ANNUAL REPORT 2018

KONINKLIJKE COÖPERATIE AGRIFIRM U.A.
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ALL AMOUNTS IN THIS ANNUAL REPORT ARE STATED IN THOUSANDS OF EUROS UNLESS INDICATED OTHERWISE.
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1. Agrifirm profile

Koninklijke Coöperatie Agrifirm U.A. (hereafter: the Cooperation) is market leader in the Netherlands and is globally engaged in the production and supply of products and services for feeding animals and cultivating crops. Its cooperative origin has been translated into benefits for its customers and members since 1892. On the basis of the breadth of its international activities, sector knowledge and innovative strength, Agrifirm develops innovative products and services that yield benefits at the farm level to livestock farmers and growers alike.

Agricultural farmers are of vital importance to society and of crucial importance to the world food supply. Enterprising livestock farmers and growers are aware of this and have been anticipating social trends for years. Farmers and market gardeners established the first cooperatives well before 1900. Together they acquired greater strength, for example in the purchase and sale of products. The role of the cooperatives has grown along with the trends in the market and in society.

Entrepreneurship increasingly entails complexity and is subject to high demands. Each day our entrepreneurs are faced with numerous challenges. They turn to Agrifirm for advice on the basis of their confidence in the Cooperative and the solutions it offers. Member and customer interests are decisive, in compliance with legislation, in these solutions.

MISSION

Agrifirm is an agricultural cooperative that operates globally, with members in the Netherlands only and with the following mission:

“Deliver measurable, relevant and sustainable value at farm, field and industry”

Agrifirm accomplishes this by:

> Supporting customers by providing integrated sustainable and profitable products and concepts that enable livestock farmers and growers to achieve the best possible results.
> Creating growth in value for the company that is partially passed on to the cooperative’s members through means of a cooperative profit-sharing scheme (Member Dividend and Member Discount).

The decision to focus on a global mission clearly indicates that cooperation within Agrifirm is maximised and that knowledge is shared to give substance to this mission together. The combined knowledge of livestock feed, specialties and products for the plant sector makes Agrifirm unique. This is how customers are ensured of the best possible solutions. And how Agrifirm generates the best possible added value for its customers worldwide.

VISION

The basis for the mission is the worldwide vision:

‘A responsible food chain for future generations’

This vision is the most important fundament under Agrifirm and is the leading principle in both daily and strategic decisions. Our mission is put into practice by the Agrifirm core competences: our superior knowledge and passionate employees.
**BETTER TOGETHER**

Agrifirm is first and foremost a committed specialist for livestock farmers and growers that supports its customers with innovative products and services, thus enabling them to achieve the best possible results. Everything Agrifirm does ensures that there is an optimal connection with the requirements and needs of livestock farmers and growers. Its innovative portfolio is based on years of global scientific research and specific local knowledge and expertise.

If there is one aspect that connects Agrifirm with customers, it is the passion we have for our profession. Agrifirm is proud of the farms in the agricultural sectors. Agrifirm’s employees stand out on the basis of their professional knowledge and high level of commitment to the livestock farming and cultivation professions and are focused on continuously improving the services offered.

‘Better Together’ exemplifies this way of working. By working together, Agrifirm offers the best possible solutions to its customers, solutions that furthermore create the desired impact throughout the world. We work together with:

- Customers throughout the world;
- Knowledge and chain partners;
- Colleagues near and far.

Agrifirm works together with knowledge partners and other stakeholders. Combining all ideas, skills and knowledge of employees throughout the world accelerates the development of new concepts, products and tools.

The STAR values are the central theme in this cooperation:

- Sharp: I aim high and deliver.
- Trusted: I am open, honest, transparent and fair in my cooperation with others.
- Ambitious: I am a winner, focused on customers and results.
- Responsible: I actively contribute to a safe and learning company.

Agrifirm recognises four core areas of operation: compound feed, arable farming and horticulture, co-products and specialties. The Agrifirm innovation centre serves as the engine for knowledge development and product innovation. Agrifirm has an international network of subsidiaries in 19 countries in Europe, America and Asia and a worldwide distribution network.

**COOPERATIVE 2020**

A Cooperative is an organisational form that is very much alive and that explicitly differentiates itself from other legal forms. Agrifirm wants to emphasise these differences, because, just like agriculture, a Cooperative increasingly demands precision in terms of its approach to defining the cooperative business model and its substance. This is why Agrifirm has concluded that the cooperative character of our company in particular demands that we emphasise our stewardship as set out in the previously mentioned vision.

Specifically, this means that Agrifirm will always put the relevance and sustainability of its solutions above its short-term profitability and will clearly communicate this in the market in word and behaviour. Without losing sight of the commercial interests of Agrifirm and its customers and members. Agrifirm is convinced that sustainability and commercial competitiveness can perfectly go hand in hand.
## 2. Key figures

*(all amounts are stated in millions of euros unless indicated otherwise)*

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues and result</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net turnover</td>
<td>2,087</td>
<td>2,118</td>
<td>2,170</td>
<td>2,385</td>
<td>2,359</td>
</tr>
<tr>
<td>Operating income</td>
<td>53.4</td>
<td>56.4</td>
<td>31.7</td>
<td>48.0</td>
<td>26.9</td>
</tr>
<tr>
<td>(excluding exceptionals)</td>
<td>53.4</td>
<td>56.4</td>
<td>31.7</td>
<td>48.0</td>
<td>15.2</td>
</tr>
<tr>
<td>Operating income as % of turnover</td>
<td>2.6%</td>
<td>2.7%</td>
<td>1.5%</td>
<td>2.0%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Exceptional charges</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-11.7</td>
</tr>
<tr>
<td>Operating income</td>
<td>53.4</td>
<td>56.4</td>
<td>31.7</td>
<td>48.0</td>
<td>15.2</td>
</tr>
<tr>
<td>Net finance expenses</td>
<td>-1.9</td>
<td>-4.5</td>
<td>-2.8</td>
<td>-7.3</td>
<td>-9.0</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>51.5</td>
<td>51.9</td>
<td>28.9</td>
<td>40.7</td>
<td>6.2</td>
</tr>
<tr>
<td>Result participating interests</td>
<td>0.2</td>
<td>0.1</td>
<td>13.8</td>
<td>46.5</td>
<td>0.7</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>44.0</td>
<td>38.4</td>
<td>30.6</td>
<td>76.2</td>
<td>3.1</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed assets</td>
<td>319.8</td>
<td>298.3</td>
<td>334.3</td>
<td>342.3</td>
<td>331.5</td>
</tr>
<tr>
<td>Net working capital</td>
<td>109.3</td>
<td>89.3</td>
<td>85.2</td>
<td>121.0</td>
<td>116.8</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>429.1</td>
<td>387.6</td>
<td>419.5</td>
<td>463.3</td>
<td>448.3</td>
</tr>
<tr>
<td><strong>Financing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group equity</td>
<td>486.5</td>
<td>464.4</td>
<td>452.8</td>
<td>443.0</td>
<td>388.5</td>
</tr>
<tr>
<td>Provisions</td>
<td>13.7</td>
<td>8.6</td>
<td>13.8</td>
<td>8.7</td>
<td>15.5</td>
</tr>
<tr>
<td>Net debt</td>
<td>-71.1</td>
<td>-85.4</td>
<td>-47.1</td>
<td>11.6</td>
<td>44.3</td>
</tr>
<tr>
<td><strong>Total financing</strong></td>
<td>429.1</td>
<td>387.6</td>
<td>419.5</td>
<td>463.3</td>
<td>488.3</td>
</tr>
<tr>
<td>Group equity as % of balance sheet total</td>
<td>58.4%</td>
<td>57.6%</td>
<td>53.2%</td>
<td>52.0%</td>
<td>51.6%</td>
</tr>
<tr>
<td><strong>Investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments fixed assets</td>
<td>31.8</td>
<td>26.8</td>
<td>36.1</td>
<td>54.5</td>
<td>35.4</td>
</tr>
<tr>
<td>Depreciation fixed assets</td>
<td>31.0</td>
<td>33.5</td>
<td>32.0</td>
<td>31.0</td>
<td>36.6</td>
</tr>
<tr>
<td><strong>Cash flow</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>63.5</td>
<td>82.6</td>
<td>93.8</td>
<td>58.2</td>
<td>61.0</td>
</tr>
<tr>
<td><strong>Member distributions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member Dividend / Member Discount</td>
<td>28.0</td>
<td>25.0</td>
<td>22.5</td>
<td>20.0</td>
<td>14.0</td>
</tr>
<tr>
<td><strong>Staff</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of employees year-end (in FTEs)</td>
<td>2,957</td>
<td>2,954</td>
<td>3,089</td>
<td>3,179</td>
<td>2,999</td>
</tr>
<tr>
<td><strong>Sales volume (x 1,000 tonnes)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compound feed</td>
<td>3,611</td>
<td>3,829</td>
<td>4,021</td>
<td>4,256</td>
<td>4,248</td>
</tr>
<tr>
<td>Co-products</td>
<td>1,941</td>
<td>1,875</td>
<td>2,154</td>
<td>2,306</td>
<td>2,371</td>
</tr>
<tr>
<td>Premixes &amp; concentrates</td>
<td>514</td>
<td>553</td>
<td>531</td>
<td>494</td>
<td>461</td>
</tr>
<tr>
<td><strong>Total animal feed</strong></td>
<td>6,066</td>
<td>6,257</td>
<td>6,706</td>
<td>7,056</td>
<td>7,080</td>
</tr>
<tr>
<td>Cereals, potatoes, onions and carrots</td>
<td>339</td>
<td>400</td>
<td>409</td>
<td>489</td>
<td>612</td>
</tr>
<tr>
<td>Fertilisers</td>
<td>344</td>
<td>364</td>
<td>412</td>
<td>394</td>
<td>430</td>
</tr>
<tr>
<td><strong>Total arable products</strong></td>
<td>683</td>
<td>764</td>
<td>821</td>
<td>883</td>
<td>1,042</td>
</tr>
<tr>
<td><strong>Total sales volume</strong></td>
<td>6,749</td>
<td>7,021</td>
<td>7,527</td>
<td>7,939</td>
<td>8,122</td>
</tr>
<tr>
<td><strong>Crop protection products (in € millions)</strong></td>
<td>109.6</td>
<td>118.2</td>
<td>141.9</td>
<td>126.9</td>
<td>131.7</td>
</tr>
</tbody>
</table>
3. Report of the Supervisory Board

The Supervisory Board forms a personal union together with the Board of the Koninklijke Coöperatie Agrifirm U.A. At 31 December 2018, the Supervisory Board comprised the following persons:

<table>
<thead>
<tr>
<th>Member Name</th>
<th>Position</th>
<th>Profession</th>
<th>Ancillary positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. A.A.J.M. Kamp, Raamsdonk</td>
<td>Chairman</td>
<td>Agricultural entrepreneur dairy</td>
<td>&gt; Member of the Supervisory Board of Rabobank Group</td>
</tr>
<tr>
<td></td>
<td></td>
<td>farming</td>
<td>&gt; Member of the Executive Board of Stichting Beheer Flynth (Foundation Holding</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Flynth auditors)</td>
</tr>
<tr>
<td>Mr. K. van der Bos, Holwerd</td>
<td>Vice-chairman</td>
<td>Agricultural entrepreneur</td>
<td>&gt; Chairman EcoLaNa</td>
</tr>
<tr>
<td></td>
<td></td>
<td>arable farming</td>
<td>&gt; Guardian Sint Anthony Gasthuis (guest house) Leeuwarden</td>
</tr>
<tr>
<td>Mr. M.G. Scholtens</td>
<td>Member</td>
<td>Agricultural entrepreneur</td>
<td>&gt; Chairman section Arable Farming LTO Flevoland (Dutch organisation for Arable</td>
</tr>
<tr>
<td></td>
<td></td>
<td>arable farming</td>
<td>farming and Horticulture)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>&gt; Member department Arable Farming LTO Flevoland (Dutch organisation for Arable</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>farming and Horticulture)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>&gt; Chairman, Pool Committee for Consumer Potatoes, Agrico</td>
</tr>
<tr>
<td>Mr. A.C.M. Smits, Wilbertoord</td>
<td>Member</td>
<td>Agricultural entrepreneur</td>
<td>&gt; None</td>
</tr>
<tr>
<td></td>
<td></td>
<td>agriculture / pig farming</td>
<td></td>
</tr>
<tr>
<td>Mr. A.R. Wessels, Hilversum</td>
<td>External member</td>
<td>CEO Archroma</td>
<td>&gt; Chairmen of the Board Dohmen GmbH (until 1 November 2018)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>&gt; Member of the Supervisory Board Topigs Norsvin</td>
</tr>
<tr>
<td>Ms. M.H.A. Philipsen</td>
<td>External member</td>
<td>Finance Director</td>
<td>&gt; Boardmember CEFIC</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rousselot</td>
<td></td>
</tr>
<tr>
<td>Ms. E.W. Friesen-Leibbrandt</td>
<td>External member</td>
<td>CFO Hak (Neerlands Glorie</td>
<td>&gt; Member of the Supervisory Board of Rabobank Horst-Venray</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Groente &amp; Fruit)</td>
<td></td>
</tr>
<tr>
<td>Mr. G.H. Smeenk, Makkinga</td>
<td>Member</td>
<td>Agricultural entrepreneur</td>
<td>&gt; Chairman district Steenwijk Friesland Campina</td>
</tr>
<tr>
<td></td>
<td></td>
<td>dairy farming</td>
<td>&gt; Chairman Niscoo</td>
</tr>
</tbody>
</table>

The following table reflects the positions and ancillary positions of the members of the Supervisory Board.

In 2018, Mr. T.P. Koekkoek was due to stand down and not eligible for reappointment. During its meeting of 13 March 2018, the Members Council said farewell to Mr. T.P. Koekkoek. Mr T.P. Koekkoek was Chairman of the Supervisory Board of Agrifirm and its predecessors effective from the year 2000. During a well-attended reception, Mr T.P. Koekkoek received a great deal of praise for his binding role as Chairman and his clear view of the trends in the agricultural and horticultural sectors. Vice-chairman Mr A.A.J.M. Kamp has assumed the chairmanship and Mr K. van der Bos became Vice-chairman on 13 March 2018.

The Members Council appointed a new Supervisory Board member on 19 June 2018. The Nomination Committee, consisting of representatives of the Members Council, the Central Works Council and the Supervisory Board made a preliminary selection and conducted interviews, resulting in a proposed nomination. Next, the Supervisory Board ratified this proposal and forwarded it to the Members Council, after which the Members Council discussed this nomination and the proposed candidate, Mr. G.H. Smeenk, dairy farmer in Makkinga, (Province of Friesland, the Netherlands). The Supervisory Board congratulates Mr. G.H. Smeenk with his appointment and is looking forward to a constructive relationship.

After the retirement of one Supervisory Board member in March 2018, and the appointment of a new Supervisory Board member, the Supervisory Board now consists of eight members again.
COMMITTEES

The following committees operates within the Supervisory Board: an audit, remuneration and nomination committee. Decisions about the relevant subjects will be taken in the full Supervisory Board.

The audit committee comprises Ms. M.H.A. Philipsen (committee Chairman), Ms. E.W. Friesen-Leibbrandt, Mr. M.G. Scholtens and Mr. K. van der Bos. The audit committee prepares the decision-making process of the Supervisory Board about the supervisory of integrity and quality of the financial reporting of the company, the effectiveness of internal risk management and internal control and compliance to law and regulation.

Annually the audit committee discusses with the external auditor:
> the audit plan and most important risks for the annual report;
> the findings of the audit of the financial statements and the management letter.

Annually the audit committee reports to the Supervisory Board about the performance of the external auditor. The audit committee advises the Supervisory Board about the (re-)appointment of the external auditor.

In 2018 the audit committee met four times. This meetings were in attendance of the Financial Director (CFO), the Internal Auditor, the Group Director Finance & Control and the external auditor. De following subjects were discussed by the audit committee:
> audit plan;
> findings of the (external) auditor in response to their audit procedures;
> progress, settings and governance structure of the new ERP system;
> risks and mitigations with regard to cybersecurity;
> progress of the implementation of suitable technical and organizational controls to protect the privacy (in accordance with the General Data Protection Regulation)
> corporate governance code and in particular the role and responsibilities of internal audit.

During the meeting about the progress of the construction and implementation of the new ERP system, the project manager was present as well. Additionally to the formal meetings, regularly informal meetings were held with the external auditor, internal auditor and the management of operating companies.

The remuneration committee comprises Mr. A.A.J.M. Kamp (committee chairman), Mr. A. Wessels and Ms. E.W. Friesen-Leibbrandt. The task of this committee is to prepare the decision-making process concerning the remuneration policy and the individual remunerations of the members of the Executive Board. The remuneration committee met several times to discuss the performance and remuneration of the Executive Board. Decisions on this subject were taken by the full Supervisory Board.

The nomination committee comprises Mr. A.A.J.M. Kamp (committee chairman) and Mr. A.C.M. Smits on behalf of the members of the Supervisory Board. In addition, the committee also comprises two members from the Members Council and one member from Agrifirm’s Central Works Council. The task of the nomination committee is to issue recommendations to the Members Council in support of new appointments and reappointments in the Supervisory Board. This committee met several times during the past year. A profile was developed to enable the right candidate to be selected to fill the vacancy that arose. During the course of the year, multiple candidates were interviewed for this vacancy. This resulted in the nomination and appointment of Mr. O.H. Smeenk.

SUPERVISORY BOARD TOPICS

The Supervisory Board met seven times in the year under review. Part of these meetings were held in the absence of the Executive Board. The financial reporting was discussed with the Executive Board each quarter. Key topics in this respect were the development of companies in the Netherlands and abroad, financial performance and the short-term and long-term outlook. Other important topics were the potential acquisitions and divestments, as well as the development of the company's strategic position and organisational restructuring.

In the strategic plan 'Better Together, a Global Company' the plan outlines the basic principles needed to achieve better cooperation and increased synergy among the Agrifirm companies, thus enabling to enhance the value of knowledge. In addition, better cooperation in the various agricultural and horticultural chains on the one hand, and closer cooperation with members/customers on the other, are key pillars of this strategy. Furthermore, the implementation of the Cooperative's role in the social debate is an essential pillar. It is about Agrifirm's position in the sustainability dialogue and also the role of Agrifirm herein and the way Agrifirm fills it. These topics are continuously on the agenda of the Members Council and the conclusions become more and more concrete.
In addition a lot of attention has been payed to the position of Agrifirm in relation to worldwide developments, such as the trade war between the USA and China and the continuing social commotion in Brazil.

OTHER ACTIVITIES
In February 2018, the Supervisory Board attended a part of the Agrifirm management conference and met team members from various countries during this time.
In 2018 a working visit was made to a cooperative in the USA in order to exchange knowledge and opportunities for potential cooperation regarding Ag-Tech and animal nutrition.
In addition, a working visit was made to the arable farm of a Supervisory Board member in order to focus on technical challenges and opportunities in the arable market.

Several formal meetings between the Chairman of the Supervisory Board and the Central Works Council also took place this year. The positive cooperation with the Central Works Council is evident from its structural participation in the Nomination Committee.

The Supervisory Board members appointed from among the members are all connected with one of the Sector Councils and as such are present as members of the various Sector Councils on behalf of the Supervisory Board. In 2018 a new Sector Council was established with the focus on biological farming.
The Young People’s Council meetings are always (partially) attended by a member of the Supervisory Board.
News from the company is shared and questions, ideas and suggestions of the Young People’s Council Executive Board are taken back.

EVALUATION AND EDUCATION
The members of the Supervisory Board individually attend various meetings for the purpose of meeting other Supervisory Board members, being coached and to explore a specific element in depth.
Each year the Supervisory Board devotes time to a self-evaluation. At the end of 2017, a new self-evaluation process was initiated with the assistance of an external facilitator. The evaluation consists of individual interviews with members, having the facilitator monitor a regular meeting followed by several half-day sessions to analyse and discuss the observed and desired way of working. This way of working has been continued and further developed in 2018.

Agrifirm’s 2017 financial statements were adopted by the Members Council on 13 March 2018. The Members Council also granted the Supervisory Board of Agrifirm Group BV discharge for the supervision exercised and the Executive Board of Agrifirm Group BV and the Board of Koninklijke Coöperatie Agrifirm U.A. discharge for the policies pursued.

The Supervisory Board, in its meeting of 26 February 2019, attended by the external auditor, was informed of the 2018 financial result. The 2018 result was higher than the 2017 result and in the context of market developments can be considered good.

In retrospect, 2018 was a year of change. The world in which we live is changing faster than ever. ‘Digitisation, food safety, food security, social acceptance and volatility’ all are concepts that have a tremendous impact on the world around us and on our Cooperative. Agrifirm’s response to this can be summarised in the concepts Sharp, Trusted, Ambitious and Responsible. Agrifirm will continue to adapt to the challenges of the future.

Our mission is clear: we provide measurable, relevant and sustainable value at the farm and field level, and to the industry. Having the best employees enabled us to adjust in 2018 and that gives us a great deal of confidence for the future. Not alone, but always as a team: Better Together!

We thank all employees, all members and customers all of whom, each in his/her own way, have contributed to these results!
Apeldoorn, 26 February 2019
Supervisory board of the Agrifirm Group BV
A.A.J.M. Kamp   >   Chairman
4. Report of the Executive Board

Financial targets realised, company continued to strengthen its position
The Royal Agrifirm Group's profit was €44.0 million in 2018. This result is higher than it was in 2017. It is a formidable achievement given the pressure on the cattle and pig farming sectors, most certainly in the Netherlands, and the global trade war and animal disease issues. The Better Together Strategy put the focus on the customer and created greater customer satisfaction and accelerated synergy within the organisation. The strengthened Cooperative model provides an excellent response to the day-to-day challenges of the Dutch food chain.

AGRIFIRM 2018: MAJOR CHALLENGES FACED BY OUR CUSTOMERS
Our customers throughout the world were faced with major challenges. In the Netherlands, the social debate continued unabated and our members were under pressure to respond to various debates relating to the environment and animal well-being, while earnings models offered little flexibility to do so. The phosphate reduction legislation caused a decline in the number of cattle farms, while the number of pigs dropped due to farmers who shut down their operations. The impact of a very dry summer was also felt in the agricultural farming sector. Outside the Netherlands, the meat scandal in Brazil and the pig plague in China put pressure on our farmers.

At Agrifirm, creating value for our customers is a key theme. With our broad knowledge we contribute to solutions in an increasingly more complex world. In this respect it is important for our entire organisation to be focused on our customers and that lines are kept short. Today we are globally organised into regions, whereby decisions are taken close to and together with our customers. This way we grow together and provide measurable, relevant and sustainable value at the farm, field and industry levels.

BEST AGRICULTURAL EMPLOYER IN 2018
In 2018, Agrifirm was the highest ranked Agricultural company on the Dutch list of best employers. A great compliment. We invest a great deal in our people, in existing teams, as well as in new colleagues. A good example of this is our Dutch training programme for sales trainees. These new field representatives (15 to 20 persons per group) attend a targeted internal training programme, which prepares them to effectively contribute as field representatives.

AGRIFIRM GREW THROUGHOUT THE WORLD THROUGH ACQUISITIONS AND JOINT VENTURES
To strengthen its business operations in Africa, a joint venture was established in Algeria together with Diam Grain. Together we are constructing a premix plant in Algeria to support the fast-growing local feed industry and to reduce dependence on European imports.

In America, Special Nutrients, a global leader in the field of mycotoxin binders, was acquired. This way we are taking a next step in strengthening our position in functional feed ingredients.

With the acquisition of Bacutil (2017) Agrifirm managed to achieve almost full coverage in Poland. The organic growth in sales volume in Poland in 2018 was significant again. In 2018, a new production line was also commissioned in Poland that will enable further growth in sales volumes to be realised.

In the Netherlands and Belgium, we acquired the customer portfolio of Veevoeders Vanhengel, a supplier of pig feed. Production now occurs in our compound feed plant in Belgium. This way we improve plant efficiency and expand our market share.

In addition, we signed a strategic agreement with Protix, a producer of insects that we are going to use as an ingredient in our feeds. This is an important step in assuming responsibility for a sustainable food production chain.

REGION-BASED CUSTOMER-ORIENTED OPERATIONS
All products and services for livestock farmers and growers in the Netherlands, Belgium and Germany were brought together to form the new organisation unit Agrifirm NWE (North West Europe). With the customer demands of agricultural entrepreneurs as a starting point, a TOP approach was developed by combining and optimising knowledge and products.

TOP [Total Solutions] enables Agrifirm to provide total solutions to its customers through means of knowledge, concepts and data. To accomplish this, our specialists combine their expertise in feed concentrates, roughage, organic manure, crop and soil optimisation. We also incorporate the knowledge of processing residual flows into
wet feeds of our subsidiary, Bonda, and the farming advice provided by Agrifirm Exlan into this approach. A good specific example of Better Together.

All customer requests relating to soil, animal, crop and entrepreneurship are integrally addressed on the basis of this TOP approach. Each customer has a single point of contact in this respect. A regional organisation has been created within the Cooperative in the Netherlands, as a result of which sales teams with supporting functions operate closer to our customers. Shorter lines are facilitating better communication and make it possible to more quickly respond to customer requests. This way Agrifirm combines the strength of a large company with the speed of a regional player.

Three other regions were established in addition to Agrifirm NWE. These regions combine activities in Europe, in the Middle East and Africa (EMEA), in Asia (ASIA) and in Latin America (LATAM). Through strong cooperation among and within all regions, we create synergy and contribute to better solutions for customers.

CHALLENGES AND OPPORTUNITIES FOR MEMBERS AND AGRIFIRM ON THE DUTCH MARKET

The world is changing rapidly for our members and the complexity of their farming operations is increasing. Furthermore, laws and regulations are having an increasingly greater impact on conditions surrounding and on the farm. Future-oriented entrepreneurs are rapidly professionalising and expect to receive support from their suppliers and chain partners. The phosphate legislation, setting the phosphate reference level for each farm, strongly affected the dairy farming sector. The consequence of this is that the number of dairy cows is significantly dropping, which put pressure on the total compound feed sales volume, as well as Agrifirm's turnover. Agrifirm acquired a leading position in the production of VLOG (non-GMO) feeds. These feeds are at the root of milk produced from non-GMO raw materials.

In the pig farming sector, the number of pig farmers who are shutting down their operation due to remediation measures is high. This lowers the number of animals and puts pressure on sales volume in the feed sector. Agrifirm in 2018 succeeded in increasing its market share in the pig farming sector, in part due to the above-average financial results (source: Agrovision) achieved by farmers using Agrifirm feeds and/or feed concepts. Agrifirm managed to acquire new customers in the laying hen poultry farming sector. This is in contrast to the broiler farming sector in which the consequences of the now resolved issue concerning wet pens lasted longer than expected.

In the arable sector, the hot and dry summer in 2018 to a large extent set the stage. Lower yields were putting pressure on income in spite of the trend towards higher product prices. The low disease rate meant there was a reduced use of crop protection agents (CPAs). The number of customers purchasing CPAs from us continued to increase, which enabled us to further optimise the domestic use of these agents.

Effective from 1 January, growers cultivating crops for the Dutch market are being advised on the basis of the new PlanetProof quality mark. Agrifirm in 2018 tested its advisory module for this purpose and in 2019 can assist all involved growers to successfully migrate to this quality mark.

The low water levels in waterways caused the transport of raw materials to be more expensive. Due to the favourable location of its plants, this has had less of an impact on Agrifirm.

In coming years, circularity will increasingly determine the development of the agricultural sector. Agrifirm would like to take the lead in this area and has the ability to do so given the company's broad operating front. The acquisition and use of organic manure and residual flows from the food industry are specific examples of this. This way Agrifirm creates added value for livestock farmers and growers, and furthermore works on a proper earnings model for closed-cycle agriculture. This approach is in line with the wish of the Agrifirm Cooperative's members and with the vision published this year by the Ministry of Agriculture, Nature and Food Quality.

Turnover in the organic sector rose significantly in 2018. Our dryer in Oldambt (NL) played an active role in this by supplying organically grown grass and lucerne. Our laboratory NutriControl experienced another strong year with increased turnover and profit. This has been a continuing trend for years and is the result of a high level of professionalisation, investment and automation of the laboratory in Veghel.
The specialties production for Europe and for export will be concentrated in the plant in Drongen (BE). This means that the production of premixes and concentrates will be eliminated in Utrecht. Agrifirm is assuming its responsibility in this respect and is supporting the involved employees in as much as possible moving from work to work.

FORMULA FOR SUCCESS
The Welkoop organisation experienced an excellent year. In addition to achieving its financial objectives, the organisation was pronounced the Best Retail Chain in the category Animal Speciality Shops for the fifth time in a row. This award is a feather in the cap for the involved staff.

In addition, Welkoop announced that it will be constructing a new distribution centre in Apeldoorn as the current centre in Ede is no longer adequate due to its limited expansion possibilities. New agreements have been made with franchisees. Agrifirm, as the parent company, is investing significantly in the formula. All parties are satisfied with the outcome, which enables us collectively to continue to grow for many years to come.

KEY GLOBAL TRENDS
Globally, our sector is faced with (the threat of) trade wars and animal diseases. The trade war between the United States and China resulted in higher costs due to import levies and in some cases due to the inability to deploy products. For the purchase of raw materials this uncertain situation resulted in a higher risk profile and sometimes in additional costs.

Since August, China has been faced with a very rapidly expanding African pig plague epidemic. At the same time the number of pig farmers declined due to laws and regulations relating to the environment and safety. This put the brakes on the turnover of our local business. With a focus on large professional customers, improved margins and cost control, profitability was maintained, however.

In Brazil turnover continues to lag expectations. The devaluation of the local currency was responsible for lower results. Action to strengthen management to enable it to make the right decisions relating to strategy and sales was initiated in 2018. The country has huge potential, but developments currently are lagging objectives. Agrifirm expects this to correct itself over the next few years.

Our joint venture in the Ukraine experienced a good year, in part due to the growth of its position in the cattle sector, from which we were able to profit after many years of investment and hard work.

Exports to the Middle East and Africa continued to grow.

AGRIFIRM INTERNALLY
To improve its customer-orientation, Agrifirm devoted effort to organising its innovation-related activities in such a way that a measurable positive effect is quickly visible for the customer. Agrifirm invested over €8 million in research and development for this purpose. In 2018, effort was devoted to integrating global R&D activities. This resulted in the introduction of various products/concepts that will be deployed throughout the world. Examples of this are the Uniq and BABI piglet concepts that support the growth and health of young animals. The use of functional feed ingredients also resulted in better growth and higher efficiency for our customers. Our cattle start and top start solutions are focused on optimising the nutritional approach and the subsequent milk production. In addition, we have customer-oriented digital solutions in the poultry chain that precisely monitor growth and as such provide information that makes it possible to make nutritional adjustments when necessary.

The implementation of the new ERP system was started in 2018 with the successful migration of companies in Hungary. This implementation is a pilot for converting the larger systems in the Netherlands. The implementation process in the Netherlands will be started in 2019.

The focus on safety is an important area for attention for our employees throughout the world. Each company has set up a meticulous process for reporting incidents and near-incidents. The number of incidents and the severity of these incidents is the subject of company-wide communication using digital displays that indicate when the last incident took place and the number of days Agrifirm has operated without any lost working days. In 2018, the target of fewer than 1.5 incidents per 100 employees was amply met: the final outcome for the year was 0.8. A low point was the fatal accident of one of our external drivers while unloading at one of our Dutch customers. The cycling accident resulting in the death of a pig farming advisor also left a lasting impression. The impact of these accidents goes well beyond any other event in our global company. Our thoughts are with their next of kin.
The goal is to go down to fewer than 0.5 incidents per 100 employees by 2020. We aim to achieve this by consciously interacting with each other about the risks inherent in our work.

**SUSTAINABILITY A TOP PRIORITY**
Agrifirm reports on its CSR (sustainability) efforts in a separate report. The use of organic manure, the improved use of the total nutrient flow and the use of residual flows from the food industry are key pillars in this regard. In 2018, Agrifirm was chosen as one of the coordinators of the Biodiversity Recovery Delta Plan and we actively contribute to the Climate and Environment tables in The Hague. This way we represent farmer interests in these important initiatives.

Furthermore, we initiated AgrifirmZon. By installing solar panels on the roofs of company buildings and on the buildings of our members, Agrifirm can green its energy consumption. During the first round, 140 participants registered who collectively are able to place 90,000 solar panels.

**ACTIVE ROLE FOR THE COOPERATIVE**
In 2018, Agrifirm members and the Members Council expressed a need for the Cooperative to play a more active role in the development of the Dutch agricultural and horticultural sectors. Agriculture was held under a magnifying glass in all discussions about the environment, nutrition and health of people and animal. Farmers are faced with increasingly higher demands imposed by buyers and with increasingly strict laws and regulations. By pursuing the Cooperative’s four roles we want to combine forces together in this area:

> We are giving the farmer a voice in the market and society.
> We actively participate in the social debate on behalf of our members.
> We support initiatives that connect farmers and citizens.
> We develop projects relating to complex themes that are important to members.

We take the lead in those projects that are key to the development of farms, but that individual farms are not capable of carrying out by themselves. Members were asked which projects they would like to see implemented. On the basis of a survey, 12 projects were selected from this list that in part were already started up in 2018. The Members Council approved a budget of € 900,000 for these Cooperative projects for 2019.

To provide additional training to young entrepreneurs, Agrifirm in 2018 started up a number of technical courses focused on nutrition for animals and soil. This is the direct consequence of a survey held among young farmers asking them about their top needs in starting up their farm. In 2018, the theme of the annual Young People’s day was food balance. The event attracted over 650 young farmers and students.

In 2018, Agrifirm paid approximately € 25 million to its members in the form of the Member Discount and/or Member Dividend over 2017. An amount of this size has never been paid out to members before. This was made possible thanks to Agrifirm's excellent results and its strong financial position. Since 2012, Agrifirm has paid over € 100 million from its result to its members.

In 2019, Agrifirm expects to pay approximately € 28 million from its result over 2018. This amount is significantly higher that the result of the Dutch core activities. As such members are rewarded for their confidence in the Cooperative and the strategy it pursues.

The Agrifirm Loyalty Scheme introduced at the end of 2017 provided members with the option of leaving their Member Payment with Agrifirm at an interest rate of 6 percentage point on top of the three-month Euribor rate. Over 1,600 members made use of this option thereby depositing over € 7 million. This scheme will once again be available to members in 2019.

**EXCELLENT FINANCIAL POSITION**
Agrifirm has an excellent financial position with solvency exceeding 58 percent. The positive cash flow from operating activities decreased to € 63.5 million (2017: € 82.6 million) due to the increase in working capital. In 2018, the outgoing cash flow for investments and acquisitions was € 45.0 million (2017: € 10.2 million). In 2018, a majority interest was acquired in the American supplier of additives, Special Nutrients. In addition, the customer portfolio of Veevoeders Vanhengel was acquired. The OneSAP expenditures are partially capitalised. The cash flow from financing activities was negative € 17.6 million (2017: negative € 82.3 million). This is the total of Member Dividends/Member Discounts paid and the repayment of loans or equivalent instruments. The result of foreign currency translation differences was negative € 0.4 million. This result is primarily attributable to the Brazilian real.

The balance of cash and cash equivalents increased from € 104.7 million (year-end 2017) to € 105.3 million (year-end 2018).
AGRI FIRM IN 2019

The major challenges faced by entrepreneurs in the agricultural and horticultural sectors in the Netherlands and throughout the world demand an expert, committed partner. Agrifirm aims to be that partner and continues to strengthen the internal organisation in order to deal with these challenges together with our customers.

We want to be in touch with society on behalf of our members and to attempt to influence policy in the Netherlands so as to create a balanced approach. We assist our members with additional value creation on the farm through favourable purchase prices and expert advice, and in addition we support by telling the story of the farmer as an indispensable link in a sustainable food chain for future generations.

In 2019, we will once again support projects that assist farmers in making the right decisions for the future. Circularity will become the area for attention for entrepreneurs in the agricultural and horticultural sectors during the coming years. Through our unique structure that incorporates much of the required knowledge and activities, we are able to provide a valuable contribution to this. The Cooperative is a strong and future-oriented model for this purpose. Putting the interests of members/customers first and foremost contributes to strong customer loyalty and inspires all of us to tackle the challenges of the future together.

We are seeing continued growth in our global regions on the basis of the new products we are introducing to the market, such as the expansion of our functional feed ingredients. By combining our knowledge throughout the world we are creating an inspiring innovation agenda. An agenda in line with our strategy for realising a sustainable food chain for future generations. In this agenda we bring together unique nutritional and functional solutions that support farmers throughout the world in a measurable and sustainable way with their important role in our food chain.

Apeldoorn, 26 February 2019

Executive Board of the Agrifirm Group BV

D. Hordijk > Chairman (CEO)
J.G.J. Vessies > Financial Director (CFO)
5. Koninklijke Coöperatie Agrifirm U.A.

INTRODUCTION
Koninklijke Coöperatie Agrifirm U.A. (hereinafter: the Cooperative) is a cooperative under Dutch law and has more than 10,000 Dutch members. The Cooperative is managed by the Board, which is appointed by the Cooperative’s Members Council. The Cooperative holds all shares in Agrifirm Group BV. Agrifirm Group BV (hereinafter: Agrifirm) is a private limited company under Dutch law and functions as the holding company of Agrifirm’s group companies and participating interests.

From the perspective of corporate governance, the following management boards are relevant in terms of the Cooperative and Agrifirm:
> the Members Council of Koninklijke Coöperatie Agrifirm U.A.;
> the Board of Koninklijke Coöperatie Agrifirm U.A. and/or the Supervisory Board of Agrifirm Group BV;
> the Executive Board of Agrifirm Group BV.

The Executive Board and the Supervisory Board (the Board) are responsible for the corporate governance structure within Agrifirm and compliance with the Corporate Governance Code (the Van Manen Code). Any deviations from the Code are supported by a sound rationale and are briefly explained in the Annual Report.

THE MEMBERS COUNCIL OF THE COOPERATIVE
The Board of the Cooperative requires the approval of the Members Council for certain resolutions as described in the Articles of Association. Approval is required for the following (non-exclusive) items:
> amendment of the Articles of Association of the Cooperative and the Articles of Association of Agrifirm Group BV;
> appointment of members to the Board of the Cooperative;
> important transactions, including entering into strategic partnerships and real estate transactions;
> acquisition and disposal of participating interests in group companies or minority interests;
> providing securities;
> important investments.

The Articles of Association specify when and at what amounts the above resolutions and other resolutions require the approval of the Members Council.

The Members Council is also tasked with adopting the financial statements, Agrifirm’s strategic long-term plan, determining the profit appropriation and granting the Supervisory Board of Agrifirm Group BV discharge for the supervision exercised and the Board of Koninklijke Coöperatie Agrifirm U.A. and the Executive Board of Agrifirm Group BV discharge for the policies pursued.

The Board has subdivided the members of the Cooperative into ten geographically distinct districts. Members are elected to the Members Council from these districts. The Board of the Cooperative appoints members to each district on the basis of revenues. The revenues per district are assessed every two years; the last time in January 2017.

A member of the Members Council is appointed for a period of four years and can be reappointed twice. The various agricultural and horticultural sectors must be represented in the Members Council. In the Members Council meeting of 13 March 2018, six members were due to step down and were ineligible or decided not to make themselves available for reappointment. Four new members were appointed. The Members Council consisted of 72 members as per 1 April 2018 and two open vacancies. On 19 June 2018 a member of the Members Council was appointment to the Supervisory Board. As a consequence of the appointment his membership of the Members Council stopped. The appointment of the Members Council member in to the Supervisory Board resulted in three vacancies. 13 members of the Members Council were due to step down and eligible for reappointment; all were re-elected by acclamation. In 2019, a new, more provincial subdivision of the districts will be investigated. The desired number of Members Council members will then be re-established as well.
MEETINGS OF THE MEMBERS COUNCIL
The Members Council met four times in 2018. The two-day excursion for the Members Council is scheduled every two years in addition to the regular meetings. The next excursion is scheduled in 2019.
Agrifirm’s 2017 financial statements were adopted by the Members Council meeting of 13 March 2018. The Members Council also granted the Supervisory Board of Agrifirm Group BV discharge for the supervision exercised and the Executive Board of Agrifirm Group BV and the Board of Koninklijke Coöperatie Agrifirm U.A. discharge for the policies pursued.

The Members Council granted the board a mandate to deviate from the usual procedure for appointing Supervisory Board members, in this case the deferral of appointing a new Supervisory Board member. To fill the vacant Supervisory Board position, the Members Council on 19 June 2018 approved the proposed appointment of Mr. G.H. Smeenk as a new member of the Supervisory Board. At that point, Mr. G.H. Smeenk left the Members Council of which he had been a member until then.

In addition, a study day was organised for the Members Council on 6 November 2018. The theme was as follows: ‘Agrifirm Cooperative: towards a strong and regional connectedness in a modern and vital Cooperative’. The objective was to formulate the basic principles for organising regional connectedness and the role that the members organisation plays in this respect. In 2018, during the orientation on this theme, intensive discussions were held with over 400 members (sectoral-regional meetings throughout the Netherlands) about the role and function of the Cooperative. This method of cooperation, whereby an active Members Council is of major importance, will be further defined in 2019.

MEETING OF THE MEMBERS
In 2018, approximately 900 persons visited the annual member meetings. In these meetings the Executive Board reported on the annual results and strategy of the Agrifirm Group, while the Board reported on the Cooperative’s developments. In addition, an interesting site with a link to the agricultural sector was visited in each district. This included the Heineken Brewery, Gea Milking & Dairy Farming, Kipster and the Bavaria Brewery.

The structure of meetings will be changed in 2019. On 18 September 2018, the Members Council decided to combine the district meetings, which are mandatory under the Articles of Association, in 2019 and to hold these meetings at the same location and at the same time. In addition, it was decided to hold additional sectoral, regional meetings in 2019.

COOPERATIVE MEMBERSHIPS
Agrifirm introduced the Agrifirm Loyalty Scheme in 2018. Members can participate in this scheme by depositing their Member Payment (Member Discount/Member Dividend). Agrifirm pays an interest rate of 6 percent above the three-month Euribor rate. Approximately 1,600 members made use of this scheme. The total deposited amount is over € 7 million. Members also had the option of directly receiving their member payment.
The Members Council agreed with the 2018 Member Dividend during the Members Council meeting of 13 December 2018. The percentage was 1.9 percent and will be calculated on the basis of the 2018 turnover. It will be paid in May 2019.

Agrifirm also uses a Member Discount system. This even further reinforces the fact that people are a customer and member of a Cooperative whose objective is to optimise returns at the farm level. In the Members Council meeting of 13 December 2018, the Member Discount over 2018 was proposed at 3.3 percent on the turnover of crop protection products and 0.37 euros per 100 kilograms of compound feed and will be paid at the beginning of May 2019.

Members could participate in the new Loyalty Scheme by depositing these Members Payments. It is also possible to join by using these payments.

Agrifirm had approximately 17,000 members at the beginning of 2018. The number of members that complies with the membership requirements as set out in the Articles of Association was carefully reviewed during the year. As a result we had over 10,000 members at year-end 2018. These members each year realise more than € 2,500 in turnover at Agrifirm.

SECTOR COUNCILS
Within Agrifirm there are Sector Councils for the dairy farming, pig farming, laying hen poultry farming, broiler farming and the plant-based sectors. These councils have an advisory function for the executive boards of the companies. Additionally, meetings were held with an organic sounding board. This sounding board has been upgraded to a Sector Council Organic. This upgrade is a consequence of the current developments in this sector. All Sector Councils met at least twice. The poultry farming councils have adopted a higher meeting frequency (four times). The minutes of the Sector Councils are shared with the Members Council and the Executive Board for information purposes.

YOUNG PEOPLE’S COUNCIL
The Agrifirm Young People’s Council organised seven meetings in 2018. At the start of the new season (September 2018), eleven new members joined the Council following the departure of ten members in April 2018. Additional members are still required for the Young People’s Council from several districts.

Approximately 650 young entrepreneurs visited the Agrifirm Young People’s Day on 10 January 2018. Central theme this day was ‘Is your nutrition balanced’. Together with the participants our role within the food chain and the developments therein were discussed. The Agrifirm Young People’s Council is the organiser and host for this day.

THE GENERAL MEETING OF SHAREHOLDERS OF AGRIFIRM GROUP BV
The Cooperative holds 100 percent of the shares in Agrifirm Group BV. The Board of the Cooperative, on behalf of the Cooperative, exercises the voting rights in the general meeting of Shareholders of Agrifirm Group BV; in certain instances – as described in the Articles of Association – it does so subject to the prior approval of the Members Council.

THE BOARD OF THE COOPERATIVE
The Board of the Cooperative is responsible for all of the Cooperative’s operations. This includes looking after the interests of the members of the Cooperative in the companies directed by Agrifirm Group BV and its group companies. The Board of the Cooperative comprises eight members, five of whom come from the agricultural and arable sectors. These members are selected from among the members of the Cooperative, supplemented by three external members: a financial specialist (financial profile) and two specialists in the area of strategy and managing large (international) enterprises (management profile). The members of the Board are appointed by the Members Council on the basis of the nominations submitted by the Board. The Members Council may also dismiss a member of the Board. The Board of the Cooperative also forms the Supervisory Board of Agrifirm Group BV. Each Board member is appointed for a period of four years and can be reappointed twice. Performance is assessed after each term. External members can be reappointed only once.

To implement the provisions of the Management and Supervision Act (Public and Private Companies) that went into effect on 1 January 2013, the balance of seats held by women and men is specifically taken into consideration when new Board members are appointed. At the present time there are two women with a seat on the Board (and therefore on the Supervisory Board). The Board continue to give attention to diversification in the Board.
THE SUPERVISING BOARD OF AGRIFIRM GROUP BV

The Supervisory Board (which forms a personal union together with the Board of the Cooperative) appoints the members of the Executive Board, supervises its performance, and has the authority to approve certain decisions of the Executive Board – as described in the Articles of Association – including:

> the long-term strategic plan;
> important transactions, including entering into strategic partnerships and real estate transactions;
> acquisition and disposal of participating interests in group companies or minority interests;
> important investments;
> acquiring bank loans and issuing securities.

The Articles of Association specify when and at what amounts the above decisions and other decisions require the approval of the Supervisory Board. The Supervisory Board has an audit, remuneration and nomination committee.

The committees do not have any independent decision-making authorities and report to the full Supervisory Board.

THE EXECUTIVE BOARD OF AGRIFIRM GROUP BV

Agrifirm’s Executive Board comprises two persons: the Chairman (CEO) and the Financial Director (CFO). The Executive Board is responsible for the strategy, policy and operating activities within Agrifirm. The Executive Board is appointed for an indeterminate period of time. The Executive Board’s terms and conditions of employment are established by the Supervisory Board.

AGRIFIRM AND THE DUTCH CORPORATE GOVERNANCE CODE

Agrifirm voluntarily applies the Corporate Governance Code. The Board and the Executive Board have committed to the Members Council that they will give substance to the Corporate Governance Structure and that they will comply with the Code. The voluntary application means that the Code can be tailored to Agrifirm and its cooperative character. Any deviations from the Code will be supported by a sound rationale for the benefit of the Members Council. Substantial changes will be submitted to the Members Council. In addition, Agrifirm has an Ethical Business Code of Conduct and a Whistle-blowing Procedure.

Deviations from the Code

Agrifirm deviates from the Corporate Governance Code in five areas:

> The Executive Board of Agrifirm Group BV is appointed for an indeterminate period of time. The provision stipulating that members of the Executive Board should be appointed for a period of four years has therefore not been implemented (Best Practice II.1.1 of the Dutch Corporate Governance Code). The ability of the Cooperative to influence the performance of the members of the Executive Board is anchored due to the fact that the Board of the Cooperative:
  - holds the full voting rights in the general meeting of Shareholders of Agrifirm Group BV;
  - forms a personal union with the members of the Supervisory Board of Agrifirm Group BV;
  - nominates the members of the Supervisory Board of Agrifirm Group BV.

> The chairman of the Remuneration Committee is by the Chairman of the Supervisory Board in view of the major importance Agrifirm attaches to the coordinating role of the Chairman of the Supervisory Board in relation to the remuneration of the members of the Executive Board.

> The discharge of other Supervisory Board memberships and ancillary positions by Supervisory Board members as well as Executive Board members will be assessed on an individual basis by the Supervisory Board in terms of the nature and the time requirements of the Supervisory Board memberships and/or the ancillary positions. Every member of the Supervisory Board and the Executive Board must ensure that he/she can devote sufficient time and attention to Agrifirm, thus ensuring the proper discharge of responsibilities.

> The remuneration and other contractual agreements for the individual members of the Executive Board are not published (Best Practice II.2 of the Dutch Corporate Governance Code).

> Finally, in general, the following components/provisions have not been adopted:
  - provisions related to listed companies, shares, options and/or securities;
  - the publication of sensitive information on the company’s website;
  - a one-tier management structure;
  - the issue of depositary receipts for shares;
  - the responsibilities of institutional investors and shareholders.
6. Risk management

RISK PROFILE
Agrifirm’s activities expose it to a wide range of strategic and operational risks. The continuous changes on global markets require Agrifirm to constantly monitor and assess its risks. The achievement of business objectives is contingent, in part, on external geopolitical factors, the unpredictability of market developments, competitive trends, disasters (for example, natural disasters and animal diseases) and human factors.

Risk management is an important component of entrepreneurship and is a prerequisite for achieving Agrifirm’s strategic and financial objectives. The risk management process therefore has been designed such that this method of working forms an integral part of the business processes, as a result of which financial consequences are kept to an acceptably low level.

Risk management is continuously in development in order to embed risk management at all levels in the organisation, from the Supervisory Board and the Executive Board to the operational and financial departments. This enables Agrifirm as a learning company to assess risks and determine measures to manage the risks to which Agrifirm is exposed.

Finding the right balance between entrepreneurship, innovation and empowerment (confidence and risk leadership) on the one hand and preventive, detective and corrective control measures (rules and controls) on the other hand ('Agrifirm Balanced Control') is crucial. In this respect Agrifirm makes a distinction between 3 risk categories each of which facilitates or requires a different strategy:

- **Strategic risks**: risks we do not wish to avoid in order to achieve the strategy and objectives;
- **Avoidable risks**: risks we are able to avoid because they do not have any strategic value;
- **External risks**: risks that we are unable to avoid because they originate outside Agrifirm.

The Agrifirm risk profile is illustrated in the following diagram:

RISKS, IMPACT AND RISK APPETITE
Agrifirm is active in various markets in a number of countries. Inherent to these activities, the company is facing strategic, operational, financial and compliance risks. Where possible and relevant, these risks are mitigated or controlled. The Executive Board and the Group Board are responsible for risk management and the internal control systems in Agrifirm. This involves close coordination with the Supervisory Board and its committees.

In general, Agrifirm has a low risk appetite with respect to significant business risks. A risk’s significance is determined by the likelihood of it occurring and its potential impact on Agrifirm’s strategic objectives and financial targets.
An overview of the most important risks for realising the strategy and measures taken to control these risks, if feasible from a cost perspective, is given below.

**Strategic risks:**

Agrifirm will have to make significant investments to be able to realise the strategic objectives. The willingness to accept the related potential risks is low and the importance of a proper balance between the costs of and the returns on investments (over the long and short term) is crucial in this respect.

Potential risks relating to further growth and acquisitions are managed through means of a strategic plan and annual plans, combined with targets relating to growth and financing. Targets for acquisitions, as well as organic growth are developed as part of the strategic plans and growth objectives. These plans are related to:

- looking for new acquisition candidates and integrating the effected acquisitions;
- identifying new product market combinations;
- expanding in new countries;
- growing within existing product and market combinations.

In managing these risks, a structured acquisition process with a clear governance structure, a formalised integration process, the evaluation of acquisitions after 3 years and a country risk analysis, play a crucial role. The authorities for acquiring companies are secured at a high level within the Agrifirm organisation (Members Council, Supervisory Board and Executive Board), while the authorities for expansion in a new country are assigned to the Executive Board and risk assessment, as well as strategy consistency are anchored as key criteria.

In preparing and executing the strategic plan, the importance of attracting and retaining the right leadership and motivated employees is recognised as self-evident, since they, together with the employees of their business partners, form the basis for Agrifirm's 'One Winning Culture'.

To limit the risk of reputation damage to a minimum, a set of measures has been adopted with a particular focus on:

- Animal Health and Animal Welfare;
- Food Safety;
- Employee Health and Safety;
- Delivery Reliability;
- Information and Data Security;
- Application of Laws and Regulations, and Fraud Prevention;
- Financial Health.

**Animal diseases** can reduce the livestock herd and result in additional transport costs. **Food safety** problems can cause serious reputation damage. The primary risks are related to the quality of raw materials and additives. The willingness to accept risks relating to the quality of raw materials is low. Agrifirm mitigates this risk by safeguarding the quality of raw materials, briefing livestock farmers, the geographic spread of its activities and the availability of contingency plans that are regularly tested. In addition, the Global Quality Director, who reports directly to the CEO, has a team of employees whose task it is to guarantee and continuously improve this qualitative environment through training, coaching and audits.

**Employee health and safety risks** are continuously present as employees perform their activities. Different risks are recognised for production sites, offices, travel and visits to plants, customers and suppliers. A healthy and safe environment for our employees is an essential component of the Better Together Strategy. The Global Health & Safety Director, who reports directly to the CEO, has a team of employees whose task it is to guarantee this healthy and safe environment through training, coaching and audits.

The inability to make **timely and complete deliveries** of the quantities and qualities ordered by customers can cause serious reputational damage. The impact of this risk is mitigated through cost-effective redundancy in production sites, suppliers, raw materials and supporting business-critical IT systems and infrastructure.

**Cybersecurity** has professionalised and diversified in recent years (source, motivation and type and scope of impact). The cybersecurity risk for the coming years will increase with all kinds of digitisation trends (both in terms of number of occurrences and potential impact). A large stream of more enforceable legislation, not always internationally coordinated, with better protection for customers and employees, for using and/or sharing privacy-sensitive information, with high penalties or business
impact has already had its effect in 2018. Digital trends which will shift IT from a business support function to business opportunities (cloud, mobility, technologies for managing companies and analysing company performance/compliance, the use of apps), as well as to meeting the needs of users of data for managing the risks associated with collecting, storing, distributing and using data/information (shift of infrastructure to the user) are making the need for secure information and data systems and infrastructure even more critical. The concentration of IT management and administration, as well as new opportunities relating to data prevention and detection are making it possible for Agrifirm to implement effective physical and logical security measures together with its partners.

External risks:
In implementing and executing its strategy, Agrifirm is confronted with a wide range of external risks, whereby the pig plague epidemic, the trade war between the US and China, Brexit, the policy the new Brazilian government is expected to pursue, as well as the increasing penetration of Agrifirm’s competitors in core countries are expected to be key elements. Mitigation of risks is accomplished by spreading activities over geographic regions, animal species and arable activities. In case of animal diseases a crisis team is formed immediately, which in line with predetermined protocols focuses on limiting the effects for both Agrifirm and its clients.

Financial risks:
Financial risks are partly inherent in the strategic objectives. Acceptance of these risks consequently varies.

The volatility of raw material prices, as well as currencies and the liquidity of customers can have a major influence on the level and stability of the Agrifirm Group’s financial results.

The willingness to accept risks relating to the volatility of raw material prices is medium. In terms of currency risks, the best possible approach will be developed to determine whether such risk will be accepted. The acceptance of currency risks is in principle low.

The volatility of raw material prices and a mismatch between purchase and selling positions is managed by continually monitoring raw material and currency positions combined with a continuous focus on cost efficiency. In addition, limits have been defined within which certain positions can and must be taken in order to manage this risk. The volatility of currency positions will be hedged with the assistance of hedging transactions, if necessary.

Customer liquidity risks: Volatility in the financial performance of our customers due to highly fluctuating prices for their products, necessary investments and changing legislation can cause customer liquidity to come under pressure and can result in increased payment risks. Working capital management (accounts receivable, stocks and accounts payable) consequently is an important element in each business unit. Customers are assessed in terms of different criteria (including creditworthiness and payment reputation in the market) before any goods are delivered. Where necessary and possible additional securities are required and/or risks insured. Outstanding balances are permanently monitored, in the event of increased payment risks early contact is established with the customer to as much as possible mitigate risks.

Agrifirm considers it important to constantly monitor the size and obsolescence of stocks. Control measures (including regular stocktaking) have been implemented within the organisation to monitor the levels, composition and age of stocks in order to be able to continue to safeguard their quality.

The willingness to accept interest rate risks is in principle low. Agrifirm negotiated a new financing arrangement in 2015. Various scenarios were developed to establish the required borrowing needs. A multi-currency revolving credit facility in the amount of € 250 million for a period of a minimum of five years was negotiated on this basis. This covers the liquidity risk up to the end of 2020.

Treasury activities are centralised within the Agrifirm Group. Liquidity-, interest- and currency risks are being hedged by means of interest swaps and currency forward contracts and periodic liquidity planning. These treasury activities are predominantly taking place at Agrifirm Group level.

The current geopolitical developments and the volatility of the global economy, made it very difficult to estimate exactly the possible impact these risks could have. Currency exposures did have a significant impact on translation of results of operating companies located in countries with a currency other than the euro. Agrifirm is constantly alert in order to minimize the impact. Purchasing and selling products are predominantly in local currency or core currency in case of cross border transactions.
**Compliance risks:**
The willingness to accept risks of non-compliance with laws and regulations is extremely low. This is managed by working with workshops on ethics, a whistleblower scheme, codes of conduct, group directives (dos and don’ts), a covenant ‘horizontaal toezicht’ (systems based audit approach of the tax authorities) and internal procedures. In the event that any irregularities are detected, the lessons learned and the areas for improvement are defined and broadly shared throughout the organisation. Partly by doing this and on the basis of the shared responsibility of the management of the Agrifirm Group and local management, the chance of non-compliance with laws and regulations is limited.

**OTHER RISK MANAGEMENT MEASURES**
In designing and evaluating the structure of our risk management and control systems, the internationally acknowledged COSO framework for internal control is used as a frame of reference. This has been expanded in particular in the Agrifirm Balanced Control philosophy, code of conduct, delegation of authorities and Corporate Guidelines. This resulted in the implementation of a joint, risk-based framework of internal controls of which the ‘apply or explain’-principle is applicable by a local implementation and execution.

Within Agrifirm this is an on-going process of identifying, analysing, validating, monitoring and evaluating significant risk areas and the controls in place, and of communicating and reporting about such process.

The company pursues a system of budgeting and planning using standard procedures and detailed guidelines. The Executive Board regularly reviews with the management boards of the group companies the achievement of strategic and operational objectives, as a result of periodic financial and operational reports, the annual budgeting cycle and risk analysis. The risk monitoring results are reviewed. The risk management model consequently forms an integral part of Agrifirm’s business planning and budgeting control cycle.

Agrifirm also has the following guidelines, procedures, systems and organisational measures in place for controlling its business processes:

- clear organisation structure with divisions of responsibility between the Members Council, Supervisory Board, Executive Board and local/country management;
- principles for the code of conduct and an ethical business code of conduct governing all employees of Agrifirm;
- whistle-blowing procedures;
- introduction program for new employees about the strategy and behaviours;
- systems for operational and financial planning, such as setting budgets and other operational and financial targets;
- guidelines and procedures for the format and drafting of management reports and financial reporting;
- periodic review of the achievement of set targets based on pre-defined critical success factors for all operational and functional disciplines;
- guidelines and procedures for financing activities and controlling currency, interest rate risks and fixed-term deposits;
- guidelines for the continuity and reliability of electronic data processing;
- guidelines for the management of production processes and quality controls based on internationally recognised and certified methodologies and in line with the applicable laws and regulations in the countries in which Agrifirm operates;
- a quality assurance system for raw materials;
- guidelines for internal control and monitoring, including authorisation procedures and segregation of duties;
- letters of representation for Agrifirm’s group companies;
- internal audit function.

The complete set of the controls listed above ensures that reasonable assurance is obtained that strategic and operational objectives are achieved, that the company’s (financial) reporting is reliable and that relevant laws and rules are complied with.

In 2018, as part of their assignment to audit Agrifirm's annual financial statements, the external auditor performed investigations on the set-up, design and where necessary, the effectiveness of the system of internal control and administrative organisation. These audits were performed according to a program set up in consultation with the audit committee of the Supervisory Board. The information thus collected is used to make improvements to the internal risk management and control systems.
Agrifirm and the Dutch Tax authorities signed the covenant ‘horizontaal toezicht’ for the fiscal unity of Koninklijke Coöperatie Agrifirm U.A. In this covenant the framework is laid down how the Tax authorities and Agrifirm cooperate in order to work effectively and efficiently together. Important condition to be able to apply for this covenant is to show the quality of the internal control processes related to taxes. The Tax authorities reviewed these processes and existing discussion points with the Tax authorities were solved.

Despite with how much care these systems and controls are designed, they do not provide absolute assurance that operational and financial corporate objectives will be achieved. Neither can all inaccuracies, errors or violations of laws and regulations be prevented using these systems.

MANAGEMENT STATEMENT
The Executive Board is responsible for managing the risks associated with the company’s objectives and the reliability of the internal and external financial and other reports. Agrifirm bases its internal control structure on the principle that the management of the group companies bears the primary responsibility for the day-to-day performance, compliance and monitoring of the systems that have been put in place to manage the key operational risks, to which the group company is exposed, as well as possible.

With respect to the limitations that are inevitably inherent to any risk management and internal control system, our internal risk management and control systems provide reasonable assurance that our financial reports are free of material misstatement and that these systems were adequate and effective in 2018.

The phrase ‘reasonable assurance’ has been used for the level of assurance that would be provided by a director acting with due care under the given circumstances. The set of procedures involving the internal risk management and control systems, and the related findings, recommendations and measures have been discussed with the audit committee, the Supervisory Board and the external auditor.
7. Financial statements

(all amounts are stated in thousands of euros unless indicated otherwise)

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7.1 Consolidated balance sheet as at 31 December

(after appropriation of profit)

<table>
<thead>
<tr>
<th>ASSETS (in thousands of euros)</th>
<th>Note</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible fixed assets</td>
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<tr>
<td>Goodwill</td>
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<tr>
<td>Software</td>
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<td>Prepayments on intangible fixed assets</td>
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<tr>
<td></td>
<td></td>
<td>71,693</td>
<td>43,453</td>
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<tr>
<td><strong>Property, plant &amp; equipment</strong></td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and buildings</td>
<td></td>
<td>97,739</td>
<td>101,356</td>
</tr>
<tr>
<td>Plant and machinery</td>
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<td>97,062</td>
<td>104,053</td>
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<tr>
<td>Other fixed assets</td>
<td></td>
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<td>18,633</td>
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<tr>
<td>Fixed assets under construction</td>
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<td>9,330</td>
<td>5,441</td>
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<tr>
<td>Assets not employed in business operations</td>
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<td>1,199</td>
<td>1,721</td>
</tr>
<tr>
<td></td>
<td></td>
<td>221,027</td>
<td>231,204</td>
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<td><strong>Financial fixed assets</strong></td>
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<td></td>
</tr>
<tr>
<td>Participating interests</td>
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<tr>
<td>Other non-current assets</td>
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<tr>
<td>Deferred tax assets</td>
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<td>11,435</td>
</tr>
<tr>
<td></td>
<td></td>
<td>27,032</td>
<td>23,651</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>4</td>
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<td></td>
</tr>
<tr>
<td>Raw materials and consumables</td>
<td></td>
<td>75,414</td>
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<tr>
<td>Finished product and goods for resale</td>
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<td>111,945</td>
<td>109,576</td>
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<tr>
<td>Livestock</td>
<td></td>
<td>3,227</td>
<td>3,905</td>
</tr>
<tr>
<td></td>
<td></td>
<td>190,586</td>
<td>178,280</td>
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<tr>
<td><strong>Receivables</strong></td>
<td>5</td>
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<td></td>
</tr>
<tr>
<td>Trade receivables</td>
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<td>189,551</td>
<td>178,859</td>
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<tr>
<td>Taxes and social security contributions</td>
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<td>12,210</td>
<td>12,632</td>
</tr>
<tr>
<td>Other current assets</td>
<td></td>
<td>15,958</td>
<td>33,619</td>
</tr>
<tr>
<td></td>
<td></td>
<td>217,719</td>
<td>225,110</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td>6</td>
<td>105,307</td>
<td>104,741</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td><strong>833,364</strong></td>
<td><strong>806,439</strong></td>
</tr>
</tbody>
</table>
## LIABILITIES (in thousands of euros)

<table>
<thead>
<tr>
<th></th>
<th>Note</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group equity</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td></td>
<td>477,824</td>
<td>463,271</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td></td>
<td>8,662</td>
<td>1,165</td>
</tr>
<tr>
<td></td>
<td></td>
<td>486,486</td>
<td>464,436</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pensions</td>
<td></td>
<td>256</td>
<td>250</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td></td>
<td>281</td>
<td>-</td>
</tr>
<tr>
<td>Other provisions</td>
<td></td>
<td>13,188</td>
<td>8,357</td>
</tr>
<tr>
<td></td>
<td></td>
<td>13,725</td>
<td>8,607</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td>9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt</td>
<td></td>
<td>481</td>
<td>548</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td></td>
<td>33,703</td>
<td>18,766</td>
</tr>
<tr>
<td></td>
<td></td>
<td>34,184</td>
<td>19,314</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td></td>
<td>156,450</td>
<td>149,627</td>
</tr>
<tr>
<td>Taxes and social security contributions</td>
<td></td>
<td>15,787</td>
<td>15,255</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td></td>
<td>126,732</td>
<td>149,200</td>
</tr>
<tr>
<td></td>
<td></td>
<td>298,969</td>
<td>314,062</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td></td>
<td>833,364</td>
<td>806,439</td>
</tr>
</tbody>
</table>
### 7.2 Consolidated profit & loss account

<table>
<thead>
<tr>
<th>(in thousands of euros)</th>
<th>Note</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net turnover</td>
<td>11</td>
<td>2,086,708</td>
<td>2,118,162</td>
</tr>
<tr>
<td>Other operating income</td>
<td></td>
<td>9,940</td>
<td>18,175</td>
</tr>
<tr>
<td>Total revenues</td>
<td></td>
<td>2,096,648</td>
<td>2,136,337</td>
</tr>
<tr>
<td>Cost of raw materials and consumables</td>
<td></td>
<td>-1,585,408</td>
<td>-1,629,263</td>
</tr>
<tr>
<td>Personnel costs</td>
<td>12</td>
<td>-193,207</td>
<td>-190,062</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>13</td>
<td>-39,716</td>
<td>-40,064</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>14</td>
<td>-224,908</td>
<td>-217,528</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td></td>
<td>-2,043,239</td>
<td>-2,079,917</td>
</tr>
<tr>
<td>Operating income</td>
<td></td>
<td>53,409</td>
<td>56,420</td>
</tr>
<tr>
<td>Financial income</td>
<td>15</td>
<td>1,828</td>
<td>1,876</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>15</td>
<td>-3,690</td>
<td>-6,347</td>
</tr>
<tr>
<td>Net finance expenses</td>
<td></td>
<td>-1,862</td>
<td>-4,471</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td></td>
<td>51,547</td>
<td>51,949</td>
</tr>
<tr>
<td>Income taxes</td>
<td>16</td>
<td>-7,094</td>
<td>-13,226</td>
</tr>
<tr>
<td>Result participating interests</td>
<td>182</td>
<td>106</td>
<td></td>
</tr>
<tr>
<td>Profit for the period</td>
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<td>44,635</td>
<td>38,829</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>7</td>
<td>-665</td>
<td>-384</td>
</tr>
<tr>
<td><strong>NET INCOME</strong></td>
<td></td>
<td><strong>43,970</strong></td>
<td><strong>38,445</strong></td>
</tr>
</tbody>
</table>
### Consolidated cash flow statement

(in thousands of euros)

<table>
<thead>
<tr>
<th></th>
<th>Note</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating income</strong></td>
<td></td>
<td>53,409</td>
<td>56,421</td>
</tr>
<tr>
<td>Adjustments to reconcile operating income for the period with cash flow from operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt; Depreciation and amortisation</td>
<td>13</td>
<td>39,716</td>
<td>43,064</td>
</tr>
<tr>
<td>&gt; Provisions</td>
<td>8</td>
<td>4,902</td>
<td>-5,193</td>
</tr>
<tr>
<td>&gt; Result sale of assets and group companies</td>
<td></td>
<td>-2,395</td>
<td>-8,210</td>
</tr>
<tr>
<td>&gt; Others</td>
<td></td>
<td>-284</td>
<td>-252</td>
</tr>
<tr>
<td></td>
<td></td>
<td>41,939</td>
<td>29,409</td>
</tr>
<tr>
<td><strong>Changes in working capital:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt; Inventories</td>
<td>4</td>
<td>-13,013</td>
<td>3,154</td>
</tr>
<tr>
<td>&gt; Trade receivables</td>
<td>5</td>
<td>-9,390</td>
<td>286</td>
</tr>
<tr>
<td>&gt; Other current assets</td>
<td>5</td>
<td>12,106</td>
<td>-6,611</td>
</tr>
<tr>
<td>&gt; Trade payables</td>
<td>10</td>
<td>5,765</td>
<td>-6,716</td>
</tr>
<tr>
<td>&gt; Other current liabilities</td>
<td>10</td>
<td>-19,809</td>
<td>18,297</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-24,341</td>
<td>8,390</td>
</tr>
<tr>
<td><strong>Interest received</strong></td>
<td></td>
<td>613</td>
<td>672</td>
</tr>
<tr>
<td><strong>Dividend received</strong></td>
<td></td>
<td>244</td>
<td>439</td>
</tr>
<tr>
<td><strong>Interest paid</strong></td>
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<tr>
<td><strong>Income tax paid</strong></td>
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<tr>
<td></td>
<td></td>
<td>-7,514</td>
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<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td></td>
<td>63,493</td>
<td>82,565</td>
</tr>
<tr>
<td><strong>Capital expenditure</strong></td>
<td>1, 2</td>
<td>-31,820</td>
<td>-26,823</td>
</tr>
<tr>
<td><strong>Proceeds from sale of assets</strong></td>
<td>1, 2</td>
<td>3,768</td>
<td>17,743</td>
</tr>
<tr>
<td><strong>Divestments/investments financial fixed assets</strong></td>
<td>3</td>
<td>-966</td>
<td>4,697</td>
</tr>
<tr>
<td><strong>Divestments/investments in group companies</strong></td>
<td>3</td>
<td>-15,961</td>
<td>-5,787</td>
</tr>
<tr>
<td><strong>Cash flow used in investing activities</strong></td>
<td></td>
<td>-44,979</td>
<td>-10,170</td>
</tr>
<tr>
<td><strong>New debts</strong></td>
<td>9</td>
<td>18</td>
<td>624</td>
</tr>
<tr>
<td><strong>Repayment of debts</strong></td>
<td>9</td>
<td>-1,153</td>
<td>-52,124</td>
</tr>
<tr>
<td><strong>Member Dividend / Member Discount</strong></td>
<td>7</td>
<td>-16,764</td>
<td>-30,617</td>
</tr>
<tr>
<td><strong>Third party dividend</strong></td>
<td>7</td>
<td>319</td>
<td>-220</td>
</tr>
<tr>
<td><strong>Cash flow from financing activities</strong></td>
<td></td>
<td>-17,580</td>
<td>-82,337</td>
</tr>
<tr>
<td><strong>Net cash flow</strong></td>
<td></td>
<td>934</td>
<td>-9,942</td>
</tr>
<tr>
<td><strong>Exchange and translation gains and losses on cash and cash equivalents</strong></td>
<td></td>
<td>-368</td>
<td>-2,997</td>
</tr>
<tr>
<td><strong>CHANGE CASH AND CURRENT BANK DEBT</strong></td>
<td></td>
<td>566</td>
<td>-12,939</td>
</tr>
</tbody>
</table>
7.4 Accounting policies used in preparing consolidated financial statements

*(all amounts are stated in thousands of euros unless indicated otherwise)*

**INTRODUCTION AND EXPLANATORY NOTES**

These are the financial statements of Koninklijke Coöperatie Agrifirm U.A., established at 1 June 2010, having its registered offices in Apeldoorn, the Netherlands, registered in the Trade Register of the Chamber of Commerce in Apeldoorn under number 08226836. The core activities of the group are producing and selling animal feed and selling of several other products and materials for the agriculture sector. The company financial statements as well as the consolidated financial statements have been drawn up in accordance with the statutory requirements of Part 9, Book 2 of the Dutch Civil Code and the Dutch Accounting Standards for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. The financial statements has been prepared dated 26 February 2019.

**GENERAL**

The accounting policies adopted for the valuation of assets and liabilities and the determination of the result are based on historical costs. Unless stated otherwise, assets and liabilities are shown at amortised cost price. An asset is included in the balance sheet when it is probable that its expected future economic benefits will flow to the company and the value of these benefits can be reliably measured. A liability is included in the balance sheet if it is expected that its settlement will result in an outflow of funds and the amount thereof can be reliably measured. The income and expenses are accounted for in the period to which they relate.

**JUDGEMENTS AND ESTIMATES**

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires the Executive Board to exercise its judgment in the process of applying the group’s accounting policies. The principal judgments and estimates, including underlying assumptions, are a test of any impairment, deferred taxes and provisions. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Dutch Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement.

**CONSOLIDATION PRINCIPLES**

The items in the consolidated financial statements are determined in accordance with consistent accounting policies. Koninklijke Coöperatie Agrifirm U.A. and its group companies (hereinafter referred to as Agrifirm) are included in the consolidated financial statements for the year ending on 31 December 2018. Group companies are legal entities and companies over which the company exercises control. The group companies are fully consolidated in the consolidated financial statements and all mutual balance sheet items, income and expenses within Agrifirm are fully eliminated. The financial statements of the subsidiaries are drawn up for the same reporting year as that of the parent company using consistent accounting policies. The initial consolidation or deconsolidation follows on the date on which control is obtained and until the date that control no longer exists. Profits and losses resulting from intragroup transactions are eliminated in full.

Minority interests are presented separately in the consolidated financial statements. Minority interests in group companies are part of group equity. Minority interests in profit or loss of group companies are deducted from group profit or loss after taxation.

If the losses attributable to the minority interest exceed the minority interest in equity of the group companies, the balance as well as any further losses are accounted for Agrifirm, unless and to the extent that the minority shareholder is liable for, and able to bear, those. If the group companies subsequently achieve profits, those profits accountable for by Agrifirm until the losses borne by Agrifirm have been compensated.

**PARTICIPATION IN GROUP COMPANIES AND PARTICIPATING INTERESTS**

The participations in group companies are held via Agrifirm Group BV and are fully consolidated. Unless otherwise indicated, the participations in group companies are 100% owned.

In accordance with Section 379 and 414, Book 2 of the Dutch Civil Code, a list of data of group companies and other interests associated with the financial statements has been filed in the Trade Register of the Chamber of Commerce, the Netherlands. Agrifirm’s key group companies are as follows:
Holding and corporate services
> Agrifirm Group BV, Apeldoorn, the Netherlands

North West Europe
> Agrifirm Feed BV, Apeldoorn, the Netherlands *)
> Agrifirm Belgium NV, Grobbendonk, Belgium
> Agrifirm Plant BV, Apeldoorn, the Netherlands *)
> Agrifirm Exlan BV, Apeldoorn, the Netherlands *)
> Bonda’s Veevoederbureau BV, Hillegom, the Netherlands *)
> BV Oldambt, Oostwold, the Netherlands
> Agrifirm Innovation Center BV, Apeldoorn, the Netherlands *)

*) As per 1 January 2019 these companies merges to Agrifirm NWE BV.

Europe, Middle East and Africa
> Nuscience Belgium NV, Drongen, Belgium
> Agrifirm Polska Sp zoo, Szamotuly, Poland
> Agrifirm Magyarország Zrt, Kőrnye, Hungary
> Nuscience Iberica SA, Cassarubios Del Monte, Spain
> Nuscience Italia SRL, Reggiolo, Italy
> Nuscience Premix International DOO, Velika Plana, Serbia
> Cehave Korm Ltd, Kyiv, Ukraine

Asia
> Suzhou DKVE Animal Nutrition Co., Ltd, Suzhou, China
> Tianjin DKVE Animal Nutrition Co., Ltd, Tianjin, China
> Vitamex Shanghai Ltd, Shanghai, China
> Nuscience Singapore Pte Ltd, Singapore, Singapore

Latin America
> Nutrifarma Nutricao e Saude Animal SA, Taió, Brazil
> Solapa SA, Montevideo, Uruguay

Other companies
> Special Nutrients LLC, Wilmington DE, United States
> Nutrition Sciences NV, Drongen, Belgium
> NutriControl BV, Veghel, the Netherlands
> Welkoop Retail Holding I BV, Apeldoorn, the Netherlands

Participating interests
Important participating interests held via Agrifirm Group BV which are excluded from the consolidation:
> Schothorst Feed Research BV (18.9%), Lelystad, the Netherlands
> Sto Posto DOO (35.0%), Belgrade, Serbia
> AgriDiam SARL (49.0%), Roulba, Algeria

SECTION 402, BOOK 2, OF THE DUTCH CIVIL CODE APPLIED
Since the profit & loss account for 2018 of Koninklijke Coöperatie Agrifirm U.A. is included in the consolidated financial statements, an abridged profit & loss account has been disclosed in the company financial statements in accordance with Section 402, Book 2, of the Dutch Civil Code.

PRIOR-YEAR COMPARISON
The accounting policies have been consistently applied to all the years presented.

MERGERS AND ACQUISITIONS
Acquisitions are recognized in the financial statements according to the purchase accounting method. This means that any assets and liabilities acquired are carried at fair value as at the acquisition date. The difference between cost and the company’s share of the fair value of the identifiable assets and liabilities acquired at the time of the transaction of a participating interest is recognized as goodwill.
POLICIES FOR THE TRANSLATION OF FOREIGN CURRENCIES
The consolidated financial statements are prepared in euros, the functional and presentation currency of the entity. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions denominated in foreign currencies are initially carried at the functional exchange rates ruling at the date of transaction. Monetary balance sheet items denominated in foreign currencies are translated at the functional exchange rates ruling at the balance sheet date. Non-monetary balance sheet items that are measured at historical cost in a foreign currency are translated at the functional exchange rates ruling at the date of transaction. Non-monetary balance sheet items that are measured at current value are translated at the functional exchange rates ruling at the date of valuation.

Exchange differences arising on the settlement or translation of monetary items denominated in foreign currencies recovered in the profit and loss account, with the exception of exchange differences resulting from net investments in foreign activities, or from loans taken out to finance or effectively hedge net investments in foreign activities. These exchange differences are taken directly to the foreign currency translation reserve. The foreign currency translation reserve is included under the legal reserves.

Exchange differences arising on the translation of non-monetary balance sheet items denominated in foreign currencies that are carried at current value are taken directly to the revaluation reserve, provided the changes in value of the non-monetary items are likewise taken directly to reserves.

Goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign activity are treated as assets and liabilities of the foreign activity and translated at the rate of exchange ruling at the balance sheet date.

The assets and liabilities of foreign activities are translated into the presentation currency (euros) at the rate of exchange ruling at the balance sheet date and the income and expenses of these foreign activities are translated at the rates ruling on the transaction date. Resulting exchange rate differences are taken directly to the legal foreign currency translation reserve. On the disposal of a foreign activity, the cumulative exchange differences taken directly to the reserves, are taken to the profit and loss account as part of the gain or loss on the sale.

OFFSETTING
Assets and liabilities are only offset in the financial statements if and to the extent that:
> an enforceable legal right exists to offset the assets and liabilities and settle them simultaneously; and
> the positive intention is to settle the assets and liabilities on a net basis or simultaneously.

FINANCIAL INSTRUMENTS
Financial instruments include loans granted, trade and other receivables, cash items, loans and other financing commitments, trade and other payables, as well as derivatives and derivative financial instruments. Financial instruments embedded in contracts are recognised in accordance with the host contract.

Loans granted, trade and other receivables
Loans granted, trade and other receivables are carried at amortised cost, less impairment losses.

Loans and other financial obligations
Loans and other financial obligations are carried at amortised cost.

Fair value of financial instruments
The fair value of financial instruments traded on active markets as at the balance sheet date is determined by reference to quoted market prices, without deduction of transaction costs.

The fair value of financial instruments not traded on active markets is determined using appropriate valuation methods, including, among others:
- Using recent arm’s length market transactions between independent parties
- Reference to the current market value of another instrument that is substantially the same
  And
- Discounted cash flow analysis or other valuation models

A list of fair values of financial instruments is included in the notes to financial instruments.
DERIVATES AND HEDGE ACCOUNTING

The group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Under Dutch Accounting Standard 290, on initial recognition, the group classifies the derivatives on a portfolio basis in the subcategories listed below.

Currency and forward commodity contracts

Forward commodity contracts with a listed underlying value will only be closed and held for own use. Agrifirm applies cost price hedge accounting in order to simultaneously recognise both the results from changes in the value of the currency and forward commodity contract (forward contract) and the future hedged transaction in the profit and loss account.

The group documents the following:
> the general hedging strategy and the way in which the hedging relationships are in line with risk management objectives and the expected effectiveness of these hedging relationships;
> the nature of the hedging instruments involved and hedged positions.

The application of cost price hedge accounting leads to the following exception to the above-mentioned accounting policies and accounting treatment for financial instruments. As long as the forward contract concerns an expected future transaction, the forward contract will not be revalued. As soon as the hedged position of the expected future transaction leads to the recognition of a financial asset or financial liability, the gains or losses associated with the forward contract are recognised in the profit or loss account in the same period in which the asset or liability affects the profit or loss. The results from the non-effective part of the hedge relationship are included in the profit and loss account. If a forward contract no longer qualifies for hedge accounting, expires or is sold, the hedging relationship is terminated. The cumulative profit or loss that has not yet been included in the profit and loss account is recognised as deferred income/liability on the balance sheet until the expected transaction has taken place. Should the transaction no longer be expected to take place, the accumulated profit or the accumulated loss is reclassified to the profit and loss account.

Interest rate swaps

Interest received and paid in relation to interest rate swaps are accounted for in the profit and loss account in the period to which they relate. Unsettled interest income and expense is presented under receivables and accrued income and current liabilities and accruals respectively. If an interest rate swap no longer qualifies for hedge accounting, expires or is sold, the hedging relationship is terminated. The cumulative profit or loss that has not yet been included in the profit and loss account is recognised as deferred income/liability on the balance sheet until the expected transaction has taken place. Should the transaction no longer be expected to take place, the accumulated profit or the accumulated loss is reclassified to the profit and loss account.

INTANGIBLE FIXED ASSETS

An intangible fixed asset is recognized in the balance sheet if:
> it is probable that the future economic benefits that are attributable to the asset will accrue to the group; and
> the cost of the asset can be reliably measured.

Intangible fixed assets are stated at historical cost less annual straight-line depreciation over a maximum of ten years and any impairment losses. Impairment losses are accounted for if the realisable value is lower than the book value. The realisable value is the higher of the net selling price or value in use. Impairment losses and amortisation are directly accounted for in the profit and loss account.

Goodwill

Intangible fixed assets obtained in the acquisition of a group company are recognised against fair value at the time of acquisition. When the fair value of an intangible fixed asset cannot be determined by reference to an active market, the asset value is limited such that it does not create or increase negative goodwill. In case of an acquisition, the negative difference between the acquisition price and Agrifirm’s share in the fair value of the identifiable assets and liabilities at the time of acquisition is recognised as badwill in the balance sheet. This badwill is released to the profit and loss account with the occurrence of operational losses which were expected at the time of acquisition.

Goodwill is amortised over the estimated life with a maximum of 5 years for a commercial company and 10 years for a production company. These estimated lives are based on the nature and foreseeable estimated life of the acquired business, the stability and foreseeable estimated life of the industry sector, as well as the estimated
employment term of key persons and the extent to which the business depends on the existing management
team. Permitted adjustments to the purchase price result in an adjustment of goodwill. Subsequent adjustments to
the fair value of identifiable assets and liabilities are reflected in goodwill, provided the adjustment is made before
the end of the first full book year after the acquisition.

Research & development
Research and development expenses are not capitalised, in general the future benefits cannot be determined
accurately.

Other intangible fixed assets
Other intangible fixed assets including software will be depreciated on a straight-line basis over five years. Other
intangible fixed assets include the capitalised external expenditures relating to the implementation of one global
ERP system within Agrifirm. A legal reserve amounting to these external expenditures is included under equity.
Costs relating to intangible fixed assets not meeting the criteria for capitalization (for example, cost of research,
internally developed brands, logos, trademark rights and client databases) are taken directly to the profit and loss
account.

PROPERTY, PLANT & EQUIPMENT
Property, plant & equipment are carried at cost or cost of manufacture less straight-line depreciation based on the
remaining expected useful economic life and the residual value of the asset concerned. In general, buildings are
depreciated over a maximum of 25 years, plant and machinery over 10 years and other tangible fixed assets over
3 to 5 years. In the event that tangible fixed assets are impaired, they are stated at their realisable value, provided
this is permanently less than their book value. The realisable value of land and buildings is determined on the
basis of valuations conducted by independent appraisers (net realisable value). The realisable value of plant and
machinery is determined on the basis of their value in use taking into account the future use of the assets
concerned. Any immovable property that is not used directly for business purposes is stated at the lowest of its
value determined in accordance with the same principles as in case of land and buildings, or its lower realizable
value. Maintenance expenditure is only capitalised when incurred and if the recognition criteria are met. The
carrying amount of the components to be replaced will be regarded as a disposal and taken directly to the profit
and loss account.

A tangible fixed asset is derecognized upon sale or when no further economic benefits are expected from its
continued use or sale. The gain or loss arising on the disposal is taken to the profit and loss account.

FINANCIAL FIXED ASSETS
Participating interests
Non-consolidated participating interests over whose financial and operating policies the group exercises
significant influence are valued using the net asset value method. To determine whether there is significant
influence, the financial instruments containing potential voting rights are also considered. Under the net asset
value method, participating interests are carried at the group’s share in their net asset value plus its share in the
results of the participating interests and its share of changes recognized directly in the equity of the participating
interests as from the acquisition date, determined in accordance with the accounting policies disclosed in these
financial statements, less its share in the dividend distributions from the participating interests. The group’s share
in the results of the participating interests is recognized in the profit and loss account. If and to the extent the
distribution of profits is subject to restrictions, these are included in a legal reserve. The company's share in direct
equity increases and decreases of participating interests is also included in the legal reserve, except for asset
revaluations recognized in the legal revaluation reserve.

If the value of the participating interest under the net asset value method has become nil, this method is no longer
applied, with the participating interest being valued at nil if the circumstances are unchanged. In connection with
this, any long-term interests that, in substance, form part of the investor’s net investment in the participating
interest are included. A provision is formed if and to the extent the company stands surety for all or part of the
debts of the participating interest or if it has a constructive obligation to enable the participating interest to repay
its debts.

A subsequently acquired share of the profit of the participating interest is recognized only if and to the extent that
the accumulated share of the previously unrecognized loss has been recovered.
After applying the net asset value method the group considers whether there are indications that the realisable value is lower than the book value. The realisable value is the higher of the net selling price or value in use. When there are such indications an impairment test is executed by the group and any impairment loss if applicable, are directly accounted for in the profit and loss account.

Participating interests over whose financial and operating policies no significant influence is exercised are carried at cost less any impairment. Dividend is designated as income and recognized under financial income and expense.

Results from transactions with or between non-consolidated participating interests carried at net asset value are recognized proportionally. Results from transactions with or between non-consolidated participating interests carried at cost are recognized in full, unless they are effectively unrealized.

Receivables
Long-term receivables are carried at their amortised cost price less a provision for doubtful debts where necessary.

Deferred tax receivable
Deferred tax assets due to temporary valuation differences between company accounts and the accounts for tax purposes or due to compensable losses are accounted for if and insofar as it may reasonably be assumed that the relevant assets will be realised. Deferred tax assets are calculated on the basis of the tax rate applicable at the time at which these are expected to be realised and are valued at net present value.

IMPAIRMENT OR VALUE ADJUSTMENT OF FIXED ASSETS
Agrifirm recognises non-current assets in accordance with accounting policies generally accepted for financial reporting in the Netherlands. If there is objective evidence of impairment, the amount of the impairment loss is determined and recognized in the profit and loss account for all categories of financial assets carried at amortized cost. The recoverability of assets in use is determined by comparing the book value of an asset with the present value of the future net cash flow that the asset is expected to generate. In the case of a higher book value, the difference is charged to the result. Assets for sale are stated at book value or lower market value, less selling costs.

INVENTORIES
Stocks of raw materials and consumables are stated at historical cost free warehouse. However, if on balance sheet date, selling prices of finished products reveal that a loss is to be expected, raw material value based on historical cost is reduced to lower market value and a provision is established to cover all existing raw materials positions that have not been received physically. Stocks of finished products, goods for resale and livestock are carried at the lower of historical cost or market value. The costs of any finished products, being their total production costs, are determined in accordance with the first-in-first-out (FIFO) method. Production costs include the direct expenses as well as part of the variable component of indirect production costs. The historical cost of livestock is deemed to include all related variable expenses, including the cost of feeding this livestock. Provisions are established for obsolete inventories and weight losses.

RECEIVABLES
Trade and other receivables are at first recognition recorded at their fair value, subsequently stated at amortised cost based less a provision for doubtful debts. The term of these trade and other receivables is less than one year. Provisions are determined on the basis of individual assessment of the collectability of receivables.

CASH AND CASH EQUIVALENTS
This refers to all cash and bank deposits at call. Cash and cash equivalents are stated at their nominal value.

CLASSIFICATION OF EQUITY AND LIABILITIES
A financial instrument or its separate components are classified in the consolidated financial statements as liability or as equity in accordance with the substance of the contractual agreement underlying the financial instrument. In the company financial statements, a financial instrument is classified in accordance with the legal reality. Interest, dividends, gains and losses relating to a financial instrument, or part of a financial instrument, are included in the financial statements in accordance with the classification of the financial instrument as liability or equity.

THIRD-PARTY NON-CONTROLLING INTERESTS
The third-party non-controlling interests are valued at the third parties’ share of the net asset value.
PROVISIONS
Provisions are stated at face value, with the exception of provisions for pensions and other employee benefits, which are based on actuarial calculations and deferred tax liabilities which are valued at present value. Provisions are recognised when Agrifirm or its group companies have a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount of the provision is determined based on a best estimate of the amounts required to settle the liabilities and losses concerned at the balance sheet date. Provisions are carried at non-discounted value, unless stated otherwise.

If third-party reimbursement of expenses required to settle a provision is probable, the reimbursement is recognized as a separate asset.

PENSIONS
Group companies of Agrifirm have different pension plans in accordance with the local conditions and customs in the countries in which they operate. In general, these plans are funded by means of premiums paid to the insurance companies. The actuarial risks of these plans are borne entirely by the insurance companies. For only a small part Agrifirm has some pensions in own management with a limited actuarial risk for which a provision is entered. The amounts payable are incorporated directly in the profit and loss account. The contributions that are still to be paid and to be received back are entered under current liabilities and receivables, respectively.

Contributions payable to the pension plan administrator are recognized as an expense in the profit and loss account. Contributions payable or prepaid contributions as at year-end are recognized under accruals and deferred income, and prepayments and accrued income, respectively.

A provision is formed for liabilities other than the contributions payable to the pension plan administrator if, as at the balance sheet date, the group has a legal or constructive obligation towards the pension plan administrator and/or to its own employees, if it is probable that settlement of these liabilities will entail an outflow of resources and if a reliable estimate can be made of the amount of the liabilities. The provision for additional liabilities to the pension plan administrator and/or the employees is based on a best estimate of the amounts required to settle these liabilities concerned at the balance sheet date. The provision is carried at present value if the effect of the time value of money is material (with the discount rate before taxation reflecting the market interest rate for high-quality corporate bonds).

A pension receivable in respect of surpluses available at the pension plan administrator is recognized if the group controls the surplus, if it is probable that it yields future economic benefits for the group and if it can be reliably determined. A pension surplus is calculated using the same method as is used for provisions.

DEFERRED TAXES
If valuation for tax purposes differ from the policies described in this section and these result in deferred tax liabilities, a provision is formed for these liabilities. Deferred tax assets are recognised for all deductible temporary differences and available carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilised. Deferred income tax assets and liabilities are measured by taking account of the tax consequences of the realisation or settlement of assets, provisions, liabilities and accruals as intended by Agrifirm and its group companies, at the balance sheet date. The deferred tax assets and liabilities are stated at the nominal rates that apply in the various countries and at discounted values. Deferred tax assets and liabilities are set off if the general conditions for netting are met.

Koninklijke Coöperatie Agrifirm U.A. and virtually all of its Dutch group companies form a fiscal unity for Dutch corporate income taxes.

NON-CURRENT LIABILITIES
When long-term liabilities are recognized initially, they are measured at fair value, less directly attributable transaction costs.

After initial measurement, long-term liabilities are carried at amortized cost using the effective interest method. Gains and losses are taken to the profit and loss account when the liabilities are derecognized, as well as through the amortization process. Interest charges are recognised in the year in which they fall due.
CURRENT LIABILITIES
Current liabilities are at first recognition recorded at their fair value, subsequently stated at amortised cost based and are debts with a term of less than one year.

AMORTIZED COST
Amortized cost is the amount at which a financial asset or liability is measured at initial recognition less repayments of the principal, plus or less the cumulative amortization using the effective interest method for any difference between this initial amount and the maturity amount, and less any reductions (effected directly or through a provision being formed) for impairment and doubtful debts.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES
A financial instrument is derecognized if a transaction results in the transfer, to a third party, of all or nearly all rights to economic benefits and of all or nearly all the risks attached to the position.

LEASING
Assessing whether an agreement contains a lease is based on the substance at the inception date of the agreement. The agreement is regarded as a lease if the fulfilment of the agreement depends on the use of a specific asset, or on whether the lease contains the right of use of a specific asset.

Amounts paid in accordance with operating leases are accounted for in the profit and loss account on a straight-line basis over the term of the lease. Assets which are acquired under the terms of financial leases are stated at the lowest of the fair value or present value of the minimum instalments less accumulated depreciation. Financial lease commitments are accounted for under non-current and current liabilities.

NET TURNOVER
Net turnover is calculated as the earnings received from external parties for delivered goods and services, minus volume discounts, other discounts, price adjustments paid to customers and excluding value added tax. Member discount is a distribution of profits to the members and therefore not deducted in net turnover. Turnover is only accounted for if there is reasonable assurance that future benefit will be accrued by the business and that such benefit can be estimated reliably. Income is recognised when the significant risks have been transferred to the buyer, receipt of the consideration is probable, and the associated costs and possible return of goods can be estimated reliably.

EXPENSES
The cost of raw materials and consumables is calculated on the basis of historical cost. Foreseeable and other obligations as well as potential losses arising before the financial year-end are recognized if they are known before the financial statements are prepared and provided all other conditions for forming provisions are met.

Wages, salaries and social security charges are recognized in the profit and loss account according to the terms of employment to the extent they are due to either employees or the tax authorities.

The group recognizes an obligation if it has demonstrably committed paying a termination benefit or transition payment. If the termination is part of a reorganization, the group includes the costs of a termination benefit or transition payment in a provision for reorganization costs.

DEPRECIATION AND AMORTISATION
Depreciation of property, plant and equipment and amortisation of intangible fixed assets are calculated on the basis of fixed percentages of their purchase price or cost of manufacture.

INTEREST
Interest is allocated to successive financial reporting periods in proportion to the outstanding principal. Premiums and discounts are treated as annual interest charges so that the effective interest rate, together with the interest payable on the loan, is recognized in the profit and loss account, with the amortized cost of the liabilities being recognized in the balance sheet. Period interest charges and similar charges are recognized in the year in which they fall due.

Interest income is recognized pro rata in the profit and loss account, taking into account the effective interest rate for the asset concerned, provided the income can be measured and the income is probable to be received.
DIVIDEND FROM PARTICIPATING INTEREST VALUED AT COST
Dividends are recognized in the profit and loss account if the group is entitled to them and the dividends are probable to be received.

INCOME TAXES
Income taxes comprises both taxes payable in the short term and deferred taxes, taking account of tax facilities and non-deductible costs. No taxes are deducted from profits if and insofar as these can be offset against losses from previous years and a deferred tax asset had not been recognised. Taxes are deducted from losses if these can be offset against profits in previous years. In addition, taxes will be deducted if and insofar as it may be reasonably expected that losses can be offset against future profits.

RESULT PARTICIPATING INTERESTS
The share in the result of participating interests represents Agrifirm’s share in the net result of these participating interests.

CASH FLOW STATEMENT
The cash flow statement has been prepared in accordance with the indirect method.

Cash and cash equivalents consists of cash at bank and in hand.

Cash flows in foreign currencies are translated at average rates. Cash exchange differences are presented separately in the statement of cash flows.

Interest received and paid, dividends received and profits tax are included under cash flows from operating activities. Dividend paid is stated under net cash flow from financing activities.

The cost of group companies acquired and proceeds from group companies sold are included under cash flow from/(used in) investing activities, insofar as payment in cash has been made, net of cash and cash equivalents held by the group companies in question.

Transactions for which no cash or cash equivalents are exchanged, including finance leases, are not included in the cash flow statement. Lease payments under finance leases are considered to be cash outflows from financing activities to the extent that they relate to repayment instalments and as cash outflows from operating activities to the extent that they relate to interest payments. Income from sale and financial leaseback transactions is presented as cash inflow from financing activities.
7.5 Notes to the consolidated balance sheet

ACQUISITION AND DISPOSAL OF GROUP COMPANIES

The following acquisitions and divestments of group companies took place in 2018:

- 20 May 2018: Agrifirm Group established the Algerian joint venture AgriDiam (production and sales of premix) and holds an interest of 49.0%.
- 22 June 2018: Agrifirm Group acquired 66.7% of the shares of the in the United States based additives supplier Special Nutrients.
- 22 August 2018: Agrifirm Belgium acquired 100% of the client portfolio of Veevoeders Vanhengel.

INTANGIBLE FIXED ASSETS (1)

Change in the value of intangible fixed assets during the year under review:

<table>
<thead>
<tr>
<th></th>
<th>Goodwill</th>
<th>Software</th>
<th>Prepayments on intangible fixed assets</th>
<th>Total 2018</th>
<th>Total 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase price</td>
<td>90,097</td>
<td>30,730</td>
<td>6,562</td>
<td>127,389</td>
<td>121,447</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-59,560</td>
<td>-24,376</td>
<td>-</td>
<td>-83,936</td>
<td>-73,323</td>
</tr>
<tr>
<td>Book value</td>
<td>30,537</td>
<td>6,354</td>
<td>6,562</td>
<td>43,453</td>
<td>48,124</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Changes in book value</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(De-)consolidations group companies</td>
<td>-</td>
<td>148</td>
<td>-</td>
<td>148</td>
<td>54</td>
</tr>
<tr>
<td>Investments</td>
<td>28,991</td>
<td>3,392</td>
<td>7,395</td>
<td>39,776</td>
<td>8,937</td>
</tr>
<tr>
<td>Purchase price divestments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-2236</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>251</td>
</tr>
<tr>
<td>Depreciation / impairment</td>
<td>-8,728</td>
<td>-2,554</td>
<td>-58</td>
<td>-11,340</td>
<td>-12,481</td>
</tr>
<tr>
<td>Depreciation divestments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,868</td>
</tr>
<tr>
<td>Currency translation differences</td>
<td>-294</td>
<td>-52</td>
<td>-</td>
<td>-346</td>
<td>-1,062</td>
</tr>
<tr>
<td>Balance</td>
<td>19,969</td>
<td>934</td>
<td>7,337</td>
<td>28,240</td>
<td>-4,671</td>
</tr>
</tbody>
</table>

Balance as at 31 December

<table>
<thead>
<tr>
<th></th>
<th>Goodwill</th>
<th>Software</th>
<th>Prepayments on intangible fixed assets</th>
<th>Total 2018</th>
<th>Total 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase price</td>
<td>118,794</td>
<td>34,218</td>
<td>13,957</td>
<td>166,969</td>
<td>127,389</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-68,288</td>
<td>-26,930</td>
<td>-58</td>
<td>-95,276</td>
<td>-83,936</td>
</tr>
<tr>
<td>Book value</td>
<td>50,506</td>
<td>7,288</td>
<td>13,899</td>
<td>71,693</td>
<td>43,453</td>
</tr>
</tbody>
</table>

Goodwill is amortised over an estimated life of five years for a trading company and ten years for a production company, of which a client relationship has a long term duration. The other categories are amortised over ten years maximum. The investments in goodwill in 2018 in the amount of € 29.0 million (2017: € 1.4 million) are primarily related to the acquisition of Special Nutrients. The purchase price allocation is currently being analyzed, as a result of which the final amount of goodwill cannot yet be disclosed.
PROPERTY, PLANT & EQUIPMENT (2)
Change in the value of property, plant & equipment during the year under review:

<table>
<thead>
<tr>
<th></th>
<th>Land and buildings</th>
<th>Plant and machinery</th>
<th>Other fixed assets</th>
<th>Fixed assets under construction</th>
<th>Assets not employed in business operations</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td>258,256</td>
<td>287,584</td>
<td>64,823</td>
<td>5,441</td>
<td>3,421</td>
<td>619,525</td>
<td>657,353</td>
</tr>
<tr>
<td>Purchase price</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-156,900</td>
<td>-183,531</td>
<td>-46,190</td>
<td>-</td>
<td>-1,700</td>
<td>-388,321</td>
<td>-406,364</td>
</tr>
<tr>
<td>Book value</td>
<td>101,356</td>
<td>104,053</td>
<td>18,633</td>
<td>5,441</td>
<td>1,721</td>
<td>231,204</td>
<td>250,989</td>
</tr>
</tbody>
</table>

Changes in book value

- (De-)consolidations group companies         - 1 27   - 28 1,934
- Investments                                2,920 9,560 3,069 5,484 - 21,033 19,315
- Purchase price divestments                 -5,654 -2,019 -1,733 - 519 9,925 -56,561
- Reclassifications                          691 3,661 2,670 1,482 - 231 -251
- Depreciation                               -6,285 -18,337 -3,751 - 3 28,376 30,042
- Depreciation divestments                   5,313 736 2,503 - 8,552 48,626
- Impairment                                 - 42  -  1 253 -  1 -541
- Currency translation differences           -602 -593 -181 113 - 1,489 2,265
| Balance                                   | -3,617 6,991 -2,936 3,889 -522 -10,177 19,785 |
| Balance as at 31 December                  | 255,611 298,194 63,135 9,330 2,902 629,172 619,525 |
| Purchase price                            | 258,256            | 287,584             | 64,823             | 5,441                           | 3,421                                      | 619,525| 657,353|
| Accumulated depreciation                   | -156,900           | -183,531            | -46,190            | -                               | -1,700                                     | -388,321| -406,364|
| Book value                                 | 101,356            | 104,053             | 18,633             | 5,441                           | 1,721                                      | 231,204| 250,989|

Assets not employed in business operations consist of land and buildings which were previously used for business purposes and that are currently vacant or (partly) rented by third parties. Agrifirm intends to sell this property. Based on changes in book value over time and proceeds of similar property, it is anticipated that the expected net proceeds of this property exceeds the book value. The divestments consists of sold investment properties and retirements. In 2018 profit on the sale of predominantly real estate amounted to € 2.4 million (2017: € 8.2 million).

For a book value of € 12.8 million (2017: € 13.6 million) as part of land and buildings, Agrifirm has not the legal ownership but the beneficial ownership based upon financial lease contracts. For further information regarding these contracts, reference is made to the notes of non-current liabilities.

FINANCIAL FIXED ASSETS (3)
Change in the financial fixed assets during the year under review:

<table>
<thead>
<tr>
<th></th>
<th>Participating interests</th>
<th>Other non-current assets</th>
<th>Deferred tax assets</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td>5,335</td>
<td>6,811</td>
<td>11,435</td>
<td>23,651</td>
<td>35,215</td>
</tr>
<tr>
<td>Changes in book value</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment / payment</td>
<td>2,667</td>
<td>-</td>
<td>-</td>
<td>2,667</td>
<td>-</td>
</tr>
<tr>
<td>Divestment / repayment</td>
<td>-</td>
<td>-1,662</td>
<td>-1,662</td>
<td>-</td>
<td>-5,043</td>
</tr>
<tr>
<td>Increase / decrease</td>
<td>-</td>
<td>-</td>
<td>2,556</td>
<td>2,556</td>
<td>-6,075</td>
</tr>
<tr>
<td>Dividends received</td>
<td>-246</td>
<td>-</td>
<td>-246</td>
<td>-246</td>
<td>-439</td>
</tr>
<tr>
<td>Share in annual results</td>
<td>182</td>
<td>-</td>
<td>182</td>
<td>182</td>
<td>106</td>
</tr>
<tr>
<td>Currency translation differences</td>
<td>-</td>
<td>-44</td>
<td>-72</td>
<td>-116</td>
<td>-113</td>
</tr>
<tr>
<td>Balance</td>
<td>2,603</td>
<td>-1,706</td>
<td>2,484</td>
<td>3,381</td>
<td>-11,564</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>7,938</td>
<td>5,175</td>
<td>13,919</td>
<td>27,032</td>
<td>23,651</td>
</tr>
</tbody>
</table>

Participating interests

The participating interests mainly relate to the non-consolidated interests in:
- Schothorst Feed Research BV (18.9%)
- Sto Posto DOO (35.0%)
- AgriDiam SARL (49.0%), Roulba, Algeria
Agrifirm values participating interests over whose commercial and financial policy the group exerts significant influence at net asset value and goodwill paid on acquisition of group companies and participating interests is capitalized. The investment / payment amounting to € 2.7 million (2017: nil) relates mainly to AgriDiam SARL.

*Other non-current assets*
The remainder of the other non-current assets are mainly loans to customers.

*Deferred tax assets*
Deferred tax assets mainly refer to tax losses carried forward and temporary valuation differences in Belgium and Spain. These deferred tax assets have been capitalised on the basis of expected taxable earnings in the future.

A net interest rate of 1% has been used to discount these deferred tax assets. The nominal value of the deferred tax assets amounted to € 17.9 million (2017: € 15.8 million). The deferred tax assets increased in 2018 due to changes of the valuation of tax losses and changes in the differences between the commercial and fiscal valuation of assets and liabilities.

At year-end 2018, Agrifirm had tax losses carried forward and valuation differences amounting to € 51.5 million (2017: € 52.4 million) for which no deferred tax assets have been capitalised in the balance sheet because taxable earnings in the near future are not certain. These tax losses mainly relate to group companies in Germany.

**INVENTORIES (4)**
Inventories can be specified as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials and consumables</td>
<td>75,414</td>
<td>64,799</td>
</tr>
<tr>
<td>Finished products and goods for resale</td>
<td>111,945</td>
<td>109,576</td>
</tr>
<tr>
<td>Livestock</td>
<td>3,227</td>
<td>3,905</td>
</tr>
<tr>
<td><strong>Total inventories</strong></td>
<td><strong>190,586</strong></td>
<td><strong>178,280</strong></td>
</tr>
</tbody>
</table>

**RECEIVABLES (5)**
Receivables can be specified as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>189,551</td>
<td>178,859</td>
</tr>
<tr>
<td>Taxes and social insurance contributions</td>
<td>12,210</td>
<td>12,632</td>
</tr>
<tr>
<td>Other receivables</td>
<td>12,728</td>
<td>29,894</td>
</tr>
<tr>
<td>Other current assets</td>
<td>3,230</td>
<td>3,725</td>
</tr>
<tr>
<td><strong>Total receivables</strong></td>
<td><strong>217,719</strong></td>
<td><strong>225,110</strong></td>
</tr>
</tbody>
</table>

Trade receivables are stated at their nominal value less a provision for doubtful debts. The term of the receivables is less than one year.

**CASH AND CASH EQUIVALENTS (6)**
Cash and cash equivalents are available to the company on demand.
GROUP EQUITY (7)

**Equity**
Changes in equity are elaborated upon in the company financial statements.

**Non-controlling interests**
The change in non-controlling interests during the year under review is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td>1,165</td>
<td>1,122</td>
</tr>
<tr>
<td>Share in income</td>
<td>665</td>
<td>384</td>
</tr>
<tr>
<td>Investments in group companies</td>
<td>6,661</td>
<td>-</td>
</tr>
<tr>
<td>Acquisition minority interest</td>
<td>-512</td>
<td>-</td>
</tr>
<tr>
<td>Dividend</td>
<td>-</td>
<td>-220</td>
</tr>
<tr>
<td>Currency translation differences and other</td>
<td>683</td>
<td>-121</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>8,662</td>
<td>1,165</td>
</tr>
</tbody>
</table>

Non-controlling interests mainly refer to the new subsidiary Special Nutrients and to Cehave Korm Ltd, a Nuscience group company. The acquisition of minority interest refers to the acquisition of 20% minority interests in Cebecco Agrochemie en Cebecco Meststoffen.

**Comprehensive income**
Breakdown of comprehensive income is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>43,970</td>
<td>38,445</td>
</tr>
<tr>
<td>Member Dividend / Member Discount</td>
<td>-25,003</td>
<td>-19,639</td>
</tr>
<tr>
<td>Currency translation differences and other changes</td>
<td>-4,414</td>
<td>-7,256</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>14,553</td>
<td>11,550</td>
</tr>
</tbody>
</table>

**PROVISIONS (8)**
Provisions can be specified as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td>250</td>
<td>4,916</td>
</tr>
<tr>
<td>Additions</td>
<td>28</td>
<td>233</td>
</tr>
<tr>
<td>Used / released</td>
<td>-19</td>
<td>-2,150</td>
</tr>
<tr>
<td>Currency translation differences</td>
<td>-3</td>
<td>-66</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>256</td>
<td>5,083</td>
</tr>
</tbody>
</table>

The provisions are mainly of a short-term nature, except for the provision pensions and the deferred tax liabilities.

Provisions for pensions primarily relate to the actuarial value of pension liabilities not insured at third-party insurers or pension funds. The restructuring provision relates to the projected cost of integration and restructuring of activities of the various group companies. The provision has primarily been established to cover the cost of personnel reductions and the optimisation of the number of locations and relates for a substantial part to the Dutch activities. The usage was primarily for restructuring the organisation and winding down of the activities in Germany. Only a part of the provision has been released to the profit and loss account. Included in other
provisions are provisions for risks related to soil contamination, losses on contracts with customers, losses on egg contracts and claims relating to product liability.

The pension plan for the majority of the Dutch operations with Centraal Beheer Algemeen Pensioenfonds became effective as of 1 January 2019. The key characteristics of the agreement are set out below:

– Membership of the company pension fund is mandatory for management board members and employees of the company.
– The company is obliged only to pay annually et premiums. In no event will the company be obliged to make additional contributions or be entitled to a refund or premium discount.

NON-CURRENT LIABILITIES (9)
Non-current liabilities can be specified as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt</td>
<td>481</td>
<td>548</td>
</tr>
<tr>
<td>Agrifirm Loyalty Scheme</td>
<td>7,545</td>
<td>-</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>26,158</td>
<td>18,766</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td><strong>34,184</strong></td>
<td><strong>19,314</strong></td>
</tr>
</tbody>
</table>

No debt had a remaining term of more than five years at balance sheet date (2017: nil). The repayment commitment on long-term loans amounts to € 1.0 million next year. Most long-term loans have a fixed interest rate of 0.0% to 7.0%. The average interest rate on long-term loans was approximately 3.4% in 2018 (2017: 4.2%). At year-end 2018 there are no assets pledged as security (2017: nil). Other non-current liabilities contain the financial lease obligation amounting to € 14.2 million (2017: € 14.5 million) of the Graansloot cereal storage facility. An € 15.9 million (2017: € 16.6 million) guarantee was provided to the bank of the lessor of the facility. No security was provided for the other long-term loans.

The Agrifirm Loyalty Scheme is a program for members only. Members can decide to add their Member Dividend / Member Discount into this program which is subordinated to all receivables owed by Agrifirm. Agrifirm reimburses an interest of 6 percentage point above the three months Euribor interest.

Other long-term liabilities contingent liabilities include an amount of € 9.0 million (2017: € 0.3 million) with respect to earn-outs for acquisitions in the past of group companies. The short-term part of this liability is € 1.4 million (2017: € 0.3 million).

CURRENT LIABILITIES (10)
Current liabilities can be specified as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>156,450</td>
<td>149,627</td>
</tr>
<tr>
<td>Taxes and social security contributions</td>
<td>15,787</td>
<td>15,255</td>
</tr>
<tr>
<td>Member Dividend / Member Discount payable</td>
<td>29,000</td>
<td>25,900</td>
</tr>
<tr>
<td>Other payables</td>
<td>69,053</td>
<td>87,655</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>28,679</td>
<td>35,645</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>298,969</strong></td>
<td><strong>314,082</strong></td>
</tr>
</tbody>
</table>

The term of the liabilities is less than one year. Other payables contain most of the arable pool position with farmers. Other current liabilities contain most importantly accruals.

The cooperation has a ‘multi-currency revolving credit facility’ with a group of banks (‘club deal’). During the maturity of the facility, amounts were drawn and fund even as regular transactions were made at different banks in the club deal. As a result of that the amounts are balanced per individual bank in the annual accounts. Amounts can be drawn on the facility up to a maximum of € 250 million, when ratios agreed upon with the banks have been met. Agrifirm Group BV and a number of Dutch group companies guaranteed this facility towards the
group of banks. The facility is available as from 2 June 2015 and exists out of two parts. Part A, amounting to € 200 million has a term of five years and can be extended two times with one year. Part A additionally has an option to be extended with € 200 million. Part B, amounting to € 50 million has a term of one year and can be extended six times with one year. In 2018, part B has been extended for one year. At year-end no amounts were drawn of these facilities. The interest rate is based on Euribor and a spread.

Financial instruments
Interest rate swaps with a nominal value of € 30 million (2017: € 50 million) as at the balance sheet date are used to cover interest rate risks with respect to liabilities with a variable interest rate. Financial instruments are not held or issued for speculative purposes. The swaps open on the balance sheet date have terms with an ending date varying from 2018 to 2020 and have an average interest rate of 1.28% (2017: 1.38%). At year-end 2018 the fair value of the current swaps amounted to negative € 0.7 million (2017: negative € 1.3 million). Cost price hedge accounting is applicable but due to ineffectiveness of the hedge, this negative value is recorded in the balance sheet and profit & loss account.

Forward contracts were concluded for the purchase of raw materials to hedge the risk of price fluctuations of foreign currency. Due to the higher price of foreign currency than the prices agreed upon in the forward contracts, at year-end 2018 the contracts have a negative fair value of € 2 thousand (2017: negative € 158 thousand).

Risks acknowledged by Agrifirm are:
> **Strategic risks:** Possible risks related to further growth and acquisitions are controlled through a strategic plan and targets related to growth and financing.
> **External risks:** Volatility of raw material prices and a mismatch between purchase- and selling positions are being controlled by monitoring positions and continuous attention for cost efficiency. Animal diseases may have an adverse effect on the number of animals and additional costs for transportation. By securing the quality of raw materials, providing information to livestock farmers and geographical spread of the activities, Agrifirm limits this risk. Debtor payments risks are controlled with debtor management and where possible securities will be obtained.
> **Financial risks:** Funding-, interest- and currency risks are being hedged by means of a credit facility, interest swaps and currency forward contracts and periodic liquidity planning. These activities and treasury are predominantly taking place at Agrifirm Group level.
> **Compliance risks:** The risk that there is no compliance with applicable laws and regulations is being controlled by working with an internal compliance code, the convenant ‘horizontaal toezicht’ and internal control procedures.

COMMITMENTS AND CONTINGENCIES

**Securities provided**
Bank guarantees have been issued amounting to € 0.1 million (2017: € 0.1 million) primarily for leases and prepayments, and guarantees have been issued for other parties amounting to € 4.9 million (2017: € 4.3 million).

A work guarantee for several years is provided for all employees of Agrifirm Feed transport BV who were transferred to another employer in the process of outsourcing transport activities per 1 January 2014. An € 15.9 million (2017: € 16.6 million) guarantee was provided to the bank of the lessor of the Graansloot cereal storage facility.

Guarantees as defined in Section 2:403 of the Dutch Civil code have been issued by Koninklijke Coöperatie Agrifirm U.A. on behalf of most of its Dutch group companies. The overview of this group companies is available for inspection at the Chamber of Commerce.

Significant related-party transactions were all at arm’s length.
Rental-, lease- and other commitments
The composition of the total liabilities can be specified as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent buildings</td>
<td>29,137</td>
<td>33,646</td>
</tr>
<tr>
<td>Rent and lease of transport equipment and vehicles</td>
<td>11,066</td>
<td>10,379</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>4,791</td>
<td>4,210</td>
</tr>
<tr>
<td><strong>Total off-balance sheet commitments</strong></td>
<td><strong>44,994</strong></td>
<td><strong>48,235</strong></td>
</tr>
</tbody>
</table>

As part of the normal business activities, contracts with purchasing and buying commitments with third parties are entered into.

The breakdown of the liabilities over the years can be specified as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>16,943</td>
<td>14,548</td>
</tr>
<tr>
<td>From 1 - 5 years</td>
<td>22,354</td>
<td>25,223</td>
</tr>
<tr>
<td>More than 5 years</td>
<td>5,697</td>
<td>8,464</td>
</tr>
<tr>
<td><strong>Total off-balance sheet commitments</strong></td>
<td><strong>44,994</strong></td>
<td><strong>48,235</strong></td>
</tr>
</tbody>
</table>

Fiscal unity
Koninklijke Coöperatie Agrifirm U.A. and all of its Dutch group companies in which a 100% participation is held, with the exception of some entities in which no activities performed anymore, form a fiscal unity for Dutch corporate income taxes. As a result of this, Koninklijke Coöperatie Agrifirm U.A. can be held liable for taxes of companies that are part of this fiscal unity. At balance sheet date the total tax liabilities of these group companies is nil (2017: nil).
7.6 Notes to the consolidated profit & loss account

NET TURNOVER (11)
Breakdown of net turnover by activity is as follows:

<table>
<thead>
<tr>
<th>Activity</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feed the Netherlands</td>
<td>855,770</td>
<td>856,355</td>
</tr>
<tr>
<td>Arable farming and horticulture the Netherlands</td>
<td>315,536</td>
<td>327,158</td>
</tr>
<tr>
<td>Feed Europe</td>
<td>292,794</td>
<td>306,184</td>
</tr>
<tr>
<td>Co-products</td>
<td>84,290</td>
<td>85,508</td>
</tr>
<tr>
<td>Premixes &amp; concentrates</td>
<td>358,607</td>
<td>372,463</td>
</tr>
<tr>
<td>Retail</td>
<td>166,043</td>
<td>158,506</td>
</tr>
<tr>
<td>Other activities</td>
<td>13,668</td>
<td>11,988</td>
</tr>
</tbody>
</table>

Total net turnover                             | 2,086,708| 2,118,162|

The geographical breakdown of net turnover is as follows:

<table>
<thead>
<tr>
<th>Country</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Netherlands</td>
<td>1,394,687</td>
<td>1,413,560</td>
</tr>
<tr>
<td>Belgium</td>
<td>97,877</td>
<td>99,342</td>
</tr>
<tr>
<td>Germany</td>
<td>88,482</td>
<td>123,325</td>
</tr>
<tr>
<td>France</td>
<td>37,041</td>
<td>39,800</td>
</tr>
<tr>
<td>Poland</td>
<td>155,853</td>
<td>108,880</td>
</tr>
<tr>
<td>Hungary</td>
<td>45,548</td>
<td>44,631</td>
</tr>
<tr>
<td>China</td>
<td>90,567</td>
<td>112,665</td>
</tr>
<tr>
<td>Brasil</td>
<td>38,455</td>
<td>48,663</td>
</tr>
<tr>
<td>Other countries</td>
<td>138,198</td>
<td>127,356</td>
</tr>
</tbody>
</table>

Total net turnover                             | 2,086,708| 2,118,162|

Transactions with associated parties
An amount of € 1.0 billion (2017: € 1.0 billion) was supplied to and purchased from members of Koninklijke Coöperatie Agrifirm U.A. Other than this, no material transactions with associated parties took place in the year under review.

Other operating income
Other operating income mainly refers to proceeds regarding logistic services rendered to third parties, income from the lease of tangible fixed assets to third parties, and income from the sale of predominantly real estate.

PERSONNEL COSTS (12)
The breakdown of personnel costs is as follows:

<table>
<thead>
<tr>
<th>Cost</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>132,452</td>
<td>128,613</td>
</tr>
<tr>
<td>Pension premiums</td>
<td>8,008</td>
<td>8,028</td>
</tr>
<tr>
<td>Other social security charges</td>
<td>20,962</td>
<td>21,089</td>
</tr>
<tr>
<td>Temporary staff</td>
<td>10,756</td>
<td>9,704</td>
</tr>
<tr>
<td>Other personnel costs</td>
<td>21,029</td>
<td>22,628</td>
</tr>
</tbody>
</table>

Total personnel costs             | 193,207  | 190,062  |

The pension plan with Centraal Beheer Algemeen Pensioenfonds became effective as of 1 January 2019. The key characteristics of the administration agreement are set out below:
> Membership of the company pension fund is mandatory for management board members and employees of the company.
> The company is obliged only to pay premium set annually. In no event will the company be obliged to make additional contributions or entitled to a refund or premium discount.
Employees
Number of employees per activity (ultimo year in FTE):

<table>
<thead>
<tr>
<th>Activity</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feed the Netherlands</td>
<td>539</td>
<td>529</td>
</tr>
<tr>
<td>Arable farming and Horticulture the Netherlands</td>
<td>239</td>
<td>235</td>
</tr>
<tr>
<td>Feed and arable farming Europe</td>
<td>325</td>
<td>327</td>
</tr>
<tr>
<td>Co-products</td>
<td>135</td>
<td>119</td>
</tr>
<tr>
<td>Premixes &amp; concentrates</td>
<td>967</td>
<td>1,017</td>
</tr>
<tr>
<td>Retail</td>
<td>462</td>
<td>464</td>
</tr>
<tr>
<td>Other activities</td>
<td>290</td>
<td>263</td>
</tr>
<tr>
<td><strong>Total number of FTE</strong></td>
<td><strong>2,957</strong></td>
<td><strong>2,954</strong></td>
</tr>
</tbody>
</table>

Number of FTE at year-end working in the Netherlands 1,681 (2017: 1,641).

DEPRECIATION AND AMORTISATION (13)
The breakdown of depreciation is as follows:

<table>
<thead>
<tr>
<th>Depreciation</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>28,376</td>
<td>30,042</td>
</tr>
<tr>
<td>Impairment</td>
<td>-</td>
<td>541</td>
</tr>
<tr>
<td>Amortisation goodwill</td>
<td>8,728</td>
<td>9,025</td>
</tr>
<tr>
<td>Depreciation software</td>
<td>2,612</td>
<td>3,456</td>
</tr>
<tr>
<td><strong>Total depreciation</strong></td>
<td><strong>39,716</strong></td>
<td><strong>43,064</strong></td>
</tr>
</tbody>
</table>

OTHER OPERATING EXPENSES (14)
Other operating expenses mainly relate to expenses regarding transport, utility, maintenance and repair costs.

The cost of research and development amounted to € 8.5 million (2017: € 8.0 million).

NET FINANCE EXPENSES (15)
The breakdown of financial income and expenses is as follows:

<table>
<thead>
<tr>
<th>Financial income and expenses</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial income</td>
<td>1,828</td>
<td>1,876</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>-3,690</td>
<td>-6,347</td>
</tr>
<tr>
<td><strong>Net finance expenses</strong></td>
<td><strong>-1,862</strong></td>
<td><strong>-4,471</strong></td>
</tr>
</tbody>
</table>

Financial expenses mainly relate to interest on current bank debt. Financial income primarily relates to interest on long-term receivables from customers. An amount of € 0.1 million (2017: negative € 0.3 million) has been recognised due to negative exchange differences.

INCOME TAXES (16)
Income taxes is for € 1.5 million (2017: € 2.6 million) related to the Netherlands and for € 5.5 million (2017: € 10.5 million) to foreign countries. The effective corporate income tax rate (13.8%) is different from the Dutch nominal rate (25%) due to:
- The result from participating interests is not subject to taxation under the participation exemption in the Netherlands.
- Other permanent differences in valuation of assets and liabilities for statutory and tax purposes.
- Different nominal tax rates in foreign countries.
- Some tax losses and valuation differences in the Netherlands and abroad are not valued or changed because future realisation of these is not certain.
- Capitalising tax losses from previous years based on improvement of results.
7.7 Notes to the consolidated cash flow statement

GENERAL
The cash flow statement is prepared on the basis of a comparison of the starting and ending balances (the indirect method). Transactions that did not generate cash flow, such as value adjustments, are eliminated. Changes as a result of the acquisition or sale of consolidated participating interests are accounted for under investments. The relevant funds comprise the balance of cash and cash equivalents as well as current bank debt.

CASH FLOW FROM OPERATING ACTIVITIES
Interest received and paid is accounted for in cash flow from operations. The changes in balances of working capital and cash flow generated by operating activities show a positive cash flow from operating activities of €63.5 million (2017: €82.6 million).

CASH FLOW FROM INVESTMENT ACTIVITIES
Investment activities accounted for a cash out of €45.0 million (2017: €10.2 million cash out). Investments are for new, improvement and the expansion of factories for compound feed and premix. Additionally, expenditures were made for a global ERP system. Investments in new group companies relate to Special Nutrients and Vanhengel.

CASH FLOW FROM FINANCING ACTIVITIES
Liabilities amounting to €1.2 million (2017: €52.1 million) were repaid. In 2018 Member Dividend / Member Discount amounting to €16.8 million (2017: €30.6 million) were paid out. The attraction of short term loans were nil (2017: €0.6 million).

CHANGE IN CASH AND CASH EQUIVALENTS MINUS CURRENT BANK DEBT
Cash and cash equivalents minus current bank debt increased with an amount of €0.6 million (2017: €12.9 million decrease). This change can be specified as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents start year</td>
<td>104,741</td>
<td>119,596</td>
</tr>
<tr>
<td>Cash and cash equivalents end year</td>
<td>105,307</td>
<td>104,741</td>
</tr>
<tr>
<td>Change in cash and cash equivalents</td>
<td>566</td>
<td>-14,855</td>
</tr>
<tr>
<td>Bank overdrafts start year</td>
<td>-</td>
<td>1,916</td>
</tr>
<tr>
<td>Bank overdrafts end year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Change bank overdrafts</td>
<td></td>
<td>1,916</td>
</tr>
<tr>
<td>Change in cash and cash equivalents less bank overdrafts</td>
<td>566</td>
<td>-12,939</td>
</tr>
</tbody>
</table>

GENERAL
The cash flow statement is prepared on the basis of a comparison of the starting and ending balances (the indirect method). Transactions that did not generate cash flow, such as value adjustments, are eliminated. Changes as a result of the acquisition or sale of consolidated participating interests are accounted for under investments. The relevant funds comprise the balance of cash and cash equivalents as well as current bank debt.

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CASH FLOW FROM INVESTMENT ACTIVITIES
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<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents start year</td>
<td>104,741</td>
<td>119,596</td>
</tr>
<tr>
<td>Cash and cash equivalents end year</td>
<td>105,307</td>
<td>104,741</td>
</tr>
<tr>
<td>Change in cash and cash equivalents</td>
<td>566</td>
<td>-14,855</td>
</tr>
<tr>
<td>Bank overdrafts start year</td>
<td>-</td>
<td>1,916</td>
</tr>
<tr>
<td>Bank overdrafts end year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Change bank overdrafts</td>
<td></td>
<td>1,916</td>
</tr>
<tr>
<td>Change in cash and cash equivalents less bank overdrafts</td>
<td>566</td>
<td>-12,939</td>
</tr>
</tbody>
</table>
### 7.8 Company balance sheet as at 31 December

*(after appropriation of profit)*

#### ASSETS (in thousands of euros)

<table>
<thead>
<tr>
<th>Note</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial fixed assets</td>
<td>17</td>
<td>506,824</td>
</tr>
<tr>
<td>Participating interests in group companies</td>
<td></td>
<td>506,824</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td>506,824</td>
</tr>
</tbody>
</table>

#### LIABILITIES (in thousands of euros)

<table>
<thead>
<tr>
<th>Note</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>18</td>
<td>8,900</td>
</tr>
<tr>
<td>Other reserves</td>
<td>468,924</td>
<td>465,882</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member Dividend / Member Discount payable</td>
<td>29,000</td>
<td>25,900</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY AND LIABILITIES</strong></td>
<td></td>
<td>506,824</td>
</tr>
</tbody>
</table>

### 7.9 Company profit & loss account

#### (in thousands of euros)

<table>
<thead>
<tr>
<th>Note</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result of group companies</td>
<td>43,970</td>
<td>38,445</td>
</tr>
<tr>
<td><strong>NET RESULT</strong></td>
<td>43,970</td>
<td>38,445</td>
</tr>
</tbody>
</table>
7.10 Accounting policies used in preparing company financial statements

(all amounts are stated in thousands of euros unless indicated otherwise)

These are the company financial statements of Koninklijke Coöperatie Agrifirm U.A., established at 1 June 2010, having its registered offices in Apeldoorn, the Netherlands. These financial statements have been drawn up in accordance with Dutch laws and regulations for financial reporting. The provision of Section 362(8), Part 9, Book 2 of the Dutch Civil Code that allows the same accounting policies to be used in drawing up the company financial statements as those used in drawing up the consolidated financial statements was invoked. For the accounting policies used for valuing assets and liabilities and drawing up the profit and loss account, we refer to the notes to the consolidated financial statements, unless the company financial statements already include explanatory notes for the relevant items reported there.

The exemption pursuant to Section 402, Part 9, Book 2 of the Dutch Civil Code was applied for the presentation of the company profit and loss account.

A list of capital interests, prepared in accordance with legal provisions, is available at the company’s offices and has been filed with the Trade Register.
### Notes to the company financial statements

#### FINANCIAL FIXED ASSETS (17)

The change in the financial fixed assets can be specified as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018 Participating interests in group companies</th>
<th>2017 Participating interests in group companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td>489,171</td>
<td>486,221</td>
</tr>
<tr>
<td>Changes in book value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Result of group companies</td>
<td>43,970</td>
<td>38,445</td>
</tr>
<tr>
<td>Member Dividend / Member Discount</td>
<td>-21,903</td>
<td>-28,239</td>
</tr>
<tr>
<td>Currency translation differences and other changes</td>
<td>-4,414</td>
<td>-7,256</td>
</tr>
<tr>
<td>Balance</td>
<td>17,653</td>
<td>2,950</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>506,824</td>
<td>489,171</td>
</tr>
</tbody>
</table>

All participating interests in group companies are held via Agrifirm Group BV.

#### EQUITY (18)

The movement in equity can be specified as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018 Statutory reserve translation differences</th>
<th>2017 Statutory reserve translation differences</th>
<th>2018 Total</th>
<th>2017 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td>-8,227</td>
<td>2,339</td>
<td>3,277</td>
<td>5,576</td>
</tr>
<tr>
<td>Changes in book value</td>
<td></td>
<td></td>
<td>465,882</td>
<td>465,882</td>
</tr>
<tr>
<td>Net income</td>
<td></td>
<td></td>
<td>43,970</td>
<td>43,970</td>
</tr>
<tr>
<td>Member Dividend / Member Discount</td>
<td></td>
<td></td>
<td>-25,003</td>
<td>-25,003</td>
</tr>
<tr>
<td>Currency translation differences and other changes</td>
<td>-4,414</td>
<td>157</td>
<td>-15,925</td>
<td>-15,925</td>
</tr>
<tr>
<td>Balance</td>
<td>-4,414</td>
<td>157</td>
<td>3,042</td>
<td>14,553</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>-12,641</td>
<td>2,496</td>
<td>19,045</td>
<td>477,824</td>
</tr>
</tbody>
</table>

Net income amounting to € 44.0 million will be transferred to equity.

The Members Council approved in December 2018 the proposal of the board to pay out an amount of € 17.6 million out of the net result over 2018 to the members of Koninklijke Coöperatie Agrifirm U.A. as Member Dividend (‘Ledenvoordeel’, dividend on results non-member business) in 2019. This proposal is included in the financial statements. The amount to be distributed to the members will be calculated as 1.9% on their relevant transactions in 2018 from the Dutch member companies Agrifirm Feed, Agrifirm Plant and even partly Agrifirm Co-products and is included under other short-term payables. Over the year 2018 a Member Discount of € 10.4 million (€ 7.8 million after corporate income tax) is accrued which is included under other short-term payables.

Currency translation differences refer to differences in equity value of foreign participating interests. A legal reserve is retained for these differences. Due to currency translation differences the reserve is negative. The other reserves are limited to this amount. Additional a legal reserve within the statutory reserve has been taken for the amount of capitalised external expenditures relating to the implementation of one central ERP system within Agrifirm.
AUDITOR’S FEES
The fees paid to the auditor charged with conducting the audit are as follows:

<table>
<thead>
<tr>
<th>Service</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit of the financial statements</td>
<td>923</td>
<td>887</td>
</tr>
<tr>
<td>Other audit services</td>
<td>37</td>
<td>60</td>
</tr>
<tr>
<td>Other non-audit services</td>
<td>115</td>
<td>166</td>
</tr>
<tr>
<td><strong>Total fees</strong></td>
<td>1,075</td>
<td>1,113</td>
</tr>
</tbody>
</table>

The fees stated above for the audit of the financial statements are based on the total fees for the audit of the 2018 financial statements, regardless of whether the procedures were already performed in 2018.

FISCAL UNITY
Koninklijke Coöperatie Agrifirm U.A and all of its Dutch group companies in which a 100% participation is held, with the exception of some entities in which no activities performed anymore, form a fiscal unity for Dutch corporate income taxes. As a result of this, Koninklijke Coöperatie Agrifirm U.A. can be held liable for taxes of companies that are part of this fiscal unity. At balance sheet date the total tax liabilities of these group companies is nil (2017: nil).

REMUNERATION MEMBERS EXECUTIVE BOARD AND SUPERVISORY BOARD
The remuneration in accordance with Section 383(1), Part 9, Book 2 of the Dutch Civil Code (including pension contributions) for the members of the board of the Koninklijke Coöperatie Agrifirm U.A. (simultaneously the Supervisory Board of Agrifirm Group BV) is € 303 thousand (2017: € 280 thousand).

EVENTS AFTER BALANCE SHEET DATE
There are no events after balance sheet date relevant to disclose in the annual report.

SIGNATORIES TO THE FINANCIAL STATEMENTS
Apeldoorn, 26 February 2019

On behalf of the Board of Koninklijke Coöperatie Agrifirm U.A.

A.A.J.M. Kamp  >  Chairman

K. van der Bos  >  Vice-chairman
7.12 Other information

PROFIT ALLOCATION

According to Article 30 of the articles of association of Koninklijke Coöperatie Agrifirm U.A., a proportion of any profit revealed in the profit and loss account of the adopted financial statements may be added to the reserves. The Members Council shall decide on any balance remaining based on a proposal presented by the board of the cooperative.

The net result, an amount of € 44.0 million, will be transferred to equity.

The Members Council approved in December 2018 the proposal of the board to pay out an amount of € 17.6 million out of the net result over 2018 to the members of Koninklijke Coöperatie Agrifirm U.A. as Member Dividend (‘Ledenvoordeel’) in 2019. Additionally the Executive Board proposes to pay out an amount of € 10.4 million Member Discount (€ 7.8 million after corporate income tax) (‘Ledenkorting’). This proposal is included in the financial statements.
INDEPENDENT AUDITOR’S REPORT

To: the Members Council of Koninklijke Coöperatie Agrifirm U.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2018 INCLUDED IN THE ANNUAL REPORT

Our opinion
We have audited the financial statements 2018 of Koninklijke Coöperatie Agrifirm U.A, based in Apeldoorn.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Koninklijke Coöperatie Agrifirm U.A. as at 31 December 2018, and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:
> The consolidated and company balance sheet as at 31 December 2018;
> The consolidated and company profit and loss account for 2018;
> The notes comprising a summary of the accounting policies and other explanatory information.

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

We are independent of Koninklijke Coöperatie Agrifirm U.A. in accordance with the Wet toezicht accountantsorganisatie (Wta), Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

REPORT ON 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:
> key figures;
> report of the Executive Board;
> report of the Supervisory Board;
> risk management; and
> other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:
> is consistent with the financial statements and does not contain material misstatements
> contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

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

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

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of management for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.
As part of the preparation of the financial statements, management is responsible for assessing the cooperative’s ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the cooperative or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the cooperative’s ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

We provide management 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.

Zwolle, 26 February 2019

Ernst & Young Accountants LLP

Signed by B.W. Littel
Addresses

Koninklijke Coöperatie Agrifirm U.A.
Landgoedlaan 20
7325 AW APPELDOORN, the Netherlands
T +31 88 488 1000
F +31 88 488 1900
www.agrifirm.com
info@agrifirm.com
COC 08226836

EXECUTIVE BOARD
Dick Hordijk > Chairman (CEO)
Jaap Vessies > Financial Director (CFO)

North West Europe

AGRIFIRM NWE BV
Landgoedlaan 20
7325 AW APPELDOORN, the Netherlands
T +31 88 488 1100
www.agrifirm.com
feed@agrifirm.com
Director: Ronald van de Ven

AGRIFIRM BELGIUM NV
Industrieweg 18
2280 GROBBENDONK, Belgium
T +32 14 50 07 80
www.agrifirm.be
info@agrifirm.be
Director a.i.: Wim van den Heuvel

BONDA
Landgoedlaan 20
7325 AW APPELDOORN, the Netherlands
T +31 252 53 61 36
www.agrifirm.com
co-products@agrifirm.com
Director: Maarten Goos

BV OLDAMBT
Langeweg 5
9682 XR OOSTWOLD, the Netherlands
T +31 597 55 13 02
www.oldambt.nl
drogerij@oldambt.nl
Director: Eiko Jan Duursema

Europe, Middle East and Africa

NUSCIENCE BELGIUM NV
Boolebos 5
9031 DRONGEN, Belgium
T +32 9 280 29 71
www.agrifirm.com/nuscience-group
info@nusciencegroup.com
Director: Johan De Schepper

AGRIFIRM MAGYARORSZÁG ZRT
Daróczi major, Pf. 27
4183 KABA, Hungary
T +36 54 461 110
www.agrifirm.hu
info@agrifirm.hu
Director: Manuel Melo

AGRIFIRM POLSKA SP ZOO
ul. Boleslawa Chrobrego 52
64-500 SZAMOTUŁY, Poland
T +48 61 29 31 970
www.agrifirm.pl
biuro@agrifirm.pl
Director: Janusz Pacyna

NUSCIENCE IBERICA SA
Avenido Monte Boyal 91/94
45950 CASSARUBIOS DEL MONTE, Spain
T +34 918 17 19 20
www.nuscience.es
iberica@nusciencegroup.com
Director: Johan De Schepper

NUSCIENCE ITALIA SRL
Via Amerigo Vespucci 67
42046 REGGIOLO, Italy
T +39 052 297 30 56
www.nusciencegroup.com
amministrazione.italia@nusciencegroup.com
Director: Gildo Urban

NUSCIENCE PREMIX INTERNATIONAL DOO
25 Oktobra no. 60
11320 VELIKA PLANJA, Serbia
T +385 26 51 59 45
www.nusciencegroup.com
office@nuscience.rs
Director: Johan De Schepper

CEHAVE KORM LTD
Khrestovyi Ln, 2
01010 KYIV, Ukraine
T +380 44 206 22 82
www.nuscience.com.ua
ns_us_info@nusciencegroup.com
Director: John Vandenboon
Asia

**SUZHOU DKVE ANIMAL NUTRITION CO LTD**
Wuzhong District Puzhuang Village 1
215105 SUZHOU, China
T +86 512 66 533 888
[www.dkve.com](http://www.dkve.com)
Director: Jeroen Jeuken

**TIANJIN DKVE ANIMAL NUTRITION CO LTD**
No.12, Huang-hai first Avenue
300457 TIANJIN, China
T +86 22 253 21492
[www.dkve.com](http://www.dkve.com)
Director: Jeroen Jeuken

**VITAMEX SHANGHAI LTD**
Zhangyang Road 707
200120 SHANGHAI, China
T +86 21 610 90 356
[www.dkve.com](http://www.dkve.com)
Director: Jeroen Jeuken

**NUSCIENCE SINGAPORE PTE LTD**
83 Carlisle Road, #12-07 Mera Springs
SINGAPORE, Singapore
T +65 96 317 851
Director: Johan De Schepper

Latin America

**NUTRIFARMA NUTRICAO E SAUDE ANIMAL SA**
Rodovia Bruno Heidrich no 3845, km 4
89190-0000, TAIO, Brazil
T +55 47 3562 8200
[www.nutrifarma.ind.br](http://www.nutrifarma.ind.br)
Director: John Dortmans

**SOLAPA (NUTRAL) SA**
Ruta 5 Km 36400
90000 CANELONES, Uruguay
T +598 43 35 81 30
Director: John Dortmans

Other companies

**SPECIAL NUTRIENTS LLC**
2766 S.W. 37th Ave
33133 MIAMI, United States
T +1 305 857 9830
[www.specialnutrients.com](http://www.specialnutrients.com)
Director: Johan De Schepper

**NUTRITION SCIENCES NV**
Booiebos 5
9031 DRONGEN, Belgium
T +32 9 280 29 22
[www.nutrition-sciences.com](http://www.nutrition-sciences.com)
Director: Johan De Schepper

**NUTRICONTROL BV**
NCB-laan 52
5462 GE VEGHEL, the Netherlands
T +31 413 38 26 33
[www.nutricontrol.nl](http://www.nutricontrol.nl)
info@nutricontrol.nl
Director: Jörgen van den Ende

**WELKOOP RETAIL BV / WINKEL BV**
Galvanistraat 100
6716 AE EDE, the Netherlands
T +31 318 43 20 02
[www.welkoop.nl](http://www.welkoop.nl)
info@welkoop.nl
Director: Bert Bargboer

Participating interests

**STO POSTO DOO**
Patrijarha Varname 31
11000 BELGRADO, Serbia
T +381 11 244 11 96
[www.stoposto.rs](http://www.stoposto.rs)
office@stoposto.rs
Director: Zoran Vukadinovic

**AGRIDIAM SARL**
Lotissement CADAT 145
ROUIBA, Algeria
T +213 550 903 664
[www.diamgrain.com](http://www.diamgrain.com)
contact@diam-grain.com
Director: Abdelhak Omari

**SCHOTHORST FEED RESEARCH BV**
Meerkoetenweg 26
8218 NA LEYYSTAD, the Netherlands
T +31 320 25 22 94
[www.schothorst.nl](http://www.schothorst.nl)
info@schothorst.nl
Director: Lieuwe Roosenschoon