 14 | 0.27 | (0.09) |

The notes on pages 28-68 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

in Euro x 1,000

| | Notes | As at 31 December | |
|--|--------|-------------------|---------------|
| | | 2016 | 2015 |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 4,716 | 4,017 |
| Intangible assets | 6 | 807 | 359 |
| Investments in joint ventures and associates | 7 | 54,229 | - |
| Total non-current assets | | 59,752 | 4,376 |
| Current assets | | | |
| Inventories | 8 | 1,190 | 1,045 |
| Trade and other receivables | 9 | 10,991 | 5,086 |
| Cash and cash equivalents | 10 | 14,223 | 6,981 |
| Total current assets | | 26,405 | 13,112 |
| Assets held for sale | 11 | - | 5,424 |
| Total assets | | 86,158 | 22,913 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Borrowings | 16 | 3,834 | 3,600 |
| Total non-current liabilities | | 3,834 | 3,600 |
| Current liabilities | | | |
| Borrowings | 16 | 22,609 | 400 |
| Trade and other payables | 15 | 12,407 | 6,196 |
| Provisions for other liabilities and charges | 17 | 166 | 168 |
| Total current liabilities | | 35,182 | 6,764 |
| Liabilities related to assets held for sale | 11 | - | 3,190 |
| Total liabilities | | 39,016 | 13,555 |
| Equity | | | |
| Equity attributable to owners of the parent | | | |
| Ordinary shares | 12 | 1,319 | 1,319 |
| Share premium | 12, 13 | 79,734 | 81,272 |
| Other reserves | 12, 13 | 6,212 | 5,266 |
| Retained earnings | | (40,122) | (78,499) |
| Total equity attributable to the owners of the parent | | 47,143 | 9,358 |
| Non-controlling interest | | - | - |
| Total equity | | 47,143 | 9,358 |
| Total equity and liabilities | | 86,158 | 22,913 |

The consolidated statement of financial position has been prepared before appropriation of profit.

The notes on pages 28-68 are an integral part of these consolidated financial statements.

The financial statements on pages 28-68 are authorized for issue by the Management Board on 20 April 2017.

T.B. van Aken
Chief Executive Officer

F.C.H. Roerink
Chief Financial Officer

Consolidated statement of changes in equity

in Euro x 1,000

| | Attributable to equity holders of the company | | | | | | Total equity |
|---|---|----------------|----------------|-------------------|-----------------|--------------------------|-----------------|
| | Ordinary shares | Share premium | Other reserves | Retained earnings | Total | Non-controlling interest | |
| Balance at 1 January 2015 | 1,319 | 81,272 | 5,207 | (66,784) | 21,014 | 517 | 21,531 |
| Comprehensive income | | | | | | | |
| Result for the year | - | - | - | (13,178) | (13,178) | - | (13,178) |
| Other Comprehensive income for the year | - | - | - | - | - | - | - |
| Total Comprehensive income at 31 December 2015 | - | - | - | (13,178) | (13,178) | - | (13,178) |
| Transactions with owners | | | | | | | |
| - Employee share schemes – value of Employee services | - | - | 1,005 | - | 1,005 | - | 1,005 |
| - Transfer value share scheme to retained earnings | - | - | (946) | 946 | - | - | - |
| - Issue of ordinary shares | - | - | - | - | - | - | - |
| - Transactions with non-controlling interests | - | - | - | 517 | 517 | (517) | - |
| Total transactions with owners | - | - | 59 | 1,463 | 1,522 | (517) | 1,005 |
| Balance at 31 December 2015 | 1,319 | 81,272 | 5,266 | (78,499) | 9,358 | - | 9,358 |
| Balance at 1 January 2016 | 1,319 | 81,272 | 5,266 | (78,499) | 9,358 | - | 9,358 |
| Comprehensive income | | | | | | | |
| Result for the year | - | - | - | 38,137 | 38,137 | - | 38,137 |
| Other Comprehensive income for the year | - | - | - | - | - | - | - |
| Total Comprehensive income for the year | - | - | - | 38,137 | 38,137 | - | 38,137 |
| Transactions with owners | | | | | | | |
| - Employee share schemes – value of Employee services | - | - | 1,184 | - | 1,184 | - | 1,184 |
| - Transfer value share scheme to retained earnings | - | - | (239) | 239 | - | - | - |
| - Transaction costs – IPO | - | (1,538) | - | - | (1,538) | - | (1,538) |
| - Issue of ordinary shares | - | - | - | - | - | - | - |
| - Transactions with non-controlling interests | - | - | - | - | - | - | - |
| Total transactions with owners | - | (1,538) | 946 | 239 | (354) | - | (354) |
| Balance at 31 December 2016 | 1,319 | 79,734 | 6,212 | (40,122) | 47,143 | - | 47,143 |

The notes on pages 28-68 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

in Euro x 1,000

| | Notes | Year ended 31 December | |
|--|-------|------------------------|----------------|
| | | 2016 | 2015 |
| Cash flows from continuing operations | | | |
| Cash flows from operating activities | | | |
| Profit for the year from continuing operations | | (6,861) | (3,350) |
| Adjustments for: | | | |
| - Depreciation | 5 | 640 | 568 |
| - Amortization | 6 | 128 | 53 |
| - Impairment | 5, 6 | - | - |
| - Share in loss of joint ventures | 7 | 771 | |
| - Share-based payment | 13 | 1,184 | 1,005 |
| - Finance costs - net | 22 | 2,239 | (123) |
| Changes in working capital (excluding exchange differences on consolidation): | | | |
| - (Increase) in inventories | 8 | (145) | (255) |
| - (Increase) in trade and other receivables | 9 | (5,905) | (465) |
| - Increase in trade and other payables ¹ | 15 | 4,964 | 590 |
| - Increase in provisions | 17 | (2) | (362) |
| | | (2,986) | (2,337) |
| Interest received | 22 | 56 | 124 |
| Interest (paid) | 22 | (59) | (60) |
| Net cash used in operating activities | | (2,989) | (2,273) |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment (PPE) | 5 | (1,341) | (2,126) |
| Purchases of intangible assets | 6 | (576) | (191) |
| Net cash used in investing activities | | (1,917) | (2,317) |
| Cash flow from financing activities | | | |
| Innovation loan | 16 | - | 224 |
| Proceeds from issuance of convertible bond | 16 | 20,000 | - |
| Repayments of borrowings | 16 | (400) | (5) |
| Net cash generated from financing activities | | 19,600 | 219 |
| Net increase / (decrease) in cash, cash equivalents | | 14,694 | (4,371) |
| Cash and cash equivalents at beginning of the year | 9 | 6,981 | 19,140 |
| Effect of exchange rate changes | 21 | (128) | 59 |
| Cash and cash equivalents from continuing operations at end of financial year | | 21,547 | 14,828 |
| Cash flows from discontinued operations | | | |
| Net cash from/ (used in) operating activities | 11 | (5,674) | (3,847) |
| Net cash from/ (used in) investing activities | 11 | (1,649) | - |
| Net cash from/ (used in) financing activities | 11 | - | (4,000) |
| Change in cash from discontinued operations | | (7,323) | (7,847) |
| Cash and cash equivalents at end of financial year | | 14,223 | 6,981 |

The notes on pages 28-68 are an integral part of these consolidated financial statements.

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

Notes to the consolidated financial statements

1. General information

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

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result of its company financial statements, Avantium N.V. makes use of the option provided in Section 2:362 (8) of the Dutch Civil Code. This means that the principles of the recognition and measurements of assets and liabilities and determination of the result (hereinafter referred to as "accounting policies") of the company financial statements of Avantium N.V. are the same those applied for the consolidated financial statements under IFRS (refer to note 2.2). By applying this option, reconciliation is maintained between the group's and the company's equity.

These consolidated financial statements are approved for issue by both the Supervisory Board and the Management Board on 20 April 2017.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.1.1 Going concern

The net profit for the year 2016 amounts to Euro 38,137,000, and in anticipation of the Annual Meeting's adoption of the annual accounts, this has been added to the accumulated deficit resulting in a net equity of Euro 47.1 million.

As per December 18 2015, the company (Avantium N.V.) signed a memorandum of understanding with BASF, regarding the formation of a Joint Venture (JV) for the

commercialization of Furan-Di-Carboxylic-Acid (FDCA), Poly-Ethylene-Furanoate (PEF) and the related technologies (YXY technology). Within the consolidated Avantium N.V., the entities involved in the transaction are YXY Technologies B.V. and Furanix Technologies B.V. BASF holds a 51% share of the JV, where Avantium holds the remaining 49%. On 23 September 2016 the Joint Venture agreement was signed, and the new company name Synvina revealed, which was established in the Netherlands on 30 November 2016. As a result, the Avantium N.V. investment in Synvina C.V. of Euro 54.2 million was recorded as an asset on the Groups balance sheet and a related gain on the transaction of Euro 48.8 million as per December 31 2016.

On March 25 2016, Avantium N.V. (borrower) entered into a subordinated convertible loans agreement with two new shareholders, in the principal amount of Euro 20.0 million. The convertible loans agreement (CLA), has the intention to: (i) enable the borrower to further upscale and commercialize the YXY technology, to (ii) finance (a) the construction of a reference plant with the objective to commercially produce FDCA and (b) the borrower's renewable chemistries division, and (iii) develop a license strategy with respect to the subsequent industrial scale manufacturing of FDCA, the foregoing anticipated to be realized through the formation of a Joint Venture with BASF. The book value of the subordinated convertible loan including interest is Euro 21.8 million as at 31 December 2016.

On November 22 2016, Avantium N.V. and Ares Capital Corporation signed an asset purchase agreement for the acquisition of Liquid Light assets, followed by the Closing of this transaction as per 30 December 2016. The purchase price amounts to US Dollar 1.5 million. The assets mainly relate to fixed assets and intellectual property.

The company did not make use of the credit facility of Euro 2.0 million with ABN AMRO Bank and will keep the facility as an additional buffer. The company complies at year end with the solvability ratio as agreed with ABN AMRO Bank. Refer to note 3.2. for the group's objective in terms of capital management.

For 2017 the group anticipates on a net loss including negative operating cash flows, but as a result of the funding activities anticipated and strict working capital management the group has maintained its short-term and medium-term liquidity position. We believe that the anticipated cash flows of our services and systems business and new funding from a successful Initial Public Offering in March 2017, where Euro 109 million of total gross proceeds was raised and as furthermore outlined in note 29, are sufficient to meet the requirements for working capital, capital expenditures and R&D for at least the next twelve months from the date of this report. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2.1.2 Changes in accounting policy and disclosures

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

No new standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2016. Standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2016 are not material to the group.

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing the consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9, 'Financial instruments', a forthcoming standard, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. Based on the group's current financial position, the company anticipates that the application of IFRS 9 in the future may have an impact on amounts reported in respect of the company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.
- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The company has preliminarily identified the following areas where policies will change, but none are expected to have a significant effect on the consolidated financial statement: (1) contracts for integrated solutions, where one or multiple performance obligations could exist, and (2) renewals and contract modifications could have an impact on (separate) performance obligations.
- IFRS 16, 'Lease accounting' will become effective for accounting periods beginning on or after 1 January 2019. To increase comparability, the new standard will eliminate nearly all off balance sheet accounting for lessees and redefine many commonly used financial metrics. This will have an impact on the Group, as the current off balance sheet lease commitments as reported in note 27, will be presented on the balance sheet starting 2019, impacting our balance sheet totals. No significant impact however is expected on current ratios or metrics as used in the Group.

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

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an

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

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognizes any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss. Any contingent consideration to be transferred by the group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income.

Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The consolidated companies are listed below:

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

As per the 18th of December 2015, the company signed a memorandum of understanding with BASF SE, regarding the formation of a Joint Venture (JV) for the commercialization of Furan-Di-Carboxylic-Acid (FDCA), Poly-Ethylene-Furanoate (PEF) and the related technologies (YXY technology). The JV will engage in (i) the manufacturing and marketing of FDCA, (ii) marketing of PEF manufactured under toll-manufacturing arrangements, (iii) the licensing of FDCA and PEF production and application IP, as well as (iv) the research and development. On 23 September 2016, Avantium N.V. and BASF SE signed the Joint Venture agreement. The new entity is named Synvina C.V. and is incorporated in the Netherlands. The establishment of Synvina C.V. took place on 30 November 2016, after which the transaction result has been recorded. Within Avantium N.V. the entities involved in the transaction are YXY Technologies B.V. (of which the machines and equipment have been transferred) and Furanix Technologies B.V. (in which the YXY IP was filed and has been transferred to the Joint Venture). The JV will engage in the manufacturing and marketing of FDCA, marketing of PEF manufactured under toll-manufacturing arrangements, the licensing of FDCA and PEF production and application IP. BASF SE holds a 51% share of the JV, where Avantium holds the remaining 49%. Reference is made to note 7 for further

disclosure on the fair value measurement of the company's financial assets and liabilities.

In accordance with IFRS 5.31 and 5.32, the YXY technology classified as a discontinued operation and assets held for sale in the financial statements of 2015. In 2016 the YXY technology continues to be classified as a discontinued operation until the incorporation of Synvina on 30 November 2016.

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

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

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

(c) Disposal of subsidiaries

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

(d) Principles of consolidation and equity accounting

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

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

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Management Board has appointed the Management Team which assesses the financial performance and position of the group, and makes strategic decisions. The Management Team, which has been identified as being the chief operating decision maker, consists of the chief executive officer, the chief financial officer, the chief technology officer, the Group legal counsel, and the managing director of Catalysis.

2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

2.4 Use of estimates

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

2.5 Property, plant and equipment

Property, plant and equipment comprise mainly laboratory equipment, hardware and leasehold improvements. All property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Leasehold improvements include capitalization of the estimated costs associated with removing and restoring the leased buildings into its original condition.

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

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

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

On November 22, Avantium N.V. and Ares Capital Corporation signed an asset purchase agreement for the acquisition of Liquid Light assets. The purchase price amounts to US Dollar 1.5 million and the transaction was completed on December 30 2016. The assets mainly relate to fixed assets and intellectual property. Also refer to note 2.6.

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

2.6 Intangible assets

(a) Research and development

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

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

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

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

(b) Computer software

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

Costs associated with developing or maintaining computer software programs are recognized as expenses as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the

group, that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets.

(c) Intellectual property

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

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

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

- Intellectual property 5-20 years

2.7 Impairment of non-financial assets

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

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

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

2.9 Financial assets

2.9.1 Classification

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

Loans and receivables

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

2.9.2 Recognition and measurement

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

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

2.10 Offsetting financial instruments

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

2.11 Impairment of financial assets

(a) Assets carried at amortized cost

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

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

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

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

(b) Assets classified as available for sale

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

2.12 Inventories

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

2.13 Trade receivables

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

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

2.14 Cash and cash equivalents

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

2.15 Share capital

Ordinary shares

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

Treasury shares

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

2.16 Trade payables

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

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

2.17 Borrowings

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

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

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

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

2.18 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the

same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

(a) Pension obligations

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

(b) Share-based payments

The group operates a share-based compensation plan for its employees, also refer to note 13. This plan is classified as an equity-settled share option plan which was adopted in 2006 ("Avantium Option Plan").

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

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

For the company's share option plan, management's judgment is that the Binomial option valuation model is most appropriate for determining fair values as this model allows accounting for non-transferability, vesting conditions and early exercise. Until the listing of our shares, management needs to estimate the fair value of our shares and the expected volatility of that value. These assumptions and estimates are further discussed in note 13 to the IFRS consolidated financial statements. The result of the share option valuations and the related compensation expense is dependent on the model and input parameters used.

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

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

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

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

(c) Profit-sharing and bonus plans

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

2.20 Provisions

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

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

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

2.21 Revenue recognition

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

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

a) Sale of goods

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

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

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

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

b) Multiple element arrangements

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

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

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

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

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

c) Sales of services

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

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

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

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in

income in the period in which the circumstances that give rise to the revision become known by management.

2.22 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

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

2.23 Interest Income

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

2.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group substantially has all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term. Only operating leases are applicable.

2.25 Earnings per Share

a) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

b) Diluted earnings per share

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

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

3. Financial risk management

3.1 Financial risk factors

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

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

Financial instrument by category

Loans and receivables:

in Euro x 1,000

| | | As at 31 December | |
|---------------------------|--------------|--------------------------|-------------|
| | Notes | 2016 | 2015 |
| Trade receivables | 9 | 4,767 | 2,595 |
| Other receivables | 9 | 6,225 | 2,491 |
| Cash and cash equivalents | 10 | 14,223 | 6,981 |

Financial liabilities:

in Euro x 1,000

| | | As at 31 December | |
|-------------------|--------------|--------------------------|-------------|
| | Notes | 2016 | 2015 |
| Trade payables | 15 | 3,434 | 1,555 |
| Other liabilities | 15 | 5,220 | 2,983 |

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

(a) Currency risk

The group operates internationally and is exposed to foreign exchange risk primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities. Management has set up a policy that requires group companies to manage their foreign exchange risk against their functional currency. The group companies are required to close commercial transactions in Euros. Certain US based customers negotiate US dollar contracts. The

numbers of those contracts are very limited and the group companies can close such contract only after written approval of management, and therefore the group's operations are not subject to significant foreign exchange rate risks. Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the entity's functional currency.

The group had outstanding trade receivables in US dollars 3,000 (2015: US dollars 266,000) and in US dollars 476,000 (2015: US dollars 14,000) outstanding trade payables. The group had no trade receivables in another foreign currency. The group had outstanding trade payables in British pounds 13,000, and no trade payables in other foreign currencies.

At 31 December 2016, if the currency had weakened by 10% against the US dollar with all other variables held constant, post-tax result for the year would have been Euro 1,000 higher (2015: Euro 13,000 higher). The US dollar cash position per 31 December 2016 is USD 4,000. The group had no cash position in other foreign currencies.

(b) Credit risk

Credit risk is managed on group basis. The group does not have any significant concentrations of credit risk and is limited to outstanding trade receivables and cash and cash equivalents. On 31 December 2016, the largest single client exposure consisted of 14% of the outstanding trade receivables. The group clients are subject to creditworthiness tests. Sales are subject to payment conditions varying between payments in advance and 30 days after invoice date. For certain projects, deviations to this rule may apply only after approval of group F&A, in which case additional security, including guarantees and documentary credits, may be required. Management does not expect any losses from non-performance by its clients.

In 2016 141,000 Euro (2015: nil Euro) was written off which related to one customer (services) contract, where the company was in a dispute with a customer on whether the performance was in line with what was contractually agreed. Euro 1,793,000 was past due, of which 66% had been paid before the date of this report.

in Euro x 1,000

| | As at 31 December | |
|-------------------------|--------------------------|--------------|
| | 2016 | 2015 |
| Up to 3 months past due | 1,586 | 1,085 |
| 3 - 6 months past due | 206 | 10 |
| | 1,793 | 1,095 |

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

(c) Liquidity risk

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

At the end of 2016, the group has a banking facility with the ABN AMRO Bank of Euro 2.0 million, which has not been utilized. All assets, excluding the intangible assets are pledged to the ABN AMRO Bank. Management monitors monthly rolling forecasts of the

group's cash and cash equivalents (note 10) on the basis of actual results and expected cash flow.

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

At 31 December 2016:

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

At 31 December 2015:

| <i>in Euro x 1,000</i> | Less than 1 year | Between 1 and 2 years | Between 2 and 5 year | Over 5 years | Total |
|---------------------------|-------------------------|------------------------------|-----------------------------|---------------------|--------------|
| Borrowings | 400 | 800 | 2,800 | - | 4,000 |
| Trade payables | 1,555 | - | - | - | 1,555 |
| Other current liabilities | 4,067 | - | - | - | 4,067 |
| | 6,021 | 800 | 2,800 | 0 | 9,621 |

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

(d) Cash flow and fair value interest rate risk

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. At 31 December 2016, if variable interest rates on the euro-denominated borrowings and cash and cash equivalents had been 0.1% higher with all other variables held constant, post-tax results for the year would have been Euro 14,000 higher (2015: 7,000 higher) as a result of higher interest received. In 2016 we have not drawn our credit facility. The innovation loan had a fixed interest rate of 6.2% per year. The convertible loan has a fixed monthly interest rate of 1% per month.

3.2 Capital management

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

The adjusted equity is calculated as equity:

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

The adjusted balance sheet total is calculated as total assets:

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

The adjusted solvability ratios at 31 December 2016 and 2015 were as follows:

| <i>in Euro x 1,000</i> | As at 31 December | |
|---|--------------------------|---------------|
| | 2016 | 2015 |
| Equity attributable to owners of the parent | 47,143 | 9,358 |
| Intangible assets | (807) | (359) |
| Adjusted equity total | <u>46,336</u> | <u>8,999</u> |
| Adjusted balance sheet total | <u>85,350</u> | <u>22,553</u> |
| Adjusted solvability ratio | 54% | 40% |

4. Critical accounting estimates and judgments

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

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

(a) Income taxes

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

(b) Share-based payments

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

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

For the company's share option plan, management's judgment is that the Binomial method is most appropriate for determining fair values as this method allows accounting for non-transferability, vesting conditions and early exercise. Since the company is not listed per balance sheet date, there is no published share price information. Consequently, the company needs to estimate the fair value of its shares and the expected volatility of that value. These assumptions and estimates are further discussed in note 13 to the consolidated financial statements.

The result of the share option valuations and the related compensation expense is dependent on the model and input parameters used. Even though management considers the fair values reasonable and defensible based on the methodologies applied and the information available, others might derive at a different fair value for each of the company's share option plan.

(c) Research and development expenditures

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

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

(d) Revenue recognition

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

(e) Going Concern

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

(f) Government grants

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

(g) JV Accounting

The company applied judgment in concluding on the classification of its interest in the newly established company Synvina, as furthermore outlined in note 7. Following the Joint Venture agreement with BASF, we deem that a situation of joint control is present up to the moment that a positive plant investment decisions is made (expected till the end of 2018), where all decisions within the shareholder meeting require unanimous consent. The joint arrangement with BASF, can be classified as a Joint Venture in accordance with IFRS 11, and will therefore be accounted for as an investment using the equity method.

5. Property, plant and equipment

in Euro x 1,000

| | Leasehold improvements | Laboratory equipment | Hardware | Office furniture and equipment | Construction in progress | Total |
|---|------------------------|----------------------|------------|--------------------------------|--------------------------|--------------|
| At 1 January 2015 | | | | | | |
| Cost | 9,357 | 25,564 | 2,109 | 1,683 | 405 | 39,118 |
| Accumulated depreciation | (5,779) | (20,459) | (2,083) | (1,618) | - | (29,938) |
| Net book amount | 3,578 | 5,105 | 27 | 65 | 405 | 9,180 |
| Year ended 31 December 2015 | | | | | | |
| Opening net book amount | 3,578 | 5,105 | 27 | 65 | 405 | 9,180 |
| Additions | 17 | 708 | 70 | 10 | 1,437 | 2,242 |
| Disposals | (110) | - | - | - | - | (110) |
| Transfers | (2) | 748 | - | - | (746) | - |
| Depreciation charge | (534) | (1,806) | (31) | (23) | - | (2,393) |
| Transferred to disposal group classified as held for sale | (319) | (3,672) | (5) | (9) | (898) | (4,903) |
| Closing net book amount | 2,630 | 1,084 | 62 | 44 | 197 | 4,017 |
| At 31 December 2015 | | | | | | |
| Cost | 9,262 | 27,020 | 2,180 | 1,693 | 1,096 | 41,251 |
| Accumulated depreciation | (6,313) | (22,264) | (2,113) | (1,641) | - | (32,331) |
| Transferred to disposal group classified as held for sale | (319) | (3,672) | (5) | (9) | (898) | (4,903) |
| Net book amount | 2,630 | 1,084 | 62 | 44 | 197 | 4,017 |
| Year ended 31 December 2016 | | | | | | |
| Opening net book amount | 2,630 | 1,084 | 62 | 44 | 197 | 4,017 |
| Additions | 5 | 1,126 | 158 | 35 | 17 | 1,341 |
| Disposals | (2) | - | - | - | - | (2) |
| Transfers | 6 | 148 | 62 | (19) | (197) | - |
| Depreciation charge | (295) | (297) | (35) | (13) | - | (640) |
| Closing net book amount | 2,344 | 2,061 | 247 | 47 | 17 | 4,716 |
| At 31 December 2016 | | | | | | |
| Cost | 8,952 | 24,622 | 2,396 | 1,700 | 17 | 37,687 |
| Accumulated depreciation | (6,608) | (22,561) | (2,149) | (1,653) | - | (32,971) |
| Net book amount | 2,344 | 2,061 | 247 | 47 | 17 | 4,716 |

The additions are predominately related to the asset purchase of Liquid Light assets in the United States, as described under note 2.5.

6. Intangible assets

| <i>(In Euro x 1,000)</i> | Development costs | Software | Intangible assets under development | Intellectual Property | Other | Total |
|---|--------------------------|-----------------|--|------------------------------|--------------|--------------|
| At 1 January 2015 | | | | | | |
| Cost | 2,159 | 6,455 | - | - | 968 | 9,582 |
| Accumulated amortization and impairment | (2,159) | (6,243) | - | - | (953) | (9,355) |
| Net book amount | - | 212 | - | - | 15 | 228 |
| Year ended 31 December 2015 | | | | | | |
| Opening net book amount | - | 212 | - | - | 15 | 228 |
| Additions | - | 108 | 83 | - | - | 191 |
| Transfers | - | (6) | - | - | - | (6) |
| Amortization charge | - | (45) | - | - | (7) | (53) |
| Transferred to disposal group classified as held for sale | - | - | - | - | - | - |
| Closing net book amount | - | 268 | 83 | - | 8 | 359 |
| At 31 December 2015 | | | | | | |
| Cost | 2,159 | 6,563 | 83 | - | 968 | 9,773 |
| Accumulated amortization and impairment | (2,159) | (6,296) | - | - | (960) | (9,415) |
| Net book amount | - | 268 | 83 | - | 8 | 359 |
| Year ended 31 December 2016 | | | | | | |
| Opening net book amount | - | 268 | 83 | - | 8 | 359 |
| Additions | - | 143 | - | 433 | - | 576 |
| Transfers | - | 83 | (83) | - | - | - |
| Amortization charge | - | (121) | - | - | (7) | (128) |
| Closing net book amount | - | 374 | 0 | 433 | 1 | 807 |
| At 31 December 2016 | | | | | | |
| Cost | 2,159 | 6,706 | 83 | 433 | 968 | 10,349 |
| Accumulated amortization and impairment | (2,159) | (6,417) | - | - | (967) | (9,543) |
| Net book amount | - | 374 | 0 | 433 | 1 | 807 |

The additions are predominately related to IP as purchased from Liquid Light in the United States, as described under note 2.5.

Development costs

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

Software and Other intangibles

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

Impairment tests

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

Total of research expenditures recognised as an expense in the consolidated statement of comprehensive income amount to Euro 2.5 million in 2016, and mainly constitute of early stage research trials.

7. Investments in Joint Ventures and Associates

On 30 November 2016, Avantium established a Joint Venture (the Joint Venture) with BASF, Synvina C.V., in which it has a non-controlling interest of 49%, to commercialise the YXY Technology, to which Avantium contributed the YXY Technology, the pilot plant in Geleen that has been operational since 2011, the related patents and knowhow and employees. The Joint Venture intends to build and operate the first commercial scale plant for the production of FDCA (the Reference Plant). Construction of the Reference Plant is expected to start by the end of 2018, with sales of FDCA and PEF expected to commence in 2021. The Joint Venture intends to subsequently license the YXY Technology to BASF and others to enable global industrial scale production of FDCA and PEF as from 2021.

The Joint Venture has the legal form of a limited partnership under Dutch law (commanditaire vennootschap) with (a subsidiary of) the Company and BASF as the two limited partners, holding a 49% equity share and a 51% equity share respectively. The name of the Joint Venture is Synvina C.V. The managing partner of the Joint Venture is a Dutch limited liability company (besloten vennootschap) Synvina B.V. (the Managing Partner). The Company and BASF respectively hold 49% and 51% of the shares in the capital of the Managing Partner. All assets, liabilities and employees are held by Synvina C.V., for which the financial information is disclosed within this paragraph. At 31 December 2016, Synvina B.V. is deemed to be immaterial to the Group. Being established at the 30 November 2016, the JV has opted for an extended fiscal year up till 31 December 2017, and will then report over the 13 months ending 31 December 2017.

The establishment of Synvina C.V. took place on 30 November 2016, after which the transaction result has been recorded, which has led to the Euro 55.0 million investments on the Avantium N.V. balance sheet. BASF SE holds a 51% share of the JV, where Avantium holds the remaining 49%. The arrangement with BASF, is currently deemed to be a joint arrangement, where both parties have joint control (in accordance with IFRS 11.4 and IFRS 11.7), as decisions about relevant activities require unanimous consent of both parties, following the Joint Venture agreement, up till the decision to build the Reference Plant. The joint arrangement is classified as a Joint Venture and is accounted for using the equity method. There is no quoted market price available. No accounting policy changes nor fair value adjustments have taken place.

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

- Proceeds from the Joint Venture: The Joint Venture will pay 20% of the Licence income to the Group until 2035 (Earn-out). Payments of Earn-outs might be deferred for a maximum of five years if such distribution (i) is not available from distributable annual profits and/or retained earnings or otherwise prohibited under Dutch law, (ii) would result in a negative balance of BASF's or Avantium's capital accounts or negative equity of the Joint Venture, or (iii) is in conflict with obligations under any financing agreement or liquidity planning of the Joint Venture. Earn-out payments have priority over dividend payments. In case Avantium dilutes its equity share in the Joint Venture to below 40%, the Group's entitlement to the Earn-out will be reduced according to a pre-determined schedule. At least once per year, the Group and BASF will discuss the payment of any dividends, which will be distributed in accordance with the Joint Venture Partners' pro rata interests in the Joint Venture.
- Exit rights: Until the FID (financial investment decision), both Joint Venture Partners have the right to initiate the unwinding of the Joint Venture. Regardless of the cause of such unwinding and regardless of who triggered such unwinding, the unwinding shall entail the Group purchasing and acquiring BASF's interest in the Joint Venture. The cause of any unwinding and whether the Group or BASF triggered such unwinding does *inter alia* influence the

scope of any cash settlement between the parties after such unwinding, as summarised below.

In the event of an exit, the IP and assets in relation to the YXY Technology contributed by Avantium to the Joint Venture as well as the employees transferred shall be returned to Avantium. All cash remaining in the Joint Venture after settlement of all outstanding accounts payable of the Joint Venture shall be returned to BASF.

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

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

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

The share in loss of the Joint Venture of Euro 771,000 is the result of the 49% stake in the Joint Venture Synvina. Set out below is the summarized financial information for Synvina (on a 100% basis). The numbers as set out below are the result of the provisional purchase price accounting assessment performed by Synvina.

| Summarized balance sheet | 2016 |
|--|----------------|
| <i>(In Euro x 1,000)</i> | |
| <i>Current</i> | |
| Cash and cash equivalents | 10,732 |
| Other current assets | 40,583 |
| Total current assets | 51,315 |
| Financial liabilities (excl. Trade payables) | - |
| Other current liabilities | 2,385 |
| Total current liabilities | 2,385 |
| <i>Non-current</i> | |
| Non-current assets | 61,760 |
| Financial liabilities | - |
| Other liabilities | - |
| Total non-current liabilities | - |
| Net assets | 110,690 |

| Summarized statement of comprehensive income | 2016 |
|---|----------------|
| Net sales | 23 |
| Depreciation and amortization | (63) |
| Interest expense | (0) |
| Other expenses | (1,533) |
| Income tax expense | - |
| Net loss | (1,573) |

Following the terms as set out in the Joint Venture Agreement, expenses and investments made in the YXY technology by Avantium after 1 July 2016 and before the formal establishment date of 30 November 2016, could be charged to Synvina by Avantium.

8. Inventories

(In Euro x 1,000)

| | 2016 | 2015 |
|------------------|--------------|--------------|
| Raw materials | 788 | 919 |
| Finished goods | - | - |
| Work in progress | 402 | 126 |
| | 1,190 | 1,045 |

The costs of inventories recognized as an expense and included in raw materials and contract costs, amounted to Euro 191,000 (2015: Euro 127,000).

9. Trade and other receivables

(In Euro x 1,000)

| | 2016 | 2015 |
|---------------------------------|---------------|--------------|
| Trade receivables | 4,767 | 2,595 |
| Social security and other taxes | - | 265 |
| Prepayments | 102 | 61 |
| Unbilled revenue | 3,651 | 1,801 |
| Other receivables | 2,472 | 364 |
| Current portion | 10,991 | 5,086 |

In 2016 141,000 Euro (2015: nil Euro) of trade receivables was written off which related to one customer services contract, and Euro 1,793,000 (30 days or more after invoice date) was past due, of which 64% had been paid before the date of this report and of the remaining 36%, 32% is for one credit worthy customer, and payment outstanding per agreed terms. The company does not foresee a risk of impairment considering the fact that a large portion of this balance have been collected after year-end and based on individual client payment history no provisions are deemed necessary. See also note 3.1. The carrying amounts of these financial assets are assumed to approximate their fair values.

10. Cash and cash equivalents

(In Euro x 1,000)

| | 2016 | 2015 |
|----------------------------------|---------------|--------------|
| Cash at bank and on hand | 14,223 | 6,981 |
| Cash and cash equivalents | 14,223 | 6,981 |

The carrying amounts of these financial assets are assumed to approximate their fair values. A cash pool agreement is in place for certain ABN AMRO bank accounts where balances are netted on a daily basis. Within the cash pool, an amount of Euro 1,311,000 concerns overdrafts, which are displayed as net cash since it is offset against a positive cash balance of Euro 1,344,000.

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

(In Euro x 1,000)

| | 2016 | 2015 |
|----------------------------------|---------------|--------------|
| Cash and cash equivalents | 14,223 | 6,981 |
| Cash and cash equivalents | 14,223 | 6,981 |

11. Assets held for sale and discontinued operations

As per the 18th of December 2015, the company signed a memorandum of understanding with BASF SE, regarding the formation of a Joint Venture (JV). In accordance with IFRS 5.31 and 5.32, the component for sale (YXY technology) classified as a discontinued operation up until 30 November 2016 by when Synvina C.V. and Synvina B.V. were incorporated. By the agreement of the MoU prior to year-end 2015, and as a result meeting the criteria of IFRS 5.8, in 2015 the YXY business was reported as assets held for sale in the financial statements.

The analysis of the result of the discontinued operations and assets held for sale are as follows:

in Euro x 1,000

| | Year ended | |
|--|--------------------|----------------|
| | 31 December | |
| | 2016 | 2015 |
| Discontinued operations | | |
| Revenues | 326 | 304 |
| Expenses | (4,170) | (11,991) |
| Expenses for the period 1 July 2016 - 30 November 2016, subsequently reimbursed as part of Synvina transaction | (3,407) | - |
| Other income | - | 1,859 |
| Operating profit | (7,251) | (9,828) |
| Income tax expense | - | - |
| Loss for the period from operating activities | (7,251) | (9,828) |
| Gain from transfer of assets | 48,842 | - |
| Reimbursements as part of Synvina transaction | 3,407 | - |
| Profit for the period | 44,998 | (9,828) |

As agreed in the Joint Venture agreement with BASF SE, operating expenses and capex in relation to the YXY business could be charged by Avantium to Synvina in the period starting 1 July 2016 up to the closing of the deal on 30 November 2016. The total reimbursement by Synvina for the period between 1 July 2016 up to 30 November 2016 amounts to Euro 4.0 million. Of this amount Euro 0.6 million has been reallocated to continuing operations. Euro 3.4 million has been allocated to discontinued operations, considering the expenses have initially been recorded in the P&L of YXY and subsequently charged at closing date of Synvina.

11.1 Assets held for disposal

in Euro x 1,000

| | As at 31 December | |
|-------------------------------|--------------------------|--------------|
| | 2016 | 2015 |
| Assets | | |
| Property, plant and equipment | - | 4,903 |
| Intangible assets | - | - |
| Inventory | - | 406 |
| Trade and other receivables | - | 116 |
| Total assets | - | 5,424 |

11.2 Liabilities of disposal group classified as held for sale

in Euro x 1,000

As at 31 December

| | 2016 | 2015 |
|------------------------------------|------|--------------|
| Liabilities | | |
| Innovation loan - Accrued interest | - | 736 |
| Trade and other payables | - | 2,454 |
| Provisions | - | - |
| Total liabilities | - | 3,190 |

11.3 Cash flows

in Euro x 1,000

| | Year ended 31 December | |
|--|---------------------------|----------------|
| | 2016 | 2015 |
| Cash flows from operating activities | | |
| Profit / (loss) for the year from discontinued operations | 44,998 | (9,828) |
| Adjustments for: | | |
| - Depreciation | 102 | 1,825 |
| - Amortization | - | - |
| - Gain on the sale of assets / disposal groups held for sale (non-cash) | (48,842) | - |
| - Finance costs - net | - | 2,620 |
| Changes in working capital (excluding exchange differences on consolidation) | | |
| - (Increase) in inventories | 406 | 115 |
| - (Increase) in trade and other receivables | 116 | 633 |
| - Increase in trade and other payables | (2,454) | 809 |
| - Increase in provisions | - | (21) |
| Net cash used in operating activities | (5,674) | (3,847) |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment (PPE) | (1,649) | - |
| Purchases of intangible assets | - | - |
| Net cash used in investing activities | (1,649) | - |
| Cash flows from financing activities | | |
| Effect of exchange rate changes | - | - |
| Repayment profit participating loan | - | (1,650) |
| Interest (paid) / received | - | (2,350) |
| Net cash used in financing activities | - | (4,000) |
| Change in cash from discontinued operations | (7,323) | (7,847) |

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

12. Share capital and other reserves

12.1 Ordinary shares

The authorized share capital amounts to Euro 2,000,000 consisting of 200,000,000 ordinary shares, with a nominal value of Euro 0.01 each. The issued share capital at 31 December 2016 comprises of 131,866,499 ordinary shares (2015: 131,866,911). In 2016 nil options were exercised by employees and 10,000 employee shares were re-purchased. All 131,866,499 shares issued are fully paid and 30,000 shares are held by the foundation.

Note: in 2017 the share capital of the company was increased by the combination of the proceeds of the offering and the conversion of the 2016 convertible loan. Furthermore a capital restructuring took place, leading to an increase of the nominal value of the Shares from €0.01 to €0.10. Following this transaction the outstanding share capital as of 31 December 2016 of 131.866.499 ordinary shares, changed to 25.764.466 ordinary shares as per the date of this report.

12.2 Other reserves

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

12.3 Non-controlling interest

The sale of Pharmatech B.V. by Zwarte Zwaan, in which the company held a majority stake of 95%, was closed in 2015. Subsequently Zwarte Zwaan was dissolved in 2015, and therefore no further non-controlling interest is present in the Groups consolidated financial statements of 2016.

12.4 Currency translation difference

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

12.5 Transaction costs

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

13. Share-based payment

Note: The disclosure below refers to the situation as of 31 December 2016, therefore does not reflect the reverse share split in March 2017 leading to an increase of the nominal value of the shares from €0.01 to €0.10.

The company operates a share-based payment plan for its employees. This Avantium Option Plan, which was adopted in 2006, is classified as an equity-settled share option plan. Each option relates to one share. Eligible employees are offered options to purchase depositary receipts of ordinary shares in the company. The depositary receipts acquired upon exercise of options granted under the equity-settled Avantium Option Plan are blocked (i.e. may not be transferred, sold, assigned, charged, pledged or encumbered during a vesting period of three years) as follows: 33% of the depositary receipts will be unblocked following the first anniversary of the date of grant of the relevant options, an additional 33% of the depositary receipts will be unblocked following the second anniversary of the date of grant of the relevant options and the remaining 34% of the depositary receipts will be unblocked following the third

anniversary of the date of grant of the relevant options. Granted options have duration of 10 years.

In 2016 overall 495,000 (2015: 1,579,320) share options were granted to key employees of the group. 125,000 options were granted with an exercise price of Euro 0.01 per option, 370,000 with an exercise price of Euro 0.98.

In 2016, no options were exercised by employees.

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

| | 2016 | | 2015 | |
|--|-------------------|----------------------------------|-------------------|----------------------------------|
| | Number | Average exercise price (in Euro) | Number | Average exercise price (in Euro) |
| Number of options outstanding 1 January | 10,105,946 | 0.11 | 8,536,626 | 0.07 |
| Number of options granted | 495,000 | 0.74 | 1,579,320 | 0.33 |
| Number of options exercised | - | - | - | - |
| Number of options forfeited | (927,094) | 0.22 | (10,000) | (0.01) |
| Number of options expired | - | - | - | - |
| Number of options outstanding 31 December | 9,673,852 | 0.13 | 10,105,946 | 0.11 |

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

The Foundation has issued depository receipts to members of the Management Board, senior management and certain other employees. The Foundation is a consolidated special purpose entity by Avantium N.V., however the shares held by the Foundation only represent the voting rights associated with the issued shares and depository receipts representing all economic benefits are issued by the Foundation to members of the Management Board, senior management and certain other employees and consequently the shares held by the Foundation are not considered treasury shares.

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

| Expiry date | Exercise price in Euro per option | Options 2016 | Options 2015 |
|------------------|-----------------------------------|------------------|-------------------|
| 19 October 2016 | 0.76 | 0 | 253,448 |
| 11 May 2017 | 0.76 | 386,091 | 135,494 |
| 1 October 2018 | 0.01 | 502,469 | 505,414 |
| 1 May 2019 | 0.01 | 686,911 | 701,911 |
| 1 May 2020 | 0.01 | 598,111 | 607,409 |
| 4 November 2020 | 0.01 | 669,000 | 769,000 |
| 30 November 2021 | 0.01 | 3,294,700 | 3,394,700 |
| 16 April 2022 | 0.01 | 100,000 | 100,000 |
| 14 December 2022 | 0.01 | 410,800 | 460,800 |
| 19 April 2023 | 0.01 | 235,000 | 235,000 |
| 20 August 2023 | 0.01 | 30,000 | 30,000 |
| 6 March 2024 | 0.01 | 616,450 | 633,450 |
| 1 September 2024 | 0.01 | 70,000 | 500,000 |
| 1 September 2024 | 0.98 | 0 | 200,000 |
| 15 April 2025 | 0.98 | 100,000 | 100,000 |
| 1 October 2025 | 0.01 | 1,051,820 | 1,051,820 |
| 1 October 2025 | 0.98 | 427,500 | 427,500 |
| 1 February 2026 | 0.98 | 100,000 | 0 |
| 1 July 2026 | 0.01 | 125,000 | 0 |
| 1 July 2026 | 0.98 | 270,000 | 0 |
| | 0.13 | 9,673,852 | 10,105,946 |

All outstanding options are exercisable but still restricted by the vesting period. The fair value of options under the equity-settled Avantium Option Plan is determined using

the Binomial option valuation model and the weighted average fair value of options granted during 2016 was Euro 0.99 per option (2015: Euro 1.26).

The significant inputs into this model were as follows:

| | Jul-16 | Feb-16 | Oct-15 | Apr-15 | Sep-14 | Mar-14 |
|-------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Input price | 1.09 | 1.09 | 1.34 | 0.98 | 0.98 | 0.98 |
| Volatility | 117% | 117% | 106% | 97% | 88% | 86% |
| Risk free interest rate | 0.06% | 0.06% | 0.72% | 0.24% | 0.20% | 0.89% |
| Dividend yield | - | - | - | - | - | - |
| Maturity | 10 years | 10 years | 10 years | 10 years | 10 years | 10 years |
| Early exercise rate | 5% | 5% | 5% | 5% | 5% | 5% |

The historical volatility used is based on the daily stock returns from a comparable listed company over a period equal to the maturities of each plan related to the valuation dates.

During the year a reclassification was made from other reserves to retained earnings, Euro 239,000 in total, to reflect the effect of forfeited options in 2016.

14. Earnings per share

Note: The disclosure below refers to the situation as of 31 December 2016, therefore does not reflect the reverse share split in March 2017 leading to an increase of the nominal value of the shares from €0.01 to €0.10.

(a) Earnings per share

Earnings per share for the years 2016 and 2015 are derived below:

| Earnings per share | 2016 | 2015 |
|--|--------------------|---------------------|
| Profit / (Loss) from continuing operations | (6,860,703) | (3,350,000) |
| Profit / (Loss) from discontinued operation | 44,997,867 | (9,828,000) |
| Profit / (Loss) for the period - basic | 38,137,164 | (13,178,000) |
| Dilutive adjustments | - | - |
| Profit / (Loss) for the period - diluted | 38,137,164 | (13,178,000) |
| Weighted average number of ordinary shares | 131,866,911 | 131,866,911 |
| Options per end of the year | 9,673,852 | 10,105,946 |
| Other relevant dilutive securities | - | - |
| Effect of dilutive securities | 9,673,852 | 10,105,946 |
| Weighted average number of shares - diluted | 141,782,046 | 140,852,051 |
| Earnings per share - basic | 0.29 | (0.10) |
| Earnings per share - diluted | 0.27 | (0.09) |

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

(b) *Basic earnings per share*

| | 2016 (euro) | 2015 (euro) |
|--|--------------------|--------------------|
| From continuing operations attributable to the ordinary equity holders of the company | (0.05) | (0.03) |
| From discontinued operation | 0.34 | (0.07) |
| Total basic earnings per share attributable to the ordinary equity holders of the company | 0.29 | (0.10) |

(c) *Diluted earnings per share*

| | 2016 (euro) | 2015 (euro) |
|--|--------------------|--------------------|
| From continuing operations attributable to the ordinary equity holders of the company | (0.05) | (0.02) |
| From discontinued operation | 0.32 | (0.07) |
| Total diluted earnings per share attributable to the ordinary equity holders of the company | 0.27 | (0.09) |

15. Trade and other payables

| <i>(In Euro x 1,000)</i> | 2016 | 2015 |
|---------------------------------|---------------|--------------|
| Trade payables | 3,434 | 1,555 |
| Social security and other taxes | 637 | 222 |
| Holiday pay and holiday days | 442 | 353 |
| Other current liabilities | 7,893 | 4,067 |
| | 12,407 | 6,196 |

The other current liabilities comprises primarily of the deferred revenues (Euro 2,742,000), advances received in relation to government grants (Euro 1,023,000) and accrued expenses (Euro 2,823,000). The carrying amounts of these financial liabilities are assumed to approximate their fair values.

16. Borrowings

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

| | | |
|-----------------------------|---------------|--------------|
| | 2016 | 2015 |
| Innovation loan | 3,834 | 3,600 |
| | 3,834 | 3,600 |
| Current | | |
| <i>(In Euro x 1,000)</i> | 2016 | 2015 |
| Convertible Loans Agreement | 21,809 | - |
| Innovation loan | 800 | 400 |
| | 22,609 | 400 |
| Total borrowings | 26,443 | 4,000 |

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

(a) *Innovation loan*

On 28 October 2010 Rijksdienst Voor Ondernemend Nederland (RVO) granted the group a Euro 4.0 million Innovation Loan facility, to be paid back between 2016 and

2020. The group started drawing the loan facility in 2012 and the group has currently drawn down Euro 4.0 million in full. This loan has a fixed interest rate of 6.2% per annum and the accumulated interest is Euro 1,034,000 (Euro 26,000 for 2012, Euro 193,000 for 2013, Euro 247,000 for 2014, Euro 270,000 for 2015, and Euro 298,000 for 2016). In 2016 a first term of 10%, or Euro 400,000, of the drawn down amount has been paid back.

(b) Bank overdrafts

At the end of 2016, the group has an unutilized banking facility with the ABN AMRO Bank of Euro 2.0 million with an interest rate determined on the basis of the average one-month EURIBOR +1,75% per annum. Also refer to note 26. At 31 December 2016 the group had not drawn down any amounts under this facility.

(c) Convertible bond

In March 2016 two new shareholders, in combination with a large number of existing shareholders, committed to a 1% per month subordinated convertible bond of Euro 20.0 million. This bond will convert at the next financing round under certain terms and conditions.

17. Provisions for other liabilities and charges

| <i>(In Euro x 1,000)</i> | Decommissioning | Warranty provision | Total |
|---|------------------------|---------------------------|--------------|
| At January 1, 2015 | 266 | 264 | 530 |
| Additional provision | - | 52 | 52 |
| Unwinding of discount | 11 | - | 11 |
| Unused amounts reversed | (277) | (146) | (423) |
| Used during the year | - | (3) | (3) |
| Transferred to disposal group classified as held for sale | - | - | - |
| At December 31, 2015 | 0 | 168 | 168 |
| At January 1, 2016 | 0 | 168 | 168 |
| Additional provision | - | 71 | 71 |
| Unwinding of discount | - | - | - |
| Unused amounts reversed | - | (69) | (69) |
| Used during the year | - | (4) | (4) |
| At December 31, 2016 | 0 | 166 | 166 |

The provisions relate to the decommissioning liability for restoring leased property into its original condition and to warranty costs for delivered systems.

a) Decommissioning liability

In February 2007 the company signed a lease agreement for its facilities in Amsterdam at the Zekeringstraat 29 and 31. The term of this agreement was 10 years with options to extend. The term included a provision to return the building into its original condition. Therefore a decommissioning liability was recognized. With a new 10 year contract taking effect in 2015, and the decommissioning provision no longer being part of the terms, the provision has been reversed in 2015 and is no longer applicable for 2016.

b) Warranty

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

18. Segment information

a) Description of the segments and principal activities

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

- Catalysis - parallel fixed bed reactor equipment for catalysis R&D at industrial conditions and process R&D projects for the industry, tailored to specific applications. Catalysis by Avantium offers two specific types of R&D Solutions for organizations looking to advance their catalysis and chemical process development.
- Renewable Chemistries - a portfolio of development projects based on renewable chemistry and catalytic process technology. The common basis, on which each activity rests, is formed by Avantium's unique technological capabilities that have been validated through the execution of millions of experiments, covering a broad range of chemistries, including highly complex and challenging R&D projects.
- YXY (assets held for sale in 2015 and classifying as a discontinued operation) - The YXY technology platform helps to produce a wide range of novel materials and products, all 100% bio based, by converting plant-based sugars into chemical building blocks, like Furanics and Levulinics, for plastics and other applications. YXY is a game-changing technology that offers bio based products and fuels with superior properties at market competitive prices, enabling a green way of doing business.

b) Adjusted EBITDA

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

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

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

| <i>(In Euro x 1,000)</i> | 2016 | 2015 |
|------------------------------|----------------|----------------|
| Catalysis | 2,639 | 2,898 |
| Renewable Chemistries | (2,168) | (797) |
| YXY | (5,297) | (8,482) |
| Total adjusted EBITDA | (4,827) | (6,381) |

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

c) Revenues per segment

| <i>(In Euro x 1,000)</i> | 2016 | 2015 |
|------------------------------|---------------|---------------|
| Catalysis | 10,241 | 10,266 |
| Renewable Chemistries | 250 | - |
| YXY | 326 | 304 |
| Total segment revenue | 10,817 | 10,570 |

The segment revenue of Euro 10.8 million consists of the reported consolidated revenue of Euro 10.5 million and Euro 0.3 million as part of discontinued operations, attributable to YXY.

d) Reconciliation

| <i>(In Euro x 1,000)</i> | 2016 | 2015 |
|--|----------------|----------------|
| Total adjusted EBITDA | (4,827) | (6,381) |
| Amortisation | (128) | (53) |
| Depreciation | (640) | (2,393) |
| Finance costs - net | (2,239) | (2,496) |
| CAPEX | 3,566 | 2,317 |
| Share based compensation | (1,184) | (1,005) |
| Rent | (674) | (1,042) |
| Release decommissioning provision | - | 277 |
| Gain from transfer of assets | 48,842 | - |
| Share in loss of joint ventures | (771) | - |
| Results of discontinued operation | (44,998) | 9,828 |
| Other | (3,809) | (2,402) |
| Profit before income tax from continuing operations | (6,861) | (3,350) |

The Other costs category comprises mainly of company overhead costs, which in 2015 included a positive result for the Zwarte Zwaan N.V. after the sale of Pharmatech B.V.

e) Other profit and loss disclosures

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

| 2015 <i>(in Euro x 1,000)</i> | Release of decommissioning provision | Subsidies recognized | Depreciation and amortisation | Income Tax expense |
|--------------------------------------|---|-----------------------------|--------------------------------------|---------------------------|
| Catalysis | - | - | (310) | - |
| Renewable Chemistries | - | 1,307 | (25) | - |
| YXY | - | 108 | (1,825) | - |
| Unallocated items | (277) | - | (286) | - |
| Total | (277) | 1,415 | (2,446) | - |

19. Revenues

Reported consolidated revenue from continuing operations increased with 2% from Euro 10.3 million in 2015 to Euro 10.5 million in 2016, all recognized using the POC method, refer to note 2.21. Revenues per segment are reported under note 18. All revenue reported originates in the Netherlands.

20. Expenses by nature

Overall operational costs in 2016 were Euro 603,000 higher compared to 2015. The increase is driven by Euro 650,000 higher other operating expenses and Euro 525,000 higher Raw materials and contract costs. These cost increases are partly compensated by Euro 402,000 lower patent, license, legal and advisory expenses, and Euro 255,000 lower office and housing expenses in 2016.

Raw materials and contract costs in 2016 amounts to Euro 2,292,000 (2015: 1,767,000) and comprises of cost of goods sold, costs of laboratory consumables directly attributable to revenue projects, and other specific costs related to revenues.

This increase is mainly due to the altered sales mix in 2016 which results in more units sold with associated costs of goods sold.

Employee benefit expenses in 2016 amount to Euro 6,590,000 (2015: 6,841,000) and includes wages and salaries, social security costs, share options granted to directors and employees, pension costs, and government grants received. The group recognized total government grants of Euro 2,740,000 (2015: Euro 1,307,000) to contribute to the Avantium development program in Renewable Chemistries where efforts are focused on developing a new catalytic process for making bio based ethylene-glycol and on developing an economical viable chemical process to convert ligno-cellulosic biomass into high quality glucose as feedstock for bio based chemicals. The increase in government grants recognized in 2016 is mainly due to the organizational growth due to the renewable chemistries programs and new government grants obtained. Also refer to note 21.

Office and housing expenses in 2016 amount to Euro 1,591,000 (2015: 1,846,000) and comprises of rent, other facility related costs, telephony, and other IT related office materials and costs. The lower expenses realized in 2016 are mainly due to the one-off office renovation costs in 2015. Laboratory expenses in 2016 amount to Euro 1,135,000 (2015: 1,009,000) and comprises of laboratory consumables, spare parts, maintenance and repair work in the laboratory, and small laboratory projects.

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

Other operating expenses in 2016 amount to Euro 744,000 (2015: 94,000) and comprises of external development costs, such as trials, and other general costs including company insurances. The increased investment in earlier stage programs within renewable chemistries is the main reason for higher 2016 costs. The release of the decommissioning provision of Euro 277,000 in 2015 also contributes to higher expenses realized in 2016. Also refer to note 17.

Patent, license, legal and advisory costs include fees for food contact studies and regulatory filings.

21. Employee benefits

| <i>(In Euro x 1,000)</i> | 2016 | 2015 |
|--|--------------|--------------|
| Wages and salaries | 7,731 | 6,561 |
| Subsidies recognized | (2,740) | (1,307) |
| Government grants R&D (WBSO) | (778) | (455) |
| Social security costs | 873 | 749 |
| Share options granted to directors and employees (note 12) | 1,184 | 1,005 |
| Pension costs – defined contribution plans | 319 | 288 |
| | 6,590 | 6,841 |
| Number of full time equivalent employees at December 31 | 96.1 | 127.2 |

The average FTE during 2016 amounts to 96.1 (2015: 127.2). 2015 numbers include YXY staff, which would have been 82.0 FTE excluding YXY.

The group received government grants in 2016 and 2015. In 2016 Euro 836,000 (2015: 455,000) government grants were recognized relating to research and development ("WBSO") and Euro 2,740,000 (2015: Euro 1,307,000) for other specific development projects related to development programs which were deducted from the employee benefits.

22. Finance income and costs

| <i>(In Euro x 1,000)</i> | 2016 | 2015 |
|---|--------------|--------------|
| Finance costs: | | |
| - Interest on Innovation loan | 298 | - |
| - Interest on Convertible loans agreement | 1,809 | - |
| - Net foreign exchange (gains) loss | 128 | (59) |
| - Interest current accounts | 59 | 60 |
| - Other finance costs | 2 | - |
| Finance costs | 2,295 | 1 |
| Finance income: | | |
| - Interest current accounts | (56) | (124) |
| Finance income | (56) | (124) |
| Finance costs - net | 2,239 | (123) |

The Finance costs for the Innovation loan and Convertible bond are non-cash; interest is added to the principal amount of the loans. Also refer to note 16.

23. Income tax expense

No tax charges or tax income have been recognized in 2016 since the company has been in a loss making position and no deferred tax asset has been recognized for carry forward losses. The profit in 2016 is mainly driven by the result of the incorporation of the YXY business into the Joint Venture of Synvina C.V and Synvina B.V. As a result of the significant investment in our product development programs we do not expect any taxable income in the following year(s).

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

Tax loss carry-forward is subject to a time limitation of nine years. In 2011 we have completed a fiscally approved transaction that decreased but at the same time extended a significant part of our losses carried forward. Fiscally IP was valued, annually being amortized over 10 years and ensuring the carry forward losses will increase again. The total amount of tax losses carried forward as of 31 December 2016 is estimated at Euro 57,204,000 and in 2023 a first part (the loss of 2012) will expire.

| <i>(In Euro x 1,000)</i> | 2016 | 2015 |
|--|---------------|-----------------|
| Current tax | - | - |
| Deferred tax | - | - |
| Profit / (Loss) before tax | 38,137 | (13,178) |
| Temporary differences | - | - |
| Expenses not deductible for tax | - | - |
| Profit for the year offset against available tax losses | 38,137 | - |
| Tax losses for which no deferred income tax asset was recognized | - | (13,178) |
| Tax charge | - | - |

The nominal tax rates and amounts in 2016 are 20% up to Euro 200,000 and 25% over Euro 200,000.

24. Dividends

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

25. Cash flow statement

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

| <i>(In Euro x 1,000)</i> | 2016 | 2015 |
|--|--------------|--------------|
| Additions according to note 5 | 1,341 | 2,126 |
| Purchases of property, plant and equipment | 1,341 | 2,126 |

26. Contingencies

For our Euro 2.0 million credit facility, assets of the following legal entities, excluding the intangible assets and the finance lease assets are pledged to the ABN AMRO Bank:

- Avantium N.V.
- Avantium Technologies B.V.
- Avantium Support B.V.
- Avantium Cleantech B.V.
- Avantium Chemicals B.V.

The consolidated statement of financial position of these entities form the credit base and the credit agreement requires a solvability ratio above 35%. The solvability ratio of the credit base was 55% on 31 December 2016. Based on the companies' cash flow forecast ABN AMRO Bank has extended the loan.

27. Commitments

Operating lease commitments

The operating lease commitment comprises a lease contract to rent the site at the Zekeringstraat 29 – 31 for a remaining Euro 8.2 million. The contract of the Zekeringstraat 29 – 31 expires in 2027.

In November 2016 we signed a new lease agreement for the pilot plant in Geleen for 3 years. Our operating lease commitments under the lease agreement at 31 December 2016 are Euro 0.3 million (2015: nil Euro).

As of October 2016 we signed a new lease contract for the HUGS government grant program in order to house five research participants. The lease contract has a duration of 3 years. Our operating lease commitments under the lease agreement at 31 December 2016 are Euro 0.1 million (2015: nil Euro).

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

| <i>(In Euro x 1,000)</i> | 2016 | 2015 |
|---|--------------|---------------|
| No later than 1 year | 886 | 953 |
| Later than 1 year and no later than 5 years | 3,361 | 3,812 |
| Later than 5 years | 4,404 | 6,593 |
| | 8,651 | 11,358 |

Guarantees

Guarantees to third parties issued by Avantium total to Euro 3,129,000. Of which, Euro 2,000,000 was issued to the Rijksdienst voor Ondernemend Nederland (RVO) as collateral for the Innovation loan as disclosed in note 16. The remainder is primarily in relation to payments from customers following a systems deal, for which a bank guarantee had to be issued.

28. Related-party transactions

The following transactions were carried out with related parties:

a) Key management compensation

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

The following persons are members of the Management Board at December 31, 2016:

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

The following persons are members of the Supervisory Board at December 31, 2016:

- Jan van der Eijk, chairman
- Michiel de Haan, vice chairman
- Claude Stoufs
- Denis Lucquin
- Jonathan Wolfson
- Gabrielle Reijnen

The total remuneration paid to or for the benefit of members of the Management Board and independent members of the Supervisory Board in 2016 amounted to Euro 975,000 and Euro 139,000 respectively. Note that Supervisory Board members Michiel de Haan, Claude Stoufs and Denis Lucquin are representatives from shareholders and therefore there is no remuneration paid. The following table provides the breakdown in the remuneration in 2016 of the members of the Management Board and Supervisory Board:

| 2016 | | | | | |
|----------------------------------|---------------|--------------|-----------------------------|-------------------------------|-------------------|
| <i>(In Euro x 1,000)</i> | | | | | |
| | Salary | Bonus | Share-based payments | Post-employee benefits | 2016 Total |
| Management board | | | | | |
| Tom van Aken | 251 | 82 | 200 | 16 | 549 |
| Frank Roerink | 225 | 56 | 131 | 15 | 427 |
| Total - management board | 475 | 138 | 330 | 31 | 975 |
| Supervisory board | | | | | |
| Jan van der Eijk | 50 | - | - | - | 50 |
| Jonathan Wolfson | 25 | - | 3 | - | 28 |
| Gabrielle Reijnen | 30 | - | 30 | - | 60 |
| Total - supervisory board | 105 | 0 | 34 | 0 | 139 |
| 2015 | | | | | |
| <i>(In Euro x 1,000)</i> | | | | | |
| | Salary | Bonus | Share-based payments | Post-employee benefits | 2015 Total |
| Management board | | | | | |
| Tom van Aken | 215 | 42 | 59 | 12 | 328 |
| Frank Roerink | 195 | 29 | 39 | 14 | 277 |
| Total - management board | 410 | 71 | 97 | 27 | 605 |
| Supervisory board | | | | | |
| Jan van der Eijk | 50 | - | 11 | - | 61 |
| Jonathan Wolfson | 25 | - | 16 | - | 41 |
| Gabrielle Reijnen | 23 | - | 35 | - | 58 |
| Total - supervisory board | 98 | 0 | 62 | 0 | 160 |

b) *Shares and share options held by key management*

Note: The disclosure below refers to the situation as of 31 December 2016, therefore does not reflect the reverse share split in March 2017 leading to an increase of the nominal value of the shares from €0.01 to €0.10.

The Management Board currently holds 336,500 shares, the Supervisory Board holds nil. The following table provides information on their share options:

| Management Board | 2016 | | 2015 | |
|--|------------------|---------------------------|------------------|---------------------------|
| | Number | Exercise price (in | Number | Exercise price (in |
| Share Options | | | | |
| Number of options outstanding 1 January | 4,944,046 | 0.08 | 4,456,046 | 0.06 |
| Number of options granted | | | 488,000 | 0.26 |
| Number of options exercised | | | | |
| Number of options forfeited | | | | |
| Number expired | | | | |
| Number of options outstanding 31 December | 4,944,046 | 0.08 | 4,944,046 | 0.08 |

In 2016 nil additional share options were granted to the Management Board. The share-based payment to the Management Board of Euro 330,000 comprises of the part of the share-based compensation (note 13) contributable to the share options granted in previous years.

Supervisory Board

| Share Options | 2016 | | 2015 | |
|--|----------------|--------------------------|----------------|--------------------------|
| | Number | Exercise price (in Euro) | Number | Exercise price (in Euro) |
| Number of options outstanding 1 January | 300,000 | 0.33 | 200,000 | 0.01 |
| Number of options granted | | | 100,000 | 0.98 |
| Number of options exercised | | | | |
| Number of options forfeited | | | | |
| Number expired | | | | |
| Number of options outstanding 31 December | 300,000 | 0.33 | 300,000 | 0.33 |

As of 31 December 2016, Management Board and Supervisory Board members held the following shares and other interests in the Company:

| | Number of outstanding options at 31 December 2016 | Number of depositary receipts for shares owned |
|----------------------------------|---|--|
| Management board | | |
| Tom van Aken | 2,981,565 | 200,000 |
| Frank Roerink | 1,962,481 | 136,500 |
| Total - executive board | 4,944,046 | 336,500 |
| Supervisory board | | |
| Jan van der Eijk | 100,000 | - |
| Jonathan Wolfson | 100,000 | - |
| Gabrielle Reijnen | 100,000 | - |
| Total - supervisory board | 300,000 | 0 |

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

c) Transactions with Synvina (Joint Venture)

Within 2016, several transactions were recorded between the group and Synvina, primarily in relation to the recharge of operating expenses and capex from YXY Technologies B.V. to Synvina (following the Joint Venture agreement).

| Synvina transactions | 31 December 2016 |
|---|------------------|
| <i>(In Euro x 1,000)</i> | |
| Receivable recorded by the group | 1,343 |
| Payable recorded by the group | - |
| Total reimbursement recorded in the consolidated statement of comprehensive income 2016 | 7,593 |

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

29. Proposed appropriation of result

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

In anticipation of the Annual Meeting's adoption of the annual accounts, the net profit for the year of Euro 38,137,000 has been added to retained earnings (accumulated deficit).

30. Events after the balance sheet date

On 15 March 2017 Avantium N.V. (ticker code: AVTX) listed on Euronext Amsterdam and Euronext Brussels. The listing follows the company's successful Initial Public Offering (IPO), with a total offering and total gross cash proceeds of Euro 109 million.

Consequently the share capital of the company was increased by the combination of the proceeds of the offering and the conversion of the 2016 convertible loan. Furthermore a capital restructuring took place, leading to an increase of the nominal value of the Shares from €0.01 to €0.10. Following this transaction the outstanding share capital as of 31 December 2016 of 131.866.499 ordinary shares, changed to 25.764.466 ordinary shares as per the date of this report.

As per 15 March 2017 the new Share Based Compensation plan was initiated, which includes both a long term incentive plan and an ESOP and replaces the former Avantium option plan as described in note 13. The total impact on the 2017 consolidated statement of comprehensive income of the group as the result of accelerated vesting following the new Share Based Compensation plan is expected to be Euro 0.7 million.

Avantium N.V.

Company financial statements 2016

Company income statement

in Euro x 1,000

| | Year ended 31 December | |
|--|-------------------------------|-----------------|
| | 2016 | 2015 |
| Other revenues | - | - |
| Expenses | | |
| Employee benefit expenses | (1,200) | (10) |
| Office and housing expenses | (679) | (592) |
| Patent, license, legal and advisory expenses | 556 | - |
| Other operating expenses | (73) | 98 |
| Operating profit / (loss) | (1,396) | (504) |
| Finance costs - net | (2,076) | (14) |
| Result before income tax | (3,472) | (518) |
| Income tax expense | - | - |
| Result subsidiaries and joint ventures | 41,608 | (12,660) |
| Profit / (Loss) for the period | 38,137 | (13,178) |

Company balance sheet

| (In Euro x 1,000) | Note | As at 31 December | |
|---|--------|-------------------|---------------|
| | | 2016 | 2015 |
| ASSETS | | | |
| Non current assets | | | |
| Financial fixed assets | 32 | 69,789 | 3,634 |
| | | 69,789 | 3,634 |
| Current assets | | | |
| Other receivables | | 308 | 19 |
| Cash and cash equivalents | | 9,480 | 6,593 |
| | | 9,789 | 6,612 |
| Total assets | | 79,578 | 10,246 |
| EQUITY | | | |
| Capital and reserves attributable to | | | |
| Share capital | 12 | 1,319 | 1,319 |
| Share premium | 12, 13 | 79,734 | 81,272 |
| Other reserves | 12, 13 | 6,212 | 5,266 |
| Retained earnings | 12 | (40,122) | (78,498) |
| | | 47,143 | 9,358 |
| Total equity | | 47,143 | 9,358 |
| LIABILITIES | | | |
| Provisions | 34 | 9,121 | 304 |
| Non-current liabilities | | | |
| Finance lease liabilities | | - | 0 |
| | | - | 0 |
| Current liabilities | | | |
| Liabilities to group companies | | | |
| Trade payables | | 1,442 | 262 |
| Convertible loans agreement | | 21,809 | - |
| Finance lease liabilities | | - | - |
| Other current liabilities | | 62 | 322 |
| | | 23,313 | 583 |
| Total liabilities | | 32,434 | 887 |
| Total equity and liabilities | | 79,578 | 10,246 |

The balance sheet has been prepared before appropriation of profit.

Notes to the company balance sheet and company income statement

31. General information

The company statements are part of the 2016 financial statements of Avantium N.V.

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result of its company financial statements, Avantium N.V. makes use of the option provided in Section 2:362 (8) of the Dutch Civil Code. This means that the principles of the recognition and measurements of assets and liabilities and determination of the result (hereinafter referred to as "accounting policies") of the company financial statements of Avantium N.V. are the same those applied for the consolidated financial statements under IFRS (refer to note 2.2). By applying this option, reconciliation is maintained between the group's and the company's equity.

In the company financial statements, investments in group companies are stated as net asset value if the company effectively exercises influence of significance over the operational and financial activities of these investments. The net asset value is determined on the basis of the accounting principles applied by the company. In case the net asset value of an investment in a group company is negative, any existing loans to group companies considered as net investment are impaired. A provision for any remaining equity deficit is recognized when an outflow of resources is probable and can be reliably estimated.

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

32. Financial fixed assets

At 31 December 2016 the company directly holds a 100% interests in the following subsidiaries:

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

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

| <i>(In Euro x 1,000)</i> | Investment in group companies | Loans to group companies | Financial fixed assets assets |
|---|----------------------------------|-----------------------------|--|
| On January 1, 2016 | 5,271 | (1,637) | 3,634 |
| Share of profit of group companies | - | - | - |
| Movements in loans to group companies/ provision | 102,029 | (35,874) | 66,155 |
| On December 31, 2016 | 107,300 | (37,511) | 69,789 |

The financial fixed assets consist of investments in group companies and loans to group companies. Euro 37.5 million is on 31 December 2016 the value of the loans of Avantium N.V. to group companies.

33. Equity attributable to equity holders of the company

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

34. Provisions

| <i>(In Euro x 1,000)</i> | Provisions |
|---|-------------------|
| On January 1, 2016 | (304) |
| Share of profit of group companies | - |
| Movements in loans to group companies/ provision | (8,817) |
| On December 31, 2016 | (9,121) |

Euro 4.5 million is the value on 31 December 2016 of Avantium Holding's B.V. financial fixed assets with a negative net equity and this is reported under provisions. The movement in provision relates to the settlement of intercompany loans and to the transfer of the Innovation loan to Avantium Holding BV from YXY Technologies B.V. amounting to Euro 4.6 million on 31 December 2016.

The provisions for financial fixed assets with a negative net equity as at 31 December 2016 amount to Euro 4,487,000 and relate to the following:

- Equity deficit of Feedstock Technologies B.V. of Euro 24,000;
- Equity deficit of Avantium Support B.V. of Euro 4,039,000;
- Equity deficit of Avantium Knowledge Centre of Euro 136,000 and;
- Equity deficit of Avantium Technologies B.V. of Euro 288,000

35. Commitment and contingencies

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

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

36. Audit fees

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

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

| 2015 <i>(In Euro x 1,000)</i> | PwC Accountants N.V. | Other PwC offices | Other auditors | Total audit fees |
|---|---------------------------------|------------------------------|-----------------------|-----------------------------|
| Audit of the financial statements | 76 | - | - | 76 |
| Other audit procedures | - | - | 3 | 3 |
| Tax services | - | - | 84 | 84 |
| Other non-audit services | - | - | 5 | 5 |
| Total | 76 | - | 92 | 168 |

37. Remuneration of Management Board and Supervisory Board

The remuneration of the Supervisory Board amounts to Euro 139,000 (2015: 154,000). The total remuneration paid to or for the benefit of members of the Management Board in 2016 amounted to Euro 975,000 (2014: 604,000). For further details, reference is made to note 28 of the consolidated financial statements.

38. Employee information

The company had no employees in 2016 (2015: nil).

Amsterdam, 20 April 2017
Avantium N.V.

Management Board

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

Avantium Supervisory Board

Jan van der Eijk, chairman
Claude Stoufs
Denis Lucquin
Jonathan Wolfson
Gabrielle Reijnen

Other information

Independent auditor's report

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

Report on the financial statements 2016

Our opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Avantium N.V. as at 31 December 2016 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the accompanying company financial statements give a true and fair view of the financial position of Avantium N.V. as at 31 December 2016 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2016 of Avantium N.V., Amsterdam ('the Company' or 'Avantium'). The financial statements include the consolidated financial statements of Avantium N.V. and its subsidiaries (together: 'the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the following statements for 2016: the consolidated statement of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2016;
- the company income statement for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information.

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

The basis for our opinion

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

Independence

We are independent of Avantium N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

Our audit approach

Overview and context

Avantium N.V. is a chemical technology company, developing and commercialising innovative renewable chemistry solutions. The Company comprises of three divisions (Catalysis, Renewable Chemistries and YXY) which were subject to our audit procedures as set out in 'The scope of our group audit' section. We paid specific attention to the areas of focus driven by the transactions and operations of the Company, as set out below.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the management board made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In paragraph 4 of the financial statements the Company describes the areas of judgment in applying accounting policies and the key sources of estimation uncertainty. Of these areas of judgment identified by management we consider the initial recognition of the Joint Venture with BASF, Synvina C.V., revenue recognition and capitalisation of Research and Development expenses, to be key audit matters as set out in the key audit matter section of this report.

Furthermore, we consider the recognition of the convertible loan as a key audit matter because of the magnitude of this transaction as well as the level of management judgement involved in the classification of the loan.

Beside the key audit matters, other areas of focus in our audit include the recognition of IPO expenses directly into equity, accounting for the Liquid Light asset acquisition, accounting for share based payments, accounting for government grants and the subsequent event relating to the conversion of the former share based payment plan into the new share based payment plan.

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

We ensured that the audit teams included the appropriate skills and competences which are needed for the audit of a chemical technology company. We included IT and accounting specialists in our team.

The outlines of our audit approach were as follows:



Materiality

- Overall materiality: €240,000.

Audit scope

- We centrally performed our audit procedures at the head-office in Amsterdam where we audited all significant financial statement line items of the Group.

Key audit matters

- Initial recognition of Synvina Joint Venture.
- Recognition of convertible loan.
- Revenue recognition.
- Capitalisation of Research & Development expenses.

Materiality

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

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|--|--|
| Overall group materiality | €240,000. |
| How we determined it | 1% of total expenses, including expenses presented within the discontinued operations and excluding government grants that have been presented within total expenses. |
| Rationale for benchmark applied | We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that total expenses for a Research and Development company like Avantium is an important metric for the financial performance of the Company. |

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

We agreed with the Supervisory Board that we would report to them misstatements identified during our audit above €12,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

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

The scoping of the group audit was done from a consolidated perspective and in line with how the Company managed its activities. All operations of the Company were governed out of the Netherlands. As a result, all entities of the Group were subjected to audits of their complete set of financial information by the group engagement team. The Joint Venture has been identified as a significant component considering the impact on the consolidated total assets of Avantium. The group engagement team performed the audit work on the financial information of the Joint Venture. Based on this scoping we obtained sufficient coverage over all significant financial statement line items of the consolidated financial statements.

By performing the procedures above, we have obtained sufficient and appropriate audit evidence regarding the financial information of the Group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

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

Key audit matter**How our audit addressed the matter**

Initial recognition of Synvina Joint Venture

As disclosed in note 7 of the financial statements, Avantium established a Joint Venture (JV) with BASF, named Synvina C.V., Avantium has a non-controlling interest of 49% in the Joint Venture.

We focused on the initial recognition of the Joint Venture because of the (financial) impact of the establishment of the JV to the financial statements. The accounting and presentation for the initial recognition of the Synvina Joint Venture is subject to management judgment, most notably in the following areas:

- Assessment over loss of control of the YXY business;
- Control assessment over the Synvina Joint Venture;
- Accounting for the initial recognition under the equity method; and
- Assessment of required disclosures over the Joint Venture.

As disclosed in note 11 of the financial statements, those assets relating to YXY technology that were classified as assets held for sale were transferred to Synvina C.V. at the date of incorporation, being 30 November 2016.

We obtained and assessed the Joint Venture Agreement (JVA) relating to the incorporation of Synvina C.V. in order to be able to challenge management's judgement in the following areas:

- Their assessment over loss of control of the YXY business; and
- Their control assessment over the JV.

Based on our assessment of the JVA we concur with management that:

- The YXY business was transferred to the JV; and
 - Certain protective and substantive rights exist in the JVA and as such Avantium does not have control over the JV.

We assessed the accounting for the initial recognition of the JV, the gain on the transaction and the accounting for reimbursement of YXY related expenses as part of the incorporation of the JV. In particular we assessed the initial recognition of the fair value of the acquired assets and liabilities assumed by the JV and the impact on the accounting and disclosure thereof in the 2016 financial statements of Avantium. We concur with the accounting for the initial recognition of the JV.

We have verified whether the required IFRS 12 disclosures relating to the JV are sufficiently included in the 2016 financial statements and noted no material exceptions.

Recognition of convertible loan

As disclosed in note 16 of the financial statements, Avantium raised €20 million new funding from existing partners and new shareholders by issuance of a convertible loan.

We focused on the initial recognition of the convertible loan due to the significance of the loan to the balance sheet as a whole and the fact that there is judgment involved in the classification of the loan, e.g. classification as financial liability instead of equity and classification as current or non-current liability.

We have obtained and assessed the convertible loan agreement in order to be able to validate management's assessment in the following areas:

- Initial recognition of the loan; and
- Classification of the loan.

Based on our independent assessment of the convertible loan agreement, we concur with management that:

- The convertible loan cannot be transferred for a fixed number of shares and as such with the classification as a financial liability; and
- The convertible loan is classified as current in the statement of financial position.

Next to this we have determined that the required disclosures are sufficiently included in the 2016 financial statements.

Revenue recognition

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

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

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

We understood, evaluated and tested the operating effectiveness of the controls over (monitoring of) revenue streams and monthly closing procedures. We found the pre-calculation and monthly analysis over results per project to have a sufficient level of detail.

We performed substantive testing over the hours and cost charged on projects. Also, we validated based on a sample of revenue transactions, by amongst others, reconciling these to the terms included in the sales contract, that revenue is recognised in the appropriate period and deviations from initial budget are timely identified and accounted for. We did not note any material exceptions based on our substantive testing procedures.

Capitalisation of Research & Development expenses

As disclosed in the Report of the management board the Group has various innovative renewable chemistry product development programs in place for which expenses are made in 2016. These development programs are ultimately intended for commercialisation. However, none of these programs have been capitalised in 2016.

We focused on this area due to the significant judgment involved in assessing whether the criteria set out in the accounting standards for capitalisation of such expenses should have been met, in particular:

- The technical feasibility of the project;
- The likelihood of the project delivering sufficient future economic benefits.

We paid particular attention to the fact that the YXY technology was incorporated into the JV, resulting in economic benefits for the Group.

As part of our procedures we focused on management's judgment made as to the level of future economic benefits due to the innovative nature of some of the technology being developed.

We assessed management's accounting policy for Research & Development expenses as disclosed in note 2.6 of the financial statements.

We have validated management's assessment over the Development expenses incurred in 2016 that none of the projects meet all criteria for capitalisation. In particular we have validated management's assessment relating to the technical feasibility of the projects and determined there is currently no sufficient objective evidence that sufficient future economic benefits will be obtained. No material exceptions were noted.

We assessed the accounting for YXY related expenses on the aforementioned criteria and concur with management that the capitalisation recognition criteria were not met before transfer of the YXY business to the Synvina JV on 30 November 2016.

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Report on the other information included in the annual report

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

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

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

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

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

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

Management board is responsible for the preparation of the other information, including the directors' report and the other information pursuant to Part 9 Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Avantium N.V. (formerly known as Avantium Holding B.V.) at the annual meeting held on 11 May 2016 and the appointment has been renewed annually by shareholders since 2004. As a result, we are the auditors of Avantium N.V. for a total period of uninterrupted engagement appointment of 13 years.

Responsibilities for the financial statements and the audit

Responsibilities of the management board and the supervisory board for the financial statements

The management board is responsible for:

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

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

disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

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

Our responsibilities for the audit of the financial statements

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

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

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

Amsterdam, 21 April 2017
PricewaterhouseCoopers Accountants N.V.

Original has been signed by J. van Meijel RA

Appendix to our auditor's report on the financial statements 2016 of Avantium N.V.

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

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

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

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

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

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

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.