

# ANNUAL REPORT

2018



This annual report, including the financial statements, is a translation of the original Dutch text. In case of any difference in interpretation between the translation and the original Dutch text, the latter shall prevail.

#### FORWARD-LOOKING STATEMENTS

This document could contain forward-looking statements, which, rather than referring to historical facts, refer to the Executive Board's expectations based on current insights and assumptions which are subject to known and unknown risks and uncertainties, and may cause the actual results, presentations or events to differ materially from the statements in this annual report. Many of these risks and uncertainties are linked to factors over which ForFarmers has no control and/or which it is unable to accurately estimate, such as, for example, the effect of general economic or political circumstances, price development and the availability of raw materials, animal diseases or interest-rate and currency fluctuations. ForFarmers accepts no obligation or responsibility whatsoever to update forward-looking statements contained in this document, irrespective of whether they reflect new information, future events or otherwise, subject to ForFarmers' legal obligation to do so.

ANNUAL REPORT

2018

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# KEY FIGURES

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Key figures

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Facts and figures

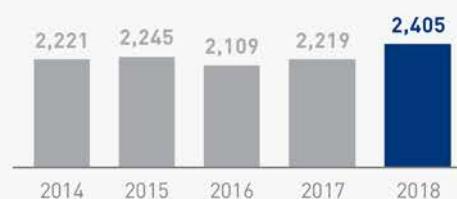
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# Key figures

## RESULTS

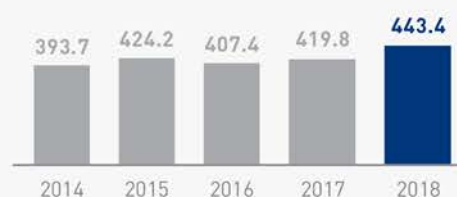
**Revenue**  
€ x million

**2,405**



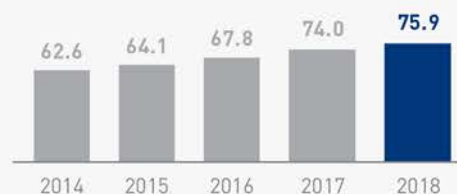
**Gross profit**  
€ x million

**443.4**



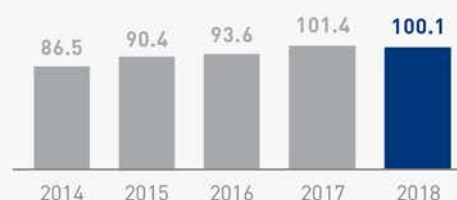
**Operating profit (EBIT)**  
€ x million

**75.9**



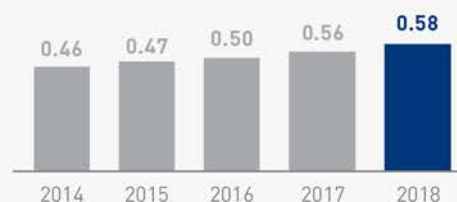
**Underlying EBITDA<sup>1</sup>**  
€ x million

**100.1**



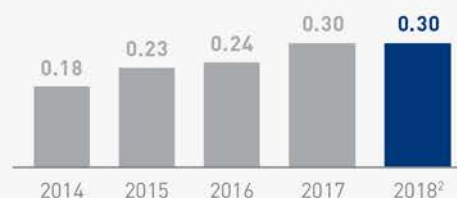
**Earnings per share**  
€

**0.58**



**Dividend per share**  
€

**0.30**



<sup>1</sup> Underlying means excluding incidental items (see Note 27 of the financial statements regarding the Alternative Performance Measures (APMs)).

<sup>2</sup> The 2018 dividend comprises two parts: €0.283 per ordinary share and a special dividend of €0.017 per ordinary share



RESULTS	2018	2017
<b>Consolidated statement of profit or loss</b> (€ million)		
Revenue	2,404.7	2,218.7
Gross profit	443.4	419.8
Operating profit (EBIT)	75.9	74.0
Underlying <sup>1</sup> operating profit (EBIT)	71.5	75.8
Operating profit before depreciation and amortization (EBITDA)	103.9	101.6
Underlying <sup>1</sup> EBITDA	100.1	101.4
Profit for the year	59.2	59.3
<b>Consolidation statement of financial position per 31 December</b> (€ million)		
Equity	440.8	409.9
Balance sheet total	873.7	787.3
Average capital employed <sup>2</sup>	434.5	417.0
Net debt position	17.1	-67.1
<b>Cash flow</b> (€ million)		
Net cash from operating activities	82.1	116.3
Acquisition/disposals of subsidiaries	-81.0	-0.5
Acquisition of property, plant and equipment and intangible assets	-44.0	-38.0
<b>Ratio's</b>		
Underlying EBITDA as % of gross profit	22.6%	24.2%
Return on average capital employed (ROACE) <sup>3</sup>	23.0%	24.3%
Solvency ratio (equity divided by total assets)	50.4%	52.1%
<b>Key data per share</b> (€)		
Earnings per share	0.58	0.56
Dividend per share <sup>4</sup>	0.30	0.30
Share price at year-end	8.05	10.44
<b>Other key figures per 31 December</b>		
Number of outstanding shares (million)	100.2	100.8
Market capitalisation (€ million) on 31 December	806.6	1,052.3
Number of employees (in Fte's)	2,654	2,325

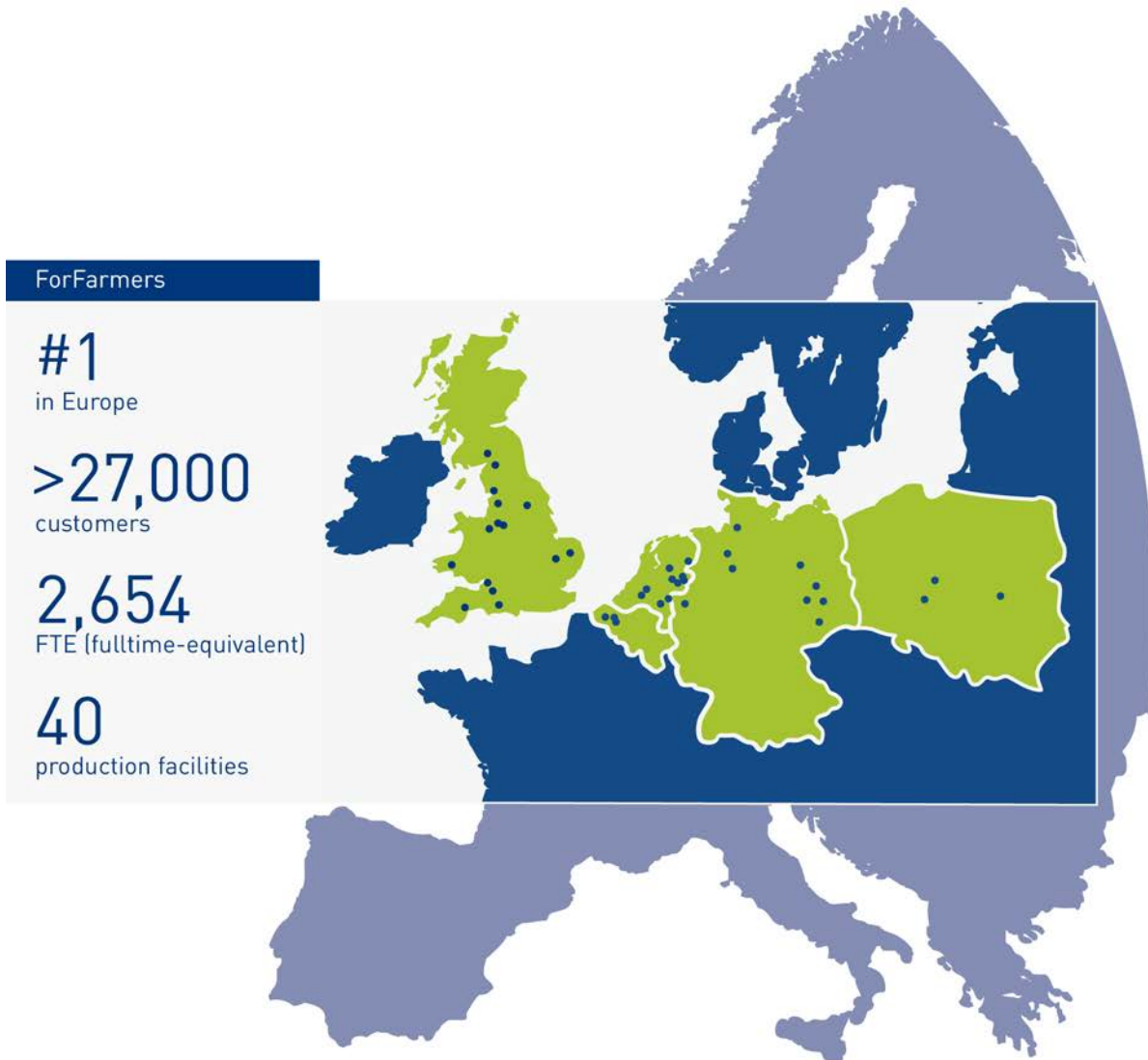
<sup>1</sup> Underlying means excluding incidental items (see Note 27 of the financial statements regarding the Alternative Performance Measures (APMs)).

<sup>2</sup> Based on 12 months average; see Note 27 of the financial statements

<sup>3</sup> ROACE means underlying EBITDA divided by the average capital employed; see Note 27 of the financial statements; ROACE based on EBIT was 16.4% in 2018 (2017: 18.2%)

<sup>4</sup> For calculation of dividend per share, see Note 47 of the financial statements

# Facts and figures



## PER CLUSTER

**Volume Total Feed 2018**  
tons x 1,000



**Revenue 2018<sup>1</sup>**  
€ x million



2017 | Comparative data are presented in between brackets  
<sup>1</sup> Excluding €76 million Group eliminations (2017: €67 million)

CEO

STATEMENT

# CEO statement



## A year of two sides

*There were two sides to 2018. In the first half of the year we achieved a solid improvement in the result compared to the first half of 2017. In the second half of 2018 we made four great acquisitions, as a result of which we are now active in five countries and have further increased our sales opportunities in the expanding poultry sector. Moreover we became the first European Total Feed company to sell more than 10 million tonnes of feed in a year. Apart from these positive developments, however, in the autumn of 2018 we also came up against the effects of the exceptionally hot and dry summer months, putting pressure on our results.*

For 2018 as a whole our Total Feed approach, which is aimed at helping farmers achieve better on-farm returns with healthy animals, once again proved successful. Amid tough market conditions we succeeded in attracting new customers and achieving further growth among existing customers.

## How we create value in changing markets

As the leading livestock feed company in Europe and adjacent regions (Europe+) we want to build scale, through organic growth as well as acquisitions, which we can use

to benefit the broader agricultural sector, as set out in our mission For the Future of Farming.

In light of meeting the climate targets the European agricultural sector is being put under growing pressure. Furthermore quality and provenance of food is increasingly important to consumers. Consumers in Western Europe are moreover being told more and more often that it would be good to eat less meat. Despite this, research suggests that per capita consumption of meat does not (yet) fall. Livestock farmers are however subject to an increasing number of legal and other requirements in terms of the environment and animal health and welfare. This leads to additional on-farm investments and hence continuing consolidation among farming businesses.

Considering these trends, we continuously adapt our Total Feed-approach, comprising innovative products, advice and data driven tools. By doing so we create value for livestock farmers in a changing environment by enabling them to update and achieve their business objectives.

## Growth through acquisitions

We are particularly pleased to have been successful in making four acquisitions in 2018. In July we acquired a 60% stake in Tasomix, one of the most advanced feed

companies in the growing Polish poultry sector. In Belgium we acquired Voeders Algoet in a move that made us the second-largest feed producer on the local market. And we made two acquisitions in the Netherlands: Van Gorp Biologische Voeders to further expand our position in the organic sector, and Maatman in the poultry sector. This has resulted in a more balanced portfolio across the species, with sales volumes now more or less equally divided among the ruminant, swine and poultry sectors.

## Sustainable business

We are well aware of our position in the food and feed chain. We are therefore constantly working to further reinforce our sustainability agenda and have defined five key performance indicators (KPIs), which were assessed by our external auditor for the first time this year. These KPI's and other important initiatives are consistent with our vision of contributing to a circular society, in which the agricultural sector has a long-term role to play. Our contribution is our commitment to reducing the on-farm carbon footprint. We focus on constantly improving animals' feed efficiency under the slogan 'more (protein production) with less (feed)'. In addition we are increasingly using residual flows from the human food industry, adding these co-products to compound feed or supplying them directly to livestock farmers. Finally, we also took part in a manure-processing project in the Netherlands in 2018.

Scientific research has shown that the Dutch agricultural sector has the smallest relative CO<sub>2</sub> footprint in the world. Our specialists apply this knowledge and experience at all our customers in all our countries of operation. The continued production of agricultural products in Western Europe therefore remains of crucial importance to feeding the growing global population.

The health and safety of our employees is very important to us, at our own locations, on the road and on-farm at our customers. The number of Lost Time Incidents (LTI's) – accidents at work resulting in at least one day's absence from work – rose during the past year and we were not successful enough in raising safety awareness. We must and shall take further steps in this regard.

## Our team and governance

By investing a lot of time, money and attention in internal training courses and facilitating the sharing of knowledge

and experience within the organisation we create a culture based on teamwork and permanent education. This is one of the reasons we have been increasingly successful in attracting and retaining young, ambitious talents.

There were a number of changes to our Executive Committee team in 2018, with our colleague Steven Read taking office as COO of ForFarmers in the United Kingdom at the beginning of the year and Arthur van Och joining our Executive Committee team as the new Supply Chain Director. The broad knowledge and experience he gained at other companies are key to our supply chain optimisation plans.

At the end of 2018 our colleague Jan Potijk announced that after 36 very enjoyable years of working at ForFarmers he will step down during the Annual General Meeting of Shareholders in April 2019. Jan has been hugely important to ForFarmers. He was involved in the early stages of many strategic decisions, whereby he always put the farmer's interests first. On behalf of the entire Executive Committee team I want to take this opportunity to express thanks to Jan for his exceptionally great contribution to the development of ForFarmers. I am proud that Pieter Wolleswinkel and David Fousert, both from our own organisation, joined the Executive Committee team with effect from 1 January 2019, as COO of ForFarmers Nederland and COO of Reudink, Pavo and ForFarmers Belgium, respectively.

Besides changes in our Executive Committee team there were also changes to the composition of the Supervisory Board. Following the resignation of Jan Eggink, Roger Gerritzen was appointed as a member and Cees de Jong as Chairman of the Supervisory Board.

The Executive Committee and Supervisory Board once again cooperated well in 2018, working together to discuss both the current and future course of our organisation.

## Results show a mixed picture

As stated previously our results for 2018 show a mixed picture. We took some strategic steps, for example with the acquisition of four companies and by extending our collaboration with Nutreco. However, the exceptionally hot and dry summer months led to greater volatility in the raw materials markets, additional logistical and other challenges and higher costs. Moreover the Dutch dairy herd shrank as a result of the national phosphate measures, putting pressure on volume and margin growth in the Netherlands. Also, energy and transport costs rose in 2018. The like-for-like improvements of the results in

Germany, Belgium and the United Kingdom could not compensate the decline of the results in the Netherlands. All in all this resulted in an underlying EBITDA of €100.1 million, slightly lower than the figure in the record year 2017 (€101.4 million).

Taking into consideration the 2018 results and mindful of the challenging market circumstances, we consider it wise to reduce the organisation's cost base over the next two years by implementing extra group-wide efficiency plans. This will involve closing a number of factories and reducing our headcount.

At the same time we will continue to invest in further efficiency efforts in our supply chain and in the introduction of innovative (digital) concepts and processes to bring our customer service to an even higher level.

Looking back on 2018 we proved that we provide great concepts and advice for our customers by attracting new customers amid difficult market conditions. Our employees are dedicating a lot of effort and commitment to this every day. In addition the integration of four acquisitions and a divestment required a great deal of effort. I want to thank them for this, on behalf of myself and my fellow Executive Committee members. I would also like to express my appreciation to our customers, shareholders, suppliers and other stakeholders for putting their trust in us. Together with all the colleagues at ForFarmers we work hard every day to deliver on that trust.

Lochem, 12 March 2019

Yoram Knoop  
CEO of ForFarmers N.V.

# FORFARMERS IN FOCUS

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The ForFarmers share

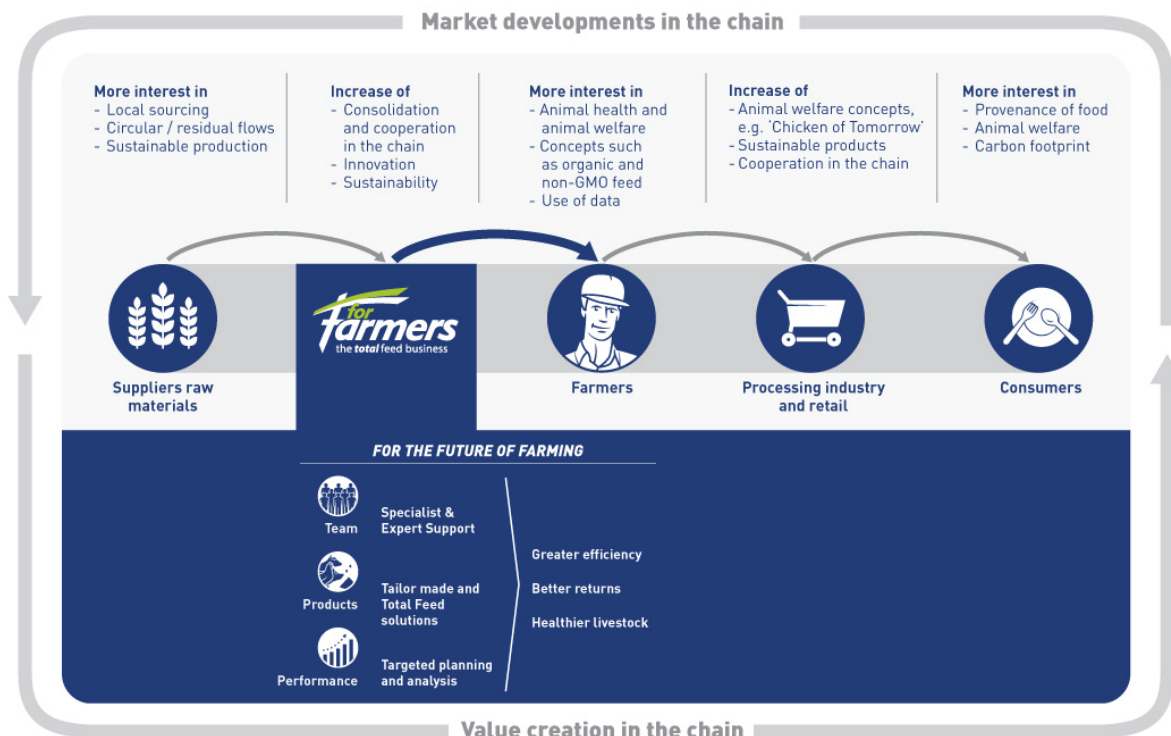
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# ForFarmers in brief

ForFarmers is the market leader in the European livestock feed industry, providing all-round innovative and sustainable feed solutions to (organic) livestock farmers. Our mission 'For the Future of Farming' focuses on responsible food production, continuity of the farming business and making both the agricultural sector and society in general more sustainable, and is based on close cooperation with customers and strategic partners. Our long-term value creation model, the Total Feed approach, helps livestock farmers achieve healthier herds and greater efficiency, and with it better on-farm returns. It involves providing tailored solutions comprising feed and other products, specialist advice and data-driven tools. Our specialist expert advisers pay regular visits to our customers in order to work with them to interpret on-farm data to help devise the best possible solutions.

The rich history of ForFarmers goes back to 1896, which saw the foundation of the cooperative that was one of our legal predecessors. Over the next decades the cooperative grew as a result of organic growth, mergers and acquisitions. The international expansion of ForFarmers began in 2005. As a result of making acquisitions we became active in Germany, Belgium and the United Kingdom. ForFarmers shares were listed on Euronext Amsterdam in 2016. The acquisition of 60% of the shares of Tasomix in Poland in July 2018 saw us extending our activities into this country with its rapidly growing poultry sector. These acquisitions have helped create a unique combination of knowledge and experience that is used to support agricultural entrepreneurs in realising their business objectives.





## Sustainable business

The demand for animal protein such as meat, eggs and dairy products will increase over the coming decades driven by global population growth and increasing prosperity. The challenge is to find a sustainable way of meeting this demand and minimising the use of raw materials and natural resources such as energy, land and water. Livestock nutrition and farming also have an important role to play in this.

Sustainability is an integral and natural part of our business. We work constantly to improve feed efficiency: more (animal protein) production with less feed. We invest in research through our own Nutrition Innovation Centre (NIC) and work with renowned research institutes, universities and strategic partners to keep making our knowledge, products and tools better and more sustainable. Improving the technical performance of feed, optimum growth of the animal and nutritional solutions that contribute to good animal health are at the heart of this.

We have linked our sustainability objectives to the United Nations Sustainable Development Goals aimed at good health and well-being (3), responsible consumption and production (12), climate action (13), life on land (15) as well as partnerships to achieve goals (17).

## Key figures

ForFarmers employs 2,654 FTEs (2,761 employees) and has production facilities in the Netherlands, Germany, Belgium, Poland and the United Kingdom. The company is headquartered in the Dutch town of Lochem. Total Feed volume in 2018 was 10 million tonnes, revenue equalled €2.4 billion and the gross profit was €443.4 million.

# Vision, mission and core values

## Vision

ForFarmers wants to be the leading livestock feed company in Europe and neighbouring regions (Europe+). ForFarmers achieves this by offering cost-effective and sustainable Total Feed solutions to farmers so that they can produce high-quality meat, eggs and dairy products.

## Mission

Our mission 'For the Future of Farming' demonstrates the confidence we have in the future of the agricultural sector. Our efforts are first and foremost focused on responsible food production, continuity of the farming business and making both the agricultural sector and society in general more sustainable. We are convinced that our long-term value creation model 'the Total Feed approach' enables us to contribute to better returns, healthier herds and greater on-farm efficiency. The agricultural sector is faced with the challenge of supplying a growing world population with animal protein. As the European market leader in livestock nutrition we therefore have not just the opportunity but also the obligation to make a substantial contribution to making meat, egg and dairy production more efficient and sustainable. We seek to achieve this by focusing on:

*Results:* Targeted planning, monitoring and analysis of the results of the farming business.

*Team:* Assistance from specialist expert advisers.

*Products:* Tailored solutions and our Total Feed approach.

## Core values

The following core values serve as a sustainable compass for our business culture:

### Ambition

We aim to lift results to an ever-higher level, both on-farm and within our own organisation. This calls for clear leadership and a well-attuned team. Recruiting, developing and retaining the best people and motivating them to raise the bar on their performance even further are crucial aspects in this, as are placing trust and responsibility in our staff.

### Sustainability

We view sustainability as an integral and logical part of our business. Responsible use of natural resources and scarce raw materials, reducing the pressure on the environment and enhancing animal welfare are logical consequences of this. We take a long-term view in what we do, based on trust and transparency, we respect local regulations and procedures and show consideration for our living environment.

### Partnership

Our activities are focused on providing the best possible support to our customers. The bedrock of this is cooperation: with customers and suppliers as well as with strategic partners in the various sectors. The guiding principle is a long-term relationship based on trust.



# How we create value: Total Feed approach

Farming businesses in Europe are seeing an ever-increasing focus on sustainable production, food safety and animal welfare. This requires additional investments and adjustments in the way of working and is driving the ongoing consolidation of farming businesses. Under the influence of this as well as other factors the needs in terms of feed solutions and on-farm support are changing. The ForFarmers Total Feed approach is aimed at achieving better returns, healthier herds and greater efficiency on-farm.

## Better returns through targeted solutions

Livestock farmers' returns are largely dependent on the production of their animals and so we aim to supply good feed and appropriate advice throughout the various stages of an animal's life. In this way, we help livestock farmers to keep animals healthy, to organise their business efficiently and to increase on-farm results. In so doing we create value for our customers and for other stakeholders.

## Total Feed approach: feed, advice and tools

We have a strong tradition in the development and production of compound feed and complementary feed for livestock farmers. Our product portfolio comprises compound feed, specialties such as young animal feed, moist co-products, individual raw materials, seeds and fertilizers.

Our advisory services encompass all aspects of feed, livestock farming and business development which are relevant to customers. The use of on-farm data is essential to enable us to provide the best possible advice, with our advisers translating the data into appropriate, customer-focused solutions.

The data is also used in our tools to enable farmers to set business objectives, and monitor and benchmark results.

For certain specific products – for example premixes, specialties, additives and seeds – we choose to work with strategic partners that specialise in these specific products. For instance we have a strategic partnership with Nutreco for specialties such as young animal feed. Our role as on-farm adviser means we enjoy good and often long-standing relationships with farmers.



\*DML stands for Dry, Moist, Liquid. This includes [circular] co-products such as residual flows from human food production

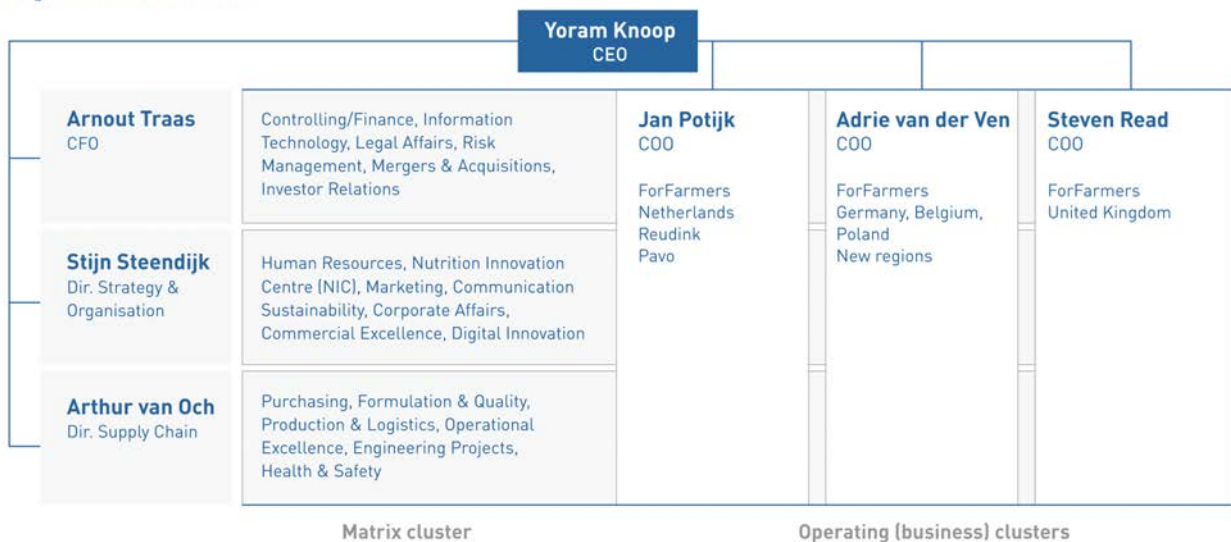
# Organisation

ForFarmers has its registered office in Lochem (the Netherlands).

In order to be able to implement the Horizon 2020 strategy well, it is important to have a decisive organisation. It must strike the right balance between entrepreneurship in the local markets and using the knowledge, values and experience available within the ForFarmers organisation. In order to best serve the market, ForFarmers has three operational clusters. These are divided geographically and headed up by COOs. The clusters are: the Netherlands, Germany/Belgium/Poland and the United Kingdom. Operational activities generally take place locally to optimally meet customers' requirements in the region in question. The activities that are organised at group level are linked to the clusters by means of a matrix organisation.

These include Control/Finance, Mergers & Acquisitions, IT, Investor Relations, Legal Affairs, Risk Management which are overseen by the CFO. HR (Human Resources), Nutrition Innovation Centre (NIC), Marketing, Communication, Sustainability, Corporate Affairs, Commercial Excellence and Digital Innovation are managed by the Director Strategy & Organisation. The Director Supply Chain oversees Purchasing, Formulation & Quality, Production & Logistics, Operational Excellence, Engineering Projects, and Health & Safety. The principle for these activities is that they should be centralised as much as possible, in line with the One ForFarmers approach. With this approach, ForFarmers aims to further professionalise the organisation, to work in a uniform manner and to optimally leverage the economies of scale.

Organisation chart 2018



# Composition of the Executive Board and the Executive Committee



From left to right: Arnout Traas, Jan Potijk, David Fousert, Arthur van Och, Yoram Knoop, Stijn Steendijk, Pieter Wolleswinkel, Steven Read, Adrie van der Ven

The Executive Committee of ForFarmers is composed of the Executive Board and the other Directors. Yoram Knoop (CEO), Arnout Traas (CFO) and Jan Potijk (COO) made up the Executive Board during the year under review. At the end of 2018 Jan Potijk decided not to be eligible for reappointment for a new term at the Annual General Meeting ('AGM') on 26 April 2019, after having been with ForFarmers and its predecessors for 36 years.

## Executive Board

### Yoram Knoop

#### CEO (Chief Executive Officer)

Yoram Knoop (1969, Dutch nationality) has been employed by ForFarmers since November 2013 and has been CEO of ForFarmers N.V. since 1 January 2014 (at the time ForFarmers B.V.). As Chairman of the Executive Committee, he is ultimately responsible for all strategic and operational affairs.

His current contract runs for a period of four years until the AGM in 2022. It will be renewable for another term of four years. On account of his position, he is a member of the European Feed Manufacturers' Federation (FEFAC) Steering Group.

Before Yoram Knoop joined ForFarmers, he was Managing Director of one Cargill's operating companies, which focuses on producing premixes for, amongst others, feed

companies. Yoram Knoop has an MBA in business administration. He has experience in commercial, operational and general management positions in the Netherlands, United Kingdom and United States, at stock-listed, private and private-equity companies (Provimi, Quest, Owens Corning).

### Arnout Traas

#### CFO (Chief Financial Officer)

Arnout Traas (1959, Dutch nationality) has been employed by ForFarmers as CFO since August 2011. He oversees the departments Control/Finance, Information Technology (IT), Legal Affairs, Risk Management, Mergers & Acquisitions (M&A), and Investor Relations.

During the Annual General Meeting of 15 April 2016, a term of four years was attached to his appointment, ending at the end of the AGM of 2020. His appointment can then be renewed for a term of four years.

Arnout Traas is a chartered accountant and worked for FrieslandCampina before joining ForFarmers, in the disciplines M&A and Finance. Prior to this, he built up extensive experience in all financial disciplines, in both stock listed and private companies (amongst which Vendex, Mars and Arthur Andersen).

### **Jan Potijk** **COO (Director)**

Jan Potijk (1958, Dutch nationality) started his career with (the predecessors of) ForFarmers in August 1983, and has been a member of the Executive Committee since July 2000. In 2018, he was responsible for ForFarmers in the Netherlands and for the companies Vleuten-Steijn, Pavo and Reudink.

During the Annual General Meeting of 15 April 2016, a term of three years was attached to his appointment, ending at the end of the AGM of 2019. As of 1 January 2019 Jan Potijk has handed over his operational responsibilities to the two new Executive Committee members, Pieter Wolleswinkel and David Fousert. Jan Potijk remains Executive Board member until the end of the AGM in 2019.

Jan Potijk started working at (the predecessors of) ForFarmers, immediately after having graduated from the Agricultural Polytechnic, and became a member of the board at a very young age. He was intensely involved in the transition of the Company, from a regional cooperative to an international organisation. Jan Potijk knows the agricultural sector well, as he was raised on a mixed farm.

## **Executive Committee members**

### **David Fousert** **COO (Director)**

David Fousert joined the ForFarmers Executive Committee on 1 January 2019.

David Fousert (1978, Dutch nationality) started working at ForFarmers in 2016 as Business Unit Director Ruminants within ForFarmers Netherlands. He is currently responsible for the Business Units Reudink, Pavo and ForFarmers Belgium. His employment contract is permanent.

David Fousert has a degree in pharmacy and he has gained broad experience through various international leadership positions in the food and agri business at Cargill.

### **Steven Read** **COO (Director)**

Steven Read (1963, British nationality) has been employed by the legal predecessor of ForFarmers in the United Kingdom since September 1986, by ForFarmers since July 2012, and a member of the Executive Committee since July 2014. Until the end of 2017, he was Director Supply Chain. As of 1 January 2018, he is Director (COO) of ForFarmers in the UK and he is responsible for the activities of ForFarmers there. Steven Read's employment contract is permanent.

Steven Read was raised on a dairy farm in the United Kingdom. After having studied Agriculture, specialising in animal nutrition, he started at Pauls Agriculture, which was later (as part of BOCM PAULS) acquired by ForFarmers. He has held both commercial and general management positions, managed multiple change projects and was directly involved in the sale of BOCM PAULS to ForFarmers.

### **Stijn Steendijk** **Director Strategy & Organisation**

Stijn Steendijk (1969, Dutch nationality) started with ForFarmers in July 2014 as Director Strategy & Organisation. He is responsible for HR (Human Resources), Nutrition Innovation Centre (NIC), Marketing, Communications, Sustainability, Corporate Affairs, Commercial Excellence and Digital Innovation. His employment contract is permanent.

Stijn Steendijk studied business administration, and he has held positions in commerce, HR and general management at, amongst others, L'Oréal, Unilever and Provimi. He has extensive experience in large-scale international change programmes, and was involved in the sale of the feed company Provimi to Cargill.

### **Arthur van Och** **Director Supply Chain**

Arthur van Och (1971, Dutch nationality) has been employed by ForFarmers since May 2018 as Director Supply Chain. He is responsible for Purchasing, Formulation & Quality, Production & Logistics, Operational Excellence, Engineering & Projects as well Health & Safety. Arthur van Och's employment contract is permanent.

Arthur van Och has a master's degree in business studies. Prior to joining ForFarmers, Arthur van Och held (international) management positions at AB InBev, Accenture and Philips. He has gained extensive international supply chain experience during 13 years at AB InBev.

**Adrie van der Ven**  
**COO (Director)**

Adrie van der Ven (1963, Dutch nationality) has been employed by ForFarmers as a Director (COO) since February 2016. During 2018, he was responsible for ForFarmers' activities in Germany, Belgium and Poland, and for further international expansion of ForFarmers in new regions. His responsibility for Belgium has been transferred to David Fousert as per 1 January 2019. His employment contract is permanent.

Adrie van der Ven was raised on a mixed farm. Prior to joining ForFarmers, Adrie van der Ven held (international) management positions at Louis Dreyfus, Nutreco and Cargill, all organisations that are active in the agricultural sector. He has studied business economics and has significant experience in M&A as managing partner of a private investment company.

**Pieter Wolleswinkel**  
**COO (Director)**

On 1 January 2019, Pieter Wolleswinkel joined the ForFarmers Executive Committee.

Pieter Wolleswinkel (1977, Dutch nationality) started working at ForFarmers in 2014 as Business Unit Director North within ForFarmers Germany. During 2018, Pieter Wolleswinkel was Business Unit Director Swine within ForFarmers Netherlands. He is currently responsible for ForFarmers Netherlands, consisting of the Business Units Ruminant, Swine and Poultry. Pieter Wolleswinkel's employment contract is permanent.

Pieter Wolleswinkel was raised on a mixed farm. He has a degree in veterinary medicine and an MBA. After his academic education he first worked as a practicing veterinary doctor for a couple of years and subsequently in international leadership positions at Provimi.

# The ForFarmers share

## ForFarmers highlights for investors

- #1 Total Feed solutions provider to farmers in Europe+ with leading market positions
- Active in resilient markets with growth opportunities
- Central position in value chain for animal proteins: access to farm gate
- Focused strategy to further enhance and expand business: Horizon 2020
- Clear and proven M&A strategy to drive further expansion
- Sustainability is a vital element in business model
- Strong balance sheet

## The ForFarmers share

The shares of ForFarmers N.V. were listed on Euronext Amsterdam on 24 May 2016 under the symbol '[FFARM](#)'. As of September 2016, ForFarmers is included in Euronext Amsterdam's AScX index, and since May 2017, in the MSCI Netherlands index.

The Company's issued share capital as at 31 December 2018 amounts to €1,062,610.41 and comprises 106,261,040 issued ordinary shares and one priority share, each with a nominal value of €0.01. Coöperatie FromFarmers U.A. holds the priority share.

On 31 December 2018, ForFarmers held 6.092.004 ordinary shares following the share buy-back programme that began on 2 May 2017 and ended on 23 February 2018. ForFarmers has registered its substantial participating interest in its own shares with AFM (5% based on the number of issued ordinary shares) on 14 December 2017.

### Share information

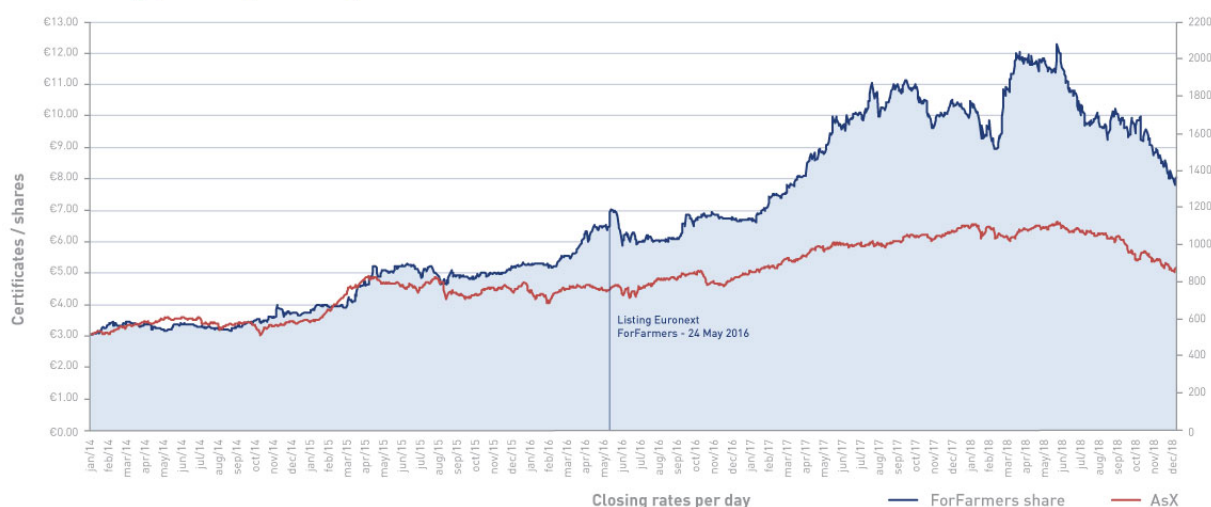
In euro	2018	2017
Earnings per share <sup>(1)</sup>	0.58	0.56
Dividend <sup>(2)</sup>	0.30	0.30
Number of ordinary shares outstanding (x 1 million) as of 31 December	100.2	100.8
Market capitalisation (€ million) on 31 December <sup>(3)</sup>	806.6	1,052.3
Highest price	12.30	11.16
Lowest price	7.83	6.61
Closing price	8.05	10.44

<sup>1</sup> Earnings per share is calculated based on the weighted average of the number of outstanding ordinary shares. In 2018, this number was 100,242,704 (2017: 104,077,496).

<sup>2</sup> Dividend is calculated based on the number of outstanding ordinary shares as of 31 December. In 2018 the dividend comprises two parts: €0.283 per ordinary share and a special dividend of €0.017 per ordinary share.

<sup>3</sup> Market capitalisation is calculated on the number of outstanding ordinary shares per 31 December.

## Closing price per day





## Dividend policy

ForFarmers aims to distribute dividend, taking into consideration long-term value creation and a healthy financial structure to execute its strategy. The dividend policy of ForFarmers is to pay out between 40% and 50% of the underlying net result attributable to shareholders<sup>1</sup>. In the underlying net profit four types of adjustments are distinguished: i) Impairments on tangible and intangible assets; ii) Business Combinations and Divestments, including the unwind of discount/fair value changes on earn-outs and options, dividend costs relating to non-controlling interests at anticipated acquisitions, and divestment related expenses; iii) Restructuring; and iv) Other, comprising other incidental non-operating items.

<sup>1</sup>Underlying net result attributable to shareholders is the net result attributable to shareholders of the Company excluding incidental items. ForFarmers considers this to be one of its alternative performance measures (APMs), see note 27 to the financial statements.

## Dividend proposal 2018

The proposal to distribute a dividend of €0.283 per ordinary share of a nominal value of €0.01 (based on 100.2 million ordinary shares outstanding) and a special dividend of € 0.017 per ordinary share, which would put the total dividend per ordinary share at €0.30 (2017: €0.30) shall be submitted to the General Meeting of Shareholders of 26 April 2019. This corresponds with a pay-out ratio of 50% of the underlying profit and 50% of the net proceeds of the sale of the arable activities in the Netherlands.

The aforementioned proposal has been approved by the Supervisory Board.

## Notification of capital interests

On 31 December 2018, the following shareholders with a substantial participating interest (>3%) are registered with the AFM in accordance with the notification requirement pursuant to the Financial Supervision Act ('Wft' in Dutch).

	Capital interest <sup>(1)</sup>	Registration date <sup>(2)</sup>
Coöperatie FromFarmers U.A. (direct en indirect)	49.99%	18 Oct 2017
Stichting Beheer- en Administratiekantoor ForFarmers	9.69%	31 Mar 2017
APG Asset Management N.V.	10.00%	21 Dec 2018
Kempen Capital Management N.V.	5.27%	8 Feb 2017
ForFarmers N.V. (due to share buy-back programme)	5.02%	14 Dec 2017
JP Morgan Asset Management Holdings Inc	3.01%	13 Oct 2017

<sup>(1)</sup> based on 106,261,040 issued ordinary shares

<sup>(2)</sup> As of 31 Dec 2018 the capital interest of Coöperatie FromFarmers UA is 45.76%, of Stichting Beheer- en Administratiekantoor ForFarmers 6.93% and of ForFarmers NV 5.73%

## Specification of shares

As at 31 December 2018, Coöperatie FromFarmers (the 'Cooperative') has a direct capital interest (based on the number of issued ordinary shares) of 17.4%, for which there is no connection to a participation account, and an indirect interest of 28.4%, for which the Cooperative has issued participation accounts to individual members.

These members may at any time decide for themselves to convert their participation account, or part thereof, into depositary receipts, make a transfer to investment accounts, or sell on Euronext Amsterdam.

As at 31 December 2018, the Cooperative could give voting instructions for 48,625,076 (certificates of) shares held by the Cooperative (directly and indirectly) and additionally could give voting instructions for 7,365,430 depositary receipts, which were held by Stichting Beheer- en Administratiekantoor ForFarmers and for which voting rights had not been requested. Taking into consideration the effect of the share buy-back programme, the Cooperative held a voting interest of 55.90% (based on the number of outstanding ordinary shares) as at 31 December 2018.

The Cooperative also holds the priority share as long as certain conditions are adhered to as laid down in the Articles of Association. This is clarified in the table below:

## Shares / Depositary receipts

	Shares / depository receipts 31 December 2018	Capital interest	Shares / depository receipts 31 December 2017	Capital interest
Total of ordinary shares outstanding	106,261,040	100.00%	106,261,040	100.00%
Held by ForFarmers	6,092,004	5.73%	5,469,292	5.15%
<b>Number of ordinary shares outstanding</b>	<b>100,169,036</b>	<b>94.27%</b>	<b>100,791,748</b>	<b>94.85%</b>
Shares Coöperatie FromFarmers U.A. (Direct)	18,498,469	17.41%	18,498,469	17.41%
Participation accounts of members (Indirect)	30,126,607	28.35%	33,797,040	31.80%
<b>Coöperatie FromFarmers U.A.</b>	<b>48,625,076</b>	<b>45.76%</b>	<b>52,295,509</b>	<b>49.21%</b>
Depositary receipts of members	5,079,437	4.78%	5,582,503	5.25%
Depositary receipts in lock-up	978,868	0.92%	1,445,655	1.36%
Depositary receipts other holders <sup>(1)</sup>	1,307,125	1.23%	1,161,264	1.10%
<b>Shares Stichting Beheer- en Administratiekantoor ForFarmers</b>	<b>7,365,430</b>	<b>6.93%</b>	<b>8,189,422</b>	<b>7.71%</b>
Shareholders (external)	44,178,530	41.58%	40,306,817	37.93%
<b>Total of ordinary shares outstanding</b>	<b>100,169,036</b>	<b>94.27%</b>	<b>100,791,748</b>	<b>94.85%</b>

*(1) These concern (former) employees of ForFarmers for whose depository receipts of shares no lock-up exists (anymore) and third parties which did not (yet) convert their depository receipts into shares.*

## Share buy-back programme

ForFarmers repurchased 6,363,782 of its own ordinary shares in the period 2 May 2017 until 23 February 2018. Of these, 6,062,222 shares were repurchased as part of the share buy-back programme to make ForFarmers' balance sheet more efficient and 301,560 shares (in 2017) for the employee participation plans for the Executive Committee members, senior managers and other employees. The AGM in 2017 granted an authorization to the Executive Committee for this share buy-back programme, with a maximum of €60 million. The relating shares were repurchased for an average price of €9.86 per share. In addition, 186,502 were repurchased in 2018 for the 2018 employee participation plans, as approved by the AGM in 2018. These shares were repurchased for an average price of €11.75 per share. The progress of the share buy-back programmes was disclosed weekly by means of a press release.

## Trading volume

One of the reasons for the public listing on Euronext Amsterdam was to increase the share's liquidity. The average trading volume in ForFarmers depository receipts on the trading platform prior to listing on Euronext

Amsterdam in May 2016 came to around 40,000 a day. Over the course of 2018, the trading volume in ForFarmers shares was an average of around 110,000 a day (2017: approximately 218,000 a day). A significant difference in the average trading volume was noted in the first half of 2018 (144,000) versus the second half of the year (76,000). Multiple small and mid-cap funds showed lower trading volumes as of the summer months.

## Liquidity provider

In its role as liquidity provider, ABN AMRO had the obligation, between 1 January 2018 and 31 December 2018, to support trading in ordinary shares of ForFarmers on Euronext Amsterdam by issuing permanent purchase and sale orders. As a liquidity provider, ABN AMRO operates fully autonomously of the Company and must comply with the directives of the AFM. ForFarmers has extended the contract with ABN AMRO by one year.

## General Meeting of Shareholders

The General Meeting of Shareholders will be held on 26 April 2019 in Laren (Gelderland, the Netherlands). ForFarmers will publish the agenda for the AGM 2019 on 13 March 2019 on its corporate website.

## Financial calendar

29-03-2019	Registration date General Meeting of Shareholders
26-04-2019	General Meeting of Shareholders
30-04-2019	Ex-dividend listing
02-05-2019	Registration date for those entitled to a dividend
02-05-2019	Q1 2019 Trading update
09-05-2019	Dividend payment
15-08-2019	Publication of half-year results 2019
31-10-2019	Q3 2019 Trading update
12-03-2020	Publication annual results and annual report 2019
24-04-2020	General Meeting of Shareholders

The Company is established in Lochem (the Netherlands) and registered in the companies' register of the Chamber of Commerce under the number 08159661.

## Investor Relations

ForFarmers values a good and open relationship with its (potential) shareholders, depositary receipt holders, investors, analysts and other financial stakeholders (hereinafter 'Investors'). ForFarmers aims to give Investors clear, accurate and prompt information on developments within ForFarmers.

ForFarmers provides information through press releases, annual reports, (Q1 and Q3) trading updates and presentations to properly and best inform Investors. All information is available via the corporate website. The Company also organises audio webcasts to present the annual and half-year results, visits (potential) shareholders during roadshows and participates in conferences that banks organise for investors. All information that is shared with Investors is based on public information. The rules are also laid down in the [Policy regarding bilateral contact with shareholders](#). Because of the major participating interest of the Cooperative FromFarmers U.A. in ForFarmers, a [relationship agreement](#) has been established between these parties.

## Contacts with Investors

Over the course of the financial year, ForFarmers has undertaken many Investor Relations activities. Over 100 conversations took place with fund managers in 14 different cities. The CEO or the CFO nearly always accompanied the Director Investor Relations during these meetings comprising 10 road shows and 9 conferences. The cities visited were primarily important financial centres including Amsterdam, London, New York, Frankfurt and Paris. The aforementioned policy was always observed in the bilateral contacts with Investors. In 2018, members of the Executive Board of ForFarmers attended meetings of the member council and the annual FromFarmers Cooperative members meeting. The exchange of information at these meetings takes place under the conditions of the aforementioned policy.

All shareholders, depositary receipt holders and members of FromFarmers who hold a participation account with FromFarmers can attend the Annual General Meeting of Shareholders.

## Disclosure

The supply of information to Investors takes place in conformity with the Dutch Financial Supervision Act (Wft) and the European Market Abuse Regulation. ForFarmers informs its Investors of relevant developments promptly, simultaneously and fully by means of a press release that is also posted on the corporate website and submitted to the AFM.

The Executive Committee assesses, in consultation with the Disclosure Committee, if and when information is price-sensitive and whether a disclosure obligation applies thereto.

## Independent analyst reports

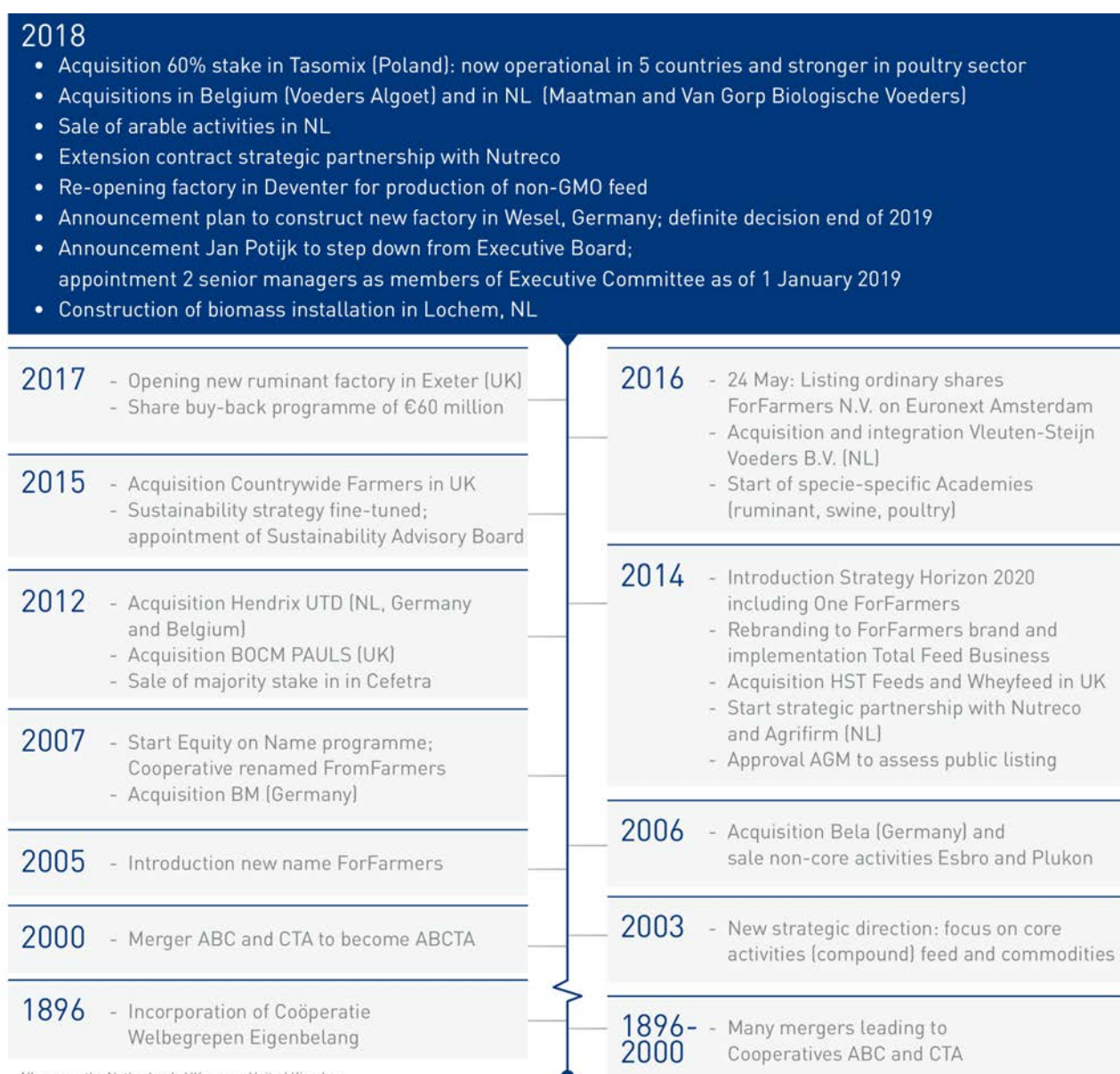
ForFarmers was followed by financial analysts of seven different organisations during 2018. ABN AMRO, the Idea-driven Equities Analyses Company, KBC, Kempen, Kepler Cheuvreux and NIBC Markets and, as of mid-2018, deGroofPetercam all published analyst reports about ForFarmers. Periodic updates were published alongside extensive reports.

In addition, Berenberg invited ForFarmers on two 'discovery' conferences, in Europe and the United States. Berenberg selected twenty-five companies, which they brought into contact with a select group of their institutional investor clients during these conferences.

# Historical development

The rich history of ForFarmers goes back to 1896, the year in which one of its legal predecessors was established as a cooperative. In order to leverage scale, the cooperative expanded through like-for-like growth, mergers, and acquisitions in the decades that followed. The key activities of the cooperative were sourcing of raw materials and producing feed for the affiliated members. In 2005, the name was changed to ForFarmers, in line with international growth ambitions.

The cooperative was split in the cooperative FromFarmers and the company ForFarmers in 2007 to facilitate further international expansion. In that year the 'equity on name' (EON) registration process was also started. Since then, the cooperative goes by the name of Coöperatie FromFarmers U.A. (the 'Cooperative'). Through the EON process, 82.6% of the Cooperative's assets were credited to participation accounts of members of the Cooperative over a period of 10 years. Members of the Cooperative and third party investors (non-members, generally not farmers) traded in depository receipts of ForFarmers between 2007 and the listing of ForFarmers' shares in May 2016. Currently, the Cooperative holds 17.4% of the issues (certificates of) ForFarmers shares directly. As at 31 December 2018 the individual members of the Cooperative jointly hold an indirect interest of 28.4% in ForFarmers. These members can individually decide at any time to sell their ForFarmers' securities on Euronext Amsterdam.



NL means the Netherlands UK means United Kingdom



# REPORT OF THE EXECUTIVE BOARD

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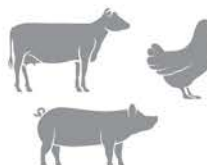
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The stakeholder gets to speak

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Sustainability and Innovation

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# Strategy Horizon 2020

ForFarmers operates in the chain that seeks to sustainably meet the growing demand for food, in particular animal proteins such as meat, egg and dairy products. This growing demand is a direct consequence of global population growth and increasing prosperity. Many of the animal proteins produced in Europe are exported to countries where production methods are less efficient, for example because of the climate. This is putting growing social pressure on the agricultural sector in Europe because of concerns about the carbon footprint of livestock farming locally and beyond.

There is also growing consumer interest in food quality and provenance. Livestock farmers increasingly need to comply with rules, legislation and measures which are directly or indirectly related to for example the Paris climate targets. This usually means having to make more investments. The result is that farming businesses are consolidating to create scale in order to be able to achieve healthy returns. ForFarmers provides innovative feed concepts, advice and tools to give livestock farmers an efficient way of improving their on-farm returns, with healthy animals and attention for animal welfare. This fits seamlessly with 'For the Future of Farming', the ForFarmers mission aimed at contributing to better continuity of the farming business, a healthy agricultural sector and a sustainable society.

## Pillars of Horizon 2020 strategy

ForFarmers seeks to shape its mission and create value with its Horizon 2020 strategy, which is based on four pillars:

### 1. Focus on attractive segments

ForFarmers gears its nutritional knowledge and its range of products and services to the size and stage of development of its customers' businesses. Large farming businesses with many employees and companies that use milk robots and other state-of-the-art technologies need different products and advice than small companies or companies that focus on a niche market, such as organic dairy products. To enable to provide these different groups of customers with the best possible service, customer segmentation (using a customer relationship management

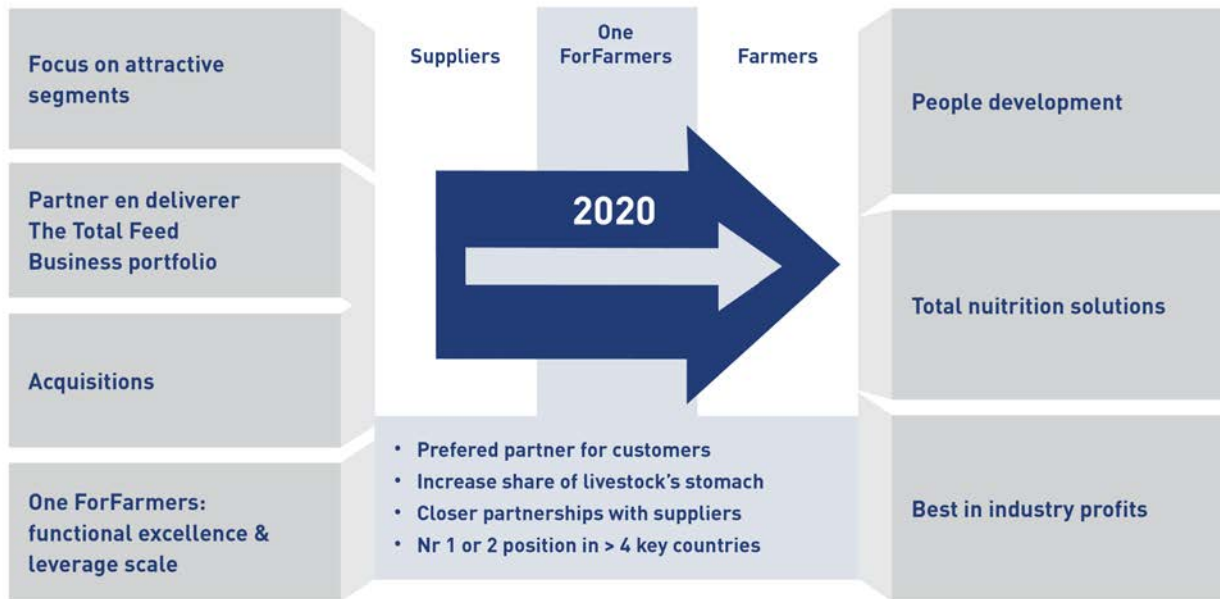
(CRM) system) is a prominent feature of ForFarmers' market approach, and has been implemented in all the operating countries (except Poland), with teams that concentrate on a particular segment. The CRM system also records which products are purchased by individual customers, and for which stage of the animal's life. This provides insight into how and with which products ForFarmers can deliver a tailored Total Feed solution to the livestock farmer and increase its 'share of stomach' with the customer's livestock. In 2018 ForFarmers further sharpened its focus on organic livestock farmers with the acquisition of Van Gorp Biologische Voeders and the announcement of the acquisition of a small organic feed company in the United Kingdom.

### 2. Work with partners to provide a Total Feed portfolio

ForFarmers wants to create long-term value with the Total Feed approach: delivering innovative solutions to livestock farmers that meet their individual needs, specific business objectives and feed systems. The products, advice and tools used in doing so together form the Total Feed portfolio. For a number of products that it does not manufacture itself ForFarmers has chosen to form strategic partnerships with parties that are able to make a key contribution to the Total Feed approach. This is the case for example with the international partnership with Nutreco, which was formed 2014 and extended for five years in 2018. Under this partnership, micro ingredients and specialties such as calf milk replacer formulas are purchased from Nutreco wherever possible, allowing major economies of scale and quality controls to be



## ForFarmers, the leading Total Feed partner in Europe+



realised. The company has also joined forces with Nutreco in the area of research, resulting in new feed concepts such as VIDA and NOVA for the pig sector.

In addition ForFarmers has formed more local partnerships with a number of parties with a view to expanding the Total Feed portfolio. During the year under review a new strategic partnership was formed between ForFarmers Netherlands and Baks under which ForFarmers Netherlands will handle the sales activities relating to moist feed for the pig sector (specifically whey products), while Baks Logistiek will handle the logistical activities relating to this product flow. Whey products are an example of co-products derived from residual flows from human food production. The use of residual flows is consistent with the ForFarmers sustainability policy aimed at the circular use of raw materials.

### 3. Acquisitions

ForFarmers aspires to a number one or two position in the regions where it is active. It aims to achieve this through both organic growth and acquisitions while seeking the best possible result for all stakeholders. In terms of logistics it is not only scale that is important to feed companies but also proximity: the closer the factory is to the customer the greater the efficiency thanks to lower logistical costs. The agricultural sector is furthermore

characterised by great loyalty between the customer and their feed company, mainly because of the relationship between the advisers who visit the farms and the customer. Making appropriate acquisitions offers a good perspective for growth in this context.

In terms of acquisition opportunities ForFarmers focuses primarily on the five core countries (the Netherlands, Germany, Belgium, Poland and the United Kingdom) in light of the generally good synergy opportunities that present themselves here in the areas of logistics, production, purchasing, formulation and overheads. In addition ForFarmers also looks at opportunities in new markets within or adjacent to Europe (Europe+). The first condition that a market has to meet is to have enough animals. In order to get a clear picture of potential takeover candidates and ensure an effective and efficient acquisition process ForFarmers has a Mergers & Acquisitions team that works closely with the Executive Committee and the business unit managers of the clusters.

During the year under review ForFarmers acquired 60% of the shares in Polish company Tasomix. Following this transaction ForFarmers is now active in five countries and has a stronger position in the growing European poultry sector (for broiler farming in particular). The management

of Tasomix has remained in place, allowing maximum leverage of both companies' strengths. Further acquisitions in the course of the reporting year included Voeders Algoet in Belgium and Maatman and Van Gorp Biologische Voeders in the Netherlands, all of which have been integrated in the local organisations. During the year under review ForFarmers also announced the acquisition of a small organic feed company in the United Kingdom.



#### 4. One ForFarmers: professionalisation and leveraging economies of scale

The One ForFarmers approach is aimed at professionalising processes, leveraging best practices across the group and optimising cost efficiency. This is achieved through internal knowledge sharing, further professionalisation of the organisation, clear working practices and optimum leverage of economies of scale. This approach is possible thanks to the matrix organisational structure, under which central departments provide support to the country organisations. For example ForFarmers has three dedicated marketing teams, focusing on the ruminant, pig and poultry sectors respectively, which devise marketing strategies and implementation plans which are then applied at a local level. The marketing organisations work in close cooperation with specialists from our centrally organised Nutrition Innovation Centre (NIC) and the local on-farm advisers. ForFarmers has set up specie-specific Academies (ruminants, pigs and poultry) to optimise the sharing and leveraging of internal knowledge so that it can be used for the customers' benefit.

The following steps were taken during the year under review:

- The two ruminant sales teams in the United Kingdom were merged to create a single commercial organisation to enable a uniform approach to the market.

- As from the beginning of 2018 all employees were linked up to the Workday HR system, which was implemented in 2017. This has optimised the management and implementation of HR processes.
- The integration of activities and employees at the financial shared service centre (FSSC) in the Netherlands was completed during the year under review after the continental financial back office activities (excluding those in Poland) were centralised at the FSSC. In addition many administrative processes were harmonised.
- 2018 saw the Total Feed Support (TFS) team in the Netherlands reach full strength. The TFS team, which was set up in 2017, makes intensive use of the CRM system, which provides a clear picture of what and how much each customer purchases from ForFarmers. The TFS team provides specie-specific support to customers as well as supporting the sales teams and advisers. Customers now have a one-stop shop where they can go for advice and support by phone. The TFS department is also responsible for selling DML products as part of the Total Feed portfolio.

### Horizon 2020 deliverables

ForFarmers is able to strengthen its position in the chain through the implementation of the Horizon 2020 strategy. This is done by continuously focusing on people development and delivering innovative Total Feed solutions to customers. This should lead to results belonging to the best in the industry.

#### Employees: personal development

ForFarmers invests in the professional and personal development of its employees, providing them with more opportunities and growth potential. In 2018 a large number of employees once again took part in both management and professional training courses. A detailed description can be found in the Human Resources section. In May 2018 the senior management (the ForFarmers top 50) travelled to Poland to meet the new colleagues at Tasomix. The visit was considered valuable by all concerned.

#### Customers: Total Feed solutions

ForFarmers uses the Total Feed approach to provide integrated solutions comprising feed and other products, along with advice and tools to define customers' business

objectives and monitor their results. This approach allows ForFarmers to coordinate products and advice throughout the on-farm production cycle. This provides the customer with an all-round solution appropriate to their feed system and business situation. ForFarmers maintains an ongoing dialogue with its customers both on-farm and via for example sounding board groups and conferences to understand their changing needs and requirements.

These insights are used to develop new concepts and tools. The following are examples of all-round and other solutions:

- In 2018 ForFarmers introduced the Agroscoop data management system in the swine sector in the United Kingdom. Agroscoop gives livestock farmers insight into the key technical and economic figures relating to their business. Pig farmers, assisted by the ForFarmers advisers, can use the system to optimise their business. In the Netherlands it is commonplace for farmers to make data available for advisory purposes and many ForFarmers customers here already use Agroscoop. The knowledge and experience already gained in this field, mainly in the Netherlands but also in Germany and Belgium, will also be used to work with partners to build a data system for the sector in the United Kingdom.
- Apollo, a new feed concept for broilers, was introduced in the poultry sector in the Netherlands, Germany and the United Kingdom. The pre-start concept, aimed at healthy and efficient growth of broilers, is designed for the first 100 hours of the broiler's life and also ensures a better feed conversion. This approach is consistent with the ForFarmers mission to increase livestock farmers' returns as well as with its sustainability target to improve feed conversion to limit the use of scarce raw materials. The Apollo concept was ready for launch after an intensive R&D process by the ForFarmers Nutrition Innovation Centre, along with extensive testing at broiler farms in Northwest Europe.
- In a pilot conducted in the Netherlands ForFarmers installed 12 feeding stations with built-in scales to collect data such as feed intake combined with the weight of finishing pigs. This will provide an insight into the feed conversion of both the individual animals and per sty. ForFarmers will use this information in its advice to pig farmers. The feeding station recognises the individual pigs by their ear tags with built-in chips.
- ForFarmers also introduced Pens Stimulator+, a new product that stimulates the health of both the rumen and the intestine of dairy cows, resulting in healthier animals that process forage more efficiently. This means more milk from forage and hence a higher milk production, enabling additional feed profits of an average of €45 per cow per year to be realised. The product also results in healthier cows and better use of forage and is consistent with the sustainability topic Animal health and welfare. The ForFarmers NIC conducted tests with Pens Stimulator+ at practice firms in 2018.
- In the Netherlands ForFarmers started working on a blockchain pilot project with agritech company AgOS in the Frievar pig chain. A blockchain is a digital chain that enables partners to share real-time information, in this case about the production process and transactions, in order to provide a picture of the entire pig chain and improve the process across the chain. Ultimately this will help safeguard higher quality and better food safety.



### Profitability among the best in the sector

Underlying EBITDA in 2018 equalled €100.1 million, 1.3% lower than in 2017. At constant currencies the decline was 1.0%. Gross profit rose by 5.6% to €443.4 million. As a result the underlying EBITDA/gross profit ratio in 2018 decreased to 22.6% from 24.2% in 2017. The underlying profit per share was €0.58, equal to in 2017. The dividend proposal over 2018 is €0.283 per ordinary share (based on 100.2 million shares outstanding) and a special dividend of €0.017 per ordinary share. This would put the total dividend per share at €0.30 (2017: €0.30). Based on the closing share price of €8.05 at year end 2018, this equates to a dividend yield of 3.7%.

## Horizon 2020 in perspective: an analysis of ForFarmers and its markets

ForFarmers' Horizon 2020 strategy focuses on long-term value creation, primarily for livestock farmers, employees, shareholders and other stakeholders. ForFarmers considers it important to be able to respond to market developments in a timely and appropriate way. Stakeholder dialogue is crucial in this respect. Internal analyses are also important, to identify our organisation's strengths and weaknesses as well as opportunities and threats in the market (SWOT analysis).

The SWOT analysis is shown below:

SWOT-analysis		
	Positive	Negative
Internal	<p><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>· Full focus on Total Feed approach on-farm</li> <li>· Leveraging scale, internal academies, in-house Nutrition Innovation Centre</li> <li>· Solid financial position</li> </ul>	<p><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>· Total Feed portfolio not yet complete in all countries</li> <li>· Market position in Germany and Poland still sub-optimal</li> <li>· Imbalance in the contributions from the various clusters</li> </ul>
External	<p><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>· In consolidating markets: growing demand for customer-specific data-driven/ supportive solutions, further acquisitions and further use of big data</li> <li>· Increase in environmental and other legislation requires innovative feed solutions</li> <li>· Growing interest in food quality and provenance</li> <li>· Increasing global demand for animal proteins</li> </ul>	<p><b>THREATS</b></p> <ul style="list-style-type: none"> <li>· Animal diseases</li> <li>· Increase in legislation concerning environmental impact</li> <li>· Growing attention for alternatives to animal proteins for human consumption</li> <li>· The use of algorithm solutions for feed advice</li> </ul>

# Market Developments in the Food Value Chain

Global developments with respect to animal protein show a mixed picture. With a growing global population and increasing prosperity in emerging markets the demand for animal protein – dairy products, meat, eggs – continues to increase around the world, although in Europe overall consumption of animal protein is virtually stable. At the same time, ongoing globalisation positively affects international trade in products containing animal proteins while tensions in the global market are causing uncertainty and shifts in the flows of export goods.

A large amount of animal protein is exported from Europe to countries where methods of producing animal proteins are less efficient, for example because of the climate. Given the (local) environmental impact of producing animal proteins for export the European agricultural sector is coming under growing social pressure. The European livestock feed industry can play an important role in finding solutions to sustainability issues associated with the production of meat, eggs and dairy products. The additional investments that livestock farmers need to make in order to comply with the legislation and regulations are driving consolidation among farming businesses. This is resulting in changes to client needs and requirements, for example for innovative tools to monitor on-farm data. The consolidation of feed companies should also be viewed in this light.

Growing consumer interest in food quality and provenance is prompting new initiatives and collaborations within the sector, for example welfare concepts. The new dynamic in the agricultural sector is evident with opportunities and challenges for the whole industry. As an essential link in the food chain ForFarmers has a role to play in these developments. Providing farmers with cost-effective and sustainable Total Feed solutions (feed concepts, advice and tools) is the basis for this.

## Raw materials market

Raw material costs account for a considerable part of the cost of animal feed. Fluctuations in these costs are passed on to clients wherever possible. The purchasing process and the combination of raw materials in the feed (the formulation) are therefore very important activities for ForFarmers. The purchase of the raw materials that are

processed by ForFarmers can be divided into micro ingredients (such as amino acids, vitamins and minerals) and macro ingredients (such as cereals, plant-based proteins, high-fibre raw materials and vegetable oils). When purchasing micro ingredients and premixes ForFarmers takes advantage of economies of scale by sourcing as many of such purchases as possible from its strategic partner Nutreco.

Macro ingredients are purchased from a small number of global suppliers with purchasing having been optimised in 2017 by the establishment of category specialists to manage the purchasing across the countries. ForFarmers is mainly focused on the efficiency of the purchasing process, the quality assurance of the products and optimisation of the feed composition within the desired nutritional performance. The most important macro ingredients purchased by ForFarmers are cereals such as maize, wheat and barley, and vegetable protein sources such as soybean meal, rapeseed meal and sunflower seed meal. ForFarmers aims to purchase fully sustainably produced soybean meal and palm oil, in line with one of the Company's sustainability objectives. In addition ForFarmers processes residual flows from human food production, for example from breweries and cheese manufacturers, thus contributing to a circular agricultural sector.

The prices of raw materials are determined by a whole range of factors, including the quality of the harvest, which is strongly dependent on weather conditions. Costs associated with production, storage, transport (influenced amongst others by the water levels in the rivers) and energy also impact on the cost of raw materials. This became abundantly clear in 2018, when the exceptionally

hot and dry summer resulted in a sharp and rapid increase in the price of raw materials in Europe and transport costs rose as a result of the low river levels in the Netherlands and Germany in particular. Purchasing of raw materials for the organic sector was also under pressure in 2018 due to tighter European guidelines regarding the provenance sites of such raw materials, which are now required to be more European and regional.

Feed companies in general came under more pressure in 2018 to purchase raw materials sourced locally rather than on the global market. This poses a dilemma in terms of an adequate availability of raw materials in the face of the growing demand for animal protein.

Finally the trade tensions between the United States and China resulted in lower exports of raw materials from the United States to China, making certain raw materials from the United States more attractive for European importers such as ForFarmers.

## Farmers

The tone of the public debate on the agricultural sector in relation to the environment and the well-being of humans and animals is becoming increasingly harsh, particularly in the Netherlands and Germany. It is up to all those involved in the agricultural chain to explain how they contribute to sustainable high-quality food production. Consumer confidence and transparency in the food chain are important aspects in this. New technologies such as blockchain might have a role to play here in the future, although this will push up costs in the chain. Livestock farmers are already facing rising costs as a result of increasing legislation and regulations. Moreover retailers are keeping up the pressure on prices of agricultural products. All this is driving a steady increase in scale and professionalism in the sector. As a result the business operations of livestock farmers are becoming increasingly complex and this is fuelling the need for integrated feed solutions and the ability to monitor technical and financial results. The volume of data being recorded at both animal and business level is growing. While we also expect to see an acceleration in the availability and application of livestock farming business data, the extent will differ from country to country. Dutch livestock farmers are frontrunners in terms of using data. ForFarmers is applying the knowledge and experience gained in the Netherlands to encourage farmers outside the

Netherlands to structurally monitor and use data, using data management systems such as Agroscoop to demonstrate to farmers how they can use data to help optimise their business operations.

## Ruminant sector

Within the ruminant sector ForFarmers is mainly active in the dairy segment. The dairy sector in Northwest Europe benefits from a strong export position based on a high added-value product portfolio and against the backdrop of growing demand for dairy products from across the globe, particularly Asia.

We are seeing increasing differentiation in dairy flows in the markets where ForFarmers is active. Growing demand from German consumers for non-GMO food is fuelling interest in VLOG-certified (Verband Lebensmittel ohne Gentechnik) feed from livestock farmers in the Netherlands and Belgium who export products. In order to meet this demand ForFarmers reopened a factory in the Netherlands, which is fully dedicated to producing non-GMO feed.



Developments in the ruminant sector differed from country to country in 2018. For example in the Netherlands farmers were faced with the impact of the phosphate reduction measures announced in 2017. As a result the dairy herd shrank by around 11%. In Germany, Belgium and the United Kingdom dairy herds were reasonably stable. The extreme weather conditions in Northwest Europe in 2018 – a cold, wet spring followed by a long hot and dry summer – saw dairy farmers in various countries facing lower milk volumes and reduced availability of forage. The latter resulted in increased demand for ForFarmers compound feed in the United Kingdom in particular.

The goat herd in the Netherlands stabilised following several years of growth. The United Kingdom saw an increase in both sheep and cattle herds in 2018.

### Swine sector

While the global demand for pig products continues to grow, demand in Europe is stable to slightly lower. Continental pig farmers tend to produce for both the local market and for export. Intensive pig farming is faced with increasingly strict local environmental legislation, with the Netherlands for example announcing a 'warm restructuring' of the pig farming sector in 2018. This is aimed at innovating and restructuring the Dutch swine sector in order to improve the living environment in livestock-rich areas on a voluntary basis. ForFarmers supports the Action Plan to Revitalise Pig Farming by the Dutch Association of Pig Farmers (Producenten Organisatie Varkenshouderij - POV) and is now working with a number of partners to implement the plan.

In Germany tighter limits were set on the amount of nitrogenous manure farmers are allowed to spread on their land. The aim is to make better use of fertilisers and to reduce both ammonia emissions and groundwater pollution.

Virtual chain integration is under development in the swine sector with various initiatives being developed in the Netherlands across the sector and a start now also being made in Germany.

In the second half of 2018 pig farmers in Belgium had to deal with an outbreak of African swine fever among wild boar. This prompted several Asian countries to block imports of Belgian pig products, putting pressure on prices. Feed companies including ForFarmers are following hygiene protocols as a precaution and keeping a close eye on the developments.

In the United Kingdom the consolidation among pig farmers and processors stabilised in 2018. A large part of the market is supplied by three parties (BQP, Wayland Farms, Brydock Farms), of which two reported like-for-like growth. The sector is able to meet around 60% of local demand, amid growing demand for pork. Essential imports, primarily from Europe, have become more expensive since the Brexit vote and the associated fall in the value of the Pound sterling. Growth in the UK swine sector, where ForFarmers holds a good market position, would therefore seem likely.

It is possible that China will increase its imports of European pig products in the wake of a reduction in the Chinese swine herd due to an outbreak of African swine fever. In addition local pig farmers are facing increasingly strict environmental regulations while the trade tensions between China and the United States could also push up Chinese demand for European pig products.

### Poultry sector

Consumers in Western Europe have a growing preference for poultry, which is seen as affordable. In the Netherlands and, increasingly, Germany consumers are opting for meat from slow-growing chickens and organic or free-range eggs. This means that Dutch and an increasing number of German poultry farmers are feeding their animals according to welfare concepts especially developed for this purpose, which although they are more expensive produce greater returns for these non-conventional farmers.



However, conventional production is still the standard in other European countries and for Dutch exports. Competition in the field of conventional production is mainly coming from Poland and Ukraine.

ForFarmers strengthened its competitive position in this segment in 2018 with the acquisition of a 60% stake in the capital of Tasomix of Poland. There is continued growth in the Polish poultry market, in both the integrated chain and the non-integrated segment of the market. A large amount of additional processing capacity is being built to facilitate the growth of the broiler chain. In addition there is increasing consolidation among processors, causing smaller processing companies to disappear. The poultry sector produces mainly conventional broilers for both the domestic and the export market.

The poultry sector in the United Kingdom reported considerable growth whilst the arrival of new layer companies in Belgium is also a positive development. The number of laying hens in both the Netherlands and Belgium remained lower in 2018 compared to the previous year following the fipronil affair of 2017.

In 2018 ForFarmers introduced a data collection tool that gives poultry farmers a real-time insight into their animals' performance. This is in line with ForFarmers' ambition to provide livestock farmers with a sustainable way of improving their on-farm returns using the Total Feed approach (feed, advice and tools).

### **Organic sector**

The organic sector is experiencing ongoing professionalisation and steady growth. Consumers want healthy food and to know about the provenance of food, and this is driving demand for organic products. Moreover consumers are increasingly prepared to pay the higher prices associated with organic products. This means returns for organic livestock farmers are good. Despite this, the organic sector is still a niche market compared to conventional livestock farming. The limited availability of organic raw materials remains a point of attention.

Operating under the Reudink name ForFarmers holds a leading position in the European organic market. The Company has a dedicated factory for the production of organic feeds, which also undertakes toll manufacturing for other feed companies. In 2018 Reudink's position was further strengthened with the acquisition of Van Gorp Biologische Voeders (active in the Netherlands and Belgium). A small acquisition was announced in the United Kingdom, where ForFarmers also has a strong position in the organic market operating under its own name.

### **Horse sector**

In recent years riding and keeping horses has grown in popularity in Belgium, Germany and the Netherlands. Horse breeding has been on the rise for the last few years and riding centres have reported a growing number of new (recreational) riders of all ages. The retail sector is also benefiting from the growing interest in equestrianism. In addition, there is a flourishing trade in (recreational) horses that have been bred in Belgium, Germany or the Netherlands. Sports associations report a drop in membership, however.

Recreational horse owners have a strong preference for feed containing no cereals, molasses or genetically modified ingredients. This sector is also displaying growing interest in data-driven solutions that allow rations to be adjusted to better suit the health, well-being and performance of the animal. Pavo, the brand under which ForFarmers has been serving the horse sector for 50 years, is responding to these trends.

## **Compound feed industry and competitive position of ForFarmers**

ForFarmers is active in the compound feed market, which is highly fragmented at an international level. All markets are experiencing steady consolidation of both farming businesses and feed companies. However, the number of animals in the various markets is virtually stable.

The three main players in the Netherlands – ForFarmers, Agrifirm and De Heus – have a combined market share of around 65% with the remaining 35% split among around 80 other feed manufacturers.

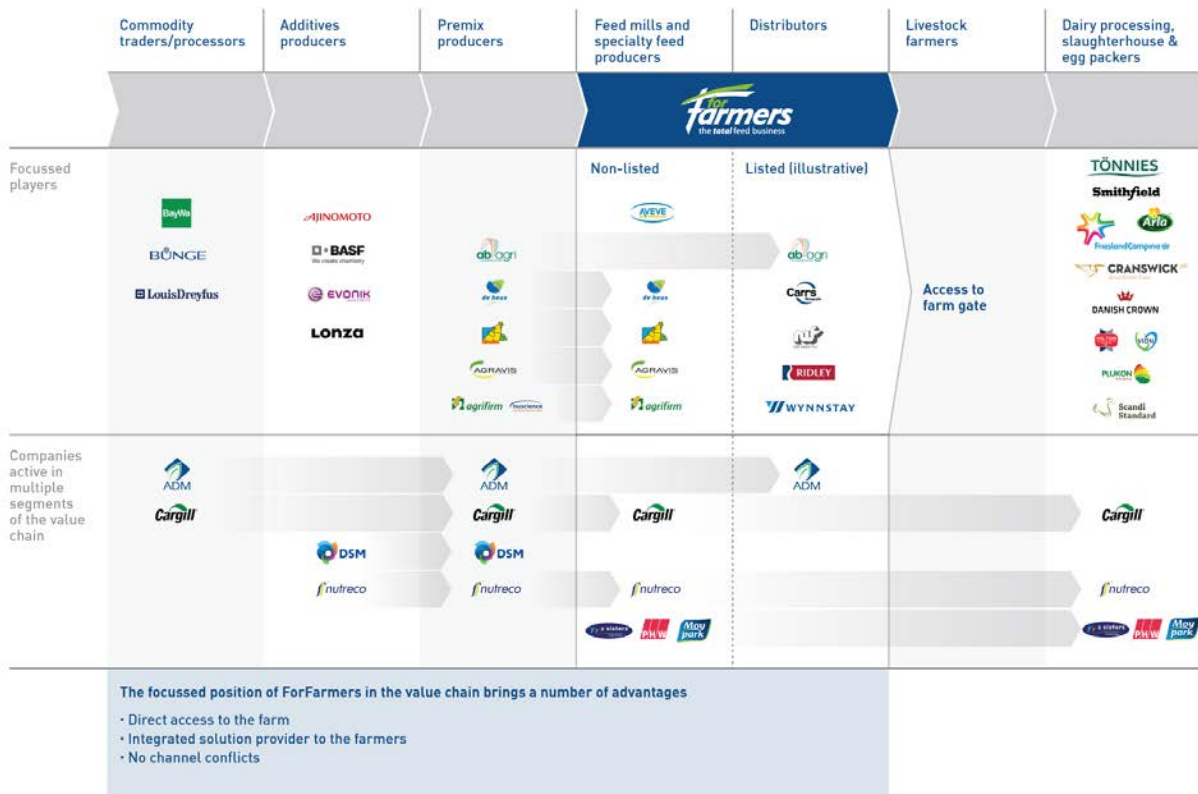
The three largest feed companies in the United Kingdom – AB Agri, ForFarmers and 2Agriculture – have a combined market share of around 35%. Besides these, around 150 medium-sized and smaller players are active in the UK market.

Following the acquisition of Voeders Algoet ForFarmers is the second-largest feed company in Belgium after Arvesta (the former Aveve) and ahead of VandenAvenue (number 3). Together these three companies hold a market share of around 35%, in a playing field of around 50 companies.

The German market is more fragmented. Agravis, DTC, Bröring and ForFarmers are the leading feed companies here with a combined market share of around 30%. Germany has around 300 other medium-sized and smaller players. Feed companies are often owned by a cooperative or one or several families.

In 2018 ForFarmers also entered the Polish market, which has a higher level of consolidation, with the three largest feed companies – Cargill, De Heus and Wipasz – having a combined market share of almost 40%. Following the acquisition of 60% of the shares in Tasomix in 2018 ForFarmers is the number four in Poland.





The transaction means that ForFarmers is now active in five countries and a step further towards reinforcing its leading position in the European feed market.

ForFarmers is fully focused on delivering Total Feed solutions on-farm. This sets it apart from a number of its larger competitors. In line with the Horizon 2020 strategy the Company leaves the production of premixes to other players in the chain. ForFarmers has a strategic partnership with Nutreco which also covers the purchasing of premixes.

ForFarmers wants to be the leading European animal feed company. In terms of its acquisition strategy ForFarmers focuses on strengthening its market positions and leveraging synergies in the markets where it is already active as well as on new markets in Europe+ (Europe and adjacent regions). A number of its larger direct competitors have a wider geographical scope. Smaller and medium-sized competitors tend to have a local focus and in some cases specialise in a specific species of animal.

In the consolidating European market, scale and focus are key to a competitive and leading position. ForFarmers is therefore seeking to use its One ForFarmers efficiency programme to maximise economies of scale for example

by investing in innovation, knowledge development and versatile feed solutions. Under this programme projects are undertaken in a wide range of areas, including the supply chain, administrative departments and marketing, with the aim of achieving maximum cost efficiency.

## Government

### Legislation

Legislation and regulations for the agricultural sector are usually developed at a European level and affect all livestock farmers. The main focus is on reducing the use of antibiotics, improving animal welfare and, given climate change, environmental impact. In addition increasing attention is being paid to circularity in the agricultural sector, including making use of residual flows from the food industry. ForFarmers offers such co-products in the context of its Total Feed solutions.

In the Dutch dairy sector the focus is mainly on reducing phosphate emissions and finding a better way of dealing with the manure surplus. ForFarmers assists dairy farmers with programs for analysing and understanding on-farm data in order to enable them to make the right decisions. There are also programs for optimising manure

processing. ForFarmers is working with partners in the Netherlands in this area for example with 'Next Level Mest Verwaarden', an innovation programme aimed at adding value by gaining insight into the conditions for the optimum functioning of sustainable manure processing.

Measures to reduce phosphate and nitrate in the swine sector have been announced in the Netherlands and in Germany. As mentioned previously, these are the Action Plan to Revitalise Pig Farming in the Netherlands and the 'Düngeverordnung' ('fertiliser ordinance') in Germany. In addition in Germany, where there is a growing emphasis on animal welfare, the second phase of 'Initiative Tierwohl' has started, a programme focusing on welfare concepts (including more room for animals).

The addition of antibiotics to feed was banned in the Netherlands and Germany some years ago. The rules in Belgium have been tightened and progress is being made in reducing antibiotics in feed, a practice that is mainly still found in the swine sector. The United Kingdom also took further steps in 2018 aimed at limiting the use of antibiotics in feed. ForFarmers uses the knowledge and experience it has gained in countries that are frontrunners in terms of such measures to show livestock farmers how good feed and attention to on-farm hygiene make it unnecessary to add medication to feed.

In Poland there is growing resistance to the use of genetically-modified soya and measures are being planned to limit its use. In addition the Polish government is putting more pressure on feed manufacturers to use raw materials from Poland. These materials can be of inferior quality as well as more expensive. Finally Brexit will affect the entire sector, although it remains impossible to say what the precise impact will be.

## Retail

Retail organisations play an influential role in the food-production chain although their influence differs from country to country. Generally speaking retailers are a major driver of cost control and greater efficiency in the supply chain. In addition supermarkets are increasingly stocking products made according to specific concepts. A growing number of Dutch supermarket chains for example now only sell eggs and poultry meat produced according to concepts with extra attention for animal welfare. These special requirements do not apply, or at least not to the same extent, to export markets, the

destination of around two-thirds of Dutch poultry production.

Retailers are also increasingly demanding transparency with regard to food provenance and a manageable chain. This results in concepts which are developed with fixed suppliers throughout the chain which supply a certain concept, under the header 'virtual chain integration.' Thanks to its strong position in the market and good contacts with all the relevant parties ForFarmers is well positioned in this playing field, further helped by its sustainability target aimed at purchasing 100% responsible soya and palm oil in due course.

## Consumers

Non-governmental organisations (NGOs) play an important role in getting topics on the agenda in the public debate; examples of such topics include the carbon footprint of the agricultural sector, animal welfare, particulates and odour nuisance from intensive livestock farming and food provenance. This has resulted in growing demand from consumers for organic and/or locally produced foods. Price and convenience nevertheless remain important factors for consumers. There is also increasing attention for food produced without the use of genetically modified raw materials (non-GMO), with consumer interest in non-GMO dairy products being particularly high in Germany. This impacts on Dutch exports of dairy products and hence on demand for non-GMO feeds from Dutch dairy farmers. In light of this in 2018 ForFarmers converted an existing feed mill and reopened it for the dedicated, exclusive, production of non-GMO feed.

Although the overall global consumption of animal proteins is increasing it is reasonably stable in Europe. Consumers in Northwest Europe are increasingly choosing chicken and fish while pork consumption is falling. While interest in the Netherlands in things such as plant-based meat substitutes, flexitarianism, vegetarianism and veganism is growing noticeably, studies show that the average per capita consumption of animal proteins and meat is not (yet) declining. In Belgium there is also increasing attention for products made according to specific concepts while the 'Buy British' campaign is affecting consumers' choices in the United Kingdom.

The number of people who are eating less meat for whatever reason calls for the development of alternative

sources of protein, such as plant-based proteins, insects and cultured meat. Although the demand for alternatives is still small compared to the demand for animal protein this development is set to continue. It is expected that this will happen sooner in Europe than in most other regions.

## Trends in the chain



# Financial and operational review 2018, Dividend proposal, Outlook 2019

## Consolidated key figures

In millions of euro (unless indicated otherwise)	2018	2017	Total change in %	Currency	Acquisition <sup>(3)</sup>	Like-for-like <sup>(4)</sup>
Total Feed volume (x 1.000 ton)	10,021	9,556	4.9%		2.8%	2.1%
Compound feed	6,952	6,672	4.2%		4.1%	0.1%
Revenue	2,404.7	2,218.7	8.4%	-0.3%	3.6%	5.1%
Gross profit	443.4	419.8	5.6%	-0.3%	2.3%	3.6%
Operating expenses	-372.9	-346.8	7.5%	-0.3%	3.5%	4.3%
EBITDA	103.9	101.6	2.3%	-0.2%	0.6%	1.9%
<b>Underlying EBITDA<sup>(1)</sup></b>	<b>100.1</b>	<b>101.4</b>	<b>-1.3%</b>	<b>-0.3%</b>	<b>0.6%</b>	<b>-1.6%</b>
EBIT	75.9	74.0	2.6%	-0.1%	-3.2%	5.9%
Underlying EBIT <sup>(1)</sup>	71.5	75.8	-5.7%	-0.3%	-3.1%	-2.3%
Profit attributable to shareholders of the Company	58.6	58.6	0.0%	0.0%	-7.8%	7.8%
Underlying profit <sup>(1)</sup>	57.6	60.1	-4.2%	0.0%	-7.6%	3.4%
Net cash from operating activities	82.1	116.3	-29.4%			
Underlying EBITDA / Gross profit	22.6%	24.2%	-6.6%			
<b>ROACE on underlying EBITDA<sup>(2)</sup></b>	<b>23.0%</b>	<b>24.3%</b>				
ROACE on underlying EBIT <sup>(2)</sup>	16.4%	18.2%				
Basic earnings per share (x €1)	0.58	0.56				
Underlying earnings per share (x €1)	0.58	0.58				

<sup>(1)</sup> Underlying means excluding incidental items (see Note 27 of the financial statements regarding the Alternative Performance Measures (APMs)).

<sup>(2)</sup> ROACE means underlying EBITDA (EBIT) divided by 12-month average capital employed (see Note 27 of the financial statements).

<sup>(3)</sup> Relates to the net impact of acquisitions/divestments.

<sup>(4)</sup> Like for like is the change excluding acquisitions and divestments and currency impact.

Note, percentages are presented based on the rounded amounts in million euro. Additions may lead to slight differences due to roundings.

## Report 2018

### Key parameters of results 2018<sup>a</sup>

- Total Feed volume: up 4.9% to 10.0mT<sup>b</sup>, on acquisitions (2.8%) and organic growth (2.1%);
- Compound feed volume: up 4.2% to 7.0mT, mainly due to acquisitions;
- Gross profit: up 5.6% to €443.4 million, of which 2.3% from acquisitions (predominantly in H2) and 3.6% like-for-like growth (stronger in H1);
- Underlying EBITDA: down 1.3% to €100.1 million (down 1.0% at constant currencies) despite positive contributions from acquisitions;
- Underlying earnings per share: flat versus prior year;
- Dividend proposal: €0.283 per ordinary share and a special dividend of €0.017 per share. Total dividend therefore €0.30 per ordinary share, equal to 2017;
- Working capital: increase by €7.1 million, due to acquisitions (+€30.4 million) and like-for-like improvement (-€23.3 million).

### 2019-2020

- Total cost saving €10 million (in 2021 vs 2018) over total group excl. Poland, through optimisation factory footprint and other efficiency projects, including reduction FTEs (125-150, approx. 5-6%) and incorporating existing UK supply chain optimisation plans;
- Strong decline 2019 first-half underlying EBITDA expected compared to first half 2018, due to current purchasing positions in combination with the focus on sustaining market share;
- Proposal for share buy-back programme of €30 million (start after Q1/19 trading update, for 18 months).

## General

There is a significant difference between the results for the first and the second half of 2018. The first-half results included sufficient gross profit growth to compensate the effects of the higher energy and outbound logistics<sup>c</sup> costs, which are generally passed on to customers, and a gain on a divestment (arable business in the Netherlands).

The second-half results were impacted by acquisitions and costs related to the exceptionally hot and dry summer months. Four acquisitions were made in 2018: Tasomix in Poland, Maatman and Van Gorp Biologische Voeders in the Netherlands and Voeders Algoet in Belgium. This also resulted in higher M&A and integration costs compared to 2017 when only a small acquisition was made in the United Kingdom. The effect of the exceptional weather was twofold: water levels in rivers dropped, resulting in higher inbound logistic costs mainly in the Netherlands and Germany, and raw material prices rose sharply.

ForFarmers was not able to adequately pass these higher costs on to customers, specifically in the Netherlands and Poland. These developments had a major impact on underlying EBITDA, which was lower than in 2017. The year-on-year (YoY) analysis presented below focuses on the full-year consolidated results, followed by more detailed analyses of the individual clusters. Following the acquisition of a 60% stake in the capital of Tasomix in Poland, as of 1 July 2018 the Germany/Belgium cluster also includes Poland. In the analyses of the Germany/Belgium/Poland cluster, however, like-for-like developments apply to the results of Germany and Belgium only. The contribution of Tasomix is included in the acquisition effect.

The table below presents an overview of the YoY changes (absolute and in %) in the first-half, second-half and full-year 2018 consolidated results. Where relevant, important developments in the second half of 2018 are explained in more detail.

### Movements core parameters 2018 versus 2017<sup>(1)</sup>

		Total		Currency		Acquisition		Like for like <sup>(2)</sup>	
		Delta	%	Delta	%	Delta	%	Delta	%
Total Feed volume (x 1.000 ton)	HY1	100.7	2.1%			3.1	0.1%	97.6	2.0%
	HY2	363.9	7.5%			266.4	5.4%	97.5	2.1%
	FY	464.6	4.9%			269.5	2.8%	195.1	2.1%
Compound feed (x 1.000 ton)	HY1	22.5	0.7%			6.7	0.1%	15.8	0.6%
	HY2	258.2	7.7%			265.3	7.9%	-7.1	-0.2%
	FY	280.7	4.2%			272.0	4.1%	8.7	0.1%
Gross profit	HY1	10.4	5.0%	-1.3	-0.6%	-1.2	-0.6%	12.9	6.2%
	HY2	13.2	6.2%	0.2	0.1%	10.9	5.1%	2.1	1.0%
	FY	23.6	5.6%	-1.1	-0.3%	9.7	2.3%	15.0	3.6%
Operating expenses	HY1	-8.5	5.0%	1.2	-0.7%	-0.2	0.1%	-9.5	5.6%
	HY2	-17.6	9.8%	-0.1	0.1%	-12.0	6.8%	-5.5	2.9%
	FY	-26.1	7.5%	1.1	-0.3%	-12.2	3.5%	-15.0	4.3%
Underlying EBITDA	HY1	0.6	1.2%	-0.2	-0.5%	-1.4	-2.7%	2.2	4.4%
	HY2	-1.9	-3.8%	-0.1	0.1%	2.0	3.9%	-3.8	-7.8%
	FY	-1.3	-1.3%	-0.3	-0.3%	0.6	0.6%	-1.6	-1.6%

<sup>(1)</sup> In millions of euro (unless indicated otherwise)

<sup>(2)</sup> Like for like is the change excluding acquisition and divestments and currency impact.

**Total Feed volume<sup>d</sup>** increased by 4.9% to 10.0 million tonnes in 2018, with 2.8% growth resulting from the net effect of acquisitions/divestments (in Poland, Belgium and the Netherlands) and 2.1% from like-for-like growth. Total Feed volumes in the Netherlands and Germany/Belgium showed like-for-like increases of 2.7% and 3.9% respectively but declined marginally (0.4%) in the United Kingdom ('UK').

**Compound feed volume** rose by 4.2%. The net effect of acquisitions/divestments was 4.1% and like-for-like volume growth was 0.1%. Volume decline in the Netherlands was more than offset by growth in the other countries.

**Total revenue** increased by 8.4% (€186.0 million) to €2,404.7 million, of which 3.6% was attributable to acquisitions/divestments. Like-for-like revenue growth was 5.1% on the back of volume growth and higher raw material prices. While changes in raw material prices are generally passed on to customers the spike in raw material prices in the second half of 2018 could not fully be passed on. Revenue was only slightly impacted by a negative currency translation effect of the weaker pound sterling (-0.3%).

**Gross profit** increased by 5.6% to €443.4 million. There was a minor negative currency translation effect of 0.3%. The contribution from acquisitions/divestments was 2.3% while like-for-like growth amounted to 3.6%. All clusters reported like-for-like gross profit growth, although the growth percentage of the Netherlands cluster was lower than of the others. This was due to the additional inbound logistics costs which could not be passed on to customers. The spike in raw material prices could not fully be passed on to customers specifically in the Netherlands and Poland.

Total gross profit was positively impacted by the volume growth as well as more specialties in the product mix and the contribution from strategic partnerships. In the UK in particular more compound feed – which has higher margins – was sold due to the dry summer and the resulting lack of forage. Furthermore, gross profit increased as higher energy and outbound costs were partly passed on to customers in all clusters.

Total **operating expenses** increased by 7.5% (€26.1 million). Currency translation effects of the pound sterling in relation to the euro had a 0.3% negative impact on operating expenses. The net impact of

acquisition/divestments added €12.2 million (3.5%) to expenses of which €2.3 million related to one-off acquisition-related costs. Like-for-like operating expenses rose by €15.0 million (4.3%) including the higher energy and outbound logistics costs in all clusters. Total expenses were offset by a positive impact of €1.1 million from the (net) release from the allowance for bad debts (2017: net release of €1.8 million).

Depreciation and amortisation increased marginally to €28.0 million (2017: €27.6 million), on higher capital investments in line with intentions announced in early 2017, and partly offset by an incidental reversal of a past impairment (€0.6 million) on a feed mill in the Netherlands following its reopening. In 2017 depreciation included an incidental impairment of €1.9 million with respect to a UK mill.

Depreciation in 2018 amounted to €21.6 million (2017: €19.4 million). Total amortisation amounted to €6.9 million (2017: €6.3 million) including the impact of the four acquisitions made in the third and fourth quarter of 2018 and lower software-related amortisation. The acquisition effect on both the rise in depreciation and amortisation was €1.5 million.

## Alternative Performance Measures (APMs)

ForFarmers uses Alternative Performance Measures (APMs) to provide a better perspective of the Group's business development and performance, as they exclude the impact of significant incidental items, which are considered to be non-recurring, and are not directly related to the operational performance of ForFarmers. The underlying metrics are reported at the level of EBITDA, EBIT and profit for the shareholders.

Four types of adjustments are distinguished:

- i) Impairments on tangible and intangible assets;
- ii) Business Combinations and Divestments, including the unwind of discount/fair value changes on earn-outs and options, dividend relating to non-controlling interests at anticipated acquisitions, and divestment related expenses;
- iii) Restructuring; and
- iv) Other, comprising other incidental non-operating items. See note 27 of the financial statements.

In millions of euro	2018	2017	Δ	Δ%
<b>EBITDA</b>	<b>103.9</b>	<b>101.6</b>	<b>2.3</b>	<b>2.3%</b>
Gain on sale of investments and assets held for sale <sup>(1)</sup>	-4.9	-0.4	- 4.6	
Restructuring cost <sup>(2)</sup>	0.1	0.2	-0.0	
Other costs <sup>(2)</sup>	0.9		0.9	
<b>Underlying EBITDA<sup>(3)</sup></b>	<b>100.1</b>	<b>101.4</b>	<b>- 1.3</b>	<b>-1.3%</b>
FX effect	0.3		0.3	
<b>Underlying EBITDA at constant currencies<sup>(3)</sup></b>	<b>100.4</b>	<b>101.4</b>	<b>- 1.0</b>	<b>-1.0%</b>
Operating profit (EBIT)	<b>75.9</b>	74.0	1.9	2.6%

(1) 2018: Sale of agriculture activities to CZAV (NL) and supplementary payment on sale of a subsidiary (UK)

(2) See Note 27 of the financial statements.

(3) Underlying means excluding incidental items (see Note 27 of the financial statements regarding the Alternative Performance Measures (APMs)).

General remark: percentages are presented based on the rounded amounts in million euro. Additions may lead to slight differences due to roundings.

**EBITDA** increased in 2018 by 2.3% to €103.9 million, including a small (0.2%) negative currency translation effect due to the weaker pound sterling. The net contribution from acquisitions/divestments was 0.6% with like-for-like growth equalling 1.9%. EBITDA in 2018 included incidental items totalling €3.9 million. These were: 1) gains on the sale of the arable activities in the Netherlands (€4.5 million) and a small sale in the UK (€0.4 million) in the first half of 2018; 2) restructuring costs (€0.1 million) relating to the sales organisation in the UK, and 3) a compulsory addition (€0.9 million) to the pension provision in the UK following a generic UK court decision on equalisation of gender rights. In 2017, incidental items totalling a net gain of €0.2 million included a gain on sale of assets and restructuring costs.

**Underlying EBITDA at constant currencies** decreased by 1.0% to €100.4 million. The currency translation effect was €0.3 million and underlying EBITDA therefore €100.1 million. The net contribution of acquisitions/divestments was 0.6%. The like-for-like decline of 1.6% was the result of a YoY drop in underlying EBITDA in the Netherlands that could not be offset by higher results in Germany/Belgium and the UK. Underlying EBITDA increased (like-for-like) by 4.4% in the first half of 2018 and declined by 7.8% in the second half. This decline was mainly attributable to lower volumes in the dairy sector in the Netherlands (new phosphate regulation), the higher inbound logistics costs and the effect of the spike in raw material prices particularly in the Netherlands and Poland, as well as higher outbound logistics costs.

As a result the underlying EBITDA/gross profit ratio

decreased to 22.6% in 2018 from 24.2% in 2017.

**Net finance expenses** were higher, mainly due to an increase of €2.2 million related to the accounting treatment of the option on the remaining 40% of the shares of Tasomix and the earn-out agreements relating to the acquisitions. These expenses are considered 'recurring incidental' items, due to the applied accounting principles, and are therefore not included in the underlying net profit used to calculate the dividend distribution. Interest expenses increased as a result of funding the acquisitions and other capital investments. Interest income from customers fell as more customers paid on time (excluding the customers of the acquired companies).

The contribution from the German joint venture HaBeMa, which is reported under **share of profit of equity-accounted investees** (net of tax), decreased by 25.2% to €2.9 million due to lower trans-shipment volumes.

The **effective tax rate** in 2018 was 21.3% (2017: 22.7%). The decline was mainly due to lower corporate income tax rates enacted for the years up to and including 2021 in the Netherlands (overall group effect of 1.7%). In addition, deferred tax assets relating to the net operating losses in Germany were recognised, leading to a positive overall group impact of 1.1%. Finally, some prior-year adjustments were booked.

**Profit attributable to shareholders of the Company** amounted to €58.6 million, which was equal to 2017 (€58.6 million). Net profit in 2018 included incidental items

totalling €1.0 million, comprising the aforementioned items at EBITDA level as well as incidental impairment and interest items. Underlying profit attributable to shareholders of the Company consequently decreased YoY to €57.6 million, down €2.5 million (4.2%) compared to 2017 (€60.1 million).

Basic earnings per share increased by 3.6% to €0.58 in 2018 (2017: €0.56) despite the decline in net profit (including the aforementioned incidental items) as the average number of shares outstanding was lower in 2018 than in 2017. This was the result of the share buy-back programme that was executed in 2017 and 2018 and involved the repurchasing of 6,363,782 shares. Underlying basic earnings per share in 2018 arrived at €0.58, equal to the comparative result in 2017 (€0.58). Excluding the effect of the share buy-back programme, underlying basic earnings per share in 2018 would have declined to €0.56.

ForFarmers Group had 2,654 employees at 31 December 2018, presented in full-time equivalents (FTEs), a 14.2% rise compared to a year earlier (2,325). The acquisitions/divestments contributed 250 FTEs (net) to this increase. The like-for-like increase of 79 FTEs was mainly attributable to more drivers in the UK and the Netherlands, the reopening of the non-GMO<sup>e</sup> factory in the Netherlands and the strengthening of the sales force in Germany.

### Summary consolidated statement of cash flows

In thousands of euro	2018	2017
Net cash from operating activities	82,095	116,335
Net cash used in investing activities	-113,997	-33,066
Net cash used in financing activities	-41,561	-80,176
Net increase/decrease in cash and cash equivalents	-73,463	3,093
Cash and cash equivalents at 1 January <sup>(1)</sup>	111,607	107,319
Effect of movements in exchange rates on cash held	305	1,195
<b>Cash and cash equivalents as at 31 December<sup>(1)</sup></b>	<b>38,449</b>	<b>111,607</b>

(1) Net of short term bank overdrafts

### Summary consolidated statement of financial position

In millions of euro	31 December 2018	31 December 2017
Total Assets	873.7	787.3
Equity	440.8	409.9
<b>Solvency ratio<sup>(1)</sup></b>	<b>50.4%</b>	<b>52.1%</b>
<b>Net working capital</b>	<b>76.3</b>	<b>69.2</b>
- Current assets <sup>(2)</sup>	350.6	285.0
- Current liabilities <sup>(3)</sup>	277.2	215.8
Overdue receivables	18.7%	14.9%
<b>Net Debt / (Cash)</b>	<b>17.1</b>	<b>-67.1</b>

(1) Solvency ratio is equity divided by total assets.

(2) Current assets excluding cash and cash equivalents and assets held for sale.

(3) Current liabilities excluding bank overdrafts.

### Capital structure

Group equity as at 31 December 2018 amounted to €440.8 million, €30.8 million higher than a year earlier. The 2018 result of €58.6 million was added to group equity, while the amount distributed in dividends (€30.5 million) and a net amount of €5.8 million relating mainly to the completion of the share buy-back programme (announced on 2 May 2017 and concluded on 23 February 2018) were subtracted. The positive impact of the other comprehensive income totalled €8.0 million net of tax and mainly comprised two elements: a reduction of the pension liability as a result of the positive change in relating interest rate assumptions in the United Kingdom (€9.9 million), partly offset by the negative currency translation effect (€1.9 million) relating to the investment in the United Kingdom and the acquisition financing for Tasomix in Poland.

The return on average capital employed (ROACE; underlying EBITDA divided by 12-month average capital employed) was 23.0% (2017: 24.3%). The ratio was negatively impacted by the increase in average capital employed linked to the valuation of the four acquisitions. The return based on EBIT was 16.4% (2017: 18.2%).

The net balance of bank loans and borrowings (long and short-term) minus available cash and cash equivalents resulted in a net debt position of €17.1 million at end-2018 (end-2017: €67.1 million net cash position).



This development was driven by the acquisitions made in 2018 (for a total amount of €81.0 million) and the share buy-back, dividend distribution and capital investments (totalling €80.1 million), which were partly compensated by the cash generation from operating activities (€82.1 million after tax).

Working capital increased by €7.1 million to €76.3 million at end-2018 (end-2017: €69.2 million). This was mainly attributable to the acquisitions, which added €30.4 million in working capital. Like-for-like, working capital improved by €23.3 million following further improvements in the procurement process and accounts receivable management. The percentage of overdue receivables was higher at end-2018 at 18.7% (end-2017: 14.9%) due to the impact of the acquired companies. The ForFarmers payment principles and accounts receivables management will be implemented at these acquired entities as part of the integration programme once the ForFarmers software applications are available.

In early 2017 ForFarmers announced its intention to increase capital investments to approximately €40 million to €45 million in both 2017 and 2018. Historically, capital investment amounted to approximately €25 million<sup>f</sup> per year, in line with depreciation. In 2018 capital investments in tangible and intangible assets equalled €45.9 million, 15.9% higher than in 2017 (€39.6 million). These included investments in a mill in the Netherlands for the dedicated production of non-GMO feed, and in the construction of a sustainable biomass plant in the Netherlands which is scheduled for opening in 2019 and will reduce the energy consumption of the adjacent factory.

Investments were also made in trucks, including in the UK, and in completing the new manufacturing plant in Exeter (UK).

## Results and developments per Cluster

2018

In thousands of euro	The Netherlands	Germany / Belgium / Poland	United Kingdom	Group / eliminations	Consolidated
Total Feed volume (in tons)	4,549,412	2,568,790	2,902,796	-	10,020,998
<b>Revenue</b>	<b>1,152,819</b>	<b>665,256</b>	<b>662,231</b>	<b>-75,643</b>	<b>2,404,663</b>
<b>Gross profit</b>	<b>223,084</b>	<b>92,163</b>	<b>127,478</b>	<b>683</b>	<b>443,408</b>
Other operating income	4,905	59	443	1	5,408
Operating expenses incl depreciation & amortisation	-158,797	-78,388	-120,292	-15,407	-372,884
Underlying expenses incl depreciation & amortisation <sup>(1)</sup>	-159,366	-78,388	-119,239	-15,407	-372,400
<b>EBITDA</b>	<b>76,042</b>	<b>20,043</b>	<b>19,843</b>	<b>-12,008</b>	<b>103,920</b>
<b>Underlying EBITDA<sup>(1)</sup></b>	<b>71,531</b>	<b>20,043</b>	<b>20,486</b>	<b>-12,008</b>	<b>100,052</b>
Depreciation and amortisation <sup>(2)</sup>	7,417	6,209	12,214	2,715	28,555
<b>EBIT</b>	<b>69,192</b>	<b>13,834</b>	<b>7,629</b>	<b>-14,723</b>	<b>75,932</b>
<b>Underlying EBIT<sup>(1)</sup></b>	<b>64,114</b>	<b>13,834</b>	<b>8,272</b>	<b>-14,723</b>	<b>71,497</b>
Underlying EBITDA / Gross profit <sup>(1)</sup>	32.1%	21.7%	16.1%		22.6%
<b>ROACE on underlying EBITDA<sup>(3)</sup></b>	<b>50.9%</b>	<b>15.6%</b>	<b>12.6%</b>		<b>23.0%</b>
ROACE on underlying EBIT <sup>(4)</sup>					16.4%

(1) Underlying means excluding incidental items (see Note 27 of the financial statements regarding the Alternative Performance Measures (APMs)).

(2) Excluding (reversal) impairment

(3) ROACE means underlying EBITDA divided by 12-month average capital employed; see Note 27 of the financial statements.

(4) ROACE underlying EBIT divided by 12-month average capital employed

2017

In thousands of euro	The Netherlands	Germany / Belgium	United Kingdom	Group / eliminations	Consolidated
Total Feed volume (in tons) <sup>(1)</sup>	4,421,548	2,228,171	2,906,659	-	9,556,378
<b>Revenue<sup>(1)</sup></b>	<b>1,112,369</b>	<b>551,285</b>	<b>622,398</b>	<b>-67,392</b>	<b>2,218,660</b>
<b>Gross profit<sup>(1)</sup></b>	<b>221,402</b>	<b>76,231</b>	<b>121,301</b>	<b>906</b>	<b>419,840</b>
Other operating income <sup>(1)</sup>	412	211	338	-	961
Operating expenses incl depreciation & amortisation	-153,890	-64,135	-116,290	-12,464	-346,779
Underlying expenses incl depreciation & amortisation <sup>(1)</sup>	-153,890	-63,975	-114,358	-12,464	-344,687
<b>EBITDA<sup>(1)</sup></b>	<b>75,415</b>	<b>15,586</b>	<b>18,824</b>	<b>-8,176</b>	<b>101,649</b>
<b>Underlying EBITDA<sup>(1)</sup></b>	<b>75,300</b>	<b>15,743</b>	<b>18,579</b>	<b>-8,176</b>	<b>101,446</b>
Depreciation and amortisation <sup>(3)</sup>	7,491	3,276	11,546	3,382	25,695
<b>EBIT<sup>(4)</sup></b>	<b>67,924</b>	<b>12,307</b>	<b>5,349</b>	<b>-11,558</b>	<b>74,022</b>
<b>Underlying EBIT<sup>(1)</sup></b>	<b>67,809</b>	<b>12,467</b>	<b>7,033</b>	<b>-11,558</b>	<b>75,751</b>
Underlying EBITDA / Gross profit <sup>(2)</sup>	34.0%	20.7%	15.3%		24.2%
<b>ROACE on underlying EBITDA<sup>(4)</sup></b>	<b>49.1%</b>	<b>18.3%</b>	<b>10.5%</b>		<b>24.3%</b>
ROACE on underlying EBIT <sup>(5)</sup>					18.2%

(1) Prior year has been adjusted as a result of the shift of BE DML sales (NL to BE).

(2) Underlying means excluding incidental items (see Note 27 of the financial statements regarding the Alternative Performance Measures (APMs)).

(3) Excluding (reversal) impairment.

(4) ROACE means underlying EBITDA divided by 12-month average capital employed; see Note 27 of the financial statements.

(5) ROACE underlying EBIT divided by 12-month average capital employed.

## General market developments

Average milk prices on the Continent were lower in 2018 than in 2017, although the five-year average is still at an acceptable level. Average milk prices in the United Kingdom were 2% higher than the year before.

Prices for pigs (finishers) were on average 12% lower than in 2017. The decline was most pronounced in Belgium, where pig prices dropped by 20% in the fourth quarter of 2018 as a result of import restrictions imposed by Asian countries following the outbreak of African swine fever among wild boar. Average prices for piglets were substantially lower (YoY) in the first three quarters of 2018 but recovered in the fourth quarter as the gap between supply and demand narrowed. This was due to fewer piglets being born in the exceptionally hot summer.

Up to the fourth quarter of 2018 poultry farmers producing broilers benefited from slightly higher average prices for their animals than in 2017, mainly on the back of stronger export demand. At the end of 2018 prices declined, however. Prices of broilers and turkeys in Poland fluctuated more than in previous years, particularly in the second half of 2018. As a result farmers did not always immediately restock with young animals at the end of each breeding cycle.

Average egg prices declined in 2018 compared to the very high levels seen during 2017, when there was a shortage of eggs due to the fipronil case in a few European countries.

## Cluster the Netherlands

In thousands of euro	2018	2017	Δ%
Total Feed volume (in tons) <sup>(1)</sup>	4,549,412	4,421,548	2.9%
<b>Revenue<sup>(1)</sup></b>	<b>1,152,819</b>	<b>1,112,369</b>	<b>3.6%</b>
<b>Gross profit<sup>(1)</sup></b>	<b>223,084</b>	<b>221,402</b>	<b>0.8%</b>
Other operating income <sup>(1)</sup>	4,905	412	1090.5%
Operating expenses incl depreciation & amortisation	-158,797	-153,890	3.2%
Underlying expenses incl depreciation & amortisation <sup>(1)</sup>	-159,366	-153,890	3.6%
EBITDA <sup>(1)</sup>	76,042	75,415	0.8%
<b>Underlying EBITDA<sup>(1)</sup></b>	<b>71,531</b>	<b>75,300</b>	<b>-5.0%</b>
Depreciation and amortisation <sup>(3)</sup>	7,417	7,491	-1.0%
<b>EBIT<sup>(1)</sup></b>	<b>69,192</b>	<b>67,924</b>	<b>1.9%</b>
<b>Underlying EBIT<sup>(1)</sup></b>	<b>64,114</b>	<b>67,809</b>	<b>-5.4%</b>
Underlying EBITDA / Gross profit <sup>(2)</sup>	32.1%	34.0%	-5.6%
<b>ROACE on underlying EBITDA<sup>(4)</sup></b>	<b>50.9%</b>	<b>49.1%</b>	<b>3.7%</b>

(1) Prior year has been adjusted as a result of the shift of BE DML sales (NL to BE).

(2) Underlying means excluding incidental items (see Note 27 of the financial statements regarding the Alternative Performance Measures (APMs)).

(3) Excluding (reversal of) impairment

(4) ROACE means underlying EBITDA divided by 12-month average capital employed; see Note 27 of the financial statements.

### Market and sector developments

Dutch livestock farmers are under growing social pressure. An increasing number of measures and regulations are being imposed on the agricultural sector, for example aimed at reducing its carbon footprint. One result was that there were fewer dairy cows in 2018 than in 2017 when the phosphate reduction measures were introduced. Most dairy farmers also needed to invest in phosphate rights and were cautious about buying performance feed as they were uncertain whether the new phosphate legislation would limit their scope for milk production.

In the swine sector an outline agreement has been announced aimed at improving the living environment in the so-called livestock-rich areas. Generally referred to as the 'Warm restructuring of pig farming', the agreement focuses on restricting odour nuisance and limiting harmful emissions at pig farms. The restructuring will be on a voluntary basis and will be implemented over the coming years.

Developments in the poultry sector were mixed. In the aftermath of the fipronil case some layer farmers were still hampered in producing eggs during a part of 2018, as a result of which a number of them ceased their business

activities. For broiler farmers 2018 started well, with prices starting to decline in the fourth quarter.

### Results

Total Feed volume increased by 2.9% to 4.5 million tonnes, with almost all of the increase due to like-for-like growth. The net effect on Total Feed volume of the acquisitions of Maatman and Van Gorp Bio combined with the divestment of the arable activities was minimal, as most of the volumes for Maatman customers were already produced by ForFarmers.

Total Feed volume in the ruminant sector decreased, mainly due to the decline in the number of dairy cows. In the swine sector, Total Feed volume increased. This was mainly on the back of higher liquid volumes following the strategic partnership formed with Baks at the beginning of 2018. Total Feed volume rose in the poultry sector, with the volume growth to broiler farmers being partly offset by slightly lower sales to layer farmers. Compound feed volume declined, particularly in the ruminant and swine sectors.

Reudink, the biological (organic) feed company, realised volume growth in 2018, albeit less strong than in previous years.

Gross profit increased by €1.7 million (0.8%) to €223.1 million. In the first half year gross profit rose, among others, due to the positive impact of the effect of passing on higher energy and outbound logistics costs. In the second half year however, gross profit was negatively impacted by the volatility in raw material prices and higher inbound logistics costs. Gross profit was furthermore negatively impacted by lower compound feed volumes and positively impacted by the higher contributions from strategic partnerships and by the improved product mix including more specialties.

Other operating income was higher, predominantly due to a €4.5 million gain from the divestment of the arable activities in February 2018.

Operating expenses increased by 3.2%. Besides higher energy and outbound logistics costs, the operating costs of the newly reopened non-GMO factory added to the operating expenses. The expenses were somewhat offset by a release from the allowance for bad debts and the one-off reversal of the impairment for the non-GMO factory. Overhead cost allocation was €0.5 million lower than in 2017.

Excluding incidental items amounting to €5.1 million (i.e. gain on sale of arable activities and reversal of impairment for factory), underlying EBITDA was €71.5 million, which is 5.0% lower than in 2017. Consequently, the underlying EBITDA/gross profit ratio decreased to 32.1% (2017: 34.0%).

ROACE (based on underlying EBITDA) increased to 51.0% in 2018 (2017: 49.1%). Capital employed decreased because the reduction in working capital was greater than the increase in tangible fixed assets. Working capital declined due to higher accounts payable.

## Cluster Germany / Belgium / Poland

In thousands of euro	2018	2017	Δ%
Total Feed volume (in tons) <sup>(1)</sup>	2,568,790	2,228,171	15.3%
<b>Revenue<sup>(1)</sup></b>	<b>665,256</b>	<b>551,285</b>	<b>20.7%</b>
<b>Gross profit<sup>(1)</sup></b>	<b>92,163</b>	<b>76,231</b>	<b>20.9%</b>
Other operating income <sup>(1)</sup>	59	211	-72.0%
Operating expenses incl depreciation & amortisation	-78,388	-64,135	22.2%
Underlying expenses incl depreciation & amortisation <sup>(1)</sup>	-78,388	-63,975	22.5%
EBITDA <sup>(1)</sup>	20,043	15,586	28.6%
<b>Underlying EBITDA<sup>(1)</sup></b>	<b>20,043</b>	<b>15,743</b>	<b>27.3%</b>
Depreciation and amortisation	6,209	3,276	89.5%
<b>EBIT<sup>(1)</sup></b>	<b>13,834</b>	<b>12,307</b>	<b>12.4%</b>
<b>Underlying EBIT<sup>(1)</sup></b>	<b>13,834</b>	<b>12,467</b>	<b>11.0%</b>
Underlying EBITDA / Gross profit <sup>(2)</sup>	21.7%	20.7%	4.8%
<b>ROACE on underlying EBITDA<sup>(3)</sup></b>	<b>15.6%</b>	<b>18.3%</b>	<b>-14.7%</b>

(1) Prior year has been adjusted as a result of the shift of BE DML sales (NL to BE).

(2) Underlying means excluding incidental items [see Note 27 of the financial statements regarding the Alternative Performance Measures (APMs)].

(3) ROACE means underlying EBITDA divided by 12-month average capital employed; see Note 27 of the financial statements.

### Market and sector developments

There is a noticeable increase in public interest in environmental protection measures and animal welfare in Germany. This means extra costs for livestock farmers (in all sectors). Consumer demand for non-GMO products, and therefore demand for non-GMO feed, continues to increase in Germany.

The detection of African swine fever among wild boar in Belgium negatively impacted pig prices and is concerning for the swine sector. Aside from this, there is increasing consumer focus on both quality and provenance of foodstuffs in Belgium and hence growing attention for restricting the use of antibiotics in feed. ForFarmers is actively involved in advising farmers on this topic.

As in Germany, there is growing discussion in Poland about the use of genetically modified soya. In addition the Polish government is putting more pressure on feed manufacturers to source local raw materials.

The Polish poultry sector in particular showed renewed growth, with increased exports to Western European countries. Furthermore, several international and Polish processors have recently expanded their capacity in Poland.

### Results

Total Feed volume in the cluster

Germany/Belgium/Poland increased by 15.3% (to 2.6 million tonnes) of which the majority was attributable to acquisitions (Tasomix and Voeders Algoet).

Like-for-like growth of Total Feed volume was driven by higher sales of DML products.

The overall growth percentage for compound feed was higher than for Total Feed, specifically driven by the acquisitions. On a like-for-like basis growth of Total Feed was higher than of compound feed.

Higher Total Feed volumes sold to ruminant farmers were mainly the result of a gain in market share in the dairy sector, partly offset by a volume decline in the beef sector in Belgium. More volume was also sold to pig farmers, primarily in Germany. This growth was underpinned by contracts with several purchasing groups, despite the structural reduction in the pig herd and the new phosphate regulations. The increase in Total Feed volume in the poultry sector was primarily attributable to Tasomix. In addition ForFarmers attracted new customers in Belgium and Germany in both the broilers segment and in the layer sector.

Gross profit increased by €15.9 million (+20.9%). The rise was attributable to the acquisitions, the like-for-like increase in volume and a better product mix with more specialties and despite the higher inbound logistic costs due to the low river levels. Gross profit at Tasomix was negatively impacted by the inability to pass on the sudden rise in raw material prices to customers.

Total operating expenses increased by €14.3 million (+22.2%). The main reason for the rise was the acquisition of Tasomix and Voeders Algoet, in the third and fourth quarter of 2018, respectively. Furthermore, manufacturing and outbound logistics costs rose as a result of larger volumes. The rise in operating expenses also included operating costs of the newly opened factory in Pionki (Poland) in the second half of the year. In addition while there was a release from the allowance for bad debt in 2017 there was no addition/release in 2018, and the investments made to strengthen the organisation (especially sales) were only partly offset by operational savings. The allocated overhead costs were €1.3 million higher than in 2017.

Underlying EBITDA increased by €4.3 million to €20.0 million (+27.3%). EBITDA did not include any incidental items. The increase was mainly driven by the contribution of the acquisitions but there was also a healthy like-for-like improvement.

The underlying EBITDA/gross profit ratio increased to 21.7% (2017: 20.7%).

ROACE (based on underlying EBITDA) decreased from 18.3% in 2017 to 15.6% in 2018 due to the impact of the acquisitions. The newly constructed Tasomix factory in Pionki was opened in the second half of 2018 and as a result capacity utilisation is still limited; this has a negative impact on ROACE. Capacity utilisation has been increasing month on month as planned. In addition, working capital in Germany increased as a result of higher inventories against higher purchase prices.

## Cluster the United Kingdom

In thousands of euro	2018	2017	Δ%
Total Feed volume (in tons)	2,902,796	2,906,659	-0.1%
<b>Revenue</b>	<b>662,231</b>	<b>622,398</b>	<b>6.4%</b>
<b>Gross profit</b>	<b>127,478</b>	<b>121,301</b>	<b>5.1%</b>
Other operating income	443	338	31.1%
Operating expenses incl depreciation & amortisation	-120,292	-116,290	3.4%
Underlying expenses incl depreciation & amortisation <sup>(1)</sup>	-119,239	-114,358	4.3%
EBITDA	19,843	18,824	5.4%
<b>Underlying EBITDA<sup>(1)</sup></b>	<b>20,486</b>	<b>18,579</b>	<b>10.3%</b>
Depreciation and amortisation <sup>(2)</sup>	12,214	11,546	5.8%
<b>EBIT</b>	<b>7,629</b>	<b>5,349</b>	<b>42.6%</b>
<b>Underlying EBIT<sup>(1)</sup></b>	<b>8,272</b>	<b>7,033</b>	<b>17.6%</b>
Underlying EBITDA / Gross profit <sup>(1)</sup>	16.1%	15.3%	5.2%
<b>ROACE on underlying EBITDA<sup>(3)</sup></b>	<b>12.6%</b>	<b>10.5%</b>	<b>19.5%</b>

(1) Underlying means excluding incidental items (see Note 27 of the financial statements regarding the Alternative Performance Measures (APMs)).

(2) Excluding (reversal of) impairment

(3) ROACE means underlying EBITDA divided by 12-month average capital employed; see Note 27 of the financial statements.

### Market and sector developments

Rising milk prices and weather conditions – a cold spring and a hot and dry summer – led to higher demand for both compound feeds and straights in the ruminant sector.

Despite the potential growth opportunity for pig farmers to improve the self-sufficiency ratio in the UK through herd expansion, the swine sector remained stable due to competitively priced continental pig meat imports and Brexit uncertainty. Consolidation of larger players continued to take place in this sector, impacting on market dynamics. Consumer demand for poultry products is growing, fuelling growth of this sector.

### Results

Total Feed volume in the United Kingdom cluster remained stable (-0.1%) at 2.9 million tonnes. This included the net effect of a small acquisition in May 2017 and a slight like-for-like decline.

Total Feed volumes in the UK declined in the first six months (-1.8% YoY) but grew in the second half of the year (+1.6% YoY).

Compound feed volume rose, driven by higher demand in the dairy, beef and sheep sectors in particular. This was due to the dry summer and the resulting shortage of forage home-grown by farmers. Volumes in the swine sector decreased due to the margin improvement stance

taken with the larger producers. Volumes in DML reduced due to discontinuing some loss-making activities. Total Feed volumes in the poultry sector grew following the successful introduction of the new Apollo programme. Total Feed volumes in the poultry sector grew following the successful introduction of the new Apollo programme.

Gross profit rose by €6.2 million (5.1%) with the increase being partly due to an improved product mix including more compound feed products and a higher contribution from strategic partners. As a result of the enhanced product proposition to larger pig farmers, gross profit in this sector improved.

Operating expenses increased by €4.0 million (3.4%). Besides the higher energy and fuel prices, outbound logistics costs increased due to training of new drivers. Extra expenses were made to improve the delivery service levels. They are now at a high level. The increase in operating expenses also included an incidental net amount of €1.1 million relating to pension equalisation following a generic UK court ruling and redundancy costs. The allocated overhead costs from the group increased by €0.5 million which were more than offset by lower local overhead costs.

Depreciation and amortisation costs were €0.7 million



higher than in 2017 (excluding the incidental impairment of €1.9 million in 2017 relating to one of the factories), mainly driven by the switch from leased to owned trucks and the full-year effect of the depreciation of the Exeter mill.

Underlying EBITDA increased by 10.3% to €20.5 million. The underlying EBITDA/gross profit ratio increased to 16.1% from 15.3% in 2017.

ROACE (based on underlying EBITDA) increased to 12.6% in 2018 (2017: 10.5%) thanks to the higher EBITDA and despite a rise in average capital employed. The capital employed increased due to the increase in fixed assets, which was larger than the improvement in working capital. Capital employed increased due to the increase in fixed assets, which was larger than the improvement in working capital.

### **Progress of the UK business transformation project**

The merger of the ruminant sales teams to create a single commercial organisation was completed and work is ongoing to build a clear market proposition. In addition, two trading desks were merged into a single Total Feed support desk. Steps to reduce supply chain costs were delayed due to the need to focus on improving the reliability of customer deliveries first. Steps have been taken to upgrade a number of mills and to rationalise the manufacturing footprint.

## Central and support expenses

In thousands of euro	2018	2017	Δ%
<b>Gross profit</b>	<b>683</b>	<b>906</b>	<b>-24.6%</b>
Other operating income	1	-	
Operating expenses incl depreciation & amortisation	-15,407	-12,464	23.6%
Underlying expenses incl depreciation & amortisation <sup>(1)</sup>	-15,407	-12,464	23.6%
EBITDA	-12,008	-8,176	46.9%
<b>Underlying EBITDA<sup>(1)</sup></b>	<b>-12,008</b>	<b>-8,176</b>	<b>46.9%</b>
Depreciation and amortisation <sup>(2)</sup>	2,715	3,382	-19.7%
<b>EBIT</b>	<b>-14,723</b>	<b>-11,558</b>	<b>27.4%</b>
<b>Underlying EBIT<sup>(1)</sup></b>	<b>-14,723</b>	<b>-11,558</b>	<b>27.4%</b>

(1) Underlying means excluding incidental items (see Note 27 of the financial statements regarding the Alternative Performance Measures (APMs)).

(2) Excluding (reversal of) impairment

Central operating expenses (after allocation of overhead expenses to the operational clusters) increased by €2.9 million in 2018. The allocation of overhead expenses to the operating clusters was €1.3 million higher than in 2017. Before allocation to the operating clusters and excluding the increase in M&A costs (€2.3 million), central and support expenses increased by €1.9 million, mainly following further enhancement of the IT department to support the growth of the business and additional costs associated with nutritional innovation activities.

### Dividend proposal

ForFarmers aims to distribute dividend, taking into consideration long-term value creation and a healthy financial structure to execute its strategy. The dividend policy of ForFarmers is to pay out between 40% and 50% of the underlying net result attributable to shareholders<sup>9</sup>. In 2018 this amounted to €57.6 million.

Based on the healthy financial position of the Company, a pay-out ratio of 50% is proposed, which equates to a proposed dividend of €0.283 per ordinary share (based on 100.2 million ordinary shares outstanding) and a special dividend of € 0.017 per ordinary share which is equal to 50% of the net proceeds of the sale of the arable activities in the Netherlands. This would put the total dividend per ordinary share at € 0.30 (2017: €0.30).

The annual accounts will be submitted for adoption at the Annual General Meeting on 26 April 2019. The dividend is payable on 9 May 2019.

## Outlook for 2019

### Market trends

Global demand for animal protein continues to increase on the back of a growing world population and increasing prosperity. Consumption of animal protein is virtually stable in Europe, where the agricultural sector is coming under growing social pressure. Increasing regulatory obligations are leading to extra investments and consequently to consolidation among farming businesses, which in its turn results in changing client needs and requirements. While interest in alternative protein sources is growing noticeably, studies show that the average per capita consumption of animal proteins has not been declining in Europe.

The long-term global prospect for the ruminant sector remains positive. As domestic consumption in Europe is stabilising, production volumes need to be directed more to export. Consumers in Europe are increasingly interested in quality, provenance and organic food and in some countries in non-GMO foodstuffs. In light of this ForFarmers has reopened a mill in the Netherlands fully dedicated to manufacturing non-GMO feed. It is expected that the dairy herd in the Netherlands will grow again in the first half of 2019 as Dutch dairy farmers gain more insight into the impact of the phosphate legislation on their milk production volumes.

Global demand for pig meat is still growing, but European consumption of pig meat is slowly declining. The swine herd in the Netherlands and in Germany is declining.

There is, however, an increasing interest in Europe in locally produced concepts with specific claims such as animal welfare, leading to more virtual integration to ensure quality and enable transparency on provenance. This is still from a low base. The export of European pig meat to China could be positively impacted by the global tensions surrounding import tariffs. Pig herds in China are still declining following an outbreak of African swine fever, which may create an additional export opportunity for Western European farmers. However, this animal disease, which does not pose a health threat to humans, has also been detected in Eastern Europe and also among wild boar in Belgium. This is a concern for the EU pig sector.

Consumers are increasingly turning to chicken meat and eggs as a price-friendly alternative to other protein types. In northwest Europe local demand is growing for animal welfare concepts (e.g. free range and organic). In addition, conventional production for export purposes continues to grow.

New slaughter capacity will come on stream in Poland in the coming years, which is expected to lead to greater demand for compound feed. With its new factory in Pionki ForFarmers has capacity available to meet growing demand.

## Brexit

The outcome of the ongoing Brexit negotiations remains uncertain. ForFarmers expects that pig farmers in the UK will expand their herds in due course, once the uncertainties about the impact of Brexit disappear. There is an opportunity for them as the UK is not self-sufficient in pig meat.

## Operational and financial outlook

In 2019 ForFarmers will focus on integrating the four acquisitions made in 2018 to realise synergies. In addition, attention will be devoted in Poland to further commercially deploy the capacity of new factory in Pionki.

The 2019 first-half underlying EBITDA is expected to show a strong decline compared to the first half of 2018, due to current purchasing positions in combination with the focus on sustaining market share.

## Efficiency plans 2019 - 2020

ForFarmers aims to grow its volume and gross profit more than its cost base. In light of the above, ForFarmers plans to have saved €10 million costs in 2021 (compared

to the cost level in 2018), through optimisation of the group factory footprint and other efficiency projects in various parts of the organisation. The existing UK supply chain rationalisation plans are included in these plans, such as the recently announced closing of the Blandford site. The efficiency plans will affect all countries excluding Poland and involve a reduction of 125–150 FTEs (approx. 5 to 6% of FTEs) during the coming two years through natural attrition and redundancies. These plans will lead to incidental costs.

## Capital expenditure and investments

ForFarmers continues to invest in One ForFarmers initiatives, such as systems and process optimisation. The Company plans to invest approximately €50 million in 2019 (2018: €45 million).

The focus on further optimising working capital will be sustained. ForFarmers will also continue to pursue acquisitions in the existing five countries as well as in new countries in Europe and adjoining regions (Europe +).

## Impact new IFRS 16 standard

The impact of the application of the new accounting standard IFRS 16 as of 1 January 2019 and based on contracts as of that date, is expected to result in an increase of EBITDA by approximately €5.0 million, an almost stable EBIT and a decline of profit before tax by approximately €0.5 million. Per the same date total assets will increase by approximately €25.0 million.

## Share buy-back plan

ForFarmers generates substantial cash flow and has additional financial headroom in the form of an existing credit facility. ForFarmers wants to have the flexibility to continue to make relevant acquisitions in the coming years but also aims to make its balance sheet more efficient. Accordingly, ForFarmers proposes to make part of its financial position available to shareholders via a share buy-back programme. The proposal is to initiate a limited share buy-back programme amounting to €30 million. The General Meeting of Shareholders will be asked to authorise this share buy-back programme, next to the annual requested buy-back mandate for employee participation plans. The share buy-back programme will start after the publication of the Q1 2019 trading update and conclude no later than October 2020.

## Guidance

ForFarmers reiterates its guidance for *the medium term of an average annual increase* in underlying EBITDA in the mid-single digits at constant currencies, excluding the impact of significant acquisitions and barring unforeseen circumstances.

## Subsequent events

In February 2019, ForFarmers UK announced its intention to close its site in Blandford. The plan is to relocate the production of conventional feed volume to the newly constructed Exeter mill and that of organic feed to Portbury. The intended closing of Blandford impacts approximately 30 employees.

On 12 March 2019, the Supervisory Board decided to propose to the Annual General Meeting of Shareholders on 26 April 2019 to nominate Adrie van der Ven for appointment as member of the Executive Board of ForFarmers N.V.

<sup>a</sup>Comparisons are versus 2017

<sup>b</sup>mT means million tonnes

<sup>c</sup>Outbound logistic costs comprise both ForFarmers' own transport costs and third-party freight costs

<sup>d</sup>Total Feed covers the entire ForFarmers product portfolio and comprises compound feed, specialties, co-products (including DML products), seeds and other products (such as forage).

<sup>e</sup>Non-GMO stands for non-genetically modified organisms

<sup>f</sup>Capex level prior to the acquisitions made since 2016.

<sup>g</sup>Underlying net result attributable to shareholders is the net result attributable to shareholders of the Company excluding incidental items. ForFarmers considers this to be one of its alternative performance measures (APMs), see note 27 to the financial statements.

# Human Resources

The successful implementation of the Horizon 2020 strategy is largely determined by the capabilities, efforts and performance of employees and so it is important to ForFarmers to attract talented employees and help them develop and progress internally.

## **ForFarmers HR policy: attract, develop and retain talent**

### **Attract: ForFarmers on the employment market**

Growing numbers of existing and potential staff, including ambitious talents, want to serve a higher goal than just the economic interest of the business and are increasingly opting for a company with a clear social mission.

ForFarmers HR employees promote the 'For the Future of Farming' mission at universities and colleges, both by giving presentations and attending open days and by posting messages on social media. In 2018 this approach proved successful in the Netherlands with ForFarmers managing to fill around 80% of its vacancies without the intervention of an external intermediary.

In 2018 15 events involving universities or student associations were held, resulting in the hiring of 9 new international trainees. In Germany a successful introduction day was held for students. In the Netherlands an intern selection day was held which gave interns a very interactive introduction to ForFarmers and resulted in 76 internships. This concept will be rolled out to the other countries.

ForFarmers has an extensive range of training programmes for its staff and this is clearly highlighted in its employment market activities. These include the training programme for advisers and specialists who, as on-farm visitors, maintain the vital relationship with livestock farmers. The profile of these advisers and specialists is changing in line with industry trends. Livestock farmers are increasingly using data for optimum management of their businesses. Advisers and specialists therefore need to be able to help customers to translate this data into information that can be used to manage their businesses. In its recruiting activities ForFarmers

therefore focuses on people, often young, who take the digital potential for granted and offers them a two-year traineeship. The objective of this programme is to strengthen the sales organisation as much and as fast as possible, both with suitable candidates from outside the organisation and internal talent. This programme allows ForFarmers to limit the effect of ageing within the organisation. The trainees are given both practical and theoretical training. From day one they are assigned customers to whom they provide advice under the supervision of a senior adviser. Trainees must also carry out an international project as part of their training. The programme resulted in 14 new advisers/specialists joining the sales organisations in 2018.

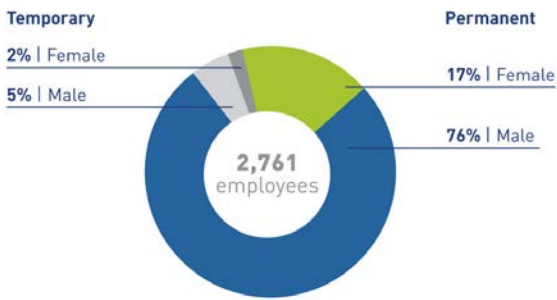
Overall, recruitment initiatives resulted in 471 new employees being hired in 2018. A total of 422 employees left ForFarmers in 2018 for various reasons, including retirement, restructuring and poor performance.

### **Diversity**

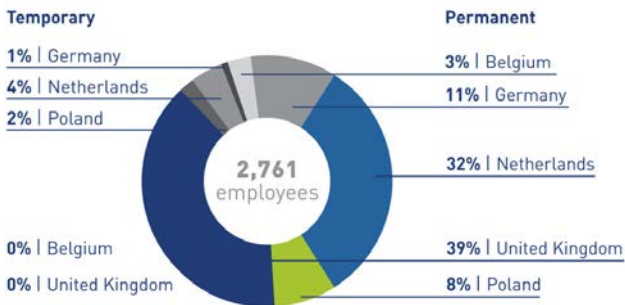
ForFarmers considers it important to hire employees based on the right skills, regardless of their gender, age, race or religion. This is part and parcel of the culture of the organisation. ForFarmers operates in a world where traditionally the vast majority of employees are male. In this context it is pleasing to note that, thanks to the way in which ForFarmers positions itself and given the growing number of candidate responses, more female candidates responded to outstanding vacancies in 2018. Of the employees who started the aforementioned training programme for advisers/specialists, for example, 30% are women.

As a socially responsible company ForFarmers aims to provide good and safe working conditions both for its own employees and employees operating in the chain. This is reinforced for example in the ForFarmers [Code of](#)

### Contract type by gender



### Contract type by geography



### Contract type by gender



[Conduct](#) and the Sedex supplier code, which ForFarmers requests suppliers to sign.

In the Netherlands and Belgium most (97% and 99%, respectively) employees are covered by a collective labour agreement (CLA). In Germany this applies to around 14% of employees while in the United Kingdom and Poland no employees are covered by a CLA.

### Develop: ForFarmers training programmes

ForFarmers likes to see its employees get a little bit more out of themselves every day, under the motto 'keep learning'. ForFarmers supports this with a broad selection of general training programmes ranging from specific academies to leadership programmes. There are also specific training courses, for example on coaching, train the trainer, time management, and giving and receiving feedback.

The objectives of the ForFarmers academies are: to enhance professional know-how, to share new developments happening at customers, the NIC and the strategic partners, and to update commercial skills. Courses are given both in groups and individually using e-learning modules. In 2018 the HR system implemented by ForFarmers the previous year was expanded with an e-learning platform that enables employees to share both the national and international know-how and experience that is available in-house. This is done for example by means of video material that provides instruction on how to use know-how for the benefit of customers. This makes it easier to realise the primary objectives of the ForFarmers academies.

The implementation of the Horizon 2020 strategy requires clear leadership and focus, but also flexibility and willingness to change on the part of both managers and employees. These aspects are highlighted in the leadership programmes such as the Potential programme, the Management Foundation programme and the Senior Management programme.

ForFarmers supports both vertical and horizontal career growth for its employees with its training programmes, various forms of career guidance and the aforementioned traineeships for new members of staff. Other pillars that help ForFarmers promote internal development and career progression include the sharing of know-how and experience, opportunities to follow other – external – courses and career exploration as a fixed element of the annual review. In 2018 86 employees were promoted internally. Two were senior managers who were appointed as members of the Executive Committee with effect from 1 January 2019.

The importance of the sales organisation Advisers, specialists and other members of the sales organisation are assessed each year on the extent to which they contributed to improving their customers' returns and implemented the Horizon 2020 strategy. This is done based on predetermined criteria relating to knowledge and skills and provides an overview of the areas in which certain employees have room for further development. They are then invited to follow one or several Sales Academy modules.

### Farming for non-farmers

The national and international growth of ForFarmers and

the stock market listing in 2016 created various new positions, some of them specialist. In some cases the employees taken on to fill these positions do not have a background in the agricultural industry. In the mission of ForFarmers the farmer, as customer, is the top priority. In 2018 the 'Farming for non-farmers' course was launched to introduce new employees to the sector and explain the specific challenges its customers face on a daily basis. The two-day course is built around a visit to a livestock farm, enabling the participants to experience what is involved in running a farming business. The farmer along with one of ForFarmers' own advisers explains how the adviser – and therefore ForFarmers – helps them optimise their business operations. This ensures a unique and informative experience for the employees involved.

## Number of participants in internal training programmes

In 2018 the numbers of participants in the various training programmes were as follows:

Programme	Objective of the programme	Total number of participants
Masterclass Senior Management	To develop personal leadership, implement strategy, promote the ForFarmers mission and coach employees	12
Potential programme	To translate strategy into practice, promote the ForFarmers mission and prepare for a position in Senior Management	11
Management Foundation Programme	To develop leadership skills, implement strategy, promote the ForFarmers mission and coach employees	68
Logistics Academy	To develop knowledge of relevant legislation and regulations, safe and efficient working practices, reduce fuel consumption, focus on interaction with customers	609
Sales Academy	To effectively convey knowledge and advice to customers	616
Ruminants Academy	To enhance professional know-how, share developments at the NIC and strategic partners, update commercial skills	205
Swine Academy	To enhance professional know-how, share developments at the NIC and strategic partners, update commercial skills	109
Poultry Academy	To enhance professional know-how, share developments at the NIC and strategic partners, update commercial skills	82

## Retain: how ForFarmers identifies potential

In order to retain knowledge and skills for the organisation ForFarmers devotes much time to internal succession for its key positions. The management teams of the country organisations regularly discuss which employees might be eligible for a key position. Twice a year, HR discusses all employees who have been identified, both from the country organisations and the support departments at group level, with the Executive Committee. Individual development plans are designed for these talents to prepare them for the next step.

The international HR team discusses succession to the key positions on a quarterly basis. In 2018 HR and the Executive Committee discussed the top 250 for the first time and analysed the group's potential for further growth based on their development codes. This showed that there is insufficient succession potential and made it clear in what areas the employees require further development or new people need to be hired. Personal development targets will need to be set in order to do this properly and there are still many opportunities for improvement, both in terms of the development sessions with staff and the quality of the individual development goals. A training

course was subsequently developed to address this, with the members of the Executive Committee having been the first to attend. The course will be rolled out further across the organisation in 2019.

In 2018 ForFarmers in the United Kingdom lost an above-average number of employees, mainly from the sales organisation and logistics (drivers). Further investigation showed that there were several reasons for this, ranging from terms and conditions of employment to career opportunities. To address this, a start was made during the year under review on implementing improvements that focus on, among other things, adjustments of working conditions where necessary and better information on career opportunities.

## HR system to support HR policy across the organisation

One ForFarmers, an important pillar of the Horizon 2020 strategy, is aimed at the exchange and leveraging of internal know-how, further professionalisation of the organisation, uniform working practices and maximum leverage of economies of scale. The uniform HR system (Workday) that was implemented across the organisation in 2017 for this purpose was used by all the employees for the first time in 2018.

## Organisational changes

The continental financial back office activities (excluding those in Poland) were centralised at the financial shared service centre (FSSC) in the Netherlands in 2017 to enable staff to work and cooperate more efficiently. As a result the same number of employees were able to deal with the increased workflow that resulted from the acquisitions in 2018. The FSSC works more efficiently and is much better placed to share know-how and best practices. Being able to learn from each other is seen as positive by those who work at the FSSC.

During the year under review the business transformation in the United Kingdom proceeded to take shape. The COO of ForFarmers UK accompanied by HR staff paid a visit to every site. Feedback and employee concerns that emerged from these visits have been elaborated into concrete actions and fed back to the organisation by the management. A leadership and change management course for managers was also launched in the UK, with the first groups of managers now having completed the

two-day course. Finally a number of new senior managers were hired to head up the change processes locally.

## Staff meetings

ForFarmers organises regular meetings to inform groups of employees about the progress of the Horizon 2020 strategy. This has proven to be an effective way to increase the employees' engagement regarding the strategy, help realise the One ForFarmers approach and promote the ForFarmers mission. Two-day management conferences were held for the senior management in May and November in 2018. The meeting in May 2018 took place in Poland at Tasomix, the company in which ForFarmers acquired a 60% stake in 2018. This provided an opportunity for employees of Tasomix and ForFarmers to get to know each other and exchange ideas about the opportunities presented by the new partnership.



The country organisations also organise regular local interactive meetings for staff. In 2018 a total of 34 staff meetings were held that were attended by 30 or more employees per meeting.

A number of soapbox sessions were organised in the United Kingdom in 2018 to inform employees there about the business transformation taking place and obtain valuable feedback from them. Other examples of occasions at which information is exchanged include the Christmas and New Year gatherings and summer BBQs in the various countries.

## Employee engagement – the ‘pulse check’

ForFarmers conducted its first employee engagement survey in 2016, followed up with a ‘pulse check’ in 2017 to provide an insight into the progress made on the points for



development. While no new survey was conducted in 2018, more work was done on the points for development: giving and receiving feedback, individual contributions to the Horizon 2020 strategy, and agreements on career opportunities and work pressure.

Managers have specific targets to discuss career opportunities with their employees. The number of interim performance reviews increased by about 30% compared to 2017. Work is being done on standardising processes as a means of reducing work pressure. A new survey will be prepared in 2019 aimed at enabling a comparison to be made with employee engagement at other players in the sector.

## Employee participation plan

ForFarmers has had an employee participation plan for permanent employees in place since 2015. The plan allows each participating employee to purchase up to €5,000 of ForFarmers shares or depositary receipts at a discount of 13.5%, with the shares or depositary receipts being subject to a lock-up period of three years.

There is also a participation plan for senior management under which managers are given a 20% discount and are subject to a five-year lock-up period. Employees in the Netherlands receive a direct discount on the shares while in the other countries the discount is granted in the form of free shares or depositary receipts. In 2018 almost 12% of employees participated in the plan (2017: 14%), investing an average of €3,400,- each. Overall, approximately 25% of employees now hold shares in ForFarmers (2017: 25%). The purpose of the participation plan is to strengthen employees' ties to the business and to boost motivation and engagement. The aim is to offer an employee participation plan every year. This is, however, subject to annual approval by the Supervisory Board and authorisation from the General Meeting of Shareholders to buy back the necessary shares on the stock exchange.

## Health and safety

ForFarmers believes that it is its responsibility to provide employees with a safe and healthy work environment. Much attention is therefore devoted to safety, monitoring and the proactive tackling of dangerous or potentially dangerous situations at its own sites and en route to and at customer sites. The ForFarmers approach to health and safety is described in the Sustainability section.

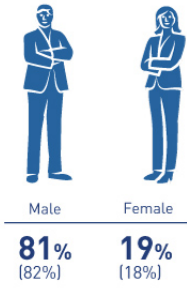


## Priorities for the coming years

In 2019 some changes in emphasis will be made in implementing the HR policy, which is crucial to the implementation of the Horizon 2020 strategy. A new, company-wide introduction programme for new employees will be launched, with the focus firmly on attracting and retaining future management and specialist potential. The programme will also be aimed at employees of companies that have been taken over by ForFarmers. In 2019 more attention will also be devoted to the way in which development goals are identified and discussed during staff performance and appraisal reviews.

Payroll accounting in the Netherlands, Belgium and Germany will be outsourced. Wider and more intensive use will be made of the HR system, which will be expanded with new modules. Preparations will be made for the HR system to be introduced in Poland as well.

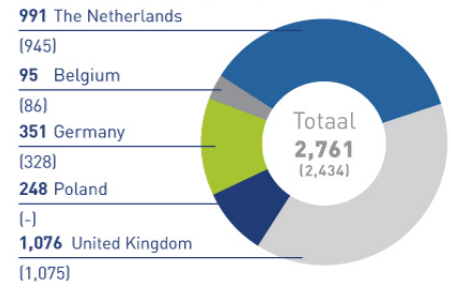
### Male/Female



### Age structure



### Number of employees per country



2017 | Comparative data are presented in between brackets

See note 15 of the financial statements for the number of employees converted to FTEs

# The stakeholder gets to speak

ForFarmers considers the opinions of its stakeholders to be important. At least once every three years, ForFarmers conducts a structured survey to assess which topics external and internal stakeholders consider important in relation to the agricultural sector in general, and the role of ForFarmers in particular. The results of that survey form the basis for the materiality analysis presented in the chapter on sustainability. The last survey took place in 2017. For this annual report, short interviews were held with a number of different stakeholders to ask them about their experiences with, and expectations of, ForFarmers. Issues such as sustainability, the Total Feed approach and the mission 'For the Future of Farmers' were also raised during these interviews. The survey yielded some interesting insights, a selection of which are given below:

## **Johan Arkink**

*Dairy farmer in Weerselo, Netherlands, member of Coöperatie FromFarmers (the 'Cooperative') and shareholder of ForFarmers*



"My wife and I run a dairy farm in Weerselo together with our youngest son.

We have long been a customer of ForFarmers and its predecessors, even before the merger between ABC and CTA. And we are members of the Cooperative, of which I have also been a member of the Members' Council since 2013. In that role, I fully experienced the process surrounding the IPO in 2016. At the time, there were Members who had reservations but I thought otherwise. As a compound feed company, you can only survive if you can innovate. You need a certain scale for that, so you do need to grow. The acquisitions in Poland, Belgium and the Netherlands this year are a good example of this."

"The IPO did lead to a dilemma. As a member of the Cooperative we are a shareholder of ForFarmers, but also a customer. As a shareholder, you want to see the share price - and dividend - increase as much as possible, but if the feed becomes too expensive, the farmers will leave. Focus groups have therefore been set up for all sectors to make an objective comparison of the price/quality ratio of ForFarmers' and competitors' feeds. This guarantees market conformity. This balance must also exist in the Supervisory Board. This board should comprise enough farmer members, because that leads to a greater alignment with the farmers."

"Besides good feed for a good price, I think good advice is also worth a lot. ForFarmers employs specialists who know everything about a variety of subjects ranging from milking robots to manure legislation. This is sorely needed because environmental problems have a major impact on the sector. The pressure continues to increase while farms in the Netherlands are super-efficient with a relatively small carbon footprint. Perhaps ForFarmers can do better at demonstrating what we are doing already."

## **Olivier and Steven Algoet**

*ForFarmers acquired Voeders Algoet in Zulte, Belgium in October 2018*

"Voeders Algoet is a Belgian animal feed company. We sell compound feed to pig and ruminant farmers. ForFarmers acquired our company in 2018. The main reasons that led

to us selling our company were scale and growth. In our sector, scale is of increasing importance. For our customers, but also for us as an animal feed company. We need to work ever more efficiently, so we need to optimise, generate volume and keep costs under control. Our feed mill was already operating at full capacity so we had to take the next step to continue to fulfil our ambitions for growth. And then ForFarmers came up with a proposal. It took us some time to accept it, also because we are a family business. We already knew each other quite well. We had some common customers - leading companies - and this gave us confidence about the way they worked.”

“What is really striking is that everyone within ForFarmers is doing their utmost to ensure that the integration of Voeders Algoet is running as smoothly as possible. This testifies to a strong ambition. Ambition that is absolutely necessary in order to be ready for the future. Our ‘family’ way of working wasn’t just replaced by ForFarmers’ current way of working. No, the aim was to combine the strengths of the two organisations so that they would jointly become even stronger. Of course, it speaks for itself that there are also differences when you compare a family business with a listed company. But through good collaboration and mutual respect, we are succeeding in creating added value for our staff and clients.”

**Jan Katerberg**

*Dealer Agro Noord, Hoozeveen, Netherlands*



“As a ForFarmers dealer, we sell ruminant feed to a large number of customers in the Netherlands. In addition to feed, we also supply seed and fertiliser, for example. ForFarmers sells feed through us; our customers are therefore also customers of ForFarmers.”

“We were dealers of HendrixUTD. When ForFarmers took over this company in 2012 they decided to continue with the dealers. The whole ‘dealer’ phenomenon was new to ForFarmers, as they had always delivered directly to the farmer. The combination of dealer and direct delivery has proven to be very strong. We, as a small organisation, are the familiar face. ForFarmers is a large innovative organisation with a great deal of specialist knowledge that is able to produce feed for a good price-performance ratio, partly thanks to its large scale. Our team consists of our own employees and those of ForFarmers: and there’s no difference between them. Everyone is happy to get on the farm.”

“The collaboration with ForFarmers is characterised by equality. It’s like a good marriage. We share the same ambition: growth and continuity. For our organisations, but also for our customers - the farmers - and the sector. We do this by ensuring a good result on the farm and by working together to make livestock farming more sustainable. Although, I must say that the increasing pressure from society on this issue is demoralising for many farmers. Knowing what is happening on the farm is crucial to our work. That remains the challenge for ForFarmers in the future. And being proud of its roots and not forgetting its heritage: a farmers’ cooperative.”

**Mark Hayward**

*Dingley Dell, Outdoor Pig Producer, Suffolk, United Kingdom*

“Dingley Dell is an Outdoor Pig Farm which produces pigs in a very high welfare environment. The farm has a strong focus on its own eco-system applying elements of circular farming; by giving back to the land, environment and wildlife. We use our own unique genetics and sell our high quality product to restaurants in the UK and Internationally. On and off we have been a customer of ForFarmers and its predecessor BOCM PAULS for an awful long time. First and foremost our decision for the supplier is triggered by a good price. The perfect feed company should be delivering on farm efficiencies as well as giving the best possible quote. We have recently experienced that ForFarmers is focusing big on innovation, trial work and using their knowledge to help us farmers. I would expect this focus on innovation to be translated to on farm solutions which provide us with better returns and efficiency.”

“Our ForFarmers team has a fair bit of practical experience on different pig farms and this is always

helpful. We value this benchmarking advice. The guidance from specialist expert advisors has ensured we have a very close working scenario – we are always interested in what helps us reduce the cost of rearing a pig to deliver better returns. I believe ForFarmers are transparent (Team, Products and Planning) and, while in some cases the nutrition may not be that different, the value added comes from improving our efficiency.”

“I’m more than happy to work with ForFarmers although there have been some delivery problems. When they were highlighted everyone did their best to sort them. The rest is all very good. Product Quality is good, innovation is excellent and noticed. Sustainability is less tangible for a feed company. Whereas my company can tangibly adopt a sustainability strategy through improving our farms ecosystem this is less evident in feed. With the focus on anti-biotic reduction ForFarmers are essentially relying on the customers to reduce their anti-biotic use. You can only provide advice but not actually reduce it. I know ForFarmers works e.g. on sustainability in their transport and manufacturing process, but this is not as sexy!”

#### **Marco Meyer**

*Egg-laying poultry farmer in Wardenburg, Lower Saxony, Germany*



“We currently have a barn with 30,000 laying hens and an extra barn under construction for another 30,000 laying hens. In 2013, we started with ‘free range’ and since then we’ve been buying our hen feed from ForFarmers. Before that, my father was also a customer of ForFarmers. In April 2018, we switched to Split Feeding. This is a feeding concept in which we give the laying hens two different types of feed every day: a morning and afternoon feed. The feed is adapted to the phase in the egg production cycle and thus to the changing nutrient requirements of the hen throughout the day. ForFarmers was the first company in Germany to introduce Split Feeding to the market. This drive for innovation appeals to me. Not to mention the

result. This feed concept leads to a higher quality eggshell. It also reduces the costs of manure removal because the manure is much drier. In addition, the feed consumption per animal per day has decreased. This is an important result because in this business feed costs are often decisive to the success of a company.”

“But it’s not just about feed. I’m interested in long-term business relationships. It’s only when you know and trust each other that you can work well together. The relationship with ForFarmers is mainly determined by the local advisor. For me, it’s important to be on the same wavelength, and that is absolutely the case with us. If we encounter problems, a solution will be found together quickly.”

“We are participating in Agroscoop. This is a digital monitoring program from ForFarmers that enables us to assess our technical and financial data at any time. We can also compare the technical results with those of fellow poultry farmers. Handy. And we are apparently doing well, because in 2018 our company became the Agroscoop champion in the laying hen category with the lowest feed consumption per hen, a top quality eggshell and very good feathering.”

#### **Anna Czwaro-Barszcz**

*Operational Director Farms, FERMA KLWÓW SP. Z O.O. in Pionki, Poland*

“FERMA KLWÓW is part of the KPS Group. In 2018, the KPS Group had three companies with 1.2 million chickens, but in 2019 we’re expanding to six companies with 2.5 million chickens. We’ve been working with Tasomix for more than two years now. We used to work with other feed producers, but as we, jointly with our customers, place high demands on the quality of the feed, we started looking for another producer who could meet our requirements. That was Tasomix. Tasomix is a reliable partner that works with us to produce broilers of the highest possible quality.”

“Tasomix offers farmers comprehensive advice on how to improve production results. The professional and personal approach of Tasomix is truly remarkable. It’s one of the few companies that are willing to help you personally to put together an individual feeding programme based on expected results, the health of the animals and the current situation on the farm. We also attach great importance to the fact that the Tasomix blending mill is

very clean, incorporates the latest technology and is operated by trained personnel. This is of great importance for the quality and safety of the product, and especially for us as a producer of animal products. After all, we deliver to retailers, customers who have very high demands. One thing that Tasomix does need to keep working on though is the punctuality of their deliveries.”

“We are very excited about the collaboration between Tasomix and ForFarmers. And, of course, we hope that as customers we will also benefit from the international knowledge and experience that ForFarmers brings to Tasomix, and vice versa.”

**Anne-Sophie Heiltjes**

*ForFarmers, Marketing & Communication Ruminants, Lochem, Netherlands*

“My interest in ForFarmers was aroused when I read an article about ForFarmers’ Nutrition Innovation Centre (NIC) during my studies in Animal Sciences at Wageningen University. After graduating, I wanted to gain practical experience in an organisation with its own research department and signed up for the ForFarmers Commercial Trainee Programme. After the first job interview I was already ‘completely sold’. The interview itself and the way in which the organisation was described - as progressive and with many opportunities for further development - appealed to me greatly.”

“The traineeship is well designed and it’s special because you’re being trained by colleagues. They know the company, know how things work in practice and can therefore train and advise you really well. My interest turned out to be broader than just sales, so after a few months in the field I got the chance to gain some experience in NIC and marketing. This allowed me to get to know the company in a relatively short time. Since September 2018, I’ve been here on a permanent basis and I am really enjoying it. Communication lines are short and you get a lot of freedom. Everyone is ‘committed to the company’ and ambitious; the bar is high, but that keeps you on your toes.”

“Of the three core values, ambition and partnership are the most familiar to me. They come together on the farm. Farmers are professionals and want serious advice from a specialist who knows what happens on a farm and how we can improve his business results. We are particularly strong in this area. With regard to sustainability, we do

need to communicate this better. I know that we’re doing a lot about it, I see it every day at work. In things like higher feed efficiency and animal health. Perhaps we should be doing that together with the farmers. That fits in perfectly with our mission ‘For the Future of Farming’.”



# Sustainability and Innovation

## **Sustainability, a core value of ForFarmers and intrinsic to its business practices**

Demand for food and proteins increases on the back of the growing world population and this demand needs to be met in a sustainable way. As livestock nutritionists, the animal feed industry has a vital role to play in achieving this by continuously improving both the efficiency of livestock production and the health and welfare of animals. Sustainable production of feed, and consequently food, can only be achieved through continuous innovation. Sustainability, innovation and delivery of concepts are therefore an integral part of ForFarmers' business practices and operations.

## **Stakeholder dialogue and materiality matrix**

In setting priorities for the ongoing improvement of its sustainability performance, ForFarmers regards the view of its stakeholders as a vital starting point. In addition ForFarmers recognises that developing knowledge and trends can influence the agenda. At least once every three years ForFarmers performs a comprehensive survey to gain and measure feedback from its [key external and internal stakeholders](#) to create its materiality matrix. In the intermediate years ForFarmers checks the matrix by means of its ongoing dialogues with stakeholders through its normal business practices. Based on the regular discussions that took place in 2018 between advisors and customers, and between other employees and other stakeholders, the existing materiality matrix of 2017 continues to represent the current perspectives of ForFarmers and its stakeholders. Through this structural stakeholder engagement, emerging topics are identified that are important for ForFarmers to take into account in its strategic updates.



## ForFarmers Materiality Matrix<sup>1</sup>



- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>1 Limiting GHG emissions associated with the production and transport of feed raw materials</li> <li>2 Limiting GHG emissions associated with the production and delivery of animal feed</li> <li>3 Limiting GHG emissions associated with livestock production</li> <li>4 Methane emissions from ruminants</li> <li>5 Loss of biodiversity</li> <li>6 Soil fertility</li> <li>7 Protection of sensitive eco-systems</li> <li>8 Protection of limited resources such as phosphate</li> <li>9 Pollution of land and water from phosphates and nitrates</li> <li>10 Pollution of land and water from zinc and copper</li> <li>11 Land use change and deforestation</li> <li>12 The use of renewable energy in your own processes</li> <li>13 Publication of Company CO<sub>2</sub> emissions</li> <li>14 Targets on zero waste to landfill</li> <li>15 Water footprint</li> <li>16 Pesticide residues</li> <li>17 Development of closed-loop systems</li> <li>18 Employment is freely chosen</li> <li>19 Freedom of association</li> <li><b>20 Working conditions are safe and hygienic</b></li> <li>21 Modern slavery</li> <li>22 Child labour is not used</li> <li>23 Living wages are paid</li> </ul> | <ul style="list-style-type: none"> <li>24 Working hours are not excessive</li> <li>25 No discrimination is practised</li> <li>26 Lack of bribery and corruption</li> <li><b>27 Food and feed safety</b></li> <li>28 Food security</li> <li>29 Access to affordable food</li> <li>30 Local sourcing of food</li> <li>31 Producer profitability</li> <li>32 Antimicrobial resistance (AMR)</li> <li>33 Intensive production systems</li> <li><b>34 Use of antibiotics in livestock production</b></li> <li>35 Large scale farming</li> <li>36 Grazing periods for ruminants</li> <li>37 Maintaining the integrity of livestock (e.g. tail docking, beak trimming, castration)</li> <li>38 Living space for chickens and pigs</li> <li><b>39 The possibility for animals to exhibit natural behaviour</b></li> <li>40 The possibility for animals to go outside</li> <li><b>41 Issues related to the use of soy bean meal</b></li> <li>42 Issues related to the use of palm oil</li> <li>43 Issues related to the use of fishmeal</li> <li>44 Issues related to the use of other raw materials</li> <li>45 Genetic modification</li> <li><b>46 Local sourcing (e.g EU) of Raw Materials</b></li> <li><b>47 Development of alternative raw materials (Algae, Seaweed, Duckweed, Insects)</b></li> </ul> |
|---|---|

<sup>1</sup> The subjects presented in bold lettering are related tot the sustainability KPIs












## ForFarmers' sustainability strategy

ForFarmers has developed a sustainability framework comprising three themes and six material focus areas of which five are defined as Key Performance Indicators (KPIs). The chosen themes are those on which ForFarmers has an impact within the value chain and together with the formulated KPIs address the key issues raised by its stakeholders. ForFarmers considers improving animal health and animal welfare as an integral aspect of its Total Feed approach for which no specific KPI has been determined. The table reflects the connection between the themes and the KPIs.



ForFarmers has aligned its five sustainability objectives (KPIs) to the primary UN Sustainable Development Goals (SDGs), focusing on ending poverty, protecting the planet and ensuring prosperity for all to be achieved by 2030. In 2018 ForFarmers determined which specific underlying SDG targets are relevant in order to further focus on these targets in 2019.

Theme	Material, focus area (link to materiality matrix and SDGs)	Main impact in value chain	KPI	Risks	Performance <sup>3</sup>
<b>Environment</b>    	1. Limit phosphate pollution <sup>1</sup> SDG 12	ForFarmers, Customers	1. phosphate efficiency percentage on-farm in NL (dairy and swine farmers)	<ul style="list-style-type: none"> <li>Regulations &amp; environmental laws</li> <li>Climate change</li> </ul>	+
	2. Limit greenhouse gas emissions <sup>2</sup> SDG 12 & 13 & 17	Supply chain, ForFarmers, Customers	2. GHG emissions in metric tonnes of CO <sub>2</sub> equivalent and in Kg of CO <sub>2</sub> per tonne	<ul style="list-style-type: none"> <li>Climate change</li> <li>Regulations &amp; environmental laws</li> </ul>	+/-
	3. Minimise the use of land, water and energy (41, 46) SDG 12 & 15 & 17	Supply chain, ForFarmers, Customers	3. percentage of sustainable soy bean meal and palm oil	<ul style="list-style-type: none"> <li>Climate change</li> <li>Regulations &amp; environmental laws</li> </ul>	+
<b>People &amp; society</b>  	4. Ensure safe and fair working conditions (20) SDG 3 & 17	Supply chain, ForFarmers, Customers	4. Number of Lost Time Incidents (LTIs)	<ul style="list-style-type: none"> <li>Health &amp; Safety</li> </ul>	-
	5. Improve feed safety (27) SDG 3 & 17	Supply chain, ForFarmers, Customers	5. Total number of feed safety incidents due to non-compliance with regulations and voluntary codes	<ul style="list-style-type: none"> <li>Feed safety</li> </ul>	+
<b>Animal health &amp; Welfare</b>   	6. Improve animal health and welfare (34, 39, 47) SDG 3 & 15 & 17	ForFarmers, Customers	Improving animal health & welfare is deemed an integral part of Total Feed solutions for which no specific KPI has been developed	<ul style="list-style-type: none"> <li>Size of livestock herd and animal diseases</li> </ul>	No specific KPI

<sup>1</sup>Although phosphate pollution is not specifically addressed by ForFarmers' global stakeholders as most material, the Company has included it in its sustainability strategy as it is a material topic for dairy farmers and pig farmers in the Dutch market. Given the importance of ForFarmers Netherlands in the development and results of the Company, this KPI is deemed of essence.

<sup>2</sup>Although greenhouse gas emissions is not specifically addressed as most material in the materiality matrix, ForFarmers has included it in its sustainability strategy as the other material topics are related to our carbon footprint.

<sup>3</sup>The explanation is: (+): the results have improved, (+/-): the results were average, (-): the results decreased

## ForFarmers' inherent sustainable Total Feed approach

Apart from working on its specific objectives towards the six focus areas, ForFarmers' Total Feed approach inherently comprises various sustainable concepts, such as non-GMO and organic feeds and, for example, by applying on-farm fermentation.

In 2018 ForFarmers reopened a sizeable mill in the Netherlands (maximum capacity of 250k tonnes) that is fully dedicated to production of non-GMO feed, on the back of the increasing consumer interest for non-GMO food especially in Germany. The interest in non-GMO food, and

therefore feed, represents a certain perspective on sustainability. ForFarmers responds to that need by producing such feed in the most efficient way.

Moreover, ForFarmers as the leading producer of organic feed in Europe strengthened its position further in 2018 by taking over Van Gorp Biologische Voeders (the Netherlands and Belgium) and announcing a small take-over in the United Kingdom.

ForFarmers also takes a leading role in helping farmers apply on-farm fermentation for swine, which leads to better digestible feed with a better phosphate utilisation. Moreover, it enables the farmer to use less water in the

mix, thus resulting in less manure, also resulting in a lower carbon footprint. The use of fermentation in producing pig feed also improves animal health and consequently reduces the need for antibiotic interference. ForFarmers delivers both the lactic acid producing bacteria and the complimentary feeds to farmers, combined with advice and tools.

DML, one of the core product groups of ForFarmers, comprises co-products from the food and drink industries. Examples include whey, wheat feed and brewers grain. These circular products contribute to a sustainable (re)use of raw materials.

## Governance sustainability activities

ForFarmers has a two-tier governance approach to sustainability in the form of a Sustainability Advisory Board, chaired by ForFarmers' CEO, and a Sustainability Task Force.

ForFarmers excludes companies or businesses acquired during the current and prior reporting period from the reporting scope. The reason behind this is that newly acquired companies or businesses first need to be integrated into the ForFarmers organisation and become familiar with the ForFarmers way of working, before the reliability of the reported figures can be ensured. More detailed information on ForFarmers' sustainability strategy (including governance, reporting criteria and KPI definitions) can be found on the [corporate website](#).

## ForFarmers' sustainability focus areas and related KPIs in more detail

During 2018 ForFarmers made progress in measuring and reporting on the six focus areas. Quarterly updates on all KPIs were introduced, providing explanation for the Executive Committee on performance and achieved results and on the planned actions going forward.

### 1. Limit phosphate pollution

#### *Why this is part of ForFarmers' sustainability strategy*

Phosphate pollution is viewed as a relevant focus area as phosphate emission by animals pollutes surface water. The EU has therefore imposed phosphate production

ceilings for all EU member states. Given the intensive farming in the Netherlands, Dutch dairy and pig farmers have been permitted a higher phosphate ceiling than other European countries, which is reviewed periodically. In light of the upcoming assessment, measures were introduced in the Netherlands in 2017 to reduce phosphate emissions. These measurements were to be taken by all relevant industry players. Farmers were required to reduce their herds, processors put penalties on milk production above certain limits, and the government provided subsidies to farmers who decided to stop farming and feed companies were challenged to include less phosphate in feed. However, too little phosphate in the feed reduces animal performance; too much increases emissions into the environment. Measuring phosphate efficiency is therefore considered a KPI, and of material importance specifically in the Netherlands.

#### *What was done*

ForFarmers influences phosphate efficiency through nutrition by continually focusing on better utilisation of nutrients and the use of the latest generation of phytase enzymes. ForFarmers' NIC is involved in various test programmes to develop feed concepts that achieve reduction of phosphate emissions.

#### *How progress is measured*

In the Netherlands, ForFarmers engages in the 'KringloopWijzer' scheme, a nutrient management system for all dairy farmers to record the use of minerals (phosphate, nitrogen and carbon) on farm. ForFarmers delivers feed and tools to farmers to monitor phosphate efficiency on the farm and consequently the relating polluting phosphate losses. The higher the percentage of phosphate utilisation, the better it is. However, it is impossible to reach a phosphate utilisation of 100%. At present, the efficiency for the best 25% performers for dairy cows is on average 42% and for respectively swine fattening 61%, sow 53% and for swine breeder & feeder farms 56%. Phosphate efficiency was generally higher in 2017 than in 2016.

## Phosphate efficiency (only for The Netherlands)

	2017		2016		Comments
	%	Number of farms in the sample	%*	Number of farms in the sample	
Dairy	38.4%	2,343	37.2%	2,347	Higher milk production/cow is driving higher phosphate efficiency
Swine fattening	54%	245	52.2%	251	Increased due to improved kg feed/kg gain and effective Delta concept Hoger door verbetering kg voer/kg gewichtstoename en effectief Delta-concept
Sows	41.8%	99	41.7%	95	Nearly stable due to increased number of pigs per sow
Swine breeder & feeder farms (sows and fattening)	48.6%	54	48.5%	79	Nearly stable and decreased sample size due to more focused industry structure

\* Comparative percentages have been updated

The results are always one year behind the current year because of the availability of the data. Considering that (reliable) data which is required for the calculation of phosphate efficiency is only available for Dutch farmers, the scope is restricted to The Netherlands only.

Source: ForFarmers

### The 2017 highlights were:

In dairy, phosphate efficiency improved primarily as a result of increased productivity (higher milk yields per cow). In swine finishing, ongoing work by ForFarmers to optimise the nutritional composition of diets led to improvements in the feed conversion ratio and therefore an increase in phosphate efficiency. More modest improvements were seen in the sow breeding sector due to increases in the number of pigs reared per sow and on swine breeder and feeder farms.

In 2018, ForFarmers continued to focus on developing innovative feed concepts that help improve phosphate efficiency in the dairy and swine sector, such as the implementation of the Delta concept.

## 2. Limit greenhouse gas emissions

### Why this is part of ForFarmers' sustainability strategy

Livestock production causes significant greenhouse gas (GHG) emissions and consequently climate change. ForFarmers therefore monitors GHG emissions (both per tonne of feed and in total), initially within its own operations. This means measuring the use of gas, oil and diesel (scope 1) and electricity (scope 2) in the production of feed and by its own vehicle fleet. This is an area in which ForFarmers can make a difference directly through its own actions, albeit that GHG emissions produced within scope 1 and 2 are minimal in comparison to those produced in scope 3 (emissions produced in the supply

chain and emissions on-farm). In order to help farmers lower their carbon footprint, ForFarmers not only focuses on reducing its GHG emissions in scope 1 and 2, but also on delivering its Total Feed solutions, i.e. optimally sustainable feed concepts combined with advice. This includes the use of co-products from the food and drink industries (DML products such as whey, beet pulp, brewers grain, palm kernel) and optimising feed conversion, which means 'less feed in – and consequently use of scarce raw materials – , more production output'.

*CHALLENGE: trade-off between dedicated non-GMO factory and increase of GHG emissions*

In 2018 ForFarmers reopened a mill in Deventer, the Netherlands, fully dedicated to the production of non-GMO feed. Especially within the German market the interest in non-GMO dairy products is on the rise. As the production of Dutch dairy farmers is to a large extent exported to Germany, their demand for non-GMO feed increased significantly. Reopening the mill in Deventer meets this requirement, but leads to an increase in GHG emissions as the distance to be covered from the mill to the customer, as regards delivery of specialities, could be longer.

### *What was done*

As of 2018, GHG emissions of the transport activities performed by ForFarmers' own fleet is included in GHG reporting to provide a more comprehensive dataset for the supply chain activities.

In 2018 ForFarmers initiated the following main projects to reduce GHG emissions:

#### *Scope 1 and 2*

With respect to its manufacturing activities, ForFarmers uses an Energy Saving Matrix that sets out a list of projects in each country targeted to improve energy efficiency, e.g.:

- In the Netherlands, the construction of a biomass boiler in Lochem commenced. This biomass plant produces steam by using wood chips from local sources. The steam will be used as energy source in ForFarmers largest mill in the Netherlands, also located in Lochem, and is estimated to reduce the mill's gas consumption by 95% when it is fully operational.
- In the United Kingdom, ForFarmers installed solar panels on three mills as well as on its new central office (Horizon House). In addition, LED lighting was installed at eight sites.

ForFarmers also takes measures to improve energy efficiency in logistics (transport). The amount of fuel (in litres) per tonne of feed delivered by the dedicated fleet is measured and reviewed on a monthly basis. Energy efficiency is improved by efficient vehicle planning, which increases utilisation and capacity fill.

ForFarmers also continues to invest in new, more efficient, trucks. For example, at the end of 2018 over 90% of the trucks ran on Euro 6 engines.

A number of projects have been introduced focusing on reducing idle time, efficient loading with larger trailers and a driver challenge for fuel-efficient driving. In the Netherlands, a pilot on feed delivery using electric unloading is underway and in the United Kingdom vehicle planning has been improved with the introduction of an upgraded vehicle routing system.

The company car policy, which was introduced at the beginning of 2016, encourages employees with company lease cars to choose electric or low CO<sub>2</sub> emission vehicles. In 2018 sixty new cars were leased, of which 11 (18%) are electric or hybrid cars.

#### *Scope 3*

At farm level, ForFarmers focuses on reducing GHG emissions by delivering fitting Total Feed solutions. For example, ForFarmers introduced the Apollo range of broiler feeds in 2018, which focuses fully on environmental impact by delivering the best feed conversion efficiency and thus reducing the carbon footprint and use of land. Similarly, the NOVA range of sow feeds, which has been based on extensive research and development to ensure total performance throughout the sow's reproductive lifetime, helps reduce GHG emissions on farm. In the ruminant sector, ForFarmers is engaged in a project that aims to lower the carbon and methane footprint of feed concepts.

#### *CHALLENGE: developing concepts whilst balancing out the impact on the three themes*

Meeting all objectives within the three themes simultaneously is not always possible. For example, limiting GHG emissions and minimizing use of land has a positive effect on the environment but will often decrease the level of animal welfare. Similarly, the best way to reduce carbon footprint and minimize the use of land is to improve the feed conversion ratio and increase the daily weight gain of broilers in a relatively small living-space. This goes against creating welfare concepts that see to improving animal health and welfare. ForFarmers maps such challenges to balance out customer requirements versus impact on the three themes.

## Balancing the sustainability themes in innovative concepts



Environment



People



Welfare

		Environment	People	Welfare
<b>Apollo</b> (broilers)	Producing meat efficiently with reduced carbon footprint and lower land use			
<b>Organic</b> (broilers)	Organic Broiler Production			
<b>Gildehoen</b> (broilers)	Slow Growing Concept in collaboration with retailers in the Netherlands			
<b>ULTRA</b> (swine finisher)	Better feed efficiency and growth, without increasing phosphate and nitrate excretion, better gut health, lower aggression, reduced mortality, simpler feed programmes for easier management			
<b>NOVA</b> (swine sow)	Improved technical performance, lower GHG emissions. Better sow productivity, reduced preweaning			
<b>Feed2Milk</b> (Dairy)	Efficient milk production with healthy (longevity) cows			
<b>Translac</b> (Dairy)	Optimally managing the transition period (drying off - calving) of dairy cows			

The darker the colour green, the more relevant

Source: ForFarmers

How progress is measured

### Greenhouse gas emissions (Kg of CO<sub>2</sub> per tonne feed)

	2018					2017				
	Scope 1			Scope 2		Scope 1			Scope 2	
	Production		Logistics	Production		Production		Logistics	Production	
	Gas	Kerosene	Medium Oil	Diesel	Electricity	Gas	Kerosene	Medium oil	Diesel	Electricity
Netherlands	4.08	-	-	5.55	16.1	4.11	-	-	5.45	16.3
Germany	3.63	-	-	6.71	11.94	3.69*	-	-	6.88	11.95
Belgium	2.19	-	-	-	4.75	2.01*	-	-	-	4.85
UK	4.48	1.28	0.32	10.85	20.67	4.99*	1.35	0.36	10.89	20.77
<b>Total weighted average</b>	<b>4.02</b>	<b>1.28</b>	<b>0.32</b>	<b>8.29</b>	<b>16.21</b>	<b>4.19*</b>	<b>1.35</b>	<b>0.36</b>	<b>8.29</b>	<b>16.36</b>

\*Comparative data are updated

### Greenhouse gas emissions (Total tonnes of CO<sub>2</sub>)

	2018					2017				
	Scope 1			Scope 2		Scope 1			Scope 2	
	Production		Logistics	Production		Production		Logistics	Production	
	Gas	Kerosene	Medium Oil	Diesel	Electricity	Gas	Kerosene	Medium oil	Diesel	Electricity
Netherlands	12,799	-	-	6,789	50,456	12,956	-	-	6,933	51,400
Germany	2,857	-	-	3,326	9,395	2,880*	-	-	3,653	9,325
Belgium	904	-	-	-	1,958	809*	-	-	-	1,949
UK	8,471	2,424	600	17,522	39,072	9,294*	2,515	669	18,361	38,701
<b>Total</b>	<b>25,031</b>	<b>2,424</b>	<b>600</b>	<b>27,637</b>	<b>100,881</b>	<b>25,939*</b>	<b>2,515</b>	<b>669</b>	<b>28,947</b>	<b>101,375</b>

\*Comparative data are updated

Total tonnes of CO<sub>2</sub> per source all show a minor decrease compared to previous year. This is mainly caused by ongoing implementation of energy savings projects and a favourable raw material mix, which will continue to be our focus for 2019.

The CO<sub>2</sub> per tonne feed, the intensity ratios, also show a minor decrease compared to previous year, except Diesel which remains flat. Despite driver challenge and new trucks, Diesel emissions were the same as last year due to increased litres per tonne as capacity fill was lower and customer distance was higher.

*CHALLENGE: measuring the emissions along the value chain*

ForFarmers recognises that scope 3 GHG emissions (produced in the supply of raw materials and inbound logistics chain and from the utilisation of feed by its farmer customers) are significant. Measuring these emissions in a comparable and consistent manner remains a challenge however. Without reliable data it is difficult to monitor progress in reducing GHG emissions. To this end the Company is actively involved in European and international initiatives to develop a harmonised methodology for calculating the environmental impact of feed production delivered to the farm gate. In 2018 the European Commission published the Feed for Food Producing Animals PEFCR. Also in 2018, the Global Feed LCA Institute, an independent feed industry initiative, published a freely and publically available Feed Life Cycle Analysis (LCA) feed materials database. These data and tools will make it possible for ForFarmers to calculate the emissions associated with raw materials and provide this information to customers and other stakeholders where there is a market incentive to do so.

### 3. Minimise use of the land, water and energy

*Why this is part of ForFarmers' sustainability strategy*

Minimising the use of land, water and energy throughout the supply chain is a very important topic for ForFarmers and many of its stakeholders. The issues largely revolve around deforestation and land use associated with growing raw materials that are imported into the EU, particularly soy and palm oil. Various external organisations have taken it onto themselves to ensure responsible business practices are in place and used in this regard. Not only do they focus on responsible procurement practices, but also on environmental and social aspects, such as fair compensation and working conditions for labourers. ForFarmers also assesses the impact of regional sourcing in relation to this KPI.

*What is done*

ForFarmers aims to be a socially responsible corporation. ForFarmers continues to be committed of purchasing 100% soy bean meal and palm oil. Having considered the impact of the addition of Tasomix in Poland, ForFarmers now aims to achieve this objective by 2025. The appropriate target for Tasomix will be determined during 2019.

The Company is a member of the Round Table on Responsible Soy (RTRS) and the Roundtable on Sustainable Palm Oil (RSPO) and was actively involved in the development of the European Feed Manufacturers' Federation (FEFAC) soy sourcing guidelines published in 2015. Together with FEFAC, ForFarmers continues to engage with both upstream and downstream supply chain partners to raise awareness of the guidelines to facilitate the mainstream supply responsible soy into Europe.

*The 2018 highlights are:*

- 74.8% of soy meal and 70.0% of palm oil purchased according to ForFarmers sustainability criteria;
- ForFarmers Netherlands and Belgium already source 100% responsible soy
- Active participation in developing new industry initiatives (e.g. UK Round Table on responsible soy) to drive sector adoption and create level playing field
- Pilot of new feed schemes (i.e. soy free diets) to address requirements from national markets

ForFarmers' commitment to sourcing according to recognised environmental, social and ethical standards is being extended to include all raw materials, through a structured dialogue with suppliers and the Sedex supplier code of conduct ('Sedex code'), which was implemented in 2017. The Sedex code sets out shared responsibilities with suppliers on responsible sourcing. It comprises a number of minimum criteria that suppliers of ForFarmers must meet. ForFarmers will only source products and services from companies that comply with the rule of law and that are actively working towards meeting the Sedex code requirements. Relationships with suppliers who do not agree to work according to the Sedex code will be phased out or immediately discontinued.

The Sedex code includes standards on business ethics to prevent bribery, corruption and fraudulent business practices. Policies and procedures relating to employment practices comply with the provisions of the relevant ILO

(International Labour Organisation) standards. Of the product-related procurement spend in 2018, more than 81% of the suppliers had signed either the Sedex code or a supplier's code of conduct (2017: over 70%). Of the non-product related procurement spend in 2018, over 34% of the suppliers had signed a code, representing more than 57% of the annual spend. This will remain a focus area for 2019.

*CHALLENGE: Regional sourcing: it is more sustainable?*

A number of initiatives are underway to increase the volume of feed materials grown in Europe. In November 2018, the European Commission published its Report on the development of plant proteins in the European Union. These initiatives are driven by concerns over the degree to which the livestock industry depends on imports for high protein materials such as soy (95% soy is imported into the EU).

ForFarmers recognises the concerns. European soy, however, is of lower quality because the growing circumstances are not as good as close to the equator, needs more water and regional growth uses more energy leading to a higher carbon footprint, all despite shorter transport distances. ForFarmers is also working on protein replacers to reduce the dependency on soy. However, many of the current alternatives increase the environmental impact of livestock production rather than improving it. For instance, some protein replacers lead to increased phosphate emissions. In addition, all current options increase costs for the farmer if the same level of performance is to be achieved, and consequently lead to higher prices for consumers.

*How progress is measured*

**% sustainable soy bean meal and palm oil purchases**

	Percentage of sustainable soy bean meal purchases		Percentage of sustainable palm oil purchases	
	2018	2017*	2018	2017
<b>Total</b>	<b>74.8%</b>	<b>77.1%</b>	<b>70%</b>	<b>74.7%</b>

\* Comparative number is updated

Although percentages were slightly lower than in 2017, they remain in line with ForFarmers ambition.

*Water*

ForFarmers focuses on reducing water usage both in its own operations and downstream in the value chain. Moreover, through its principle to source responsibly, ForFarmers aims to reduce water usage in the supply chain. In the production process water is used for to generate steam for the extrusion process. ForFarmers realises that a balance needs to be achieved between the use of steam and electricity consumption in the manufacturing process. On-farm, ForFarmers' focus is to help farmers to reduce water consumption associated with livestock production by improving efficiency. The trend toward lower crude protein diets also reduces water consumption by livestock.

**4. Ensure safe and good working conditions**

*Why this is part of ForFarmers' sustainability strategy*

ForFarmers considers providing a safe and good working environment for all employees, temporary contracted staff, contractors and visitors as a prerequisite for being a socially responsible corporation.

*What is done*

In 2018, a new IT system was implemented, dedicated to recording Lost Time Incidents (LTIs). This system facilitates the root cause analysis of LTIs, after which mitigating actions are defined to prevent similar incidents from happening in the future. All LTIs are notified to the Executive Committee of ForFarmers within 24 hours after the incident was reported. The LTIs are discussed during each Executive Committee meeting. Health and safety is managed through Health and Safety Officers in each country who coordinate training and sharing of best practices.

Projects are in place to improve site leadership and operator behaviour on safety.

ForFarmers is committed to not only ensuring the safety of people within our own organization, but also the people, processes and products throughout the entire supply chain aiming for fair and good working conditions. This is also addressed in the Sedex code of conduct for suppliers.



*CHALLENGE: the balance between health and safety and customer relationships*

ForFarmers deems it its responsibility not only to safeguard the health and safety of its employees but of all its stakeholders. With respect to its own employees, ForFarmers has implemented various programmes to increase awareness and consequently instigate behavioural change regarding safety. These programmes stretch from activities in the ForFarmers locations to situations on-farm and on-the-road. Accordingly, ForFarmers will discuss any risks that have been identified on-farm with the customer and recommend the remedial action(s) to be taken. In the event the customer does not respond within the agreed timeframe, ForFarmers stops supplying feed. This puts a strain on the balance between health and safety and customer retention.

In line with its objective to act as a socially responsible corporation, ForFarmers supports a number of agricultural charities which link to the development and well-being of our people and society. These include the Agriterro project which enables employees to engage in initiatives aimed at helping develop the entrepreneurial skills of farmers in developing countries. In 2018 three ForFarmers employees took part in projects in Ethiopia, Kenya and in the Philippines.

In addition, ForFarmers supports the Farm Fresh Revolution in Staffordshire in the United Kingdom. This project provides access to fresh produce with nutritional and cooking advice to children and parents. The Run4Life charity, an EU-funded project aimed at creating low-impact fertilisers through nutrient recovery of human waste streams is also supported by ForFarmers. For many years already, staff and customers from all ForFarmers operations support the initiative to participate in the Alpe d'Huzes event which is a Dutch initiative to raise money for cancer research, with a team from the agricultural sector. ForFarmers participates each year under the brand name BIG Challenge.

*How progress is measured*

ForFarmers focuses on monitoring the LTIs only. The

results are not only disclosed in the Annual Report, but also shown on monitoring screens outside of a number of the local offices. The objective hereof is to enhance awareness amongst employees and visitors on this topic.

**Number of LTIs**

	<b>2018</b>	<b>2017</b>
Netherlands	16	19
Germany	13	6
Belgium	3	1
UK	27	22*
<b>Total</b>	<b>59</b>	<b>48*</b>

*\* Comparative number is updated*

*Source: ForFarmers*

ForFarmers sadly suffered a fatality in January 2018 in the Netherlands, when a driver was struck by a falling branch during an extreme storm.

All countries except the Netherlands showed higher LTIs compared to previous year. 31% of sites did not incur any LTIs during 2018. This is a reason to believe a zero LTI culture is achievable.

A higher number of LTIs can partly be attributed to a higher number of LTIs and near misses that have been recorded in recent years as more and more attention is paid to health and safety. Despite the increased focus on and investments in Health & Safety the number of LTIs remains too high. ForFarmers will continue to dedicate more efforts to increase awareness on safety issues and to bring about a greater sense of urgency and responsibility of managers and employees to lead by example. In addition, the Company will continue to invest in safe(r) mills and transport.

**5. Improve feed safety**

*Why this is part of ForFarmers' sustainability strategy*

ForFarmers is part of the food supply chain and consequently considers feed safety as a prime responsibility. All incidents of non-compliance with feed regulations and voluntary codes are proactively monitored and managed. ForFarmers aims for zero incidents.

*What is done*

The main focus in 2018 has been to further improve mill hygiene and pest control. Additional internal quality checks have been introduced to check progress. ForFarmers takes a Group-wide (One ForFarmers) approach to HACCP (hazard analysis and critical control

points). Feed materials and compound feeds are continuously monitored to determine unwanted substances as defined by EU legislation, GMP+, Ovocom, Feed Chain Alliance and UFAS regulations, the SecureFeed monitoring plan and ForFarmers' own risk analyses. Non-compliance is determined by the relevant competent authorities, external certification bodies and third party audits (often by retailers) in each country via inspections and external audits.

In the United Kingdom there is an "earned recognition" agreement between UFAS and the regulator (the Food Standards Agency). As a result there is a different emphasis to risk analysis compared to the Continent where the national control authorities take a more proactive role. ForFarmers quality managers determine whether non-compliance is linked to feed safety. The Group Quality Manager then validates this. Any non-conformance is corrected within the timeframe agreed with the inspector or auditor.

### How progress is measured

#### Number of feed safety incidents

	Non-compliance with regulations resulting in a fine or penalty		Non-compliance with regulations resulting in a warning		Non-compliance with voluntary codes	
	2018	2017	2018	2017	2018	2017
Netherlands	0	0	3	4	5	5
Germany	3	6	1	3	0	1
Belgium	0	0	0	1	0	0
UK	0	0	0	0	4	6
<b>Total</b>	<b>3</b>	<b>6</b>	<b>4</b>	<b>8</b>	<b>9</b>	<b>12</b>

Source: ForFarmers

ForFarmers achieved a significant reduction in the total number of feed incidents in 2018 compared to 2017. The main issues raised by governmental and external audits relate to mill hygiene, pest control and label non-conformances. Corrective actions have been put into place to optimise the process by which labels are created and additional internal checks are now conducted to monitor pest control and mill hygiene at site level.

## 6. Improve animal health and welfare

### Why this is part of ForFarmers' sustainability strategy

ForFarmers' core focus is to ensure that each animal receives the correct level of nutrition to meet its basic needs. ForFarmers' customers use many different production systems, both intensive and extensive, conventional and organic, indoor and outdoor and on a small and large scale. It focuses on optimising resource efficiency and animal health and welfare in each of these production systems.

### What is done

Specific concepts are developed aimed at helping customers mitigate the impact of specific legislative requirements such as the ban on de-beaking hens or the castration of pigs. Particularly in the Netherlands, where retailers no longer offer products from fast growing chickens, welfare concepts were developed for broilers.

Each innovation project is assessed on its impact on animal health and welfare and on other sustainability impacts as has been illustrated earlier.

Examples of innovation projects in 2018 aimed at improving animal health and welfare include:

## Innovation projects aimed at improving animal health and welfare

Ruminant	Swine	Poultry
Diagnosis of rumen acidosis via milk samples	Introduced improved VIDA Vital feeds for piglets. Vital feeds are specifically aiming at prevention of gut disorders and in that way keeping piglets healthy	Development of optimal feeding strategies for slow-growing broilers and other alternative production systems
The implementation of VITALity Score, a tool aimed at improving the immune status of calves	Optimisation of dietary factors to reduce the occurrence of salmonella. This will lead to a new preventive pack called Salstat climasolve distress	The development of feeding strategies for reduced feather pecking in non-beak-treated hens
Use of Rumen stimulator to obtain a healthy functioning rumen	Use of Delta-Score, a monitoring system to test the health status of finishing pigs and provide nutritional solutions	Optimised laying hen nutrition for longer living hens
Transition feeding focused on improving cow and calf health, fertility and longevity	Launch of Aminopt which develops an optimum amino acid supply in piglet diets in suboptimal health conditions (e.g. for immune response)	Improvements in bone health in broiler breeders and broilers
Project on combinations acids with increased fat content to improve intestinal and general health and performance in calves	Development of heat stress pack to combat the negative health and animal wellbeing during hot weather circumstances	Improvement of footpad lesions in poultry

Source: ForFarmers

### How progress is measured

Improving animal health and welfare is an integral part of the ForFarmers Total Feed approach. Given the different species and broad spectrum this covers, it is not yet possible to define and monitor improvements in animal health and welfare in a consistent and meaningful manner. ForFarmers continues to search for a constructive method to measure progress on this topic in 2019.

### Anti-Microbial Resistance

Anti-Microbial Resistance (AMR) is one of the great challenges to both human and veterinary medicine as a number of bacteria are no longer responsive to antibiotics. The European Commission includes the role of nutrition in its AMR action plan. ForFarmers looks for nutritional solutions to help customers and their vets reduce the quantity of antibiotics used in livestock production. In the United Kingdom, ForFarmers organised a series of workshops in conjunction with AHDB (Agriculture and Horticulture Development Board) to help customers achieve the reductions in antibiotic use set by the Government. These were attended by over 100 farmers in 2018.



# GOVERNANCE AND COMPLIANCE

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# Corporate Governance

The Executive Board and the Supervisory Board (the “Board”) are responsible for the company’s corporate governance structure. The corporate governance of ForFarmers N.V. (the “Company”) is determined by the law, the Articles of Association and the relevant regulations, which have been established based on the Dutch Corporate Governance Code (the “Code”)<sup>1</sup>. The Executive Board and Supervisory Board believe, for historical and other reasons, that deviations from or qualifications of certain individual provisions of the Code by ForFarmers can be justified. These deviations or qualifications are explained below.

ForFarmers has published its [Corporate Governance Statement](#)<sup>2</sup> as part of the Executive Board report and as a separate document on its website. The document sets out how the Code is applied by the Company and provides information in accordance with the Decrees implementing Article 10 of the EU Takeover Directive and Article 3 of the EU Directive on disclosure of non-financial information. The Statement also contains information regarding the key features of the internal risk management and control systems in relation to ForFarmers’ financial reporting process, and the composition and functioning of the Executive Board, Executive Committee and the Board, as well as the functioning of the General Meeting of Shareholders (“AGM”).

## Deviations from and/or qualifications of the Code

### 2.1.7 en 2.1.8

#### Independence of Supervisory Board members

The Supervisory Board considers members of the Supervisory Board who are also directors of Coöperatie FromFarmers U.A., i.e. Vincent Hulshof and Roger Gerritzen, to be not independent. This is explained in more detail in the Report of the Supervisory Board. These members of the Supervisory Board were nominated after having been recommended by Coöperatie FromFarmers U.A. in its position as holder of the priority share in the capital of the Company.

### 2.2.2

#### Appointment and reappointment of Supervisory Board members

To ensure the continuity, ForFarmers deviates from this provision in relation to persons who were members of the Supervisory Board at 1 January 2017, applying the principle that such persons can be reappointed for a third four-year term. Persons who have been or are appointed after the aforementioned date shall, however, be subject to this provision of the Code.

### 2.3.4

#### Composition of committees

ForFarmers reserves the right to deviate from this provision for practical purposes. Under the regulations of the committees concerned at least half of the members of a committee should be independent in the sense of best practice provision 2.1.8. During part of the year under review there was a deviation from this provision with regard to the Selection and Appointment Committee. Up until 1 July 2018 half of the committee was composed of members who are independent as specified above. As from 1 July 2018 the committee was expanded with an independent member meaning that as from that date more than half of the members of the committee are independent.

#### 4.4.5

#### Exercise of voting rights

Insofar as no voting rights have been requested for the shares held by the ForFarmers Trust Office Foundation (the "Trust Office Foundation") and no voting instructions have been given by Coöperatie FromFarmers U.A. in accordance with the provisions of Article 8 of the terms and conditions of the trust, the Trust Office Foundation shall determine the manner of exercising the voting rights associated with these shares as it sees fit, with the proviso that it shall be primarily guided by the interests of the holders of depositary receipts and will take into account the interests of the Company and its affiliated enterprise. As of the listing of the ordinary shares of the Company on Euronext Amsterdam, Coöperatie FromFarmers U.A. has the possibility to determine the manner of exercising voting rights as is meant above. This also determines the rights that Coöperatie FromFarmers U.A. can exercise as holder of the priority share of in the Company.

#### 4.4.8

#### Proxy votes

Only holders of depositary receipts who are also employees of ForFarmers or members of Coöperatie FromFarmers U.A. may apply for voting rights as set out in the terms and conditions of the Trust Office Foundation. Other holders of depositary receipts may not apply for voting rights but have the possibility to convert their depositary receipts into shares. Only Coöperatie FromFarmers U.A. may issue binding voting instructions for the shares held by the Foundation (and for which voting rights have not been requested). Holders of depositary receipts may not issue binding voting instructions. Furthermore the restrictions as set out in the aforementioned terms and conditions of the trust are applicable. At the time, this regulation was included in the terms of administration in light of the listing of the ordinary share of the Company on Euronext Amsterdam.

## Key aspects of Corporate Governance

### Executive Board and Executive Committee

The Executive Board, along with the other directors, also acts as the Executive Committee of ForFarmers. The Executive Board is responsible for the continuity of the Company and its affiliated enterprise. In accordance with its [Regulations](#) the Executive Board has developed a vision on long-term value creation for the Company and its affiliated enterprise and has – in consultation with the Supervisory Board – formulated a strategy consistent with this, with due consideration for aspects identified in best practice provision 1.1.1. i to vi of the Code. Given the size of the organisation and the importance of efficient reporting lines, the Executive Committee is responsible for operational management.

The Supervisory Board determines the number of members on the Executive Board. In the period under review the Executive Board had three members while the Executive Committee consisted of seven. The members of the Executive Board have been subject to the retirement schedule below since the AGM of 15 April 2016. Jan Potijk has indicated that he will not be available for reappointment in 2019.

Naam	Year of latest appointment	Eligible for re-election in
Knoop, Y.M. (CEO)	2018	2022
Traas, A.E. (CFO)	2016*	2020
Potijk, J.N. (COO)	2016*	N.a.

*\*change of term of office*

There is no limit to the number of times members of the Executive Board can be reappointed, with each reappointment being limited to a period of four years. In the period under review the Executive Board evaluated both its own collective performance and that of the individual members.

### Supervisory Board

The Board supervises the policy of the Executive Board and the general affairs of the Company. The Board also advises the Executive Board. The Board is composed of six natural persons and has three key committees: the Audit Committee, the Remuneration Committee and the Selection and Appointment Committee. The [Regulations of the Supervisory Board and its committees](#) are published on the Company's website along with the [Profile of the Supervisory Board](#).

### General Meeting of Shareholders

The Executive Board and the Board are responsible for ensuring that the AGM is properly informed and advised. In accordance with best practice provision 4.2.2 of the Code the Company has drawn up a [Policy](#) on bilateral

contact with shareholders of the Company. As set out in this policy, due to historical and other reasons the relationship between the Company and Coöperatie FromFarmers U.A. is such as to justify supplementary agreements with regard to this relationship; these are set out in a [Relationship Agreement](#).

The Company's share capital is composed of ordinary shares, preference shares and one priority share. The ordinary shares of ForFarmers N.V. have been listed on Euronext Amsterdam since 24 May 2016. Furthermore depositary receipts of ordinary shares have been issued with the cooperation of the Company. No preference shares have been issued. Coöperatie FromFarmers U.A. is the holder of the priority share as explained in more detail in the Priority shareholder section.

### **ForFarmers Trust Office Foundation**

The board of Stichting Beheer- en Administratiekantoor ForFarmers – the ForFarmers Trust Office Foundation (the "Trust Office Foundation") – operates independently of the Company. The Trust Office Foundation holds ordinary shares in the Company's capital and its purposes include (i) acquiring ordinary shares to administer in trust, (ii) issuing depositary receipts, (iii) acquiring, selling or encumbering shares for its own account, where appropriate, (iv) exercising the rights associated with the ordinary shares it holds and (v) granting proxies for the exercise of voting rights and accepting voting instructions concerning the exercise of voting rights, all with due observance of the [Terms and Conditions](#) of the trust. [The Articles of Association](#), the Terms and Conditions and the [Report](#) of the Trust Office Foundation can be found on the Company's website. Coöperatie FromFarmers U.A. has the sole power to issue binding voting instructions for the shares held by the Trust Office Foundation (and for which voting rights have not been requested).

The Trust Office Foundation shall only accept ordinary shares for purposes of administration in return for the issue of depositary receipts to (i) a holder of depositary receipts in the context of exercising rights in a rights issue, (ii) a person entitled to the balance of a participation account held with Coöperatie FromFarmers U.A. in the context of a conversion, (iii) an employee in the context of an employee participation plan, (iv) Coöperatie FromFarmers U.A. or (v) a party designated by Coöperatie FromFarmers U.A.

### **Priority shareholder**

The priority share is held by Coöperatie FromFarmers U.A. Given that as at the most recent reference date of 1 January 2019 Coöperatie FromFarmers U.A. was able to exercise voting rights on over fifty per cent (50%) of the total number of votes to be cast on ordinary shares in relation to the shares it held and/or to give voting instructions with regard to the shares held by the Trust Office Foundation, Coöperatie FromFarmers U.A. as the priority shareholder:

- (i) has a right of recommendation with respect to four of the six members of the Supervisory Board;
- (ii) is entitled to appoint a member of the Supervisory Board as chairman after consultation with the Supervisory Board;
- (iii) has a right of approval with regard to Executive Board decisions relating to:

1. moving the Company's head office out of the east of the Netherlands (the provinces of Gelderland and Overijssel);
2. any major change in the identity or nature of the Company or its business as a result of (1) the transfer of all or nearly all of the business to a third party or (2) the commencement or termination of a long-term cooperation agreement between the Company or one of its subsidiaries and another legal entity or company, or as a fully liable partner in a limited partnership or general partnership, where the commencement or termination of such cooperation is of major significance to the Company;
3. the acquisition or disposal of any stake in the capital of a company amounting to at least one third of the company's equity according to the balance sheet with explanatory notes or, in the event the company prepares a consolidated balance sheet, according to the consolidated balance sheet with explanatory notes as per the company's annual accounts most recently adopted by the company or one of its subsidiaries;
4. amendments to the Company's articles of association;
5. the undertaking of a merger or demerger.

For the conditions applicable to holding the priority share and the special control rights associated with it in the event that the level at which the voting right can be exercised and/or voting instruction given amounts to 50% or less, please refer to the [Corporate Governance Statement](#).



## Protective measures

The Company has entered into a call option agreement with Stichting Continuïteit ForFarmers (the ForFarmers Continuity Foundation) with regard to preference shares. The foundation was established to safeguard the identity, strategy, independence and continuity of the business undertaken by the Company. The ForFarmers Continuity Foundation is a fully independent entity with an independent board. In addition Coöperatie FromFarmers U.A. holds a priority share with associated rights as set out in the Company's [Articles of Association](#). Furthermore Executive Board members are appointed solely on a binding recommendation from the Board while the AGM can take material decisions (for example regarding the issue of shares, dividends, amendments to the Articles of Association, mergers, demergers and dissolutions) only at the proposal of the Executive Board and with the approval of the Board.

## Culture, Code of Conduct and Whistle-blower policy

ForFarmers expects its employees to act with integrity and to abide by local rules and procedures. Sustainability, along with the associated corporate social responsibility, is one of the three core values of ForFarmers, alongside ambition and partnership. The core values are aimed at long-term value creation and are ratified by the Board. ForFarmers has a [Code of Conduct](#) and a [Whistle-blower Policy](#). ForFarmers' core values and the Code of Conduct are actively communicated within the organisation, for example via regular employee engagement surveys. New members of staff follow an e-learning course covering all aspects of the Code of Conduct including topics such as combating bribery and corruption, avoiding conflicts of interest, the appropriate approach to gifts and hospitality, fair competition and handling confidential information. Six incidents or suspected incidents were reported during the period under review. In all cases a high degree of confidentiality was maintained and the procedure set out in the whistle-blower policy was followed. Given the nature and/or impact of the incidents reported there was no need to disclose these publicly. The overview of reported incidents and their follow-up is discussed periodically with the Audit Committee and the Supervisory Board.

<sup>1</sup>An English-language version of the Code can be consulted at <http://www.mccg.nl/?page=4738>. An overview of how ForFarmers N.V. has applied the Code can be found on the corporate website [www.forfarmersgroup.eu](http://www.forfarmersgroup.eu).

<sup>2</sup>Pursuant to the provisions of the Decree of 29 August 2017 amending the Decree of 23 December 2004 to adopt further rules regarding the contents of the Executive Board report the Corporate Governance Statement is considered to be part of the Executive Board report.

# Risk Management

## Risk Management Approach

In order to be able to realise strategic, operational and financial objectives, ForFarmers has to seize opportunities and run risks. It is therefore important to properly identify, weigh up and manage risks; the primary goal of good risk management. ForFarmers acknowledges the importance of good internal risk management and control systems, and strives for a high level of risk awareness in the organisation by actively monitoring risk management. This system is entrenched in the organisation, all the way from the Executive Board and the Executive Committee, under supervision of the Supervisory Board (the 'Board'), to all operational and financial departments. This includes the tone at the top, and the hard and soft control measures. The group corporate governance & compliance team gives risk and compliance workshops and facilitate self-assessment of the processes by the business units. Key officers (risk owners and risk managers) are designated for all major risks and are accordingly tasked with risk management as part of their role. The methodology used by ForFarmers for the control and management of the different risks is based on the model formulated by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). An overview of the process executed within ForFarmers is as follows:



## Internal environment

The Executive Board, being ultimately responsible for all aspects of risk management, has appointed a Risk Advisory Board ('RAB') to execute, monitor and report on this topic. The Executive Board gives account to the Board. The RAB comprises the CFO, Director Supply Chain, COO UK, the Director Accounting, Tax and Treasury and the Risk Manager. The Internal Auditor participates in meetings as an observer. The RAB monitors the control of the main risks based on the periodic reports. These reports serve, amongst others, as a tool to measure ForFarmers' risk appetite as regards the actual risks, and where necessary and possible to take additional control measures. In addition there is a Purchase Risk Board ('PRB') that needs to approve purchases and pre-sales contracts exceeding the authorization or exposure limits as described in the risk policy. The PRB meets at an ad-hoc basis when approval is requested by Purchase or business unit directors.

ForFarmers has a [Code of Conduct](#) and a [Whistle-blower Policy](#), to optimally ensure that its employees act ethically and follow the local rules and procedures.

ForFarmers has a regular Planning & Control cycle, with which financial risks are mitigated. The monthly result reports, the quarterly forecast for the current year, the annual next year's budget, and the annual 5 year forecast planning and scenario analyses all form part of this cycle. The Executive Committee and local Management Teams discuss the content and essence of each of these reports. Furthermore, the Executive Committee discusses with the Board whether the financial performance meets the expectations.

## Risk appetite

ForFarmers, in general, has a low risk appetite. This forms the guiding principle for the assessment and taking of risks in the realisation of strategic goals. The risk profile and risk acceptance is evaluated annually by the Executive Committee and risk managers, and whenever necessary adjusted to the changing market conditions or a revision of strategy. ForFarmers can accordingly optimally weigh up handling decisions and commercial or strategic

goals with the associated risks/opportunities. ForFarmers has grouped the 21 main risks into the four key categories, for which control measures are determined and implemented. The desired and established risk appetite can differ per category or sub-category as described below:

Summary of risk appetite						
Risk acceptance	Very low	Low	Average	High	Very high	
<b>Risk category</b>						
<b>Strategic objectives</b>						
<b>Operational objectives</b>						
<b>Financial objectives</b>						
<b>Compliance</b>						

## Risk assessment

### Strategic objectives

To be able to meet the set growth objectives, both organically and through acquisitions, (substantial) investments will be made. With respect to acquisitions, ForFarmers has an average to high risk appetite. However, when pursuing strategic objectives, there are two specific areas where ForFarmers applies a very low to low risk acceptance level:

- **Reputation:** reputation is crucial for the confidence that customers, suppliers and society have in ForFarmers.
- **Sustainability:** Key topics for ForFarmers are sustainable raw materials, the environment, energy usage, waste reduction, animal health and welfare, people and society. When controlling these risks, ForFarmers applies 'economic sustainability' as a guiding principle. This means that each and every initiative for sustainability must be commercially feasible both to customers and to ForFarmers.
- **Safety:** ForFarmers considers providing a safe and good working environment for all employees, temporary contracted staff, contractors and visitors essential. Accordingly, ForFarmers applies a very low acceptance level and strives to zero LTI's.

### Operational objectives

Purchasing raw materials is inherent to the business practices of ForFarmers. Prices of raw materials are prone to fluctuate substantially. ForFarmers accordingly faces risks relating to these purchases. This is why the purchasing policy applies a low to average risk acceptance level, and for the quality of purchased products, a very low risk acceptance level. To control such purchasing risks, the risk limits are defined on the basis of the 'value at risk' principle that applies to the organisation as a whole, translated for the various business units. In the execution of procurement activities within the boundaries of the risk policy, occasions can occur whereby price fluctuations of raw material prices cannot fully be passed on the customers, which can result in the development of the gross profit coming under pressure.

### Financial objectives

ForFarmers has a very low to low risk acceptance level for risks that may have a considerable effect on the financial results and the reliability of the information of ForFarmers, financial or otherwise. ForFarmers hedges currency positions with regard to raw materials, or for other purchases for operational activities. Currency risks of assets outside the Eurozone are partly hedged through funding in the same currency. Currency risks relating to the annual result and undistributed dividends are not hedged. ForFarmers is partly funded by means of interest-bearing debts, which brings about an interest

risk. Developments on the interest and currency markets are followed carefully and risks are, if so required, hedged by means of swaps and other financial instruments. ForFarmers ensures, through a robust equity and liquidity position, that it can always meet its financial obligations.

## Compliance

ForFarmers has a very low risk acceptance level for risks regarding complying with legislation and regulations. All ForFarmers employees must be familiar with the Code of Conduct and be aware of its implications. New employees receive the Code of Conduct in their own language and they are tested on its enforcement with the help of case studies. They are also asked to sign the Code of Conduct. The Code of Conduct is regularly discussed and highlighted internally. ForFarmers has a zero tolerance policy with regard to breaching the ForFarmers Code of Conduct. Both the Code of Conduct and the Whistle-blower Policy serve as control measures with respect to combating corruption and bribery.

## Non-financial and emerging risks

ForFarmers continuously monitors relevant internal and external trends and potential disruptors in the industry. These include, but are not limited to:

- **Climate risks:** A potential further global warming could have damaging economic and social consequences. It is difficult to estimate when and to what extent these risks could manifest themselves. Low(er) water levels in rivers can disrupt the transportation of raw materials to the ForFarmers mills and therefore can have a negative impact on the ForFarmers inbound logistic costs. Climate change can impact harvests and consequently the price of raw materials.
- **Feed Fraud:** In the production of feed, ForFarmers is dependent on the quality and provenance of the raw materials and ingredients added to the feed. There is a risk that the raw materials and/or ingredients bought do not comply with the legal standards or with the quality description based on which they were bought, in order for the counter party to obtain an economic advantage. These raw materials could be processed in feed and could therefore lead to a food safety risk. The risk of feed fraud, and the measures to be taken against it, is additional to the quality risks that ForFarmers could face as a result of the potential contamination of products or cross-contamination during the production process.
- **Regulations and environmental laws and its impact on**

the feed business: There is an increasing pressure on the agricultural sector in general and the livestock industry in particular to reduce its environmental impact (carbon footprint) and to improve animal health and welfare. This pressure could lead to measures, laws and regulations that have an effect on the size of herds in a country or on the expansion possibilities of farmers.

- **Brexit:** There is still large uncertainty about the period for which the existing EU Member State legislation will still apply for the United Kingdom and which laws will apply to the United Kingdom after Brexit. There is a risk that the exchange rate of the Pound sterling will (further) decrease versus the euro. This has an impact on the consolidated results of ForFarmers. In addition there is a risk of delay of importing raw materials due to the implementation of more custom controls. Finally, there is the possibility that farmers, particularly in the swine and poultry sector, will expand their businesses leading to an increase of the self-sufficiency ratio. This requires investments to be made by the farmers. Whether and when a possible expansion of farm businesses will take place is therefore uncertain.

The main risks and control measures as defined by ForFarmers' Executive Committee are shown below:

Risk	Description	Control measure
<b>Strategic objectives</b>		
Price development and availability of raw materials	Prices of raw materials can be volatile and are impacted by external factors like the quality and size of harvests, demand from the biofuel industry and speculative trading. ForFarmers wants to be sure of supply and therefore takes forward positions and keeps inventories of raw materials, thus creating a price risk for ForFarmers.	ForFarmers closely follows developments of prices and availability of raw materials. A risk management system has been implemented that outlines who is authorised to take positions, up to what level and under which terms agreements can be made. Longer-term pre-sales contracts for customers are immediately hedged for 85%. The authorisation boundaries are defined per Business Unit.
Size of livestock herd and animal diseases	The size of livestock herds can change, e.g. because of legislation or animal diseases, including transport restrictions which may be imposed by official authorities. As a result, the demand for raw materials and/or compound feed may fluctuate, which may affect ForFarmers' results.	ForFarmers limits these risks by spreading activities both geographically and over various animal species. In the event of an outbreak of animal disease, an (international) crisis team closely follows developments and instructs the business units concerned on actions to be taken and on which protocols should be followed. In such cases, the crisis team stays in close contact with the relevant authorities.
Development of energy & fuel prices	Changes in energy and fuel prices affect ForFarmers' production and transport costs. Cost fluctuations cannot always fully be passed on to customers, potentially adversely impacting results.	Developments on the energy and fuel markets are closely monitored. ForFarmers has an energy-purchase policy. Price risks can be, where necessary and depending on market circumstances, hedged by financial instruments and commodity contracts. The enforcement of this purchasing policy is monitored.
Mergers & acquisitions	ForFarmers aims to grow organically and through acquisitions. In making acquisitions there are inherent risks, such as in the area of due diligence, valuation, risk management, achieving synergy, management and integration. All of these factors can have a negative impact on ForFarmers' results.	ForFarmers has an M&A team that works closely with the Executive Committee members, the Directors of the BU and other relevant key employees. In addition there is an integration script with relevant policies, and periodic review of synergies and integration status with the Executive Board and Supervisory Board.
<b>Operational objectives</b>		
Health & Safety	In general, ForFarmers runs safety risks in its operating activities due to the nature of its business, in its factories, during transport and on farm. Consequently, sufficient vigilance is required by all employees and contractors to avoid incidents, reduced motivation of employees, claims and reputational risk.	Safety plans are drawn up for all ForFarmers' locations. The Company also places a lot of importance on creating heightened awareness, as well as training all staff (this also refers to logistics safety), completing inventories in all factories as regards safety aspects and reporting on the status of any shortcomings and actions to resolve these.
Feed safety	The quality of raw materials is of essential importance for the production of safe and reliable compound feed and delivery of Total Feed solutions. There is a risk that due to contamination of products or cross-contamination during the production process, the finished products of ForFarmers do not comply with imposed requirements. Apart from claim risks and the costs of potential recall actions, there is also the risk of loss of customers.	In the various countries, ForFarmers works in several partnerships to ensure maximum feed safety. ForFarmers subscribes to the Sedex code and requires its suppliers to do the same. Knowledge is shared in respect of monitoring, quality control, tracking and tracing, and crisis management, including performing analyses to signal potential contamination at an early stage and to subsequently take adequate measures.

Risk	Description	Control measure
Business continuity	Operational business continuity is essential to ForFarmers and its customers who rely on secured supply of feed for their animals. Business continuity can be jeopardized by disruptions in the inbound logistics chain, e.g., from obstruction of the water ways on which raw materials are transported. Business continuity can also be impacted if production in one of ForFarmers' larger mills is temporarily disrupted.	ForFarmers has disaster recovery protocols for events which may impact business continuity, stipulating who to contact, which steps to take to minimize the disruption and which next steps could be required.
Cyber security	Organisations are increasingly confronted with cyber crime. Failure to adequately restrict access to ICT systems from internal and external sources, or to implement effective back-up and recovery procedures, may result in disrupted operations, unauthorized transactions or changes to data, unauthorized use of information and knowledge, reduced data integrity or loss of data.	Several tests were conducted in 2018 to increase the awareness of IT risks among employees. The outcomes of these tests led to further improvements to the relating procedures. In addition ForFarmers hired a Group Information Security Manager and the final phase of the transition to its external back-up data servers was realized.

## Financial objectives

Currency and interest risks	The purchase of raw materials and the entry into sale and purchase agreements may result in currency risks, if raw materials are purchased in a foreign currency other than the currency of the feed sales. The potential currency differences that result from this cannot necessarily be passed on in the sales prices and can therefore affect gross profit.	In principle, raw material positions are purchased in local currency. If positions are entered into in a foreign currency, they are immediately hedged by means of forward currency contracts and/or other financial instruments. The Executive Committee closely monitors compliance with the principles, which are formally established in the purchasing risk management policy, as part of the monthly reporting cycle.
Credit and liquidity risks contracting parties	Credit risks of customers may lead to buyers who do not, or potentially no longer, comply with their obligation, resulting in a write-off or provision for the outstanding claim. Credit risks of suppliers may lead to suppliers not complying with their obligation to deliver contracted raw materials, which may result in inefficiencies in production processes or ad-hoc purchases of raw materials at higher spot prices.	ForFarmers actively reviews the financial situation of its customers. If required, additional arrangements are required such as providing collateral. In addition the credit risk of larger customers is insured. There are strict arrangements and order release procedures regarding the maximum outstanding amounts per customer as well as applicable payment terms, and a system is in place to signal and communicate with customers on overdue payments. On the supplier side, ForFarmers aims to do business with financially healthy and trustworthy counterparts.
Liquidity risks	ForFarmers must always be able to comply with its financial obligations to ensure continuity of its operations.	In 2014, ForFarmers entered into a multicurrency revolving facility agreement with ABNAMRO, Rabobank, Lloyds Bank and BNP Paribas for which no collateral is provided. The agreement has a maturity date of 31 January 2020. The facility amounts to a maximum of €300 million, which is still largely undrawn. In the funding agreement, loan covenants were established that must be complied with. ForFarmers continuously monitors the liquidity position and periodically its bank covenants.
Pension risks	Changes in actuarial assumptions and other external developments may have a negative impact on defined benefit (DB) schemes, and therefore on ForFarmers funding these schemes.	The pension schemes used in the Dutch subsidiaries are insured schemes (defined contribution (DC)), for which only the agreed premium must be paid. In the United Kingdom ('UK'), a defined benefit (DB) scheme was operated up to 2006, after which it was closed. The risk thereof remains with ForFarmers. The risk management model of the investments for the closed pension scheme in the UK is assessed periodically, and its implementation is in the hands of a fiduciary manager. The current active DC scheme (as of 2006) is placed with an insurance company, meaning that no risk exists for ForFarmers as regards this scheme. There is no pension risk in Poland. In Germany, an in-house DB scheme applies for a limited number of people, and in Belgium, there is also DB scheme. The risks for these DB schemes cannot be mitigated, but are limited given the number of employees involved.

Risk	Description	Control measure
<b>Compliance</b>		
Amendments in legislation and regulations	Amendments in legislation and regulations at a European, national or local level may affect the activities of ForFarmers or its contracting parties. This concerns, among other things, legislation in the area of the environment, feed (and food) safety and production processes.	ForFarmers closely monitors developments of legislation and regulations that are important to the business and contracting parties and, if so required, implements adjustments as a result of amended legislation. Compliance with legislation is determined through, among other things, periodic reviews.
Taxes	ForFarmers operates in five different countries with different tax systems. The risk exists that ForFarmers' policy does not comply with local requirements as a result of the complexity of the various tax systems and legislation.	ForFarmers' tax policy is based on the principle that paying tax forms part of its social responsibility, and consequently complies with laws and legislation in the area of tax and pays its tax on time. ForFarmers monitors potential changes in the law and legislation both on a group level and local level, and anticipates upon them. In this respect, ForFarmers maintains an open line of communication with tax authorities, including various meetings during the year which take place with tax authorities in the different countries. ForFarmers' staff are actively encouraged and trained to keep their knowledge on legislation up-to-date.

## Risk response

The GDPR regulation was enforced in 2018. Focus was put on complying with these new privacy regulations and improving privacy awareness throughout the organization. Implementation of the new regulations was managed centrally during 2018. In 2019, the further steps and implications of the GDPR regulation will be managed decentrally in the various business units to ensure compliance.

An increased focus has been put on Purchase risk, especially on pre-sales contracts after two incidents that took place in 2018. All commercial teams have again been made aware of the procedures and authorization levels by means of a series of workshops facilitated by Purchasing, Sales and Finance.

The development of energy prices has been a concern in 2018. Electricity, gas and diesel prices increased, resulting in an increase in both production and logistic costs. These costs could partly be passed on to customers. Energy and diesel prices will continue to be closely monitored.

During 2018, a larger acquisition was made in Poland, a new country for ForFarmers. A number of smaller acquisitions was also made in the existing countries of operations. Particularly given the size of the acquisition in Poland and the fact that it was in a new country, a structured and thorough approach was needed to implement the appropriate procedures. A pragmatic script was made comprising the ForFarmers policies which were

also reviewed and updated. In 2019 focus will remain on the integration of the acquisitions, including a transition of Van Gorp Biologische Voeders and Algoet Voeders to the ForFarmers ERP system. The transition of Tasomix to the ForFarmers ERP system will follow later. Maatman, which was acquired in the Netherlands, was already transitioned to the ForFarmers ERP system in 2018.

Safety remained a key priority in 2018. The number of LTI's remained too high. ForFarmers made investments in its mills with respect to safety measures. In addition, employees were trained with the aim to change their behaviour and embed risk awareness in their daily way of working. Risks at the farms of customer were also assessed, to increase safety of drivers and sales employees.

With respect to Animal Diseases, wild boars were detected in the south-eastern part of Belgium that were infected with African Swine Fever. A dedicated team was immediately installed to implement hygiene protocols and other measures aligned with national instructions. The ForFarmers swine sales force were provided with relevant health and safety boxes regarding hygiene protocols. Management is being informed frequently.

Increased focus was put on Business Continuity during 2018. A mill was reopened in Deventer (the Netherlands) that is fully dedicated to the production of non-GMO feed. A side effect of reopening this mill was that it created necessary spare capacity as the other mills in the Netherlands were approaching maximum utilisation levels.

ForFarmers started a review of its business continuity and factory disaster recovery protocols across all countries. This will be further reviewed and refined during 2019. The focus is on sharing best practices between countries and harmonizing the procedures in case of emergencies. ForFarmers' Business continuity procedures were proven to be adequate when the Company was put to the test during the temporary closing of a lock in the Netherlands, which blocked the access by water to four factories in total. Later in 2018, raw materials could not be delivered to the Deventer mill as its entry lock was closed due to the low water level in the river. A dedicated team was installed to ensure the continuity of supply of raw materials, as delivery of feed to customers was the key priority. Transport routes were diverted, using tankers to supply the mills with raw materials. This resulted in higher inbound logistic costs.

## Control and monitoring

During the period under review the Executive Board, assisted by the internal auditor, systematically reviewed the design and operation of the internal risk management and control systems. The effectiveness of the design and operation of these systems was discussed with the Audit Committee, the Board and the external auditor.

ForFarmers has various tools, such as the Enterprise Risk Management ('ERM') framework and the In-Control Framework ('ICF') to control, monitor and annually test the risks and the mitigating control measures. The Executive Board and the Board discuss and review these tests. The ICF controls are reviewed twice a year via a self-assessment by the managers of the control owners, followed by a full review by the Risk Manager and a sample test by the Internal Auditor. The ERM risks and controls are reviewed and tested once a year, in collaboration between the risk owners and the Risk Manager. Finally a Tax Control Framework ('TCF') has been designed in 2018 to control the risks concerning corporate income tax, VAT and wage/labour taxes. The TCF has been implemented in the Netherlands in 2018 and will subsequently be implemented in the other countries. In addition to these predefined frameworks, ForFarmers' Internal Auditor performs its own audits (approved by the Supervisory Board) on the risks, controls and procedures within ForFarmers. The External Auditor is engaged to provide assurance on the consolidated financial statements.

Based on these various actions aimed at controlling and monitoring risks, the managers of the ForFarmers business units sign a Letter of Representation ('LOR') twice a year to declare that they comply both with the (local) laws and legislation and the internal control rules, including the Code of Conduct. The LOR, in addition to the Whistle-Blower Policy, provides the opportunity to report potential fraud and incidents.

## Despite all the control measures, some things still went wrong in 2018

Despite the risk management process in place, several shortcomings were identified. Corrective actions have been implemented to reduce the likelihood of reoccurrence in the future. The main shortcomings in 2018 were as follows:

In Germany, a pre-sales contract, which was agreed with a customer, was not communicated timely to Purchasing, amongst others because of a short holiday of some of the key employees involved. Driven by a strong increase in raw material prices, a limited loss was incurred. As a result, all members of the sales teams that are authorized to close pre-sales contracts with customers, as well as the Procurement teams, Finance and Business Unit Directors, were again trained in the pre-sales procedures and processes.

Also in Germany, an excessive open purchase position in Moist products was taken for which no sales contract with customers was sought and without asking for approval from the PRB. As raw material prices did not materially change, no financial impact resulted from this. To prevent this from happening in the future, DML Managers were trained in the policies and an automated report was also implemented to monitor the open risk position. This report is now monitored by the local teams on at least a weekly basis, and on a Group level on a monthly basis.

In the Netherlands additional costs were incurred in the second half of 2018 due to the blockage of the Eefde and the Deventer lock, as described above, which could not be passed on to customers. ForFarmers' mills are in general located on rivers or canals and this is not always the case for its competitors. It was therefore not commercially possible to pass on the extra logistic costs to customers. As disclosed this had a negative impact on the financial results in the Netherlands and Germany.



ForFarmers was confronted with a relatively high number of employees leaving the organisation during 2018 in the United Kingdom. Based on the outcome of the exit interviews, follow-up actions are being implemented to retain employees.

## **Conclusion**

In the period under review, no significant shortcomings were identified in the design and operation of the internal risk management and control systems and/or no significant changes were made to these systems. Several new risks are emerging, which are being followed closely, and which may require changes to the key risks for which mitigating control measures need to be established. Despite a well-functioning risk management process, there is still room for improvement, specifically in adhering to the existing procedures. This was highlighted by the incidents that occurred in 2018.

# Declaration by the Executive Board

The Executive Board has made an assessment of the effectiveness of the design and operation of the internal control and risk management systems.

On the basis of this report and in accordance with best practice 1.4.3 of the Dutch corporate governance code of December 2016, and Article 5:25c of the Financial Supervision Act, the aforementioned assessment, the current state of affairs and to the best of its knowledge and belief, the Executive Board declares that the internal risk management and control systems were effective as at the end of the 2018 financial year and that:

- these systems provide a reasonable degree of assurance that the Executive Board is informed, on time, of the degree to which the Company's strategic, operational and financial objectives are being achieved;
- the report gives sufficient insight into any shortcomings in the operation of the internal risk management and control systems;
- the aforementioned systems provide a reasonable degree of assurance that the financial reporting does not contain any material misstatement;
- drawing up the financial reporting on a going concern basis is justified based on the current state of affairs; and
- the report states any material risks and uncertainties that are relevant as regards the expectation of continuity of the company for a period of twelve months after drawing up the report.

It should be noted that the above does not imply that these systems and procedures provide absolute assurance as to the realization of operational and strategic business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliances with legislation, rules and regulations. Nor can they provide certainty that we will achieve our objectives. In the risk management chapter, an explanation is provided on the internal risk management and control systems such as are implemented within the Company and its affiliated enterprise.

In view of the above the Executive Board declares that to the best of its knowledge:

- the annual accounts give a true and fair view of the assets, liabilities, financial position and the results of the company and the enterprises included in their consolidation; and
- the management report gives a true and fair view of the situation as at 31 December 2018 and of the state of affairs of the company and its affiliated enterprise in the 2018 financial year, the details of which are included in its annual accounts, and that the management report describes the main risks faced by the company.

Lochem, 12 March 2019

Executive Board ForFarmers N.V.

Yoram Knoop, CEO

Arnout Traas, CFO

Jan Potijk, COO

# REPORT OF THE SUPERVISORY BOARD

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# Statement of the Chairman of the Supervisory Board

During 2018, again progress was made in implementing the Horizon 2020 strategy. Based on its Total Feed-approach ForFarmers gained new customers, and in addition the Company extended the partnership agreement with Nutreco for five years. Furthermore, four acquisitions were made resulting in the Company nowadays having operations in five countries and obtaining a more balanced portfolio across the various species.

Underlying EBITDA in 2018 was slightly lower than in 2017. This was mainly caused by the warm and very dry summer months, which impacted both the inbound logistics costs and the prices of raw materials. These increases could only partly be passed on to customers.

Market circumstances in Europe are changing, with the impact of environmental measures on the agricultural sector growing. In the Netherlands, the dairy herd decreased in size as a result of regulations to reduce phosphate emissions caused by cows. In Germany, farmers in the swine sector were confronted with new measures aimed at reducing the environmental impact of phosphate and nitrate, which have led to a fall in the number of animals. Finally, there was concern in Belgium about the possible risks of the outbreak of African swine fever detected among wild boars in September 2018. The Supervisory Board (the 'Board') has evaluated these developments regularly and discussed the effects on the results with the Executive Board.

ForFarmers is in constant dialogue with its customers and other stakeholders to adapt its service to these changing market circumstances, and to innovate and enhance its sustainability. ForFarmers considers close cooperation with customers important and aims to assist farmers achieve better returns through higher efficiency and with healthy animals. ForFarmers accordingly also continues to focus on the further reduction of the use of antibiotics. In this context, the Board welcomes the steps ForFarmers has taken in the year under review with regard to sustainability. These are explained further in the sustainability section.

## Horizon 2020 Strategy

During the year the Board spoke regularly with the Executive Board about the further development of the strategic direction Horizon 2020. A special strategy day was held in May, during which - among other things - acquisitions, various risk scenarios, cost control and talent development were examined. The Board has found the open discussion with the Executive Board to be very valuable.

With the acquisition of Tasomix, Poland becomes the fifth country in which ForFarmers is currently active. The Board has supported this step and has been kept informed regularly by the Executive Board of the progress of the integration. In addition, ForFarmers has further expanded its activities in the Netherlands and Belgium with three more acquisitions in 2018. These acquisitions fit in well with ForFarmers' strategy to further strengthen its regional position in the different countries.

With regard to Functional Excellence, the Board has discussed the One ForFarmers approach with the Executive Board. This discussion looked at the room required for taking initiatives at local level, under the motto 'organise centrally what is possible, but execute locally, close to the customer'. The Board recognises the importance of the relationship between local advisor and customer. Furthermore, the Board sees the advantage of exploiting economies of scale by making use of centrally organised processes and knowledge pooling.

In June, the Board visited the United Kingdom where the transformation project was discussed with the local management team. During the visit to the new mill in Exeter, the Board was informed by the local management of the different steps in the construction process. The Board's report examines the working visit in more detail.

Reducing the number of LTIs (Lost Time Incidents) remains a point for attention and calls for patience. The Board agrees with the Executive Board that a broad change of mentality is needed to reduce the number of accidents significantly. The Board has discussed this

thoroughly with the Executive Board. The Board has safety as its highest priority on the agenda.

## **Composition of the Supervisory Board and Executive Board**

I can look back on an intensive and instructive period since I took office as chairman of the Board on 26 April 2018. I would particularly like to thank my predecessor, Jan Eggink, for the smooth transition. Teamwork within the Board is pleasant and professional. The Board forms a balanced and diverse team with adequate knowledge and experience, particularly with regard to agriculture. With the appointment of Roger Gerritzen as Board member, the knowledge and experience of the Board with regard to finance, agriculture and M&A has increased further.

Jan Potijk has indicated that he is not available for reappointment as a member of the Executive Board. His extensive experience and knowledge of the sector have been of great value to the entire Executive Committee. He has played a vital role in the implementation of ForFarmers' strategy. For this the Board is extremely grateful to him and wishes him all the best for the future. The Board also compliments Jan Potijk on the work he has done to train his successors to director level.

## **Thank you**

Finally, I would like to take this opportunity to express my thanks to all employees, partners, customers, shareholders and other stakeholders who have made it possible for ForFarmers to build further towards its future. The year 2019 shall provide new opportunities and challenges for ForFarmers. I am fully confident that the employees of ForFarmers shall once again take new steps with the further implementation of the Horizon 2020 strategy.

Cees de Jong  
Chairman of the ForFarmers Supervisory Board

# Report of the Supervisory Board

The Supervisory Board (the 'Board') supervised the steps that the Executive Board has made with the implementation of the Horizon 2020 strategy in the year under review, amongst other with respect to the developments in the agricultural sector. The initiatives taken by ForFarmers in the context of its mission "For the Future of Farming", are focused on efficient, sustainable and profitable business practices for customers, and these contribute to long-term value creation for all stakeholders.

In June 2018, the Board paid a visit to the new ForFarmers feed mill in Exeter (United Kingdom). On that occasion the Board took the opportunity to discuss the transformation and efficiency improvement of the supply chain with the local management team. The presentations made gave the Board a better insight into the improvement actions regarding the supply chain process and the points for attention for the commercial teams per specie. The implementation of the business transformation project has been delayed due to the extra attention that was needed for the improvement of the logistics services and because of the changes in the UK management team. The almost entirely new team endorses the transformation project.

In addition to the visit to United Kingdom the Board, among many other things, contemplated (the integration of) acquisitions and the further development of the organisation in various meetings held during the last year.

The most important subjects that were discussed in the year under review with the Executive Board and the other members of the Executive Committee are described below. To prepare items on the agenda, they were often discussed in advance in a meeting of one of the committees or a meeting of the Board without the presence of the Executive Board or Executive Committee.

## Horizon 2020 Strategy

In 2014, the Board was closely involved in the creation of the Horizon 2020 strategy for long-term value creation and gave its approval to this strategy. During the year under review, the Board regularly discussed the implementation and execution of the strategy and the associated risks.

In every regular meeting with the Executive Committee, the Board examined the performance of ForFarmers in the various countries. In May, the Board and the Executive Committee devoted an entire day to various strategic topics. In this context, topics such as the focus on acquisitions, cost control and employee talent development were discussed. Further topics for discussion were the influence of digitalisation, virtual chains, health & safety at the ForFarmers locations, the opportunities and threats posed by Brexit, the possible consequences of animal diseases, the impact of the measures regarding phosphate reduction in the Netherlands and other factors that could potentially disrupt the implementation of the strategy.

The Board also examined the effectiveness of the set up and operation of the internal risk management and control systems. These systems were assessed by the Executive Board during the year under review. The findings, recommendations, and measures arising from the assessment were discussed with the Board. The Board endorses and supports the internal risk management system as described in the section on Risk Management. The Board also supervised the activities of the internal auditor.

## Strategic partnerships

The results of the various strategic and production partnerships entered into by ForFarmers in previous years have led, among other things, to the marketing of high-quality nutritional products and the bundling of purchasing power and knowledge. The decision to enter into strategic partnerships has been an effective one. In this light, the collaboration with Nutreco has been extended for five years.

## Acquisitions

The Board discussed the developments in terms of acquisitions during every meeting. The principle aim of the ForFarmers acquisition strategy continues to be to become a regional leader or second largest player in Europe+ in order to be able to optimise economies of scale. In 2018 ForFarmers took significant steps with

regard to acquisitions. ForFarmers has expanded its activities into Poland with Tasomix, a company mainly active in the poultry sector. With the acquisition of 60% of Tasomix shares, ForFarmers is now active in five countries. Furthermore, ForFarmers strengthened its positions in the poultry sector and in organic feed with the acquisitions of Maatman (the Netherlands) and Van Gorp Biologische Voeders (the Netherlands/Belgium). In Belgium, Voeders Algoet was acquired, making ForFarmers the second largest feed company in Belgium. Voeders Algoet is predominantly active in the swine sector. The Board always considered the integration plan for these organisations. This meant, for example, that attention was given to the availability of qualified employees to bring about a proper integration and ensure safety in the acquired mills. The Board is of the opinion that these acquisitions are in line with the organisational culture and strategy of ForFarmers.

## Organisation

The Board is informed by the Executive Board on a regular basis of the organisational developments, in particular regarding the filling of senior management and other relevant positions.

## Executive Board and Executive Committee

Within the context of the succession plan, the Board regularly examines the management potential available at senior management level. The Board considers it important that ForFarmers can attract and retain qualified employees at senior management level bearing in mind attention for diversity.

Jan Potijk, a member of the Executive Board, announced at the end of 2018 that he would not be re-eligible for a new term. The Board is pleased that Jan Potijk can be succeeded by Pieter Wolleswinkel and David Fousert, two appointments from within the organisation. With these appointments, the Executive Committee of ForFarmers has increased in size as of 1 January 2019, so that a smooth transition of tasks can take place. Pieter Wolleswinkel is responsible for ForFarmers Nederland and David Fousert for the business units Reudink, Pavo and ForFarmers Belgium.

As of 1 January 2019, the Executive Committee Team is made up of Yoram Knoop, Arnout Traas, Jan Potijk, Stijn

Steendijk, Steven Read, Adrie van der Ven, Arthur van Och, Pieter Wolleswinkel and David Fousert.

Jan Potijk will resign as a member of the Executive Board and the Executive Committee Team after the AGM on 26 April 2019.

In 2018, the Board held performance reviews with all members of the Executive Committee, in which two members of the Board always spoke with one member of the Executive Committee. The performance of the Executive Board as a whole was also reviewed. The conclusions from these meetings were discussed in the plenary meeting of the Board. The conclusions were then fed back to the CEO and to the member of the Executive Committee concerned. The Board is of the opinion that the Executive Committee functions well under the leadership of Yoram Knoop as CEO.

The Board has established that none of the members of the Executive Board have more than two commissionerships nor does a member chair a supervisory board of another entity or company as referred to in article 2:132a of the Dutch Civil Code. The Board is not aware of any potentially significant conflicts of interest with the Company among members of the Executive Board.

## Safety and employees

During each meeting, the Executive Board informed the Board on the developments of the LTIs. The Board supports the initiatives which are undertaken to improve the safety of the employees. In 2016, ForFarmers conducted an employee engagement survey. As a result of this survey, actions were formulated and in 2017 the progress hereof was assessed. The Executive Board has formulated actions for improvement with regard to how the strategy should be implemented by the employees, workload, attraction and retention of talent, career opportunities, and giving and receiving feedback. Some of the improvement actions have already been implemented. The Executive Board has agreed with the Board that a new limited employee engagement survey will be prepared in 2019, with a focus on development plans for employees and traineeships. The Board continues to stimulate ForFarmers' efforts to achieve a better balance in the male/female ratio within the organisation.

## Works Council

The two-tier board structure was set up in 2014 at the level of ForFarmers Corporate Services B.V. (holding of the Dutch ForFarmers companies). Mr Hajé Nordbeck is a board member of ForFarmers Corporate Services B.V. at the recommendation of the Dutch Works Council.

ForFarmers N.V. has a European Employees Council that met once in the year under review. This meeting was not attended by the members of the Board because no request for consultation was made by the ForFarmers European Employees Council, as specified in the regulations of the Board.

## Management conferences

ForFarmers held conferences for senior management in May and December. The conference in May took place in Poland, so that senior management could get acquainted with Tasomix. The conference participants visited both the existing mill in Biskupice and the mill under construction in Pionki. Furthermore, Tasomix employees gave presentations about market developments in Poland. The meetings also looked at the progress and implementation of the Horizon 2020 strategy. The November meeting was attended by several members of the Board.

## Financial reporting

The Executive Board clarified the internal financial reports during the meetings of the Board. Matters discussed there included the state of affairs and market developments, strategic and financial developments and risks, as well as performance compared to budget and the previous year, for both the Group as a whole and for the individual units. The Board has approved the 2017 financial statements and reviewed the 2018 half-yearly report and the trading updates. Furthermore, the work plan of the internal auditor was approved. In addition, the dividend policy and the dividend proposal for 2017, corporate governance, and the financial reporting process of ForFarmers were discussed. The Board discussed the findings in the management letter from the external auditor with the Executive Board. The findings of the external auditor can be found in the Audit Committee report. The Board approved the budget for 2019. Attention was also paid to the scenario analysis of the five-year plan, ForFarmers' management and control system and compliance with all relevant legislation and regulations.

The Board discussed the 2018 financial statements with the Executive Board and the external auditor (KPMG Accountants N.V.) and approved them at the meeting of 12 March 2019. KPMG issued an unqualified audit opinion and shall attend the AGM to provide further clarification as needed. On 26 April 2019 the financial statements as well as the proposal for dividend for 2018 shall be submitted to the AGM for adoption.

## Governance and culture

Partly in view of the Dutch Corporate Governance Code 2016 (hereinafter the 'Code'), the Board has discussed the company's corporate governance with the Executive Board. In this regard, a culture focused on long-term value creation was emphasized. The core values that contribute to this culture are part of the 'For the Future of Farming' mission. The Executive Board sets an example and steers on the basis of the core values and standards in the organisation. The Board supports the initiative of the Executive Board to strengthen the focus on safety when investing in mills. Furthermore, the Board shared thoughts about this with the UK local management during its visit to the UK. ForFarmers endorses most of the best practice provisions of the Code. The chapter on corporate governance substantiates from which provisions ForFarmers deviates.

## Sustainability

The Board is kept informed by the Executive Board about the discussions with the [Sustainability Advisory Board](#). ForFarmers continuously takes initiatives with regard to sustainability. The Board supports these initiatives and believes that they contribute to long-term value creation for stakeholders.

In the year under review, the Board also discussed with the Executive Board on the further preparation of the annual report so as to comply with non-financial information requirements and to make further steps towards Integrated Reporting. The Board is pleased to be able to report that the external auditor has provided a 2018 assurance report regarding the sustainability KPIs.

## Compliance and integrity

The Board sees the [Code of Conduct](#) as a means of promoting integrity. The overview of incidents notifications and the follow-up thereof is discussed periodically with the Audit Committee and the Board. New employees



receive the Code of Conduct and follow an online learning module. The Board supports the initiatives of the Executive Board to stimulate a culture of compliance and integrity.

## Meetings, attendance and main topics

In 2018, the Board met eight times in regular meetings, each time in the presence of the Executive Board. The members of the Executive Committee were present (or represented with the consent of the CEO in case of inability to attend) at the meetings of the Board insofar as the topics concerned the strategy and/or the budget. Furthermore, during the meetings of the Board, presentations were made, at the Board's request, by members of the Executive Committee and other employees about topics for which they have specific responsibility. The Board and the Executive Board also discussed developments in the agricultural sector such as the influences of the fluctuating raw material prices, the dry summer, low water levels and the fluctuating prices for agricultural products. The Board has taken note of the vision document from the Ministry of Agriculture, Nature and Food Quality. Regular attention was also given to developments in the field of health and safety. There were also four teleconferences.

Three of these concerned the approval of the financial statements on the eve of their publication and the review of the trading update of May and November 2018. In the fourth teleconference, approval was given for the acquisition of Van Gorp Biologische Voeders in the Netherlands. In addition, the Board met three times without the presence of (representatives of) the Executive Board. Items then discussed included: the structure of the internal organisation, the method of working and remuneration (including the variable part thereof) of the Executive Board and the other members of the Executive Committee, the performance of the Executive Committee as a team and that of the individual directors, the associated conclusions arising therefrom, and the succession planning with respect to directors and Board members. The Board also prepared the regular meetings during these meetings. The Board also discussed its own performance, the performance of its individual committees and that of the individual Board members, and the associated conclusions arising therefrom. Finally, the respective members met in the three committees of the Board. The committees reported to the Board on their meetings and findings.

The attendance percentage of each Board member at the eight regular meetings of the Board and at the regular meetings of the key committees is shown in the overview below.

Meeting	Cees de Jong	Sandra Addink-Berendsen	Roger Gerritzen	Vincent Hulshof	Cees van Rijn	Erwin Wunnekink
SB	8/8	8/8	6/6 (1)	8/8	8/8	8/8
AC		5/5	2/3 (2)		5/5	
RC	4/4	1/1 (2)			4/4	
S&AC	2/2			2/2 (2)		2/2

(1) as of 26 April 2018

(2) as of 1 July 2018

The used abbreviations mean: AC = Audit Committee, RC = Remuneration Committee, S&AC= Selection and Appointment Committee

Other subjects that were discussed in the Board meetings included the preparation and evaluation of the AGM held by ForFarmers on 26 April 2018 and the employee participation plans for 2018. The Chairman stayed in regular contact on various topics, outside of the regular meetings, with the other members of the Board and the Executive Board. The Chairman has also been in contact

with the chairman of the board of Coöperatie FromFarmers U.A. ('FromFarmers') and attended one meeting of the membership council of FromFarmers. FromFarmers holds the priority share in ForFarmers.

## Self-assessment and composition

Once every three years, the Board discusses its performance with an external advisor. Given that the latest assessment under the guidance of an external advisor took place in the fourth quarter of 2016, the Board conducted the assessment in 2018 without an advisor. In this context, the Board discussed its performance, both as regards the Board as a whole and as regards its individual members, as well as that of the individual committees. Items that came up for discussion included substantive aspects, internal interaction and interaction with the Executive Board, lessons learned from matters that occurred in practice, and the desired profile, composition, skills and abilities of the Board. Assessments of individual Board members were conducted in one-on-one sessions. The Board concluded that, both as a whole and with regard to its individual members, it performs satisfactorily. In addition, the Board assessed its meetings in the past year and discussed the development and strategy of the Company and the role of the Board herein. The Selection and Appointment committee of the Board prepared the self-assessment and the resulting conclusions were used for the further improvement of the Board's performance. One of these improvements concerns the relevant knowledge of the Board with regard to digitisation and its impact on the business of ForFarmers. The Board shall address this issue within the context of its education programme.

The information as referred to in 2.1.2 and 2.3.5 of the Code can be found in the section 'Composition of the Supervisory Board' and 'Committees of the Supervisory Board'.

The composition of the Board changed during the year under review. Mr Roger Gerritzen was appointed as a member of the Supervisory Board during the AGM of 26 April 2018. The diversity policy and the execution thereof in the year under review, is explained in the [corporate governance 2018 statement](#).

## Education and introduction programme

Within the context of the continuous education of the entire Board, various members of the Board follow relevant courses at various organisations. An introduction programme was prepared for Roger Gerritzen, who joined the Board as a new member. In that context, he visited various companies, discussed the implementation of the Horizon 2020 strategy and met employees within the organisation. Several of the other Board members also participated in the company visits.

## Final comments

Under the leadership of the Executive Committee, other managers and with the commitment, knowledge and dedication of all employees, ForFarmers was able to take further steps in 2018 with the implementation of the Horizon 2020 strategy. We would like to thank the Executive Committee, the employees and the works councils for the efforts they have made in the past year. We also thank the other stakeholders, including customers and shareholders, for the trust they have placed in us.

Lochem, 12 March 2019

The Supervisory Board

# Composition of the Supervisory Board



From left to right: Erwin Wunnekink, Cees van Rijn, Cees de Jong, Sandra Addink-Berendsen, Roger Gerritzen, Vincent Hulshof

During the financial year, the Supervisory Board (the 'Board') was composed of six members. As a result of Mr Jan Eggink stepping down, Mr Roger Gerritzen was appointed during the Annual General Meeting of Shareholders ('AGM') of 26 April 2018 on recommendation by Coöperatie FromFarmers U.A. (the 'Cooperative') and on nomination by the Board. In addition Mr Cees de Jong was appointed as Chairman of the Board by the Cooperative and after consultation with the Board. The Board is now composed as follows:

## **Cees de Jong, Chairman**

*(1961, Dutch nationality)*

A member of the Board since 2017, his term of office comes up for renewal in 2021. Mr De Jong has a degree in medicine and business administration, and has extensive international experience as, among other things, CEO of Chr. Hansen, a bioscience company operating in the food industry. Earlier on in his career he held management positions at various companies in the food and pharmaceutical industry. In addition, Mr de Jong is chairman of the Supervisory Board of Mediq B.V., chairman of the Supervisory Board of A-Mansia S.A. and also member of the Advisory Board of Novo Holdings in Denmark.

As at 31 December 2018, Mr De Jong holds no shares or depositary receipts of shares in the capital of ForFarmers N.V.

## **Sandra Addink-Berendsen, Vice-Chair**

*(1973, Dutch nationality)*

A member of the Board since 2010, her term of office ends ultimately in 2022. Mrs Addink-Berendsen is a dairy farmer and a member of the Supervisory Board of Koninklijke FrieslandCampina N.V. and a Board member of Zuivelcoöperatie FrieslandCampina U.A. At the beginning of 2017, Mrs Addink-Berendsen was appointed as member of the Supervisory Board of Alfa Accountants. She is also the treasurer of Stichting Hessenheemfonds.

As at 31 December 2018, Mrs Addink-Berendsen holds no shares, 9,640 depositary receipts of shares in the capital of the Company and, as a member of Coöperatie FromFarmers U.A., a balance equivalent to 12,294 shares on a participation account issued by the aforementioned Cooperative and which can be converted into depositary receipts or shares in ForFarmers N.V.

### **Roger Gerritzen**

*(1972, Dutch nationality)*

A member of the Board since 2018, his term of office comes up for renewal in 2022. Mr Gerritzen is member of the board of Coöperatie FromFarmers U.A. as of 2017. He is chairman of the board of AgroPolen, an arable and dairy company in Poland. In addition he is actively involved in the agricultural company of his family. Mr Gerritzen is partner at Yeald, a company active in the horticultural sector and has previously held various financial and organisational management positions at, amongst others, NXP and Unilever.

As at 31 December 2018, Mr Gerritzen holds no shares, no depositary receipts of shares in the capital of the Company and, as a member of Coöperatie FromFarmers U.A., a balance equivalent to no shares on a participation account issued by the aforementioned Cooperative and which can be converted into depositary receipts or shares in ForFarmers N.V.

### **Vincent Hulshof**

*(1962, Dutch nationality)*

A member of the Board since 2014, his term of office comes up for renewal in 2022. Mr Hulshof is a pig farmer as well as Board member and vice-chairman of Coöperatie FromFarmers U.A.

As at 31 December 2018, Mr Hulshof holds no shares, no depositary receipts of shares in the capital of the Company and, as a member of Coöperatie FromFarmers U.A., a balance equivalent to 8,640 shares on a participation account issued by the aforementioned Cooperative and which can be converted into depositary receipts or shares in ForFarmers N.V.

### **Cees van Rijn**

*(1947, Dutch nationality)*

A member of the Board since 2012, his term of office comes up for renewal in 2020.

Mr Van Rijn is former CFO of Nutreco and is currently Supervisory Board member at the Detailresult Groep, Plukon Food Group, PwC Nederland, and Erasmus Q-Intelligence.

As at 31 December 2018, Mr Van Rijn holds no shares or depositary receipts of shares in the capital of ForFarmers N.V.

### **Erwin Wunnekink**

*(1970, Dutch nationality)*

A member of the Board since 2015, his term of office comes up for renewal in 2019. Mr Wunnekink is a dairy farmer and a member of the Supervisory Board of Koninklijke FrieslandCampina N.V. and a Board member of Zuivelcoöperatie FrieslandCampina U.A.

As at 31 December 2018, Mr Wunnekink holds no shares, no depositary receipts of shares in the capital of the Company and, as a member of Coöperatie FromFarmers U.A., a balance equivalent to no shares on a participation account issued by the aforementioned Cooperative.

	<b>Cees de Jong</b>	<b>Sandra Addink-Berendsen</b>	<b>Roger Gerritzen</b>	<b>Vincent Hulshof</b>	<b>Cees van Rijn</b>	<b>Erwin Wunnekink</b>
Year of birth	1961	1973	1972	1962	1947	1970
Gender	Man	Woman	Man	Man	Man	Man
Nationality	NL	NL	NL	NL	NL	NL
Year last appointment	2017	2018	2018	2018	2016	2015
Eligible for re-election in	2021	-	2022	2022	2020 <sup>1</sup>	2019
Retiring latest in	2029	2022	2030	2026	2024 <sup>1</sup>	2027
Independent	Yes	Yes	No	No	Yes	Yes
Core Committees	RC en S&AC	AC en RC	AC	S&AC	RC en AC	S&AC

#### Knowledge and experience:

(Inter)national business experience	Yes	Yes	Yes	Yes	Yes	Yes
International Management experience	Yes		Yes		Yes	
Specific agrisector knowledge		Yes	Yes	Yes	Yes	Yes
Financial knowledge	Yes	Yes	Yes		Yes	
M&A experience	Yes		Yes		Yes	
Sustainability	Yes	Yes	Yes	Yes	Yes	Yes
Corporate Governance experience	Yes	Yes	Yes	Yes	Yes	Yes

<sup>1</sup> In principle stepping down ultimately in 2020 in connection with Mr Van Rijn's intention not to be eligible for reappointment. The used abbreviations mean: AC = Audit Committee, RC = Remuneration Committee, S&AC= Selection and Appointment Committee

The policy on diversity and its enforcement are explained in the [corporate governance statement](#). ForFarmers deviates from best practice provision 2.2.2 of the Dutch Corporate Governance Code (the 'Code') as further explained in the chapter on Corporate Governance.

All Board members, with the exception of two people, are independent within the meaning of best practice provision 2.1.7 of the Code. The Board considers members who are also directors of Coöperatie FromFarmers U.A., i.e. Messrs Vincent Hulshof and Roger Gerritzen as non-independent within the meaning of the Code. This was determined both by the independent members and by the Board itself. As regards the question of whether there is a significant business relationship, the Board also took into consideration the fact that this is not the case if no contractual obligation exists to source consumables, products and/or services from ForFarmers or a subsidiary thereof.

None of the Board members is a member of more than five supervisory boards (including a position as non-executive director in a one-tier board) of legal entities (including the Company) as referred to in Article 2:252a of the Dutch Civil Code. The Board is not aware of any form of conflict of interest between the Company and members of the Board, or between the Company and natural or legal persons who hold at least 10 per cent of shares (or certificates thereof) in the Company.

The following members of the Board have sourced feed during the current financial year from the Company or a subsidiary thereof under the same conditions as those that apply for other customers of the Company or subsidiary thereof: Mrs Addink-Berendsen and Messrs Gerritzen, Wunnekink and Hulshof. These transactions do not automatically lead to a conflict of interest pursuant to Article 11.5 of the [Supervisory Board Regulation](#).

# Committees of the Supervisory Board

The Supervisory Board (the 'Board') has the following three core committees: an audit committee (AC), a remuneration committee (RC) and a selection and appointment committee (S&AC). These committees are composed by the Board from among its members. As laid down in the [Supervisory Board Regulations](#), the Board remains responsible for decisions, even if they were prepared by one of its committees. The Board has prepared regulations for each committee. In addition, in the year under review, the Board established a temporary M&A committee. During the year under review, the Board received reports from each of its committees on their deliberations and findings. The composition of the committees, the number of committee meetings, the most important meeting items and the performance of duties by the committees are outlined below.

## Audit committee

Until 1 July 2018 the Audit committee comprised two members, namely Mrs Sandra Addink-Berendsen (chair) and Mr Cees van Rijn (member, and financial expert). As of 1 July 2018 Mr Roger Gerritzen joined the Audit committee as member. As established in the [Audit committee Regulations](#), this committee supports the Board in its supervisory duties and responsibilities in the area of (i) external financial reporting, audit and compliance with legislation and regulations for financial reporting, (ii) appointment and performance of the external auditor, (iii) quality and effectiveness of internal, financial and management reporting as well as internal control and risk management systems, and (iv) compliance with internal procedures, legislation and regulations and codes of conduct.

In 2018, the Audit committee met five times in a regular meeting and twice in an extra meeting. The external auditor was present during all of these meetings. The internal auditor was only present during the regular meetings. In addition, the CFO, the Director Accounting, Treasury & Tax and/or the Group Finance Director and the Corporate Secretary were present during all of these meetings. The CEO was absent during one regular meeting.

The committee has held extensive discussions with (representatives of) the Executive Board—as well as with the external auditor—on the 2017 annual accounts, the 2017 annual report, the 2018 half-yearly results, the trading updates and the press releases pertaining thereto and the internal and external audit plan for 2018. The external auditor explained the Management Letter in the December meeting, with findings with regard to the administrative organisation and internal control in as far as relevant for the assurance. The most important topics that were raised have to do with sharpening up the ICF-framework in the IT applications and the separation of duties within the acquired companies. The Executive Board has made the risks controllable by taking additional measures. Other matters that came up for discussion included follow-up of the internal auditor's and external auditor's recommendations, risks and risk management and control systems, financial integration of acquisitions, implementation of new IFRS standards, staffing of the finance department, enforcement of the accounts receivable and dividend policy, ICT (including risks in the area of cyber security and data protection), and tax planning and status of the tax declarations in the relevant countries.

As regards the staffing of the finance department, the committee asked again for consideration to be given to achieving a good balance between workload and cost control. During the extra meetings, the committee discussed the backgrounds of and the parameters for the goodwill impairment test, the purchase price allocation of the acquired companies and the accounting manner for the call option on 40% of the shares and the earn-out with respect to Tasomix (Poland). In addition, in light of IFRS 16, the accounting manner of the lease contracts were discussed.

During the year, several members of the senior management team were invited to provide further information to the Audit committee on a range of subjects such as treasury, tax, insurance and the progress of investment projects. Aside from the agenda, the members of the Audit committee also always received an overview of (pending and/or potential) legal claims, as well as an overview of incident notifications. After each meeting, the

Audit committee spoke with the external auditor, always without the presence of (representatives of) the Executive Board. The Audit Committee also shared its findings with the Board on relations with the external auditor. In formulating the role of the external auditor, attention was paid to the scope of the audit report, the materiality principle to be applied and the audit fees. The Executive Board and the committee have each had separate discussions about the selection of the new lead partner of KPMG Accountants N.V. (KPMG) in relation to the audit for the 2019 financial year. The committee is of the opinion that relations with the external auditor are satisfactory and supports the proposal to appoint KPMG Accountants N.V. as auditor for the 2019 financial year.

The Audit committee has discussed the effectiveness of the design and performance of the internal risk management and control systems as referred to in best practice provision 1.2.1 to 1.2.3 of the Dutch Corporate Governance Code (the 'Code') with the Executive Board and has established that the risks relating to the Company strategy have been identified and that the system for controlling risks, based on strategic, operational, compliance and reporting risks, have been implemented. The Executive Board informed the Audit committee about two infringements of the purchasing risk policy. The material consequences of these infringements were limited and the Executive Board has taken corrective measures with respect to those directly involved. The Audit committee has reported to the Board on the subjects as referred to in best practice provision 1.5.3 of the Code and has been involved in the work plan set up by the internal auditor. In addition, an assessment interview took place with the internal auditor.

## Selection and appointment committee

Until 1 July 2018 the Selection and appointment committee comprised two members, namely Mr Erwin Wunnekink (chair) and Mr Vincent Hulshof (member). As of 1 July 2018 Mr Cees de Jong joined the Selection and appointment committee as member. As established in the [Regulations of the Selection and appointment committee](#), this committee, among other things, submits proposals to the Board regarding the selection criteria and appointment procedures, and regarding the scope, composition, appointments, reappointments, and performance appraisal of the Board and the Executive Board.

In 2018 the Selection and nomination committee met two times. The committee performed the necessary preparations with respect to the reappointment of Erwin Wunnekink as member of the Board and the discussions were led by the chairman of the Board together with Vincent Hulshof. In the preparations, the diversity policy and the right of recommendation that Coöperatie FromFarmers U.A. has as priority shareholder were taken into consideration. Moreover, the division of competencies and the continuity within the Board was an important consideration for the committee. Seen in this light, the committee suggested to the Board to, at the recommendation of Coöperatie FromFarmers U.A., reappoint Erwin Wunnekink as member of the Board. The Board has followed up the proposal. The reappointment will be put on the agenda of the Annual General Meeting of Shareholders (AGM) that will be held on 26 April 2019. In addition the appointment committee and the Board discussed the succession plan for members of the Executive Board, the Executive Committee and the Board. The chairman and vice-chair of the Board have held discussions with Arthur van Och, who started as Director Supply Chain on 14 May 2018. As was announced in the press release of 2 November 2018, Jan Potijk indicated that he is not eligible for reappointment in 2019. Finally, the chairman of the Board held assessment interviews, without guidance from an external advisor, with the individual members of the Board, and the Board discussed the performance of the Board as a whole. As regards the performance of the Executive Board and the Executive Committee, the committee discussed the outcome of the interviews that were held by the members of the Board with all individual members of the Executive Committee.

## Remuneration committee

Until 1 July 2018 the Remuneration committee comprised two members, namely Mr Cees van Rijn (chairman) and Mr Cees de Jong (member). As of 1 July 2018 Mrs Sandra Addink-Berendsen joined the Remuneration committee as member. As established in the [Regulation of the Remuneration committee](#), this committee, among other things, submits proposals to the Board regarding the remuneration policy to be pursued and the remuneration of the individual members of the Executive Board. The remuneration policy was determined by the General Meeting of 26 April 2017 and approval was granted to the regulations as regard rights for acquiring depositary receipts of ordinary shares for members of the Executive Board.

The Remuneration committee met four times in 2018. The CEO was always present during these meetings. The Director Strategy & Organisation, the Director in the Executive Committee responsible for HR portfolio, joined the committee meeting in December 2018.

The committee performed activities, not only during its meetings, such as among other things the formulation of the remuneration report, discussing the remuneration of new members of the Executive Committee and the short-term (2019) and long-term (2019-2021) performance bonus plans. In addition, the Remuneration committee held discussions with the CEO and made a proposal to the Board regarding the short and long-term variable bonus targets for the Executive Committee for 2018 (STI 2018 and LTI 2018-2020). The targets were subsequently discussed and approved by the plenary Board.

For the formulation of the proposal for the remuneration of the Executive Board, the Remuneration committee ascertained the individual directors' vision as to the level and structure of their own remuneration as referred to in best practice provision 3.2.2. of the Code. The Remuneration committee discussed the realisation of the Executive Committee's objectives stipulated in 2017, and the variable remuneration (STI and LTI 2016-2018) was determined. For this, the Remuneration committee relied on the report of the external auditor in which the accuracy of the calculation of the variable remuneration relating to the financial objectives was confirmed. The Board then approved the proposed bonus amounts.

Partly as part of the preparation of the remuneration report, discussions were held as to the progress with the realisation of the short- and long-term objectives and pay ratios within ForFarmers. The 2018 employee participation plans were approved by the Board pursuant to the advice of the Remuneration committee. The [main aspects of the contracts with members of the Executive Board](#) are published on the Company's website.

## Temporary M&A committee

The Board established a temporary M&A committee in the year under review comprising Messrs Cees de Jong and Roger Gerritzen. This committee discussed the preparation of one M&A project with the Executive Board and regularly informed the Board on its findings.



# Remuneration Report

The following remuneration report of the Supervisory Board (the 'Board') contains an overview of how the [remuneration policy](#) is implemented. The remuneration policy was adopted by the General Meeting of Shareholders of 26 April 2017.

## Remuneration 2018

In 2017, an external advisor compared the remuneration package of the Executive Board with that of a number of companies of a comparable scale, complexity and results: the 'peer group' (once every three years). The peer group is made up of companies that were at numbers 15 to 25 of the AMX (mid-cap index) and on numbers 1 to 10 of the AScX (small-cap index) on Euronext Amsterdam in the last quarter of 2016. The outcome of the comparison was used to determine the total direct remuneration (fixed salary, short- and long- term bonus) of the members of the Executive Board.

Prior to the preparation of the remuneration policy and the adoption of the remuneration of individual members of the Executive Board, the Board analysed the aspects as referred to in best practice provision 3.1.2 of the Dutch Corporate Governance Code (the 'Code') on the basis of a proposal by the Remuneration committee. In formulating the proposal for the remuneration of the members of the Executive Board, the Remuneration committee ascertained the individual directors' vision of the level and structure of their own remuneration.

## Annual salary for members of the Executive Board

The fixed salary of Mr Yoram Knoop was determined again\* in view of his reappointment during the AGM of 26 April 2018. The fixed salaries of Messrs Arnout Traas (CFO) and Jan Potijk (COO) were indexed on 1 January 2018. In respect of this indexation, the Board made an estimate of the expected inflation development and the relative range of salaries in comparison with the outcome of the peer group. The percentages used and the salaries as at 1 January 2018 were:

Yoram Knoop	€535,000 per year (+18,8%* vs. 2017)
Arnout Traas	€374,554 per year (+2% vs. 2017)
Jan Potijk	€389,992 per year (+2% vs. 2017)

*\*In light of his reappointment as member of the Executive Board as of 26 April 2018, the fixed salary of Yoram Knoop, taking into consideration the remuneration policy, was determined again as of 1 January 2018. The fixed short-term bonus, which he received during 2014 – 2018, of €100,000 per year was ended per that date and as of 2018 the fixed salary was determined based on the peer group.*

## Short term performance bonus of members of the Executive Board

The targets for the short-term performance bonus for each individual member of the Executive Board for 2018 were 70% related to financial targets and 30% to qualitative targets. The realisation of the previously established short-term performance bonus targets for 2018 was determined at the beginning of 2019. The table below shows the various performance criteria as well as the results per Executive Board member, including the target percentage and the percentage of the basic salary actually achieved.

	Financial		Qualitative		Total		STI 2018 % of target <sup>(1)</sup>
	Actual	Target	Actual	Target	Actual	Target	
Yoram Knoop	27.6%	42.0%	18.9%	18.0%	46.5%	60.0%	77.5%
Arnout Traas	18.4%	28.0%	12.0%	12.0%	30.4%	40.0%	76.0%
Jan Potijk	12.7%	28.0%	12.8%	12.0%	25.5%	40.0%	63.8%

*(1) Percentage in relation to the applicable fixed salary*

The financial targets over the year under review were related to net profit of ForFarmers and for the COO of ForFarmers the Netherlands also the operating profit (EBIT) of this cluster, excluding (pre-)established incidental expenses and/or income. The qualitative targets related to accounts receivable management and specific strategic projects for 2018 such as the composition of the M&A portfolio, increasing efficiency in the supply chain and the creation of world-class teams. Depending on the member of the Executive Board in question, a project counts for a share of between 5% and 20% of the target. If performance remains below the 90% of the agreed target, no bonus will be paid for that target. The maximum bonus will be paid when at least 110% of the target has been realised.

	Financial		Qualitative		Total		LTI 2018 % of target <sup>(1)</sup>
	Actual	Target	Actual	Target	Actual	Target	
Yoram Knoop	43.2%	36.0%	25.1%	24.0%	68.3%	60.0%	113.8%
Arnout Traas	28.8%	24.0%	16.9%	16.0%	45.7%	40.0%	114.3%
Jan Potijk	28.8%	24.0%	16.9%	16.0%	45.7%	40.0%	114.3%

(1) Percentage in relation to the applicable fixed salary

For the long-term performance bonus 2016-2018, the (cumulative) financial targets were related to the realisation of net-profit growth over three years, both organically and through acquisitions. The qualitative targets related to sustainability, implementation of Horizon 2020, and the progress in employee engagement goals. The targets are the same for the long-term performance bonus 2017-2019.

For the long-term performance bonus 2017-2019 and 2018-2020, the financial targets are the development of earnings per share after tax (EPS), (corrected for the share buy-back), total shareholder return, and return on average capital employed ('ROACE'). The topics of the qualitative targets for 2018-2020 relate to the still to be determined strategy 2025 and its implementation, M&A and sustainability. If performance remains below the 90% of the agreed target, no bonus will be paid for that target. The maximum bonus will be paid when at least 110% of the target has been realised. The applicable percentages with respect to the ROACE target are 80% and 120%.

For the Total Shareholder Return (TSR) targets (2018-2020 and 2019-2021), the Board established in advance which companies form part of the peer group. These are

## Long term performance bonus of members of the Executive Board

The targets for the long-term performance bonus for each individual Executive Board member were 60% related to financial targets and 40% to qualitative targets. The long-term performance bonus was determined over a period of three years, i.e. 2016-2018.

The realisation of the long-term performance bonus targets, as established beginning 2016, for the years 2016-2018 was also determined at the beginning of 2019. The table below shows the various performance criteria as well as the results per Executive Board member, including the target percentage and the percentage of the basic salary actually achieved.

the ten companies that were at numbers 15 to 25 of the AMX (mid-cap index) of Euronext Amsterdam and the ten companies at numbers 1 to 10 of the AScX (small-cap index) as at 1 October 2017/2018. The percentage bonus allocated for TSR is determined using the position occupied by ForFarmers within the peer group based on the following scale.

Position	11-20	10	9	8	7	4-6	1-3
Realisation %	0	50	66.7	83.4	100	110	120

The overview below show the bonus percentages for the 2018 short-term performance bonus and the 2016-2018 long-term performance bonus, which have been achieved by each individual member of the Executive Board.

	Achieved short-term bonus % <sup>(1)</sup>	Target short-term bonus %	Achieved long-term bonus % <sup>(1)</sup>	Target long-term bonus %
Yoram Knoop	46.5%	60.0%	68.3%	60.0%
Arnout Traas	30.4%	40.0%	45.7%	40.0%
Jan Potijk	25.5%	40.0%	45.7%	40.0%

(1) Percentage in relation to the applicable fixed salary

The members of the Executive Board used (part of) the short-term performance bonus and the fixed short-term bonus (of 2017) to participate in the employee participation scheme for senior management. Yoram Knoop participated with 20,541 depositary receipts, Arnout Traas with none and Jan Potijk with 19,965. A lock-up period of five years applies to the depositary receipts that were acquired based on this scheme in 2018. A discount of 20% was given on the regular purchase price, in accordance with the remuneration policy and the rules as referred to in Article 2:135, paragraph 5 of the Dutch Civil Code as approved by the General Meeting of 26 April 2017.

As at 31 December 2018, the members of the Executive Board hold the following shares or depositary receipts:

	Depositary receipts in lock-up for 3 years with release in 2019	Depositary receipts in lock-up for 3 years with release in 2022	Depositary receipts in lock-up for 5 years with release in 2023	Depositary receipts/Shares (not in lock-up)	Total
Yoram Knoop	58,305	61,034	20,541	164,662	304,542
Arnout Traas	15,024	9,094	-	85,211	109,329
Jan Potijk	20,347	26,048	19,965	556,198	622,558
<b>Total</b>	<b>93,676</b>	<b>96,176</b>	<b>40,506</b>	<b>806,071</b>	<b>1,036,429</b>

The remuneration policy includes a target with respect to the ownership of ForFarmers shares. The members of the Executive Board shall hold (depository receipts of) shares in the Company with a value amounting to at least two times their gross annual fixed salary.

In accordance with the remuneration policy, ForFarmers did not allocate remuneration in the form of options, shares or depositary receipts to members of the Executive Board and/or the Executive Committee. The remuneration of the members of the Executive Board does not depend on a change of control in the Company. No loans were granted to members of the Executive Board.

An overview of the costs incurred by ForFarmers N.V. in the financial year 2018 in relation to Executive Board remuneration gives a summary of the remuneration of the individual members of the Executive Board. No fees other than those shown in the overview were paid to members of the Executive Board in the financial year. Please also refer to Note 37 of the financial statements.

In thousands of euro	Short-term employee benefits			Long-term employee benefits			Total
	Salary costs <sup>(1)</sup>	Performance bonus (short-term) <sup>(2)</sup>	Other compensation <sup>(3)</sup>	Post-employment benefits	Performance bonus (long-term) <sup>(4)</sup>	Participation plan <sup>(5)</sup>	
<b>Executive Board</b>							
<b>2018</b>							
Y.M. Knoop	546	248	47	107	258	83	1,289
A.E. Traas	386	113	65	13	133	14	724
J.N. Potijk	402	99	77	13	139	40	771
<b>Total</b>	<b>1,334</b>	<b>460</b>	<b>189</b>	<b>133</b>	<b>531</b>	<b>137</b>	<b>2,784</b>
<b>2017</b>							
Y.M. Knoop	461	406	48	90	309	71	1,385
A.E. Traas	378	172	64	15	163	22	814
J.N. Potijk	394	178	70	15	165	33	855
<b>Total</b>	<b>1,233</b>	<b>756</b>	<b>182</b>	<b>120</b>	<b>637</b>	<b>126</b>	<b>3,054</b>

(1) Including employer contributions social securities

(2) The performance bonus (short-term) relates to the performance in the year reported and is to be paid in the subsequent year.

(3) Other compensation mainly includes use of company cars, expenses, pension compensation own arrangement and any accrual for termination of the agreement of assignment.

(4) The performance bonus (long-term) concerns the proportional part of the costs recognised during the vesting period of three years in which specified performance targets are to be met. After the third year, the final bonus amount will be determined and paid.

(5) The employee participation plan concerns the costs charged during the vesting period relating to the discount on the conditionally issued depositary receipts and does not reflect the value of vested depositary receipts already in possession of the members of the Executive Board.

The Board has seen no reason in the year under review to make use of its special powers to add to or claw back any allocated variable or long-term remuneration. Over the financial year, no severance payments or other special payments were granted to members or former members of the Executive Board.

## Pay ratios

To determine pay ratios within the Company, the total direct remuneration (i.e. the fixed salary and the (short- and long-term) variable salary) of all ForFarmers employees was used. Partly due to the countries in which ForFarmers operates at the moment, this provides a relatively uniform and representative reference group. This principle will be re-assessed every year.

The average for the total direct remuneration of all ForFarmers staff (except the members of the Executive Board) came to €43.887 gross in 2018 (compared to €45.903 gross in 2017). This amount is calculated based on the assumption that all employees work full time. This means that the real average is lower. This amount offset against the total direct remuneration of Mr Knoop (CEO) in 2018, i.e. €1,148,784 gives a pay ratio of 1:26.2 (2017: 1:24.1). The ratio rose because in 2018 the average remuneration of the employees in Poland was included in the average. For Arnout Traas (CFO) and Jan Potijk (COO) the pay ratio compared to Yoram Knoop (CEO) is 1:1.6 and 1:1.6 respectively.

## Remuneration of members of the Supervisory Board

The annual remuneration of the members of the Board amounts, in line with the policy adopted at the General Meeting of Shareholders of 26 April 2017, to €60,000 for the Chairman, €46,000 for the Vice-Chair and €43,000 for the other members of the Board with an additional compensation of: €10,000 for the chairman of the Audit committee, €7,500 for the chairman of one of the other committees, €7,000 for the member of the Board who is a member (not the chairman) of the Audit committee and €6,000 for the member of the Board who is a member (not the chairman) of one of the other committees of the Board. These are gross amounts. The members of the Board receive a fixed annual expenses allowance of €500. In 2018, the following remuneration payments were made to members of the Supervisory Board.

### 2018

In thousands of euro	Attendance fee	Commission fee	Other compensation <sup>(1)</sup>	Total
<b>Supervisory Board</b>				
J.W. Eggink <sup>(2)</sup>	20.0	0.0	0.4	20.4
C. de Jong <sup>(3)</sup>	54.5	9.0	0.5	64.0
J.W. Addink-Berendsen	46.0	13.0	1.2	60.2
R.H.A. Gerritzen <sup>(4)</sup>	29.2	3.5	0.3	33.0
V.A.M. Hulshof	43.0	6.0	0.5	49.5
C.J.M. van Rijn	43.0	14.5	3.2	60.7
W.M. Wunnekink	43.0	7.5	1.1	51.6
<b>Total</b>	<b>278.7</b>	<b>53.5</b>	<b>7.2</b>	<b>339.4</b>

<sup>(1)</sup> Relates to reimbursement for travel and fixed expenses

<sup>(2)</sup> Resigned per 26 April 2018

<sup>(3)</sup> As from 26 April 2018 chairman of the Supervisory Board

<sup>(4)</sup> Appointed per 26 April 2018

In the period under review, the Board has not granted any additional remuneration to members of the Board in connection with the fulfilment of extra tasks.

As at 31 December 2018, the members of the Board hold the following shares or depositary receipts in ForFarmers N.V. and/or a balance on the participation account of FromFarmers U.A.

	Depository receipts/Shares	Participation accounts <sup>(1)</sup>	Total
C. de Jong	-	-	-
J.W. Addink-Berendsen	9,640	12,294	21,934
R.H.A. Gerritzen	-	-	-
V.A.M. Hulshof	-	8,640	8,640
C.J.M. van Rijn	-	-	-
W.M. Wunnekink	-	-	-
<b>Total</b>	<b>9,640</b>	<b>20,934</b>	<b>30,574</b>

<sup>(1)</sup> The balance on the participation account can be converted into depositary receipts or shares of ForFarmers N.V.

ForFarmers did not allocate options, depositary receipts or shares to members of the Supervisory Board. The remuneration of the members of the Board does not depend on the results of the Company or on a change of control in the Company. Loans were not provided to members of the Board.

Lochem, 12 March 2019

Supervisory Board



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# CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated statement of financial position

In thousands of euro (before profit appropriation)	Note	31 December 2018	31 December 2017
<b>Assets</b>			
Property, plant and equipment	17	261,555	205,904
Intangible assets and goodwill	18	168,023	96,229
Investment property	19	643	830
Trade and other receivables	21	13,690	9,298
Equity-accounted investees	20	25,392	24,018
Deferred tax assets	16	2,099	2,998
<b>Non-current assets</b>		<b>471,402</b>	<b>339,277</b>
Inventories	22	93,555	72,010
Biological assets	23	4,314	4,714
Trade and other receivables	21	250,618	208,170
Current tax assets	16	2,072	86
Cash and cash equivalents	24	51,756	161,297
Assets held for sale	25	-	1,737
<b>Current assets</b>		<b>402,315</b>	<b>448,014</b>
<b>Total assets</b>		<b>873,717</b>	<b>787,291</b>
<b>Equity</b>			
Share capital		1,063	1,063
Share premium		143,554	143,554
Treasury share reserve		-61	-55
Translation reserve		-6,653	-5,692
Hedging reserve		-896	-
Other reserves and retained earnings		239,990	207,878
Unappropriated result		58,590	58,554
<b>Equity attributable to shareholders of the Company</b>	26	<b>435,587</b>	<b>405,302</b>
<b>Non-controlling interests</b>	34	<b>5,166</b>	<b>4,629</b>
<b>Total equity</b>		<b>440,753</b>	<b>409,931</b>
<b>Liabilities</b>			
Loans and borrowings	29	52,540	44,508
Employee benefits	15	33,496	46,910
Provisions	30	2,024	2,249
Trade and other payables	31	41,258	8,255
Deferred tax liabilities	16	13,174	9,939
<b>Non-current liabilities</b>		<b>142,492</b>	<b>111,861</b>
Bank overdrafts	24	13,307	49,690
Loans and borrowings	29	2,963	28
Provisions	30	1,372	1,132
Trade and other payables	31	267,695	206,982
Current tax liability	16	5,135	7,667
<b>Current liabilities</b>		<b>290,472</b>	<b>265,499</b>
<b>Total liabilities</b>		<b>432,964</b>	<b>377,360</b>
<b>Total equity and liabilities</b>		<b>873,717</b>	<b>787,291</b>

The notes 1 to 52 are an integral part of these consolidated financial statements.



# Consolidated statement of profit or loss

In thousands of euro	Note	2018	2017
Revenue	8	2,404,663	2,218,660
Cost of raw materials and consumables	9	-1,961,255	-1,798,820
<b>Gross profit</b>		<b>443,408</b>	<b>419,840</b>
Other operating income	10	5,408	961
<b>Operating income</b>		<b>448,816</b>	<b>420,801</b>
Employee benefit expenses	15	-158,573	-151,429
Depreciation, amortisation and impairment	17, 18	-27,988	-27,627
Net (reversal of) impairment loss on trade receivables	2, 32	1,050	1,821
Other operating expenses	11	-187,373	-169,544
<b>Operating expenses</b>	11	<b>-372,884</b>	<b>-346,779</b>
<b>Operating profit</b>		<b>75,932</b>	<b>74,022</b>
Finance income		1,096	1,396
Finance costs		-5,481	-3,770
<b>Net finance costs</b>	12	<b>-4,385</b>	<b>-2,374</b>
Share of profit of equity-accounted investees, net of tax	20	2,907	3,884
<b>Profit before tax</b>		<b>74,454</b>	<b>75,532</b>
Income tax expense	16	-15,224	-16,229
<b>Profit for the year</b>		<b>59,230</b>	<b>59,303</b>
<b>Profit attributable to:</b>			
<b>Shareholders of the Company</b>		<b>58,590</b>	<b>58,554</b>
Non-controlling interests	34	640	749
<b>Profit for the year</b>		<b>59,230</b>	<b>59,303</b>
<b>Earnings per share in euro<sup>(1)</sup></b>			
Basic earnings per share	13	0.58	0.56
Diluted earnings per share	13	0.58	0.56

(1) Earnings per share attributable to ordinary equity holders of the company

The notes 1 to 52 are an integral part of these consolidated financial statements.

# Consolidated statement of comprehensive income

In thousands of euro	Note	2018	2017
<b>Profit for the year</b>		<b>59,230</b>	<b>59,303</b>
<b>Other comprehensive income</b>			
<b>Items that will never be reclassified to profit or loss</b>			
Remeasurement of defined benefit liabilities	15 , 16	12,000	5,158
Equity-accounted investees - share of other comprehensive income	20 , 26	-13	5
Related tax	16	-2,134	-990
		<b>9,853</b>	<b>4,173</b>
<b>Items that are or may be reclassified to profit or loss</b>			
Foreign operations - foreign currency translation differences		-1,128	-2,373
Cash flow hedges - effective portion of changes in fair value		-417	8
Cash flow hedges - reclassified to statement of profit or loss / statement of financial position		-754	-44
Related tax	16	442	299
		<b>-1,857</b>	<b>-2,110</b>
<b>Other comprehensive income, net of tax</b>		<b>7,996</b>	<b>2,063</b>
<b>Total comprehensive income</b>		<b>67,226</b>	<b>61,366</b>
<b>Total comprehensive income attributable to:</b>			
<b>Shareholders of the Company</b>		<b>66,586</b>	<b>60,617</b>
Non-controlling interests	34	640	749
<b>Total comprehensive income</b>		<b>67,226</b>	<b>61,366</b>

The notes 1 to 52 are an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity

2018

In thousands of euro	Attributable to shareholders of the Company								Total	Non-controlling interest	Total equity
	Note	Share Capital	Share premium	Treasury share reserve	Translation reserve	Hedging reserve	Other reserves and retained earnings	Unappropriated result			
<b>Balance as at 31 December 2017</b>		<b>1,063</b>	<b>143,554</b>	<b>-55</b>	<b>-5,692</b>	-	<b>207,878</b>	<b>58,554</b>	<b>405,302</b>	<b>4,629</b>	<b>409,931</b>
IFRS 9 adjustment	2	-	-	-	-	-	-97	-	-97	-	-97
<b>Balance as at 1 January 2018</b>		<b>1,063</b>	<b>143,554</b>	<b>-55</b>	<b>-5,692</b>	-	<b>207,781</b>	<b>58,554</b>	<b>405,205</b>	<b>4,629</b>	<b>409,834</b>
Addition from unappropriated result		-	-	-	-	-	58,554	-58,554	-	-	-
<b>Total comprehensive income</b>											
Profit		-	-	-	-	-	-	58,590	58,590	640	59,230
Other comprehensive income	16, 26	-	-	-	-961	-896	9,853	-	7,996	-	7,996
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-961</b>	<b>-896</b>	<b>9,853</b>	<b>58,590</b>	<b>66,586</b>	<b>640</b>	<b>67,226</b>
<b>Transactions with shareholders of the Company, recognised directly in equity</b>											
Contributions and distributions											
Dividends	26	-	-	-	-	-	-30,053	-	-30,053	-400	-30,453
Purchase of own shares	26	-	-	-6	-	-	-6,023	-	-6,029	-	-6,029
Equity-settled share-based payments		-	-	-	-	-	-122	-	-122	-	-122
Tax movements directly in equity		-	-	-	-	-	-	-	-	297	297
<b>Total transactions with shareholders of the Company</b>		<b>-</b>	<b>-</b>	<b>-6</b>	<b>-</b>	<b>-</b>	<b>-36,198</b>	<b>-</b>	<b>-36,204</b>	<b>-103</b>	<b>-36,307</b>
<b>Balance as at 31 December 2018</b>		<b>1,063</b>	<b>143,554</b>	<b>-61</b>	<b>-6,653</b>	<b>-896</b>	<b>239,990</b>	<b>58,590</b>	<b>435,587</b>	<b>5,166</b>	<b>440,753</b>

2017

In thousands of euro	Attributable to shareholders of the Company								Total	Non-controlling interest	Total equity
	Note	Share Capital	Share premium	Treasury share reserve	Translation reserve	Hedging reserve	Other reserves and retained earnings	Unappropriated result			
<b>Balance as at 1 January 2017</b>		<b>1,063</b>	<b>143,554</b>	<b>-1</b>	<b>-3,609</b>	<b>27</b>	<b>229,816</b>	<b>53,260</b>	<b>424,110</b>	<b>4,880</b>	<b>428,990</b>
Addition from unappropriated result		-	-	-	-	-	53,260	-53,260	-	-	-
<b>Total comprehensive income</b>											
Profit		-	-	-	-	-	-	58,554	58,554	749	59,303
Other comprehensive income	16, 26	-	-	-	-2,083	-27	4,173	-	2,063	-	2,063
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-2,083</b>	<b>-27</b>	<b>4,173</b>	<b>58,554</b>	<b>60,617</b>	<b>749</b>	<b>61,366</b>
<b>Transactions with shareholders of the Company, recognised directly in equity</b>											
Contributions and distributions											
Dividends	26	-	-	-	-	-	-25,716	-	-25,716	-1,000	-26,716
Purchase of own shares	26	-	-	-54	-	-	-53,700	-	-53,754	-	-53,754
Equity-settled share-based payments		-	-	-	-	-	45	-	45	-	45
<b>Total transactions with shareholders of the Company</b>		<b>-</b>	<b>-</b>	<b>-54</b>	<b>-</b>	<b>-</b>	<b>-79,371</b>	<b>-</b>	<b>-79,425</b>	<b>-1,000</b>	<b>-80,425</b>
<b>Balance as at 31 December 2017</b>		<b>1,063</b>	<b>143,554</b>	<b>-55</b>	<b>-5,692</b>	<b>-</b>	<b>207,878</b>	<b>58,554</b>	<b>405,302</b>	<b>4,629</b>	<b>409,931</b>

The notes 1 to 52 are an integral part of these consolidated financial statements.

# Consolidated statement of cash flows

In thousands of euro	Note	2018	2017
<b>Cash flows from operating activities</b>			
Profit for the year		59,230	59,303
Adjustments for:			
Depreciation	17	21,638	19,360
Amortisation	18	6,917	6,332
(Reversal) impairment losses on plant and equipment	17	-567	1,935
Change in fair value of biological assets (unrealised)	23	-13	-5
Net (reversal of) impairment loss on trade receivables	32	-1,050	-1,821
Net finance costs	12	4,385	2,374
Share of profit of equity-accounted investees, net of tax	20	-2,907	-3,884
Gain on sale of property, plant and equipment		-520	-517
Gain on sale of participating interests	10	-411	-261
Gain on sale of assets held for sale	7	-4,509	-
Equity-settled share-based payment expenses	15	316	556
Expenses related to post-employment defined benefit plans	15	1,649	936
Expenses related to long term incentive plans	15	1,217	1,940
Income tax expense		15,224	16,229
		<b>100,599</b>	<b>102,477</b>
Changes in:			
Inventories & biological assets		-14,328	-2,064
Trade and other receivables		-625	5,703
Trade and other payables		22,781	44,482
Provisions and employee benefits		-4,503	-16,877
<b>Cash generated from operating activities</b>		<b>103,924</b>	<b>133,721</b>
Interest paid		-1,334	-1,462
Income taxes paid		-20,495	-15,924
<b>Net cash from operating activities</b>		<b>82,095</b>	<b>116,335</b>
<b>Cash flows from investing activities</b>			
Interest received		1,426	1,085
Dividends received from equity-accounted investees	20	2,124	2,431
Proceeds from sale of property, plant and equipment / investment property		2,238	1,657
Proceeds from sale of participating interests, net of cash disposed		411	261
Proceeds from sale of assets held for sale	7	5,650	-
Acquisition of subsidiaries, net of cash acquired		-81,046	-537
Acquisition of property, plant and equipment	17	-43,226	-36,560
Acquisition of intangible assets	18	-820	-1,403
Payments of settlement of derivatives		-754	-
<b>Net cash used in investing activities</b>		<b>-113,997</b>	<b>-33,066</b>
<b>Cash flows from financing activities</b>			
Proceeds from purchase and sale of treasury shares	29	-5,879	-53,558
Proceeds from sale of treasury shares relating to employee participation plan	29	1,503	2,335
Repurchase of treasury shares relating to employee participation plan	29	-2,192	-3,151
Payment of financial lease	29	-1,115	-130
Proceeds from borrowings	29	1,608	-
Repayment of borrowings	29	-5,928	-
Payments of settlement of derivatives	29	-81	-
Dividend paid	26 , 29	-29,477	-25,672
<b>Net cash used in financing activities</b>		<b>-41,561</b>	<b>-80,176</b>
<b>Net increase/decrease in cash and cash equivalents</b>		<b>-73,463</b>	<b>3,093</b>
Cash and cash equivalents at 1 January <sup>(1)</sup>		111,607	107,319
Effect of movements in exchange rates on cash held		305	1,195
<b>Cash and cash equivalents as at 31 December<sup>(1)</sup></b>	24	<b>38,449</b>	<b>111,607</b>

<sup>(1)</sup> Net of bank overdrafts

The notes 1 to 52 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Basis of preparation

### 1. ForFarmers N.V.

ForFarmers N.V. (the 'Company') is a public limited company domiciled in the Netherlands. The Company's registered office is at Kwinkweerd 12, 7241 CW Lochem. The consolidated interim financial statements for the financial year ended 31 December 2018 comprise ForFarmers N.V. and its subsidiaries (jointly the 'Group' or 'ForFarmers') and the Group's interest in its joint venture HaBeMa.

As at 31 December 2018, the capital interest and voting rights in the Company is distributed as follows:

	31 December 2018		31 December 2017	
	Capital interest	Voting rights	Capital interest	Voting rights
<b>Held by ForFarmers</b>	<b>5.73%</b>		<b>5.15%</b>	
Shares Coöperatie FromFarmers U.A. (Direct)	17.41%	18.47%	17.41%	18.35%
Participation accounts of members (Indirect)	28.35%	30.08%	31.80%	33.53%
<b>Coöperatie FromFarmers U.A.</b>	<b>45.76%</b>	<b>48.54%</b>	<b>49.21%</b>	<b>51.88%</b>
Depository receipts of members	4.78%	5.07%	5.25%	5.54%
Depository receipts in lock-up	0.92%	0.98%	1.36%	1.43%
Depository receipts other holders <sup>(1)</sup>	1.23%	1.30%	1.10%	1.15%
<b>Shares Stichting Beheer- en Administratiekantoor ForFarmers</b>	<b>6.93%</b>	<b>7.35%</b>	<b>7.71%</b>	<b>8.13%</b>
Shareholders (external)	41.58%	44.10%	37.93%	39.99%
<b>Total of ordinary shares outstanding</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

*(1) These concern (former) employees of ForFarmers for whose depository receipts of shares no lock-up exists (anymore) and third parties which did not (yet) convert their depository receipts into shares.*

ForFarmers N.V. is an internationally operating feed company that offers Total Feed solutions for conventional and organic livestock farming. ForFarmers gives its very best **"For the Future of Farming"**: for the continuity of farming and for a financially secure agricultural sector.

### 2. Basis of accounting

#### Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs, hereafter stated as IFRS) and section 2:362 sub 9 of the Netherlands Civil Code.

The consolidated (and company) financial statements were approved for issuance by the Executive Board and Supervisory Board on 12 March 2019. The Group's financial statements will be subject to adoption by the Annual General Meeting of Shareholders on 26 April 2019.

The consolidated financial statements are prepared in accordance with the going concern principle.

#### Changes in accounting policies in 2018

IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers are effective as of 1 January 2018 and the Group has initially applied these standards at 1 January 2018. Under the transition methods chosen, comparative information has not been restated.

IFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting of financial instruments. The transition to the new measurement requirements of IFRS 9 resulted in an impact of €97 thousand (net of taxes), which has been recorded in retained earnings at 1 January 2018. Refer to the consolidated statement of changes in equity. Furthermore, the classification of financial instruments has been changed, refer to Note 32A for the new and old classification.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require net (reversal of) impairment of financial assets to be presented in a

separate line item in the statement of profit or loss. Previously, the Group's approach was to include the net (reversal of) impairment of trade receivables in other operating expenses. Consequently, the Group reclassified an amount of €1,821 thousand in the comparative figures.

IFRS 15 establishes a new five-step model which applies to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The impact of IFRS 15 is not material and the Group has adopted IFRS 15 using the so-called cumulative effect method.

For standards issued but not yet effective a reference is made to Note 41.

### Comparative information

When necessary prior year amounts have been adjusted to conform to the current year presentation.

### Accounting policies

Details of the Group's significant accounting policies are included in Notes 39 and 40.

## 3. Functional and presentation currency

These consolidated financial statements are presented in euro, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated. The subsidiaries' functional currencies are mainly the euro, pound sterling and Polish zloty. Most of the transactions, and resulting balance occur in the local and functional currency. The following exchange rates have been applied during the year:

Rate as at 31 December	€ 1.00	€ 1.00
2016	€0.8562	-
2017	€0.8872	-
2018	€0.8945	PLN4.3014
Average rate	€ 1.00	€ 1.00
2017	€0.8767	-
2018	€0.8847	PLN4.3013

## 4. Use of judgements and estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis, taking into account the opinions and advice of (external) experts. Changes to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

### A. Judgements

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

- revenue: whether the Group acts as an agent in the transaction rather than as a principal (Note 8);
- consolidation: whether the Group has de facto control over an investee (Note 33);

### B. Assumption and estimation uncertainties

The estimates and assumptions considered most critical are:

- measurement of defined benefit obligations: key actuarial assumptions (Note 15);
- recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used (Note 16);
- useful life of property, plant and equipment and intangible assets (Notes 17 and 18);
- impairment test: key assumptions underlying recoverable amounts (Note 18);
- valuation of trade and other receivables (Note 21); and
- recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources relating to provisions (Note 30).
- measurement of put option liabilities and contingent considerations as a result of business combinations (Note 31).

## C. Measurement of fair values

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

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Group recognises transfers between Levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. If the inputs used to measure the fair value of an asset or a liability might be categorised in different Levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same Level of the fair value hierarchy as the lowest Level input that is significant to the entire measurement.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the Level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

Further information about the assumptions made in measuring fair values is included in the following notes.

### *Share-based payment arrangements (Note 14)*

For depositary receipts granted to employees, the fair value of the depositary receipts is based on the market price of the entity's shares as publically listed, and if necessary adjusted to take into account the terms and conditions upon which the depositary receipts were granted.

#### *Property, plant and equipment and investment property (Notes 17 and 19)*

The fair value of property, plant and equipment and investment property recognised as a result of a business combination, is the estimated amount for which property could be exchanged between a willing buyer and a willing seller in an arm's length transaction wherein the parties have each acted knowledgeably. The fair value of items of property, plant and equipment and investment property is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement costs when appropriate.

Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

#### *Intangible assets, excluding goodwill (Note 18)*

The fair value of patents and trademark names acquired in a business combination is based on the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned. The fair value of customer relationships acquired in a business combination, is determined using the multi-period excess earnings method. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

#### *Inventories (Note 22)*

The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

#### *Biological assets (Note 23)*

Where there is an active market for biological assets, the quoted price in that market is the appropriate basis for determining the fair value of that asset. If an active market does not exist, one or more of the following methods are used to estimate the fair value:

- most recent transaction price (provided that there has not been a significant change in economic circumstances between the date of that transaction and the balance sheet date);
- market prices for similar assets with adjustments to reflect differences.

In measuring fair value of biological assets, management estimates are required for the determination of the fair value. These estimates and judgements relate to the average weight of an animal, mortality rates and the stage of the animal's life.

#### *Derivatives (Note 32)*

The fair value of derivatives is determined using available market information or estimation methods. In case of estimation methods, the fair value is approximated:

- by inference from the fair value of its components or of a similar instrument, in case a reliable fair value can be demonstrated for its components or for a similar instrument; or
- using generally accepted valuation models and techniques.

#### *Financial instruments, other than derivatives (Note 32)*

The fair value at the first recognition of trade and other receivables, trade and other payables, outstanding for longer than a year, is determined on the present value of future cash flows, discounted at market interest at the balance sheet date (amortised cost), taking into account possible write-offs due to impairments or uncollectability (applicable if it regards an asset). When determining the effective interest rate, premiums or discounts, at the moment of acquisition, and transaction costs are taken into account.



# Results for the year

## 5. Operating segments

### A. Basis for segmentation

The Group has the following reportable segments:

- The Netherlands
- Germany / Belgium / Poland
- United Kingdom

The Group's products include compound feed and blends, feed for young animals and specialities, raw materials and co-products to seed and fertilisers. Core activities are production and delivery of feed and providing Total Feed solutions based on nutritional expertise.

Each country is a separate operating segment, but can be aggregated into strategic clusters and reportable segments depending on similarity of economic characteristics, given that the nature of the products and services, the nature of the production processes, the type of customer, the methods used to distribute the products, and the nature of the regulatory environment, is similar. In 2018, the Group included the activities of Tasomix in Poland (see note 6) in the reportable segment Germany / Belgium / Poland.

The Group's Executive Committee reviews internal management reports of each operating segment on a monthly basis, and its members are considered as the chief operating decision making body.

There are various levels of integration between the segments. This integration includes, amongst others, transfers of inventories and shared distribution services, respectively. Inter-segment pricing is determined on an arm's length basis. Information on the accounting policies for segmentation is included in Note 40.

### B. Information about reportable segments

Information related to each reportable segment is set out below.

## Reportable segments

2018

In thousands of euro	The Netherlands	Germany/ Belgium/Poland	United Kingdom	Group / eliminations	Consolidated
External revenues	1,079,889	662,478	662,231	65	2,404,663
Inter-segment revenues	72,930	2,778	-	-75,708	-
<b>Revenue</b>	<b>1,152,819</b>	<b>665,256</b>	<b>662,231</b>	<b>-75,643</b>	<b>2,404,663</b>
<b>Gross profit</b>	<b>223,084</b>	<b>92,163</b>	<b>127,478</b>	<b>683</b>	<b>443,408</b>
Other operating income	4,905	59	443	1	5,408
Operating expenses	-158,797	-78,388	-120,292	-15,407	-372,884
<b>Operating profit</b>	<b>69,192</b>	<b>13,834</b>	<b>7,629</b>	<b>-14,723</b>	<b>75,932</b>
Depreciation, amortisation and impairment	6,850	6,209	12,214	2,715	27,988
EBITDA	76,042	20,043	19,843	-12,008	103,920
Property, plant and equipment	96,254	71,171	89,174	4,956	261,555
Intangible assets and goodwill	53,768	69,592	40,466	4,197	168,023
Equity-accounted investees	-	25,392	-	-	25,392
Other non-current assets	2,089	10,986	107	3,250	16,432
<b>Non-current assets</b>	<b>152,111</b>	<b>177,141</b>	<b>129,747</b>	<b>12,403</b>	<b>471,402</b>
<b>Current assets</b>	<b>153,992</b>	<b>186,329</b>	<b>121,072</b>	<b>-59,078</b>	<b>402,315</b>
<b>Total assets</b>	<b>306,103</b>	<b>363,470</b>	<b>250,819</b>	<b>-46,675</b>	<b>873,717</b>
Equity	-143,957	-80,696	-51,081	-165,019	-440,753
Liabilities	-162,146	-282,774	-199,738	211,694	-432,964
<b>Total equity and liabilities</b>	<b>-306,103</b>	<b>-363,470</b>	<b>-250,819</b>	<b>46,675</b>	<b>-873,717</b>
Capital expenditure <sup>(1)</sup>	18,452	7,531	17,017	2,892	45,892
Working Capital	-11,427	63,522	33,215	-9,017	76,293

2017

In thousands of euro	The Netherlands	Germany/ Belgium	United Kingdom	Group / eliminations	Consolidated
External revenues	1,052,338	543,906	622,398	18	2,218,660
Inter-segment revenues	64,774	2,636	-	-67,410	-
<b>Revenue</b>	<b>1,117,112</b>	<b>546,542</b>	<b>622,398</b>	<b>-67,392</b>	<b>2,218,660</b>
<b>Gross profit</b>	<b>221,714</b>	<b>75,919</b>	<b>121,301</b>	<b>906</b>	<b>419,840</b>
Other operating income	412	211	338	-	961
Operating expenses	-154,106	-63,919	-116,290	-12,464	-346,779
<b>Operating profit</b>	<b>68,020</b>	<b>12,211</b>	<b>5,349</b>	<b>-11,558</b>	<b>74,022</b>
Depreciation, amortisation and impairment	7,491	3,279	13,475	3,382	27,627
EBITDA	75,511	15,490	18,824	-8,176	101,649
Property, plant and equipment	82,860	36,288	82,572	4,184	205,904
Intangible assets and goodwill	43,309	4,772	43,351	4,797	96,229
Equity-accounted investees	-	24,018	-	-	24,018
Other non-current assets	2,378	7,424	98	3,226	13,126
<b>Non-current assets</b>	<b>128,547</b>	<b>72,502</b>	<b>126,021</b>	<b>12,207</b>	<b>339,277</b>
<b>Current assets</b>	<b>191,384</b>	<b>167,072</b>	<b>101,787</b>	<b>-12,229</b>	<b>448,014</b>
<b>Total assets</b>	<b>319,931</b>	<b>239,574</b>	<b>227,808</b>	<b>-22</b>	<b>787,291</b>
Equity	-180,419	-78,753	-38,226	-112,533	-409,931
Liabilities	-139,512	-160,821	-189,582	112,555	-377,360
<b>Total equity and liabilities</b>	<b>-319,931</b>	<b>-239,574</b>	<b>-227,808</b>	<b>22</b>	<b>-787,291</b>
Capital expenditure <sup>(1)</sup>	13,762	4,899	17,739	3,231	39,631
Working Capital	14,403	24,131	41,270	-10,635	69,169

(1) Relating to Intangible assets and property, plant and equipment

The column Group / eliminations represents both amounts as result of Group activities and eliminations in the context of the consolidation.

Other non-current assets for this purpose consist of investment property, non-current trade and other receivables and deferred tax assets.

The working capital consists of inventories, biological assets, current trade and other receivables less current trade and other liabilities.

The Group is not reliant on any individually major customer.

## C. Reconciliation of profit

The reconciliation between the reportable segments' operating profits and the Group's profit before tax is as follows:

In thousands of euro	Note	2018	2017
<b>Segment operating profit</b>		<b>75,932</b>	<b>74,022</b>
Finance income	12	1,096	1,396
Finance costs	12	-5,481	-3,770
Share of profit of equity-accounted investees, net of tax	20	2,907	3,884
<b>Profit before tax</b>		<b>74,454</b>	<b>75,532</b>

Finance costs increased by €1.7 million mainly caused by the effect of discounting of the put option liability to acquire the remaining 40% interest of Tasomix at a discount rate higher than 10% and the discounting of the contingent considerations (earn-out obligations) for the acquisitions.

## 6. Business combinations

### Acquisitions 2018

The Group acquired four businesses in 2018 with the following applicable purchase considerations:

In thousands of euro	Tasomix	Maatman	Algoet	Van Gorp	Total
Acquisition date	02/07/2018	03/09/2018	01/10/2018	02/10/2018	
Consideration transferred	55,101	6,246	14,359	8,798	84,504
Contingent consideration	6,893	2,030	1,180	339	10,442
Put option liability	29,956	-	-	-	29,956
<b>Purchase consideration</b>	<b>91,950</b>	<b>8,276</b>	<b>15,539</b>	<b>9,137</b>	<b>124,902</b>

The provisional fair values of the identifiable assets and liabilities of the acquired businesses as at the date of acquisition were:

In thousands of euro	Tasomix	Maatman	Algoet	Van Gorp	Total
Acquisition date	02/07/2018	03/09/2018	01/10/2018	02/10/2018	
Opening balance					
Property, plant and equipment	30,565	354	1,912	436	33,267
Intangible assets (customer relations)	20,564	2,682	4,415	3,095	30,756
Inventories	4,980	19	1,191	733	6,923
Trade and other receivables	34,472	4,147	6,096	2,259	46,974
Current tax assets	10	-	8	-	18
Deferred tax assets	4,239	-	-	-	4,239
Cash and cash equivalents	905	-	2,900	1,472	5,277
Assets held for sale	-	187	-	-	187
<b>Assets</b>	<b>95,735</b>	<b>7,389</b>	<b>16,522</b>	<b>7,995</b>	<b>127,641</b>
Deferred tax liabilities	5,091	-	1,421	564	7,076
Loans and borrowings	14,830	-	970	-	15,800
Trade and other payables	16,699	725	3,723	2,323	23,470
Employee benefits	26	25	-	25	76
Provisions	-	-	180	150	330
Current tax liability	-	-	126	-	126
Bankoverdrafts	1,819	-	-	-	1,819
<b>Liabilities</b>	<b>38,465</b>	<b>750</b>	<b>6,420</b>	<b>3,062</b>	<b>48,697</b>
<b>Total identifiable net assets at fair value</b>	<b>57,270</b>	<b>6,639</b>	<b>10,102</b>	<b>4,933</b>	<b>78,944</b>
Goodwill arising on acquisition	34,680	1,637	5,437	4,204	45,958
<b>Purchase consideration</b>	<b>91,950</b>	<b>8,276</b>	<b>15,539</b>	<b>9,137</b>	<b>124,902</b>
<b>Acquisition-related costs</b>	<b>1,382</b>	<b>143</b>	<b>574</b>	<b>205</b>	<b>2,304</b>

The acquisition-related costs are costs incurred to effect the business combinations such as transaction costs, due-diligence fees and (legal) advisory costs. These costs have been included in other operating expenses.

## Tasomix Group (Poland)

On 19 February 2018 the Group and the owners of Tasomix signed an agreement in which the Group acquired 60% of the shares of Tasomix Sp. z o.o., Tasomix 2 Sp. z o.o., Kaboro Sp. z o.o. and Tasomix Pasze Sp. z o.o. (collectively hereafter "Tasomix"), a large and innovative feed company, mainly active in the poultry sector. Tasomix has experienced management and some 250 employees. Tasomix operates two production facilities (in Biskupice and Kaboro) with a joint capacity of approximately 450,000 tonnes and is currently manufacturing its first quantities of feed in its new facility in Pionki. In 2017 Tasomix produced 402,000 tonnes of feed. Normalised revenues in 2017 were PLN451 million (€105.9 million<sup>(1)</sup>). Normalised EBITDA in 2017 was PLN33 million (€7.8 million<sup>(1)</sup>).

2 July 2018 was the acquisition date, after all conditions for closing the earlier announced 60% share purchase transaction were fulfilled including approval by the competition authorities.

ForFarmers paid PLN 242 million (at acquisition date €55.1 million) in cash and received 60% of the shares. The enterprise value for 100% of the shares amounted to €92.0 million. The payment was done in PLN, but hedged through forward currency exchange contracts and foreign currency swaps in the period between date of agreement and acquisition date. Including the negative €0.6 million currency effect of this hedge (net of tax), the payment amounts €55.7 million. This payment relates to the activities of two operational mills, a new head office and an initial payment for the new feed mill. A second payment ('earnout') for this transaction (i.e. the 60% stake in Tasomix) will be made in 2021, the amount which fully depends on specified operational targets to be delivered by the new feed mill relating to its 2019/2020 EBITDA and is measured at fair value. For this purpose the Group has included €6,893 thousand as contingent consideration, which represent its fair value at the date of acquisition (2 July 2018). As at 31 December 2018 the contingent consideration had increased to €7,428 thousand due to the effect of discounting (see Note 32).

ForFarmers fully consolidated the Tasomix results as of 2 July 2018 based on the anticipated acquisition method, since the agreement includes a call and put option for the remaining 40% shares. The put option liability, which has

to be paid in PLN, has been valued and amounts to €29,956 thousand, which represent its fair value at the date of acquisition (2 July 2018). As at 31 December 2018 the put option liability had increased to €32,279 thousand (see Note 32). The increase of this liability relates to the fair value change of the put option due to the discounting effect (€1,792 thousand) which has been recognised as financial expense in the statement of profit or loss, and a foreign currency translation impact (€531 thousand) which has been recognised through other comprehensive income within equity's translation reserve (arising from the translation of the financial statements of foreign operations).

From the date of acquisition (i.e. 6 months ended 31 December 2018), revenue of Tasomix amounted to €62.5 million and the result after tax was a loss of €1.8 million. This loss includes local integration costs, the additional amortisation and depreciation on the fair value adjustments of the (intangible) assets, as well as the financial expenses related to the fair value adjustment of option and the earn-out. Acquisition-related costs recognised at the Group (i.e. cost to effect the business combination) are not included in this loss.

The trade and other receivables comprise gross contractual amounts due of €35,743 thousand, of which €1,271 thousand was expected to be uncollectible at the acquisition date. This has been included in the valuation on the date of acquisition.

The goodwill concerns the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to the Germany/Belgium/Poland cluster, since the business activities of Tasomix are integrated within this Cluster.

Possible impairments, amortisation respectively depreciation related to newly recognised goodwill, customer relations, step-up on trademark respectively property plant and equipment are not deductible for income tax purposes.

<sup>(1)</sup> euro amounts are calculated based on the average exchange rates of the relating year (PLN versus euro)

### **Maatman (Netherlands)**

On 2 July 2018 the group and the owners of VOF Maatman signed an agreement in which the ForFarmers Netherlands acquired the assets of VOF Maatman Veevoeders en Kunstmest (hereafter "Maatman"), a feed company focussed on the Poultry sector, predominantly in the North of the Netherlands and Germany. Maatman generated a turnover of some €30 million and an EBITDA of approximately €0.9 million in 2017 from the sale of approximately 105,000 tonnes of feed. Maatman had outsourced the feed production to third parties (of which a main part to ForFarmers). The transport activities (15 bulk trailers) of Maatman were part of the transaction. Furthermore, Maatman had sixteen staff members, including the current two managers who were also owners of the company. Ten staff members form part of the transaction and one of the previous owners will temporary remain to supervise a smooth integration of Maatman into ForFarmers.

3 September 2018 was the acquisition date, after all conditions of the asset transaction were fulfilled including approval by the German competition authorities.

The acquisition of Maatman is accounted for according to the acquisition method, whereby the purchase consideration was based on an enterprise value of €8,276 thousand. This consists of a payment of €6,246 thousand and a deferred payment to be paid out as contingent consideration in one year time depending on the achievement of operational targets specified in advance (earn-out). The fair value of this contingent consideration amounted €2,030 thousand at acquisition date (3 September 2018) and as at 31 December 2018 had increased to €2,045 thousand due to the effect of discounting (see Note 32).

From the date of acquisition (i.e. 4 months ended 31 December 2018), Maatman contributed €0.8 million of revenue and a result after tax of €0.2 million profit. This result includes local integration costs, the additional amortisation and depreciation on the fair value adjustments of the (intangible) assets, as well as the financial expenses related to the fair value adjustment of the earn-out. Acquisition-related costs recognised at the Group (i.e. cost to effect the business combination) are not included in this result.

The trade and other receivables are equal to the gross contractual amounts of €4,147 thousand, since these are all expected collectible at the acquisition date.

The goodwill concerns the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to the Netherlands cluster. The goodwill and customer relations recognised are deductible for income tax purposes (i.e. both goodwill and customer relations can be amortised for tax purposes).

### **Voeders Algoet (Belgium)**

On 12 June 2018 ForFarmers announced the acquisition of Voeders Algoet, a feed company established in Zulte, close to the Belgian ForFarmers sites. As a result, ForFarmers strengthened its position as feed company in Belgium with the offer of Total Feed solutions. Voeders Algoet sold around 150,000 tons of compound feed to swine and ruminant farmers. In the broken financial year (1 July to 30 June) 2016/2017, the company generated sales of approximately €40 million with an EBITDA of approximately €2 million. Voeders Algoet's current management and 22 staff formed part of the transaction. In addition, the transport activities (12 bulk trailers) of Voeders Algoet were part of the transaction. As a result, ForFarmers is starting its own transport activities in Belgium. Over time, Voeders Algoet's feed production will probably be transferred to the current ForFarmers factories in Izegem and Ingelmunster.

1 October 2018 was the acquisition date, after all conditions of the share transaction were fulfilled including approval by the Belgian competition authorities.

The acquisition of Voeders Algoet is accounted for according to the acquisition method, whereby the purchase consideration was based on an enterprise value of €15,539 thousand. This consists of a payment of €14,359 thousand and a conditional deferred payment, to be paid out in two years time, depending on the achievement of operational targets specified in advance (earn-out). The fair value of this contingent consideration amounted to €1,180 thousand at acquisition date (1 October 2018) and as at 31 December 2018 had increased to €1,187 thousand due to the effect of discounting (see Note 32).

From the date of acquisition (i.e. 3 months ended 31 December 2018), revenue of Voeders Algoet amounted to €10.4 million and the result after taxes was a loss of €0.4 million. This loss includes local integration costs, the additional amortisation and depreciation on the fair value adjustments of the (intangible) assets, as well as the financial expenses related to the fair value adjustment of the earn-out. Acquisition-related costs recognised at the Group (i.e. cost to effect the business combination) are not included in this loss.

The trade and other receivables comprise gross contractual amounts due of €7,518 thousand, of which €1,422 thousand was expected to be uncollectible at the acquisition date. This has been included in the valuation on the date of acquisition.

The goodwill concerns the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to the Germany/Belgium/Poland cluster, since Voeders Algoet is integrated into ForFarmers Belgium.

Possible impairments respectively amortisation related to newly recognised goodwill respectively customer relations are not deductible for income tax purposes.

### **Van Gorp (Netherlands)**

On 2 October 2018 ForFarmers' subsidiary Reudink B.V. and Van Gorp-Teurlings Beheer B.V., the owners of Van Gorp Schalkwijk B.V. signed an agreement in which Reudink B.V. acquired 100% of the shares of Van Gorp Schalkwijk B.V. (together with its 100% subsidiary Van Gorp Biologische Voeders B.V. hereafter indicated as "Van Gorp"), a feed company focussed on the production of organic compound feed, predominantly to customers in the Netherlands and Belgium. Van Gorp Schalkwijk was the owner of the premises of the company in which Van Gorp Biologische Voeders B.V. produces its compound feed. These premises are located in Schalkwijk. Van Gorp generated a turnover of around €31 million in 2017 with an EBITDA of €1.2 million from the sale of approximately 67,000 tons of feed. Van Gorp had twelve staff members, including the current managing director, who will remain involved for the time being to facilitate a smooth integration.

Since no regulatory approval was required for this acquisition, the effective date of the acquisition was equal to the date of announcement (2 October 2018).

The acquisition of Van Gorp is accounted for according to the acquisition method, whereby the purchase consideration was based on an enterprise value of €9,137 thousand. This consists of a payment of €8,798 thousand and a number of conditional deferred payments to be paid out in a time-frame of 1 to 3 years, depending on the achievement of operational targets specified in advance (earn-out). The fair value of this contingent consideration amounted to €339 thousand at acquisition date (2 October 2018) and as at 31 December 2018 had increased to €341 thousand due to the effect of discounting (see Note 32).

From the date of acquisition (i.e. 3 months ended 31 December 2018), revenue of Van Gorp amounted to €6.9 million and the result after tax was a profit of €0.1 million. This result includes local integration costs, the additional amortisation and depreciation on the fair value adjustments of the (intangible) assets, as well as the financial expenses related to the fair value adjustment of the earn-out. Acquisition-related costs recognised at the Group (e.g. cost to effect the business combination) are not included in this result.

The trade and other receivables comprise gross contractual amounts due of €2,364 thousand, of which €105 thousand was expected to be uncollectible at the acquisition date. This has been included in the valuation on the date of acquisition.

Possible impairments respectively amortisation related to newly recognised goodwill respectively customer relations are not deductible for income tax purposes.

### **Full year impact of all business combinations occurred during 2018**

If all acquisitions had occurred on 1 January 2018, management estimates that total revenue of all business combinations in 2018 would have been €197.6 million, total underlying EBITDA would have been €10.0 million and the result after tax would have been a loss of €3.3 million. This loss is mainly due to the effect of discounting of the contingent considerations and the put-option valuation for the remaining 40% of the shares of Tasomix at a discount rate of more than 10% (see Note 32).

Herewith, in 2018 the Group consolidated revenues would have been €2,522 million, Group consolidated underlying EBITDA would have been €106.9 million and Group consolidated profit for year would have been €57.5 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisitions would have been the same if the acquisitions had occurred on 1 January 2018.

## Acquisitions 2017

### Acquisition Wilde Agriculture Ltd. (United Kingdom)

On 25 May 2017 the Group acquired full control of Wilde Agriculture Ltd. The purchase consideration amounts to €2.0 million of which €0.5 million is a contingent consideration. The fair values of the acquired assets has been determined at €2.1 million, including €0.9 million cash and cash equivalents. The fair values of the assumed liabilities amount to €0.6 million. The related goodwill of €0.5 million is mainly attributable to the anticipated synergy benefits with the integration of Wilde Agriculture Ltd within the United Kingdom cluster. The goodwill has, therefore, been allocated to this cluster. This acquisition does not have a material effect on the Group in the context of the disclosure requirements of IFRS 3 Business Combinations.

#### Measurement of fair values

Assets acquired	Valuation technique
Property, plant and equipment	Market comparison technique and cost technique: The valuation model considers market prices for similar items when available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets	Multi-period excess earnings method: The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer bases.
Inventories	Market comparison technique: The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

## 7. Disposals

### Disposals 2018

During 2018 ForFarmers disposed its agriculture activities to CZAV. This concerned non-livestock feed related products (e.g. fertilizers, crop protection products and seeds) that ForFarmers supplied to Dutch farmers. CZAV acquired these activities and the associated storage facility on 5 February 2018. ForFarmers received €5.7 million on the completion date of the transaction, which resulted in a gain of €4.5 million.

### Disposals 2017

There were no disposals during 2017.

## 8. Revenue

The geographic distribution of the revenue is as follows:

In thousands of euro	2018	2017
The Netherlands	960,950	924,699
Germany	537,938	504,830
Belgium	162,229	141,704
Poland	64,142	1,486
United Kingdom	661,988	622,059
Other EU countries	17,034	23,392
Other countries outside the EU	382	490
<b>Total</b>	<b>2,404,663</b>	<b>2,218,660</b>

The distribution of the revenue per category is as follows:

In thousands of euro	2018	2017
Compound feed	1,965,801	1,765,297
Other revenue	438,862	453,363
<b>Total</b>	<b>2,404,663</b>	<b>2,218,660</b>

The increase of the revenue by €186.0 million includes a negative currency impact of €5.6 million.

Furthermore, the net effect of acquisitions and disposals results in a positive effect on revenue of €80.7 million, mainly in compound feed. This results in a like-for-like increase of €110.9 million. This like-for-like increase is a result of higher volume, as well as higher expenses for utilities/fuel and increased prices for raw material passed on to customers.



The other revenue mainly relates to the sale of single, moist and liquid feed, other trading products, and services (these categories are individually all not material for separate presentation). The in 2018 sold agriculture activities were part of this category, which resulted in a divestment effect of €1.9 million.

## 9. Cost of raw materials and consumables

The increase in the cost of raw materials and consumables is caused by a net effect of acquisitions and divestments of €71.0 million, an increase in volume, and an increase in the price of raw materials, partly offset by a negative currency impact of €4.5 million.

In 2018 an amount of €30 thousand (2017: €40 thousand) has been provided for as obsolete inventories, of which the cost is included in the cost of raw materials and consumables.

## 10. Other operating income

### 2018

The other operating income in 2018 mainly relates to the a gain of €4.5 million in relation to the sale of the agriculture activities to CZAV, refer to Note 7 for more information. Furthermore, Forfarmers received a supplementary payment of €0.4 million for the sale of Adaptris (2015) in the United Kingdom.

### 2017

Other operating income 2017 mainly consist of a subsequent payment regarding the disposal of Adaptris of €0.3 million (United Kingdom) and the disposal of other operating assets in the Netherlands of €0.2 million.

## 11. Operating expenses

The increase of the operating expenses amounts to €26.1 million, despite a decrease of €1.1 million caused by a currency impact. The net effect of acquisitions and divestments amounts to €12.2 million. The like-for-like increase of the operating expenses was €15.0 million.

### A. Other operating expenses

In thousands of euro	2018	2017
Utilities, transport and maintenance expenses	128,503	116,822
Sales expenses	8,090	7,626
Other	50,780	45,096
<b>Total</b>	<b>187,373</b>	<b>169,544</b>

The other operating expenses increased by €17.8 million, despite a decrease of €0.5 million caused by a currency impact. The net effect of acquisitions and divestments is €6.6 million. The like-for like increase of the other operating expenses amounts to €11.7 million. The increase in other operating expenses is mainly due to higher expenses for utilities, fuel, transport and maintenance. The sales expenses increased mainly due to increased costs for exhibitions and events. Furthermore the IT and Insurance are higher in 2018.

### B. Research and development expenses

In 2018 the Group incurred an amount of €5.7 million (2017: €5.6 million) relating to research and development expenses. These expenses mainly comprise personnel expenses of nutrition specialists, product managers and laboratory workers.

### C. Auditor's fee

The following fees were charged by KPMG Accountants N.V. to the Company, its subsidiaries and other consolidated companies, as referred to in Section 2:382a (1) and (2) of the Netherlands Civil Code.

In thousands of euro	KPMG Accountants NV	Other KPMG network	Total KPMG
<b>2018</b>			
Audit of the financial statements	670	446	1,116
Other audit engagements	112	10	122
Tax-related advisory services	-	-	-
Other non-audit services	-	-	-
<b>Total</b>	<b>782</b>	<b>456</b>	<b>1,238</b>
<b>2017</b>			
Audit of the financial statements	569	347	916
Other audit engagements	30	38	68
Tax-related advisory services	-	-	-
Other non-audit services	-	-	-
<b>Total</b>	<b>599</b>	<b>385</b>	<b>984</b>

The fees mentioned in the table for the audit of the financial statements relate to the total fees for the audit of the financial statements, irrespective of whether the activities have been performed during the financial year. The remaining auditor's costs (the 'Other audit engagements'), were charged to the financial year in which the services were rendered.

The engagements other than the audit of the financial statements consist of agreed-upon procedures regarding board remuneration, bonus targets, sustainability and bank covenants. Furthermore, several subsidy audits are performed by KPMG.

The increase of the auditor's fee is mainly due to the acquisitions.

## 12. Net finance costs

In thousands of euro	Note	2018	2017
Interest income		1,096	1,396
<b>Total finance income<sup>1</sup></b>		<b>1,096</b>	<b>1,396</b>
Interest expenses		-1,037	-1,195
Other financial expenses		-1,129	-1,224
<b>Interest expenses on loans<sup>1</sup></b>		<b>-2,166</b>	<b>-2,419</b>
Foreign exchange income (expense)		43	-180
Pension interest expenses	15	-924	-1,083
Change in fair value instruments		-118	-
Effect of discounting contingent considerations	6, 31	-524	-88
Effect of discounting put option liability	6, 31	-1,792	-
<b>Other financial expenses</b>		<b>-3,315</b>	<b>-1,351</b>
<b>Total finance expenses</b>		<b>-5,481</b>	<b>-3,770</b>
<b>Net finance costs recognised in profit or loss</b>		<b>-4,385</b>	<b>-2,374</b>

(1) Included in interest coverage ratio calculation, refer to Note 28

The other interest income mainly comprises interest received on long-term outstanding receivables (loans) and positive bank balances.

As a result of the revaluation of the Polish zloty, partly off set by the devaluation of the pound sterling, a small gain was incurred in 2018 relating to foreign exchange results. In 2017 a loss was incurred due to the devaluation of the pound sterling.

The effect of discounting the contingent considerations relates to the acquisitions, refer to Note 6 for more information. The effect of discounting the put option liability relates to the acquisition of Tasomix (Poland), refer to Note 6 for more information.

The other interest expenses mainly comprise interest paid on bank loans and other financing liabilities.

The other financial expenses include amortisation of €0.4 million (2017: €0.4 million) which relates to capitalized cost in relation to financing arrangement concluded in 2014, as further disclosed in Note 29.

## 13. Earnings per share

### A. Basic earnings per share

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

#### Profit attributable to ordinary shareholders

In thousands of euro	2018	2017
Profit for the year, attributable to the shareholders of the Company	58,590	58,554

#### Weighted-average number of shares

	2018	2017
Shares in issue at 1 January	106,261,041	106,261,041
Effect of treasury shares held (weighted-average during the year)	-6,018,337	-2,183,545
<b>Weighted average number of shares</b>	<b>100,242,704</b>	<b>104,077,496</b>

#### Basic earnings per share

In euro	2018	2017
Basic earnings per share	0.58	0.56

The increase of the basic earnings per share is caused by the share buy-back programme. For the number of ordinary shares outstanding as at 31 December a reference is made to Note 26.

### B. Diluted earnings per share

The calculation of diluted earnings per share is equal to the calculation of basic earnings per share, since no new shares have been issued in 2017 and 2018. See Note 26 for further information.

# Employee benefits

## 14. Share-based payment arrangements

### A. Description of the share-based payment arrangements

The Group distinguishes two participation plans. One plan relates to members of the Executive Committee and senior management (applicable as of 2014), the other plan relates to other employees (applicable as of 2015). Both plans have further details set out for employees in The Netherlands ("The Netherlands participation plan") and for employees in the United Kingdom, Germany and Belgium (collectively the "Foreign participation plan"). The number of participants in all current participation plans is 19.1% (2017: 24.2%) of the number of employees of the Group.

The participation plans are annual plans only applicable for the respective year to which they relate, any additional participation plans are considered new plans. New participation plans can only be executed upon approval of the Supervisory Board and on the basis of authorization by the Annual General Meeting of Shareholders for the purchase of shares related to the participation plan.

#### *Participation plans 2018*

On 26 April 2018, the Group launched two employee participation plans. One plan relates to members of the Executive Committee and senior management, the other plan relates to other employees. For both plans the participants are required to remain in service for 36 consecutive months to be entitled to the discount on the depositary receipts being purchased. The employees are entitled to buy depositary receipts at a discount of 13.5% (employees) or 20% (Executive Committee and senior management) on the fair value of the depositary receipt at the grant date, for which additional depositary receipts are provided. The conditions of both plans are consistent with the participation plans applicable for 2017.

During 2018, 46 employees (of which 11 foreign employees) participated in the participation plan for the Executive Committee and senior management and 583 employees (of which 143 foreign employees) participated in the participation plan for other employees.

The number of depositary receipts granted with respect to the 2018 participations plans were as follows:

In numbers	The Netherlands	Foreign countries
Executive Committee and senior management	81,127	7,064
Other employees	68,077	14,148

In 2018 no granted depositary receipts were cancelled as a result of leavers.

#### *Participation plans 2017 and 2016*

In 2017 and 2016 the Group offered two 2017 participation plans to the employees. One plan relates to members of the Executive Committee and senior management, the other plan relates to other employees. For both plans the participants are required to remain in service for 36 consecutive months to be entitled to the discount on the depositary receipts being purchased. The employee is entitled to buy depositary receipts at a discount of 13.5% (employees) or 20% (Executive Committee and senior management) on the fair value of the depositary receipt at the grant date, for which additional depositary receipts are provided. The conditions of both plans are consistent with the participation plans applicable for 2015, except for the participation plan of 2017 where the lock-up period of the depositary receipts for the Executive Committee and senior management have been extended to 5 years compared to 3 years for the 2015 and 2016 plans.

During 2017, 35 employees (of which 7 foreign employees) participated in the participation plan for the Executive Committee and senior management and 297 employees (of which 59 foreign employees) participated in the participation plan for other employees.

The number of depositary receipts granted with respect to the 2017 participations plans were as follows:

In numbers	The Netherlands	Foreign countries
Executive Committee and senior management	210,934	12,221
Other employees	108,131	24,942

In 2018 no (2017: 133) granted depositary receipts were cancelled as a result of leavers.

During 2016, 34 employees (of which 8 foreign employees) participated in the participation plan for the Executive Committee and senior management and 319 employees (of which 61 foreign employees) participated in the participation plan for other employees. The number of depositary receipts granted with respect to the 2016 participations plans were as follows:

In numbers	The Netherlands	Foreign countries
Executive Committee and senior management	227,020	24,615
Other employees	171,337	32,692

In 2018 a total of 2,584 (2017: 750) granted depositary receipts were cancelled as a result of leavers.

#### *Differences between the Netherlands and Foreign plans*

Key differences between the Netherlands and Foreign participation plans for the additional depositary receipts are:

- The Netherlands: A service related vesting condition applies, in that the original value of the discount is repaid by the employee to the Group if the employee leaves within 3 years after allocation. All allocated depositary receipts were granted in 2018, 2017, 2016 and 2015 respectively .
- Foreign participation plan: A service related vesting condition applies, in that the employee will not be entitled to receive the additional depositary receipts if employee leaves within 3 years after allocation. Additional depositary receipts for foreign employees are held in custody by the Company during the term and are issued to the foreign employees at settlement date. The total cost to the Company for the additional depositary receipts, including the cash-settled employee tax obligations, is limited to the total value of the discount provided to Dutch participants.

#### *Participation plans 2015 and 2014*

The participation plans 2015 and 2014 are completed.

## **B. Measurement of fair values**

### *Participation plans 2018*

The value of the depositary receipts of the Company, for which the employee (members of the Executive Committee, senior management and other employees) could buy their depositary receipts, was determined as the average closing price in the 5 trading days during the period 2 May - 8 May 2018 and amounted to €11.72 per share.

### *Participation plans 2017*

The value of the depositary receipt of the Company, for which the employee (members of the Executive Committee, senior management and other employees) could buy their depositary receipts, was determined as the average of the closing prices in the 5 trading days during the period 2 - 8 May 2017, which amounted to €8.66 per share.

### *Participation plans 2016*

The value of the depositary receipt of the Company, for which the employee (members of the Executive Committee, senior management and other employees) could buy their depositary receipts, was determined as the average of the closing prices on the Euronext in the 5 trading days during the period 19 - 25 April 2016, which amounted to €6.24 per share.

For all participation plans, the fiscal obligations for a foreign employee are based on the fair value of the depositary receipt at the date of settlement.

## **C. Amounts recognised in statement of profit or loss and statement of financial position**

The expenses are recognised in the statement of profit or loss over the term of the participation plan (3 years), see Note 15F. The depositary receipts for the employees in the Netherlands participation plan were fully granted in the respective years. The non-vested portion was not recognized within profit and loss, but rather as other receivables within trade and other receivables of €472 thousand (2017: €565 thousand) of which €307 thousand was classified as current (2017: €382 thousand). The cumulative share-based payment reserve relating to the Foreign participation plan amounts to €111 thousand (2017: €233 thousand).

## 15. Employee benefits

Separate employee benefit plans are applicable in the various countries where the Group operates.

In thousands of euro	Note	31 December 2018	31 December 2017
Liability for net defined benefit obligations	15B	28,683	41,686
Liability for other long-term service plans	15E	4,813	5,224
<b>Total</b>		<b>33,496</b>	<b>46,910</b>

For details on the employee benefit expenses, see Note 15F.

### A. Post-employment plans and funding

The Group contributes to the following post-employment plans which are described per cluster.

#### *The Netherlands*

In the Netherlands the employees of different subsidiaries were covered by two post-employment plans upto and until 2015. An insured defined benefit plan was in place for (former) employees of Hendrix, which company was acquired by the Group in 2012. Furthermore, an insured defined contribution plan was in place for (former) ForFarmers employees. Effective per 1 January 2016, the Group entered into a new post-employment plan that is applicable for all Dutch employees, leaving all post-employment rights accrued until 31 December 2015 in the old post-employment plans.

Therefore, both former post-employment plans are closed as of 31 December 2015. An insurance company administers the obligations under that plan. As of that date no further obligations will remain under the former ForFarmers post-employment plan. Under the former Hendrix post-employment plan, for the pension rights accrued up to 31 December 2015, the Group will remain committed to pay the related guarantee premiums and as such accounts for the plan as a defined benefit plan.

From 2016 onwards, pension rights will be accrued under the new plan on the basis of collective defined contribution. Together with this new post-employment plan, the Group has also agreed on a defined contribution plan for employees with a salary above €54,614 (2018). An insurance company will be administering the obligations under both plans as of 1 January 2016.

The net liability related to the defined benefit plans in The Netherlands per 31 December 2018 amounts to €12,653 thousand (31 December 2017: €13,097 thousand).

The decrease in this liability is mainly caused by the increase in the interest rate, whereby the change in the financial assumptions was recognized in other comprehensive income.

#### *Germany / Belgium / Poland*

The German subsidiaries have, for a limited number of persons, an in-house defined benefit plan that is already closed so no new obligations are being incurred. The commitments were calculated on the basis of actuarial calculations in the course of which the applicable discount rate was taken into account. Actuarial results are recorded directly into equity as other comprehensive income. The German defined benefit plan is unfunded.

In addition to the in-house defined benefit plan, a defined contribution plan is in place for all other employees of the German subsidiaries.

The net liability related to the defined benefit plans in Germany per 31 December 2018 amounts to €4,817 thousand (31 December 2017: €5,149 thousand).

The Belgian subsidiaries have two insured benefit plans for their employees which qualify as defined benefit plans. The net liability related to the defined benefit plans in Belgium per 31 December 2018 amounts to €124 thousand (31 December 2017: €138 thousand).

The Polish subsidiaries do not have a pension plan. In accordance with local regulations the employees receive an one month salary when they retire.

#### *United Kingdom*

In the United Kingdom, two defined benefit plans exist. The first plan relates to (former) employees of BOCM PAULS Ltd., which company was acquired by the Group in 2012. As per 1 October 2006, this plan was closed, so no new obligations are being incurred.

The second plan is a small defined benefit plan that relates to (former) employees of HST Feeds Ltd., which company was acquired by the Group in 2014. Also for this plan no new post-employment rights are being built up. Both defined benefit plans in the United Kingdom are funded plans, for which the funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.

From October 2006, a new plan exists on the basis of defined contribution. An insurance company administers the obligations under that plan.

The net liability related to the defined benefit plans in the United Kingdom per 31 December 2018 amounts to €11,089 thousand (31 December 2017: €23,302 thousand). The decrease of this liability is mainly caused by the increase in the interest rate, whereby the change in the financial assumptions was recognized in other comprehensive income. Based on a High Court ruling in the United Kingdom pension schemes are required to equalise male and female members' benefits for the effect of guaranteed minimum pensions (GMPs). This resulted in incidental past service costs of €904 thousand, which is recorded in the income statement in 2018.

## B. Movement in net defined benefit (asset) liability

The following table shows a reconciliation from the opening balance to the closing balances for net defined benefit liability and its components.

2018

In thousands of euro	Defined benefit obligation (funded plans)	Fair value of plan assets (funded plans)	Net defined benefit liability (funded plans)	Net defined benefit liability (unfunded plans)	Total net defined benefit liability
Balance at 1 January	279,867	-243,330	36,537	5,149	41,686
<b>Included in profit or loss</b>					
Current service cost	323	-	323	13	336
Past service cost	904	-	904	-	904
Administrative expenses	-	409	409	-	409
Interest cost (income)	6,729	-5,893	836	88	924
	<b>7,956</b>	<b>-5,484</b>	<b>2,472</b>	<b>101</b>	<b>2,573</b>
<b>Included in Other Comprehensive Income</b>					
Actuarial loss (gain) arising from:					
demographic assumptions	-2,115	-	-2,115	76	-2,039
financial assumptions	-19,568	-	-19,568	-26	-19,594
experience adjustment	43	-	43	-195	-152
Return on plan assets excluding interest income	-	9,785	9,785	-	9,785
<b>Remeasurement loss (gain)</b>	<b>-21,640</b>	<b>9,785</b>	<b>-11,855</b>	<b>-145</b>	<b>-12,000</b>
Effect of movements in exchange rates	-1,334	1,277	-57	-	-57
	<b>-22,974</b>	<b>11,062</b>	<b>-11,912</b>	<b>-145</b>	<b>-12,057</b>
<b>Other</b>					
Employer contributions (to plan assets)	-	-3,231	-3,231	-	-3,231
Employer direct benefit payments	-	-	-	-288	-288
Benefits paid from plan assets	-7,529	7,529	-	-	-
	<b>-7,529</b>	<b>4,298</b>	<b>-3,231</b>	<b>-288</b>	<b>-3,519</b>
<b>Balance as at 31 December</b>	<b>257,320</b>	<b>-233,454</b>	<b>23,866</b>	<b>4,817</b>	<b>28,683</b>

## 2017

In thousands of euro	Defined benefit obligation (funded plans)	Fair value of plan assets (funded plans)	Net defined benefit liability (funded plans)	Net defined benefit liability (unfunded plans)	Total net defined benefit liability
Balance at 1 January	292,605	-237,155	55,450	5,509	60,959
<b>Included in profit or loss</b>					
Current service cost	281	-	281	14	295
Administrative expenses	-	641	641	-	641
Interest cost (income)	7,005	-6,002	1,003	80	1,083
	<b>7,286</b>	<b>-5,361</b>	<b>1,925</b>	<b>94</b>	<b>2,019</b>
<b>Included in Other Comprehensive Income</b>					
Actuarial loss (gain) arising from:					
demographic assumptions	-2,222	-	-2,222	-	-2,222
financial assumptions	-774	-	-774	-143	-917
experience adjustment	1	-	1	-7	-6
Return on plan assets excluding interest income	-	-2,013	-2,013	-	-2,013
<b>Remeasurement loss (gain)</b>	<b>-2,995</b>	<b>-2,013</b>	<b>-5,008</b>	<b>-150</b>	<b>-5,158</b>
Effect of movements in exchange rates	-6,976	5,742	-1,234	-	-1,234
	<b>-9,971</b>	<b>3,729</b>	<b>-6,242</b>	<b>-150</b>	<b>-6,392</b>
<b>Other</b>					
Employer contributions (to plan assets)	-	-14,596	-14,596	-	-14,596
Employer direct benefit payments	-	-	-	-304	-304
Benefits paid from plan assets	-10,053	10,053	-	-	-
	<b>-10,053</b>	<b>-4,543</b>	<b>-14,596</b>	<b>-304</b>	<b>-14,900</b>
<b>Balance as at 31 December</b>	<b>279,867</b>	<b>-243,330</b>	<b>36,537</b>	<b>5,149</b>	<b>41,686</b>

The remeasurement gain (actuarial loss/gain and return on plan assets) of €12.0 million (2017: gain €5,158 thousand) after tax amounted to €9,870 thousand (2017: gain €4,168 thousand), see Note 16B. The change in the actuarial 'remeasurement result', compared to 2017, is mainly due to an increase in the discount rate in 2018 (in 2017, there was also an increase in the discount rate) and the return on the plan assets. For none of the defined benefit pension plans, the fair value of the plan assets exceeds the defined benefit obligation.

Based on a High Court ruling in the United Kingdom pension schemes are required to equalise male and female members' benefits for the effect of guaranteed minimum pensions (GMPs). This resulted in incidental past service costs of €904 thousand, which is recorded in the income statement in 2018.

In 2017 the Group agreed to make an additional contribution of €10.0 million (€11.7 million) to make up a portion of the deficit in the BOCM PAULS Ltd. pension plan.

## C. Plan assets

Periodically, an Asset-Liability Matching study is performed in which the consequences of the strategic investment policies are analysed. Based on market conditions a strategic asset mix has been made between shares, bonds, real estate, cash and other investments in predominantly active markets, which is comprised as follows in the plan assets:

### Fair value

In thousands of euro	31 December 2018	31 December 2017
Shares	53,603	40,317
Real estate	224	506
Bonds	103,579	107,484
Cash and other assets	490	18,743
Other (insurance contracts)	75,558	76,280
<b>Total</b>	<b>233,454</b>	<b>243,330</b>



## D. Defined benefit obligation

### Risk exposure

The defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

### Actuarial assumptions

The principal actuarial assumptions at the reporting date (expressed as weighted averages) were the following:

### Actuarial assumptions

	2018	2017
<b>Weighted-average assumptions to determine defined benefit obligations</b>		
Discount rate	1,65% - 2,95%	1,50% - 2,55%
Future salary growth	N/A	N/A
Future pension growth	1,50% - 2,15%	1,50% - 2,95%
Inflation	1,50% - 2,10%	1,50% - 3,10%
Salary increase <sup>(1)</sup>	2.75%	1.00%

### Weighted-average assumptions to determine defined benefit cost

	2018	2017
Discount rate	1,50% - 2,55%	1,40% - 2,70%
Future salary growth	N/A	N/A
Future pension growth	1,50% - 2,95%	1,50% - 3,10%
Inflation	1,50% - 3,10%	1,50% - 3,15%
Salary increase <sup>(1)</sup>	2.75%	1.00%

<sup>(1)</sup> Only applicable for Belgium

Assumptions regarding future mortality have been based on published statistics and mortality tables:

- The Netherlands (funded plans): AG2018 (2017: AG2016)
- Germany (unfunded plans): RT Heubeck 2018G (2017: RT Heubeck 2005G)
- Belgium (funded plans): MR/FR-5 (2017: ditto)
- UK (funded plans): CMI Mortality Projects Model "CMI\_2017" (2017: "CMI\_2016")

The current longevity underlying the values of the defined benefit obligation at the reporting date were as follows (expressed as weighted averages):

	2018	2017
<b>Longevity at age 65 for current pensioners</b>		
Males	21.2	20.0
Females	23.4	23.0

### Longevity at age 65 for current members aged 40

	2018	2017
Males	23.2	22.6
Females	25.4	25.3

As at 31 December 2018, the weighted-average duration of the defined benefit obligation was 18.3 years (31 December 2017: 18.0 years).

### Sensitivity analysis

Possible changes at the reporting date to one of the relevant actuarial assumptions, which could reasonably be expected, keeping other assumptions constant, would have affected the defined benefit obligation of €262 million (31 December 2017: €285 million) by the amounts shown below:

In thousands of euro	31 December 2018	31 December 2017
Decrease of 0.25% to discount rate	11,556	13,075
Increase of 0.25% to discount rate	-10,910	-12,317
Decrease of 0.25% to inflation	-6,544	-7,604
Increase of 0.25% to inflation	6,855	7,990
Increase of 1 year to life expectancy	7,188	8,802

### Employer contributions

The Group expects to pay €3.4 million in contributions to its defined benefit plans in 2019 (for 2018 an amount of €3.4 million was expected).

## E. Other long-term service plans

The liabilities and expenses related to other long-term service plans mainly relate to anniversary benefits for employees in The Netherlands, Germany and Belgium and to a long-term incentive plan for the Executive Committee. Furthermore, the Polish employees receive in accordance with local regulations a one month salary when they retire.

## F. Employee benefit expenses

In thousands of euro	Note	2018	2017
Wages and salaries		128,415	122,546
Social security contributions		17,608	15,769
Post-employment expenses		11,017	10,618
Expenses related to other long-term service plans	15E	1,217	1,940
Equity-settled share-based payments	14	316	556
<b>Total</b>		<b>158,573</b>	<b>151,429</b>

The employee benefit expenses increased by €7.1 million, despite a decrease of €0.4 million due to a currency effect and an increase of €2.6 due to the net effect of acquisitions and divestments. As a result the like-for-like increase amounts to €4.9 million. The increase is caused by the increase of the number of employees and averages salary increases.

The expenses relating to the equity-settled share-based payments relate to the depositary receipts and shares granted to the employees according to the employee participation plans as disclosed under Note 14.

In thousands of euro	Note	2018	2017
Current service costs	15B	336	295
Past service cost	15A , B	904	-
Administrative expenses	15B	409	641
<b>Expenses related to post-employment defined benefit plans</b>		<b>1,649</b>	<b>936</b>
Contributions to defined contribution plans		9,368	9,682
<b>Post-employment expenses</b>		<b>11,017</b>	<b>10,618</b>

The interest charges related to the defined benefit plans amounting to €924 thousand (2017: €1,083 thousand) are recognised in the finance costs.

Refer to Note 15A for further details on the post-employment plans.

### Number of employees per staff category 2018

Converted to full-time equivalents	The Netherlands	Foreign countries	Total
Production	256	498	754
Logistics	142	592	734
Marketing and Sales	290	359	649
Purchasing	25	22	47
Administration	66	102	168
Management	30	25	55
Other	130	117	247
<b>Balance as at 31 December</b>	<b>939</b>	<b>1,715</b>	<b>2,654</b>

### Number of employees per staff category 2017

Converted to full-time equivalents	The Netherlands	Foreign countries	Total
Production	223	379	602
Logistics	153	515	668
Marketing and Sales	283	324	607
Purchasing	19	12	31
Administration	54	65	119
Management	36	18	54
Other	123	121	244
<b>Balance as at 31 December</b>	<b>891</b>	<b>1,434</b>	<b>2,325</b>

### Movement number of employees

Converted to full-time equivalents	2018	2017
At 1 January	2,325	2,273
Acquisitions	264	3
Divestments	-14	-
Joiners	462	340
Leavers	-383	-291
<b>Balance as at 31 December</b>	<b>2,654</b>	<b>2,325</b>

The increase by 329 full-time equivalents is mainly caused by acquisitions, to a large extent Tasomix (Poland), and strengthening of the organisation (in 2017: increase by 52; due to the further strengthening of the organisation and related to the increase in sales volume).

# Income taxes

## 16. Income taxes

### A. Amounts recognised in statement of profit or loss

In thousands of euro	2018	2017
<b>Current tax expense</b>		
Current year	17,981	18,076
Changes prior years	-2,248	-939
<b>Total</b>	<b>15,733</b>	<b>17,137</b>
<b>Deferred tax expense</b>		
Deferred tax current year	1,544	-162
Changes in tax rate	-1,190	116
(De)recognition of deferred tax assets	-807	-444
Changes in estimates related to prior years	-56	-418
<b>Total</b>	<b>-509</b>	<b>-908</b>
<b>Total tax expenses</b>	<b>15,224</b>	<b>16,229</b>

The total tax expense excluded the Group's share of tax expense of the equity-accounted investees of €662 thousand (2017: €907 thousand), which has been included in 'share of profit of equity accounted investees, net of tax', see Note 16G.

### B. Amounts recognised in Other Comprehensive Income (OCI)

In thousands of euro	2018			2017		
	Before tax	Tax benefit (expense)	Net of Tax	Before tax	Tax benefit (expense)	Net of Tax
<b>Items that will never be reclassified to profit or loss</b>						
Remeasurement of defined benefit liabilities	12,000	-2,136	9,864	5,158	-990	4,168
Equity-accounted investees - share of other comprehensive income	-13	2	-11	5	-	5
<b>Items that are or may be reclassified subsequently to profit or loss</b>						
Foreign operations – foreign currency translation differences	-1,128	167	-961	-2,373	290	-2,083
Cash flow hedges - effective portion of changes in fair value	-417	87	-330	8	-2	6
Cash flow hedges - reclassified to statement of profit or loss / statement of financial position	-754	188	-566	-44	11	-33
<b>Total</b>	<b>9,688</b>	<b>-1,692</b>	<b>7,996</b>	<b>2,754</b>	<b>-691</b>	<b>2,063</b>
Current tax benefit (expense)		355			290	
Deferred tax benefit (expense)		-2,047			-981	
<b>Total</b>		<b>-1,692</b>			<b>-691</b>	

Within the Group, loans are agreed between the different subsidiaries. The loans in the United Kingdom and the loans to Polish entities are considered to form part of the net investment in the subsidiaries, and as such foreign exchange differences on these loans are recorded directly through other comprehensive income. For income tax purposes these foreign exchange differences are taxable or tax deductible.

As the foreign exchange differences are recorded through other comprehensive income, the related current tax impact is also recorded through other comprehensive income for a positive amount of €355 thousand in 2018 (2017: €290 thousand positive).

### C. Reconciliation of effective tax rate

In thousands of euro	2018		2017	
<b>Profit before tax</b>		<b>74,454</b>		<b>75,532</b>
Less share of profit of equity-accounted investees, net of tax		-2,907		-3,884
Profit before tax excluded the share of profit of equity-accounted investees, net of tax		71,547		71,648
Income tax using the Dutch domestic tax rate	25.0%	17,887	25.0%	17,912
Effect of tax rates in foreign jurisdictions	0.4%	301	0.9%	611
Change in tax rate	-1.7%	-1,190	0.2%	116
<b>Tax effect of:</b>				
Non-deductible expenses	2.8%	1,998	0.8%	625
Tax incentives	-0.9%	-661	-1.7%	-1,234
(De)recognition of deferred tax assets	-1.1%	-807	-0.6%	-444
Prior year adjustments	-3.2%	-2,304	-1.9%	-1,357
<b>Total</b>	<b>21.3%</b>	<b>15,224</b>	<b>22.7%</b>	<b>16,229</b>

The change in tax rate 2018 (€1.2 million impact) mainly relates to the in 2018 enacted updated tax rates in the Netherlands with changes in 2019 up to and including 2021 (refer to Note 16F). The increase of the non-deductible expenses is mainly caused by acquisition costs, non-deductible interest expenses of the contingent considerations and the put option liability and amortisation of the intangible assets as a result of the acquisitions.

The recognition of deferred tax assets (€0.8 million) relates to the recognition of deferred tax assets in Germany (refer to Note 16E). The prior year adjustments 2018 mainly relate to one off impact of final submitted income tax returns of previous years.

## D. Movement in deferred tax balances

### Deferred tax relates to the following items

2018

Balance at 31 December

In thousands of euro	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Acquisitions through business combinations and disposals	Reclass and other <sup>(1)</sup>	Net balance	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	-13,146	1,140	-	-1,618	60	-13,564	1,492	-15,056
Intangible assets	-4,424	871	-	-5,733	5	-9,281	119	-9,400
Inventory and biological assets	194	-219	-	-	-	-25	25	-50
Receivables and other assets	-319	-81	-	367	-250	-283	1,325	-1,608
Derivatives	-	7	87	-	-	94	94	-
Employee benefits	9,739	-1,124	-2,134	10	-18	6,473	6,483	-10
Other non-current provisions and liabilities	32	95	-	8	-448	-313	96	-409
Equity-settled share-based payments	-	-	-	-	-	-	-	-
Other liabilities	-647	177	-	4,170	837	4,537	5,786	-1,249
Tax losses and tax credits	1,630	-357	-	14	-	1,287	1,292	-5
Offsetting	-	-	-	-	-	-	-14,613	14,613
<b>Deferred tax assets (liabilities)</b>	<b>-6,941</b>	<b>509</b>	<b>-2,047</b>	<b>-2,782</b>	<b>186</b>	<b>-11,075</b>	<b>2,099</b>	<b>-13,174</b>

(1) This mainly concerns translation differences on balance sheet items valued in British pounds and Polish zloty's.

### Deferred tax relates to the following items

2017

Balance at 31 December

In thousands of euro	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Acquisitions through business combinations and disposals	Reclass and other <sup>(1)</sup>	Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	-14,289	963	-	-	180	-13,146	1,311	-14,457
Intangible assets	-4,936	443	-	-96	165	-4,424	2,827	-7,251
Inventory and biological assets	120	74	-	-	-	194	240	-46
Receivables and other assets	-825	324	-	-	182	-319	113	-432
Derivatives	-9	-	9	-	-	-	-	-
Employee benefits	11,441	-912	-990	-	200	9,739	9,739	-
Other non-current provisions and liabilities	-	196	-	-	-164	32	49	-17
Equity-settled share-based payments	-	-	-	-	-	-	-	-
Other liabilities	265	-222	-	-	-690	-647	147	-794
Tax losses and tax credits	1,588	42	-	-	-	1,630	1,630	-
Offsetting	-	-	-	-	-	-	-13,058	13,058
<b>Deferred tax assets (liabilities)</b>	<b>-6,645</b>	<b>908</b>	<b>-981</b>	<b>-96</b>	<b>-127</b>	<b>-6,941</b>	<b>2,998</b>	<b>-9,939</b>

(1) This mainly concerns translation differences on balance sheet items valued in British pounds

The Group expects that its accruals for tax liabilities are adequate for all open years based on its assessment of many factors, including interpretations of tax law and prior experience. The Group off-sets tax assets and liabilities if, and only if, it has a legally enforceable right to do so. The Group recognises deferred tax assets to the extent that it is considered probable based on business forecasts that sufficient taxable profits will be available.

## E. Unrecognised deferred tax assets

In 2018 all deferred tax assets regarding tax losses carried forward have been recognised in Germany as the Executive Committee has established that future taxable profits should be available against which these losses can be utilised (2017: not all deferred tax assets were recognised). The not recognized deferred tax assets 2017 were included in the balance of unrecognised losses for €3.2 million at 31 December 2017, with a tax effect of €0.9 million. The tax losses can be carried forward indefinitely, but the Executive Committee applies a ten year period to determine the adequacy whether tax losses can be utilised.

Furthermore, deferred tax assets have not been recognised in respect of tax losses incurred on the sale of real estate in the United Kingdom amounting to €8.4 million (31 December 2017: €2.7 million), with a tax effect of €1.5 million (31 December 2017: €0.5 million). These tax losses can only be utilised against a future tax gain on the sale of specific assets such as real estate. As the Executive Committee does not have plans to dispose real estate, the recovery of the deferred tax asset is highly uncertain and as such not recognised.

## F. Tax Group

The Company and the Dutch subsidiaries, in which the Company has a 100% interest, form a tax group for the purpose of income tax, of which ForFarmers N.V. is the head of the tax group.

For VAT, a comparable tax group exists for the Dutch subsidiaries. The total current receivable or liability towards the tax authorities is accounted for in the statement of financial position of the head of the tax group. Settlement of taxes within this tax group takes place as if each company is independently liable for tax. Each participating subsidiary is jointly and separately

liable for possible liabilities of the tax group as a whole. As of 1 January 2018 Coöperatie FromFarmers U.A. is no longer part of the VAT tax group and ForFarmers N.V. is the head of the VAT tax group.

A number of companies in Germany form a tax group for the purposes of income tax ('Organschaft' for Körperschaftsteuer and Gewerbesteuer). Settlement of taxes within this tax group takes place as if each company is independently liable for tax.

The companies in the United Kingdom form a tax group for the purposes of income tax ('Group Relief') and VAT. Settlement of taxes within this tax group takes place as if each company is independently liable for tax.

In the other countries there is no tax group.

## Tax rates

	2018	2017
<b>Tax rates</b>		
The Netherlands	25.00%	25.00%
Germany (average)	27.87%	28.38%
Belgium	29.58%	33.99%
Poland	19.00%	N/A
United Kingdom (average)	19.00%	19.25%

## Effective tax rate

	2018	2017
<b>Effective tax rate</b>		
The Netherlands	20.91%	22.04%
Germany	20.13%	25.19%
Belgium	30.97%	36.19%
Poland	4.19%	N/A
United Kingdom	17.82%	1.60%

The above-mentioned effective tax rate deviates from the statutory tax rate mainly due to the impact of the following items:

### *Netherlands*

The effective tax rate is lower than the statutory tax rate due to amongst others innovation box benefits, and the tax impact due to the change in future tax rates in the Netherlands. Based on the enacted Dutch tax law, the Dutch corporate income tax rates will decrease from 25% to 22,55% per January 1, 2020 and per January 1, 2021 to 20,5%. All deferred tax calculations are updated based on deferred tax rates. This adjustment has a positive impact on our Dutch DTL position.

### *Germany*

The effective tax rate is lower due to recognition of the deferred tax assets relating to the net operating losses.

### *Belgium*

The effective tax rate is higher because of non-tax deductible items.

### *Poland*

The effective tax rate is lower due to usage of subsidies for regional investments.

### *UK*

The effective tax rate is especially in 2017 lower because of prior year adjustments. In 2018 this effect was smaller.

## **G. Taxes on equity-accounted investees**

Corporate income taxes on the results of HaBeMa are settled with the tax authorities by ForFarmers GmbH, Germany (indirect shareholder). The results of HaBeMa are accounted for based on the equity method and are presented net of tax in the consolidated statement of profit and loss. These corporate income tax charges are deducted from the share of profit of equity-accounted investees for an amount of €662 thousand (2017: €907 thousand).

Trade taxes ('Gewerbsteuer') applicable to HaBeMa are borne by the entity itself.

# Assets

## 17. Property, plant and equipment

### A. Reconciliation of carrying amount

In thousands of euro	Land & Buildings	Plant & Machinery	Other operating assets	Assets under construction	Total
<b>Cost</b>					
Balance as at 1 January 2017	144,911	182,369	79,809	11,383	418,472
Acquisitions through business combinations	-	-	35	-	35
Divestments	-	-	-	-	-
Additions	4,848	6,826	6,301	20,253	38,228
Reclassification	27,849	5,360	-19,121	-14,088	-
Reclassification from intangible assets	-	-	413	-	413
Reclassification assets held for sale	-901	-1,461	-	-	-2,362
Disposals	-675	-3,722	-2,618	-141	-7,156
Effect of movements in exchange rates	-1,036	-1,334	-1,040	-334	-3,744
<b>Balance as at 31 December 2017</b>	<b>174,996</b>	<b>188,038</b>	<b>63,779</b>	<b>17,073</b>	<b>443,886</b>
Balance as at 1 January 2018	174,996	188,038	63,779	17,073	443,886
Acquisitions through business combinations	17,437	10,230	4,736	865	33,268
Divestments	-	-	-	-	-
Additions	3,546	10,357	4,387	26,782	45,072
Reclassification	10,428	7,633	9,397	-27,458	-
Reclassification to intangible assets	-	-	-	-521	-521
Reclassification from investment property	187	906	-	-	1,093
Disposals	-	-1,083	-2,372	-	-3,455
Other movement	507	685	43	-	1,235
Effect of movements in exchange rates	-113	-161	-262	-24	-560
<b>Balance as at 31 December 2018</b>	<b>206,988</b>	<b>216,605</b>	<b>79,708</b>	<b>16,717</b>	<b>520,018</b>
<b>Accumulated depreciation and impairment losses</b>					
Balance as at 1 January 2017	-60,662	-118,028	-45,033	-	-223,723
Divestments	-	-	-	-	-
Depreciation	-4,791	-9,279	-5,290	-	-19,360
Impairment	-576	-1,359	-	-	-1,935
Reclassification	-17,729	1,032	16,697	-	-
Reclassification from intangible assets	-	-	-279	-	-279
Reclassification assets held for sale	181	771	-	-	952
Disposals	270	3,424	1,749	-	5,443
Effect of movements in exchange rates	204	193	523	-	920
<b>Balance as at 31 December 2017</b>	<b>-83,103</b>	<b>-123,246</b>	<b>-31,633</b>	<b>-</b>	<b>-237,982</b>
Balance as at 1 January 2018	-83,103	-123,246	-31,633	-	-237,982
Divestments	-	-	-	-	-
Depreciation	-4,809	-9,948	-6,881	-	-21,638
[Reversal of] impairment losses on plant and equipment	399	156	12	-	567
Reclassification	-	4,355	-4,355	-	-
Reclassification from intangible assets	-	-	-2	-	-2
Reclassification from investment property	-	-906	-	-	-906
Disposals	-	950	1,486	-	2,436
Other movement	-507	-685	-43	-	-1,235
Effect of movements in exchange rates	47	67	183	-	297
<b>Balance as at 31 December 2018</b>	<b>-87,973</b>	<b>-129,257</b>	<b>-41,233</b>	<b>-</b>	<b>-258,463</b>
<b>Carrying amounts</b>					
At 1 January 2017	84,249	64,341	34,776	11,383	194,749
At 31 December 2017	91,893	64,792	32,146	17,073	205,904
At 31 December 2018	119,015	87,348	38,475	16,717	261,555



The larger investment projects in 2018 consist of trucks (€6.4 million), investments to finalize the new production facility Exeter (€2.9 million), the construction of a biomass plant (€4.1 million), investments in IT (€3.0 million) and the reopening of the second feed mill in Deventer (€2.3 million). The reversal of impairment of €0.6 million relates to the reopening of a second mill in Deventer (Netherlands).

The other movement of €1.2 million relates to the reversal of the impairment of the reopened mill in Deventer. This other movement has no impact on the results and on the original book value of the tangible fixed assets.

As part of the periodic reassessment of the estimated remaining useful life of property, plant and equipment the depreciation periods and if applicable the residual value of the property, plant and equipment have been revised, as from 1 January 2017. In general, this resulted in an extension of the useful life whereby depreciation expenses based on these revised depreciation terms are €2.4 million lower compared to the depreciation terms previously used. In the Netherlands, Germany and Belgium the depreciation expenses decreased and in the United Kingdom the depreciation expenses increased. The reassessment of the estimated remaining useful life of property, plant and equipment has not result in any changes in 2018.

Furthermore, items that were incorrectly classified were corrected, which resulted in a reclassification within property, plant and equipment and between tangible and intangible assets.

Of the 2018 additions of €45.1 million (2017: €38.2 million) an amount of €41.7 million (2017: €36.6 million) has been paid at year end. The remaining has been recognized as a liability.

## **B. Impairment loss**

There were no indications in 2018 for an impairment of property, plant and equipment. As a result of the supply chain optimisation in the United Kingdom in 2017, a production location has been impaired by €1.9 million during 2017.

## **C. Leased other operating assets**

The Group leases some other operating assets under a number of finance leases. The corresponding finance lease obligations are accounted for under loans and borrowings. As at 31 December 2018, the net carrying amount of leased equipment was €1,271 thousand (2017: €101 thousand). The net effect of acquisitions and divestments is €1,209 thousand and relates to Tasomix (Poland). The like-for like decrease of €39 thousand was caused by the fact that several leased assets have been replaced by assets owned.

## 18. Intangible assets and goodwill

### A. Reconciliation of carrying amount

In thousands of euro	Goodwill	Customer relations	Trade and brand names	Software	Intangible assets under construction	Total
<b>Cost</b>						
Balance as at 1 January 2017	64,483	42,454	878	10,399	963	119,177
Acquisitions through business combinations	510	546	-	-	-	1,056
Additions	-	-	-	1,403	-	1,403
Reclass (to property, plant and equipment)	-	-	-	550	-963	-413
Reclassification assets held for sale	-228	-252	-9	-	-	-489
Disposals	-	-	-	-78	-	-78
Effect of movements in exchange rates	-836	-1,093	-	-299	-	-2,228
<b>Balance as at 31 December 2017</b>	<b>63,929</b>	<b>41,655</b>	<b>869</b>	<b>11,975</b>	<b>-</b>	<b>118,428</b>
Balance as at 1 January 2018	63,929	41,655	869	11,975	-	118,428
Acquisitions through business combinations	45,958	28,838	1,805	54	58	76,713
Additions	-	-	-	649	171	820
Reclass (from property, plant and equipment)	-	-	-	319	202	521
Disposals	-	-	-	-107	-	-107
Effect of movements in exchange rates	424	81	33	-67	2	473
<b>Balance as at 31 December 2018</b>	<b>110,311</b>	<b>70,574</b>	<b>2,707</b>	<b>12,823</b>	<b>433</b>	<b>196,848</b>
<b>Accumulated amortisation and impairment losses</b>						
Balance as at 1 January 2017	-	-9,547	-878	-6,571	-	-16,996
Amortisation	-	-3,902	-	-2,430	-	-6,332
Reclass to property, plant and equipment	-	-	-	279	-	279
Reclassification assets held for sale	-	153	9	-	-	162
Disposals	-	-	-	74	-	74
Effect of movements in exchange rates	-	324	-	290	-	614
<b>Balance as at 31 December 2017</b>	<b>-</b>	<b>-12,972</b>	<b>-869</b>	<b>-8,358</b>	<b>-</b>	<b>-22,199</b>
Balance as at 1 January 2018	-	-12,972	-869	-8,358	-	-22,199
Amortisation	-	-5,138	-199	-1,580	-	-6,917
Reclass to property, plant and equipment	-	-	-	2	-	2
Disposals	-	-	-	107	-	107
Effect of movements in exchange rates	-	118	-	64	-	182
<b>Balance as at 31 December 2018</b>	<b>-</b>	<b>-17,992</b>	<b>-1,068</b>	<b>-9,765</b>	<b>-</b>	<b>-28,825</b>
<b>Carrying amounts</b>						
At 1 January 2017	64,483	32,907	-	3,828	963	102,181
At 31 December 2017	63,929	28,683	-	3,617	-	96,229
At 31 December 2018	110,311	52,582	1,639	3,058	433	168,023

The 'acquisitions through business combinations' of €76.7 million relate to the acquisition of Maatman, Van Gorp (both the Netherlands), Algoet (Belgium) and Tasomix (Poland) (2017: total of €1,056 thousand acquired intangible assets and goodwill of Wilde Agriculture Ltd.) see Note 6.

The reclassification from property, plant and equipment relates to software which was incorrectly classified, see also Note 17.

## B. Amortisation

The amortisation of customer relations, trademarks and software of €6,917 thousand (2017: €6,332 thousand) is included in the depreciation, amortisation and impairment expense.

## C. Impairment test

### (i) Impairment testing for cash generating units containing goodwill

Annually the Group performs its goodwill impairment test in the third quarter. Moreover, the test is conducted any other time if there is a trigger for goodwill impairment. Goodwill is monitored and tested at the level of the cash generating units. The Group evaluates, amongst others, the relationship between the recoverable amount and the carrying amount in the evaluation of indicators of potential impairment.

Goodwill is allocated as follows to the cash generating units:

In thousands of euro	31 December 2018	31 December 2017
The Netherlands	40,494	34,653
Germany/Belgium	9,454	4,017
Poland	35,295	-
United Kingdom	25,068	25,259
<b>Total</b>	<b>110,311</b>	<b>63,929</b>

The increase of goodwill is a result of the acquisition of Maatman, Van Gorp (both the Netherlands), Algoet (Belgium) and Tasomix (Poland), see also Note 6. The change of goodwill in the United Kingdom is caused by a change of the foreign exchange rate.

### Information about the net realisable value including the key assumptions

For the goodwill impairment test, the recoverable amount of the various cash generating units was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the cash generating units. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used (see Note 4).

The key assumptions used in the estimation of value in use per cash generating unit in 2018 were as follows.

In percentage	Discount rate pre- tax	Terminal value growth rate	Expected EBITDA growth rate (average of next five years)
The Netherlands	9.01%	1.05%	2.47%
Germany/Belgium	9.75%	1.05%	7.92%
Poland	10.96%	1.93%	17.62%
United Kingdom	9.06%	1.38%	6.08%

The key assumptions used in the estimation of value in use per cash generating unit in 2017 were as follows.

In percentage	Discount rate pre- tax	Terminal value growth rate	Expected EBITDA growth rate (average of next five years)
The Netherlands	9.53%	1.05%	3.97%
Germany/Belgium	11.22%	1.05%	8.71%
United Kingdom	9.64%	1.38%	7.25%

The used discount rate was a pre-tax measure based on the yield of 30-year government bonds, issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally, and the systemic risk of the specific cash generating unit.

The average EBITDA growth rates were based on expectations of future outcomes of gross profits taking into account past experience of the average growth of recent years and estimated sales volumes in tonnes. To estimate the forecasted gross profit, primarily an assessment has been made on margin development, and not on sales price development. The commodity price development is hard to predict, however it is charged

through to customers. In determining the developments in the expenses the volume, inflation and cost savings are considered.

The value in use of the cash generating units is determined based on the budget 2018 (2017: budget 2017) and the 5 year plan. For the period after 2023 a growth rate equal to the terminal value growth rate is used, which is common practice in the market.

#### *Result of the goodwill impairment test and sensitivity analysis*

The result of the goodwill impairment test of the cash-generating units in 2018 shows that the recoverable amount exceeds the carrying amount of the cash generating units, and no impairment was required (2017: same outcome).

The recoverable amount exceeds the carrying amount significantly for the cash flow generating units the Netherlands, Germany/Belgium and Poland. For the cash flow generating unit United Kingdom the difference between the recoverable amount and carrying amount has increased to €30.9 million (£27.4 million) (2017: €7.8 million, £7.1 million), mainly as a result of a lower discount rate (0.5%) and a lesser part due to the improved forecasted future operating performance.

In 2018 a reasonable adjustment of the assumptions, as part of our sensitivity analysis, did not result in recoverable amounts below the carrying amounts of these cash generating units. However, a reasonable adjustment of the assumptions of the cash flow generating unit of the United Kingdom could result in a limited but still positive difference between the recoverable amount and the carrying amount. The maximum fluctuation of the assumptions which could result in a recoverable amount equal to the carrying amount, are included in the table below:

In percentage	Discount rate pre-tax	Terminal value growth rate	Expected EBITDA growth rate (average of next five years)
Assumptions used	9.06%	1.38%	6.08%
Change	1.35%	-1.80%	-0.81%
<b>Recoverable amount equals carrying amount</b>	<b>10.41%</b>	<b>-0.42%</b>	<b>5.27%</b>

A reasonable change in the assumptions could have resulted in a recoverable amount below the carrying amount of the cash flow generating unit in the 2017 goodwill impairment test for the United Kingdom.

The key assumptions used in the goodwill impairment test 2017 of the United Kingdom and the changes to these assumptions which would have resulted in a recoverable amount equal to the carrying amount are included in the table below:

In percentage	Discount rate pre-tax	Terminal value growth rate	Expected EBITDA growth rate (average of next five years)
Assumptions used	9.64%	1.38%	7.25%
Change	0.37%	-0.49%	-0.54%
<b>Recoverable amount equals carrying amount</b>	<b>10.01%</b>	<b>0.89%</b>	<b>6.71%</b>

#### **(ii) Impairment on intangible assets other than goodwill**

Like goodwill the Group recognised no impairment on other intangible assets in 2018 and 2017.

## 19. Investment property

### A. Reconciliation of carrying amount

In thousands of euro	2018	2017
<b>Balance at 1 January</b>	<b>830</b>	<b>830</b>
Reclassification to tangible fixed assets	-187	-
Currency translation adjustment	-	-
Other changes	-	-
<b>Balance as at 31 December</b>	<b>643</b>	<b>830</b>
Cost	1,717	3,735
Accumulated depreciation	-1,074	-2,905
<b>Carrying amounts at 31 December</b>	<b>643</b>	<b>830</b>

Investment property comprises a number of Industrial properties that are no longer in use for the Group's feed activities. The reclassification to tangible fixed assets relates to the reopening of the second feed mill in Deventer.

#### Valuation technique

Type	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Transaction price:	<ul style="list-style-type: none"> <li>Condition of the investment property.</li> </ul>	The estimated fair value would increase (decrease) if:
The fair value of the investment property is measured on the basis of market information available for land in comparable location and conditions.	<ul style="list-style-type: none"> <li>Comparability of location.</li> </ul>	<ul style="list-style-type: none"> <li>Assessed condition of the investment property would be better (worse).</li> </ul>
	<ul style="list-style-type: none"> <li>Assessment of collectability of receivables related to specific investment property in the Netherlands.</li> </ul>	<ul style="list-style-type: none"> <li>Location would be considered to be a more (less) preferred location.</li> </ul>
		<ul style="list-style-type: none"> <li>Collectability of related receivable would be assessed to be better (worse).</li> </ul>

### B. Fair value information

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and experience, and taking into account sales prices which have currently been agreed upon.

The fair value measurement for investment properties was €0.7 million (31 December 2017: €2.1 million) and has been categorised as a Level 3 fair value based on the information derived from market transactions. The decrease in the fair value is due to the reclassification to tangible fixed assets as a result of the reopening of the second feed mill in Deventer.

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

## 20. Equity-accounted investees

The table below shows the amount of equity-accounted investees:

In thousands of euro	2018	2017
Interest in joint venture	25,392	24,018

The table below shows share of profit of equity-accounted investees, net of tax:

In thousands of euro	2018	2017
Joint venture	2,847	3,884
Settlement subsidiary	60	-
	<b>2,907</b>	<b>3,884</b>

### Joint venture

HaBeMa Futtermittel Produktions- und Umschlagsgesellschaft GmbH & Co. KG (HaBeMa) is the only joint venture in which the Group participates. HaBeMa is one of the Group's suppliers and is principally engaged in trading of raw materials, storage and transshipment, production and delivery of compound feeds in Hamburg, Germany.

HaBeMa is structured as a separate vehicle and the Group has a residual interest in the net assets of the entity. Accordingly, the Group has classified its interest in HaBeMa as a joint venture. The Group does not have any commitments or contingent liabilities relating to HaBeMa, except for the purchase commitments of goods as part of the normal course of business.

Corporate income taxes on the results of HaBeMa with regards to the residual interest of the Company are settled with the tax authorities by ForFarmers GmbH, Germany (indirect shareholder).

The results of HaBeMa are accounted for based on the equity method and are presented net of tax in the consolidated statement of profit and loss. These corporate income tax charges are deducted from the share of profit of equity-accounted investees for an amount of €662 thousand (2017: €907 thousand). Trade taxes ('Gewerbsteuer') applicable to HaBeMa are borne by the entity itself.

The following table summarises the financial information of HaBeMa as included in its own financial statements, adjusted for differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in HaBeMa.

In thousands of euro		31 December 2018	31 December 2017
Percentage ownership of shares interest		50%	50%
<b>Non-current assets</b>		<b>48,299</b>	<b>45,838</b>
Cash and cash equivalents		103	203
Other current assets		31,763	26,302
<b>Current assets</b>		<b>31,866</b>	<b>26,505</b>
Loans and borrowings		-3,629	-4,679
Other non-current liabilities		-9,191	-8,823
<b>Non-current liabilities</b>		<b>-12,820</b>	<b>-13,502</b>
Loans and borrowings		-11,683	-6,744
Other current liabilities		-4,878	-4,061
<b>Current liabilities</b>		<b>-16,561</b>	<b>-10,805</b>
<b>Net assets (100%)</b>		<b>50,784</b>	<b>48,036</b>
Group's share of net assets (50%)		25,392	24,018
<b>Carrying amount of interest in joint venture</b>		<b>25,392</b>	<b>24,018</b>

In thousands of euro	Note	31 December 2018	31 December 2017
Revenue		165,327	176,721
Depreciation and amortisation		-4,285	-4,112
Net finance costs		-322	-226
Income tax expense		-1,367	-1,870
Profit (100%)		7,018	9,581
Other comprehensive income (100%)		-22	10
<b>Profit and total comprehensive income (100%)</b>		<b>6,996</b>	<b>9,591</b>
Profit (50%)		3,509	4,791
Group's share of tax expense of equity-accounted investee	16A	-662	-907
<b>Group's share of profit, net of tax</b>		<b>2,847</b>	<b>3,884</b>
Other comprehensive income, net of tax (50%)	26D	-11	5
<b>Group's share of profit and total comprehensive income, net of tax</b>		<b>2,836</b>	<b>3,889</b>
<b>Dividends received by the Group</b>		<b>2,124</b>	<b>2,431</b>

## 21. Trade and other receivables

In thousands of euro	Note	31 December 2018	31 December 2017
Trade receivables		213,273	178,724
Related party receivable	37	5,853	3,297
Loans to employees		266	289
Other investments		28	28
Taxes (other than income taxes) and social securities		9,598	4,690
Prepayments		2,825	3,117
Other receivables and accrued income		32,465	27,323
<b>Total</b>		<b>264,308</b>	<b>217,468</b>
Non-current		13,690	9,298
Current		250,618	208,170
<b>Total</b>		<b>264,308</b>	<b>217,468</b>

The increase of trade and other receivables is mainly due to the effect of acquisitions of €47.0 million.

The non-current trade and other receivables consist of:

- Receivables that will be due after one year, that are largely interest-bearing and mainly include loans to customers for which, if possible, securities were provided in the form of feed equivalents, participation accounts and real estate.
- The policy is not to provide loans to employees. Loans to Dutch employees, of which the level of interest is equal to the interest on Dutch state loans and at least equal to the interest referred to in Article 59 of the Wages & Salaries Tax Implementing Regulation 2001. The repayment of the loans is a minimum of 7.5% per annum of the principal amount starting from 2015. As a collateral with respect to repayment, a lien was established on the depositary receipts purchased with the loan amount, the market value of which per balance sheet date exceeds the balance of the loans. These loans have been provided as part of the participation plan 2007-2009. No new loans will be provided to employees.

The prepayments, other receivables and accrued income mainly consist of unbilled revenue to customers and prepayments to suppliers.

Information about the Group's exposure to credit and market risks, and impairment losses for trade and other receivables, is included in Note 32.



## 22. Inventories

In thousands of euro	31 December 2018	31 December 2017
Raw materials	72,646	54,193
Finished products	11,282	10,327
Other inventories	9,627	7,490
<b>Total</b>	<b>93,555</b>	<b>72,010</b>

The increase in inventories is mainly caused by acquisitions and the increase in the raw material prices. At 31 December the share of the acquired and divested entities is approximately €6.9 million. The remaining increase is driven by the increasing raw material prices.

Other inventories include trading inventories which are part of the Group's Total Feed business, and include, amongst others, specialty trade products, fertilizers and seeds. The increase of other inventories is mainly due to the increase in the raw material prices.

In 2018, an amount of €30 thousand was added to the provision of inventories (2017: €40 thousand).

For important purchase commitments reference is made to the explanation of the commitments and contingencies under Note 36.

## 23. Biological Assets

### A. Reconciliation of carrying amount

In thousands of euro	2018	2017
Balance at 1 January	4,714	5,117
Purchases of poultry livestock, feed and nurture	28,654	29,991
Sales of poultry livestock	-30,366	-32,787
Change in fair value	1,312	2,393
<b>Balance as at 31 December</b>	<b>4,314</b>	<b>4,714</b>

As at balance sheet date the poultry livestock comprises of 902,756 animals (2017: 934,732 animals) with a value of €4.3 million (2017: €4.7 million). The poultry livestock relate to hens and a number of roosters, reared to an age ranging between 16 and 20 weeks, which are sold to hatcheries. The entire inventory is a current balance.

### B. Measurement of fair values

#### Fair value hierarchy

The fair value measurement for the roosters and hens is based on the full production costs plus a proportional share of the margin to be realised at sale. No active market with quoted market prices exists for these hens and therefore, the Executive Committee considers the most recent market transaction price to be the most reliable estimate for fair value resulting in a fair value hierarchy Level 3.

#### Level 3 fair values

The following table shows a breakdown of the total gains (losses) recognised in cost of raw materials and consumables in respect of Level 3 fair values (poultry livestock). The non-realised part of the adjustment in fair value is part of the revaluation of the biological assets at the balance date.

In thousands of euro	2018	2017
<b>Amounts recognised in statement of profit or loss</b>		
Change in fair value (realised)	1,299	2,388
Change in fair value (unrealised)	13	5
<b>Total</b>	<b>1,312</b>	<b>2,393</b>

#### Amounts recognised in statement of financial position

Change in fair value (unrealised)	198	184
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#### Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Livestock	Cost technique and transaction price.	Estimated reference price is based on most recent market transactions	The estimated fair value would increase (decrease) if:
Livestock comprises roosters and hens	The fair value of the hens and roosters is measured on the basis of production costs plus a proportional share of the margin to be realised at sale.	Proportional margin is allocated to the different phases of growth cycle on the basis of a percentage of completion method (0% - 91%), failure rate incl. mortality (4.0%)	<ul style="list-style-type: none"> <li>· the number of animals were higher (lower)</li> <li>· the percentage of completion were higher (lower)</li> <li>· the failure rate including mortality was lower (higher)</li> </ul>

### C. Risk management of biological assets

The Group is exposed to the following risks relating to its livestock.

#### *Regulatory and environmental risks*

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

#### *Supply and demand risk*

The Group is exposed to risks arising from fluctuations in the price and sales volume of poultry livestock. The Executive Committee performs regular industry trend analyses for hens and rooster volumes and pricing.

#### *Risks related to animal diseases*

The Group is exposed to the regular risks relating agricultural activities, amongst others risks related to diseases. The Group follows the developments in the market closely and adjusts its policy where required.

## 24. Cash and cash equivalents

The outstanding deposits are saving accounts which can be withdrawn immediately without cost. As such the Group considered these to be part of cash and cash equivalents.

The cash and cash equivalents are at the free disposal of the Group. The decrease in cash and cash equivalents is mainly caused by acquisitions, investments in assets, the during 2018 completed share buy back program, and paid dividends, partly compensated by realised EBITDA.

In thousands of euro	31 December 2018	31 December 2017
Deposits	611	23,003
Current bank accounts	51,145	138,294
<b>Cash and cash equivalents in the statement of financial position</b>	<b>51,756</b>	<b>161,297</b>
Bank overdrafts	-13,307	-49,690
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>38,449</b>	<b>111,607</b>

## 25. Assets held for sale

### Reconciliation of carrying amount

In thousands of euro	2018	2017
<b>Balance at 1 January</b>	<b>1,737</b>	-
Acquisitions through business combinations	187	-
Reclassification from property, plant and equipment	-	1,410
Reclassification from intangible assets	-	327
Disposals	-1,924	-
Currency translation adjustment	-	-
<b>Balance as at 31 December</b>	<b>-</b>	<b>1,737</b>

The 2018 acquisitions through business combinations related to transport vehicles which were obtained as part of the Maatman acquisition. These vehicles were sold during 2018. Furthermore, the land site Doetinchem (the Netherlands) has been reclassified to asset held for sale. The land has a book value of nil and a fair value of €0.9 million.

In 2017 transportation vehicles were reclassified from property, plant and equipment to assets held for sale as a result of the announced strategic partnership between ForFarmers the Netherlands and Baks. Furthermore, during 2017 a storage facility, customer relationships and goodwill were classified as assets held for sale due to the sale of agriculture activities to CZAV. These assets were sold in 2018.

# Equity and liabilities

## 26. Equity

### A. Share capital and share premium

In thousands of euro	Ordinary shares (number)		Amount	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Ordinary shares – par value €0.01	106,261,040	106,261,040	144,617	144,617
Priority share – par value €0.01	1	1	-	-
<b>In issue at 31 December – fully paid</b>	<b>106,261,041</b>	<b>106,261,041</b>	<b>144,617</b>	<b>144,617</b>

On 15 April 2016, it was resolved to amend the Articles of Association of the Company, to change the legal form of the Company into a public limited company, and the par value of the shares was reduced from €1.00 to €0.01 per share with an effective date per 23 May 2016. As at 31 December 2018, the share capital consists of 106,261,040 ordinary shares and 1 priority share. At balance sheet date the shares were issued and fully paid up. The share premium consists of the positive difference between the issue price and the nominal value of the issued shares.

On 26 April 2017, the Annual General Meeting of Shareholders authorised ForFarmers to initiate a programme to repurchase its own shares for a period of 18 months for (a) an amount between €40 million and €60 million and (b) in addition to purchase shares for the implementation of employee participation plans. In 2018 ForFarmers repurchased 802,291 shares (2017: 5,747,993) for a total amount of €8.1 million (2017: €56.7 million) (including purchasing costs). From the total number of repurchased shares 179,579 (2017: 358,465) at an amount of €1.8 million (2017: €3.0 million) are reissued as certificates for employee participation plans, bringing the balance of repurchased shares to €60.0 million (2017: €53.7 million) (including purchasing costs).

During 2018 the Group has completed the share buy-back programme.

#### (i) Ordinary shares

All holders of ordinary shares have equal rights. Holders of these shares are entitled to dividend as declared from time to time, and are entitled to one vote per share at annual general meetings of shareholders of the Company. On the shares held by the Company no dividend is paid and no voting rights are exercised.

#### (ii) Priority share

The priority share is held by Coöperatie FromFarmers U.A. As a result of the treasury shares held by the Company, Coöperatie FromFarmers U.A., on the latest reference date of 1 January 2019, could exercise the voting right for 48.5% of votes to be cast on the total of ordinary shares on the shares it holds (refer to Note 1). Furthermore, the Coöperatie FromFarmers U.A. could give voting instructions with regard to the shares held by the Trust Office Foundation (7.4%), which would give Coöperatie FromFarmers U.A. 55.9% of voting rights. As priority share holder Coöperatie FromFarmers U.A.:

- (i) has a recommendation right for four of the six members of the Supervisory Board;
- (ii) may appoint a member of the Supervisory Board as Chairman after consultation with the Supervisory Board;
- (iii) has an approval right as regards the decisions of the Executive Board regarding:

1. moving the Company's head office outside the east of the Netherlands (Gelderland and Overijssel);
2. an important change in the identity of nature of the Company or its enterprise as a result of (1) transfer of the enterprise or practically all of the enterprise to a third party or (2) entering into or breaking off a long-term partnership of the Company or a subsidiary thereof with another legal entity or company, or as fully liable partner in a limited partnership or general partnership, if such partnership or its termination represents a fundamental change to the Company;
3. taking or disposing of a participating interest in the capital of a company to a value of at least a third of the amount of the Company's equity according to the

balance sheet with explanatory notes or, in the event the Company draws up consolidated balance sheets, according to the consolidated balance sheet with explanatory notes, according to the most recently adopted annual accounts of the Company, or any of its subsidiaries;

4. changes to the Company's articles of association;
5. affecting a merger or division.

Please refer to the Corporate Governance Statement for the conditions for holding the priority share and the special control rights associated thereto if that voting right and/or voting instruction can be exercised or given for 50% or less.

The priority share is classified as equity, because the share does not contain any obligations to deliver cash or other financial assets and does not require settlement in a variable number of the Group's equity instruments.

## B. Nature and purpose of reserves

### (i) Treasury share reserve

The reserve for the Company's treasury shares comprises the cost of the Company's (depository receipts) shares held by the Group. The treasury shares are accounted for as a reduction of the equity attributable to the owners of the parent.

Treasury shares are recorded at cost, representing the market price on the acquisition date, where the par value of treasury shares purchased is debited to the treasury share reserve. When treasury shares are sold or re-issued, the par value of the instruments is credited to the treasury share reserve. Any premium or discount to par value as result of the market price is shown as an adjustment to retained earnings.

During the reporting period the Company purchased 802,291 of its shares as part of the share buy-back programme and to be able to re-issue the depository receipts in relation to the employee participation plans. At 31 December 2018, the Group held 6,092,004 of the Company's shares.

In 2017 the Company purchased 5,747,993 of its shares as part of the share buy-back programme and to be able to re-issue the depository receipts in relation to the employee participation plans. Besides the repurchase of the abovementioned number of shares, the 358,465

treasury shares, which were obtained on behalf of the previous liquidity provider agreement (SNS) which ended on May 24 2016, were used for the purpose of employee participation plans. At 31 December 2017, the Group held 5,469,292 of the Company's shares.

The movement in the treasury shares can be summarised as follows:

### The movement of treasury shares

	Number of shares		Amount par value in thousand euro	
	2018	2017	2018	2017
Balance at 1 January	5,469,292	77,580	55	1
Repurchase Employee participation plan	186,502	301,560	-	-
Re-issuance Employee participation plan	-179,579	-358,465	-	-
Share buyback	615,789	5,446,433	6	54
Adaptation par value shares	-	-	-	-
Other movements	-	2,184	-	-
<b>Balance as at 31 December</b>	<b>6,092,004</b>	<b>5,469,292</b>	<b>61</b>	<b>55</b>

The other movements 2017 relate to depository receipts which are settled with outstanding receivables.

### (ii) Translation reserve

The translation reserve comprises all foreign currency differences arising from the activities of foreign subsidiaries. The decrease in this reserve as at 31 December 2018 is caused by the devaluation of the pound sterling partly off set by the revaluation of the Polish zloty.

### (iii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss. This mainly relates to the result on derivatives for the acquisition of Tasomix and fuelhedges.

#### (iv) Other reserves and retained earnings

Other reserves are held by the Company for statutory purposes. Retained earnings comprise the balance of accrued profits that have not been distributed to the shareholders.

A reference is made to the section Other information regarding the result appropriation scheme under the Articles of Association.

For a further clarification of the other reserves and retained earnings a reference is made to Note 48 Shareholders' equity of the Company financial statements.

#### C. Dividends

The following dividends were declared and paid by the Company for the year:

##### Distributed in the year

In thousands of euro	2018	2017
€0.30 per qualifying ordinary share (2017: €0.24)	30,053	25,716
	<b>30,053</b>	<b>25,716</b>

The dividend is based on the total number of shares issued at year end of 100.2 million (2017: 100.8 million). In accordance with the dividend policy the payable dividend is adjusted for outstanding trade receivables and the receivable from the Coöperatie FromFarmers U.A. (€1.0 million in 2018). As a result the total dividend paid in 2018 amounts to €29.5 million (including €0.4 million dividend to the minority shareholder of Thesing GmbH). The treasury shares are not entitled to dividend.

After the respective reporting date, the following dividends were proposed by the Executive Committee. The dividends have not been recognised as liabilities and there are no tax consequences.

##### Proposed over the year

In thousands of euro	Note	2018	2017
€0.30 per qualifying ordinary share (2017: €0.30)	48	30,051	30,238
		<b>30,051</b>	<b>30,238</b>

The total dividend of €30,051 thousand consist of a dividend of €28,360 thousand and a special dividend of €1,691 thousand.

## D. Other comprehensive income accumulated in reserves, net of tax

In thousands of euro	Attributable to shareholders of the Company				Total	Non- controlling interest	Total OCI
	Note	Translation reserve	Hedging reserve	Other reserves and retained earnings			
<b>2018</b>							
Remeasurement of defined benefit liabilities	15B , 16B	-	-	9,864	9,864	-	9,864
Foreign operations – foreign currency translation differences	16B	-961	-	-	-961	-	-961
Cash flow hedges - effective portion of changes in fair value	16B	-	-330	-	-330	-	-330
Cash flow hedges - reclassified to statement of profit or loss / statement of financial position	16B	-	-566	-	-566	-	-566
Equity-accounted investees - share of other comprehensive income	16B	-	-	-11	-11	-	-11
<b>Total</b>		<b>-961</b>	<b>-896</b>	<b>9,853</b>	<b>7,996</b>	<b>-</b>	<b>7,996</b>
<b>2017</b>							
Remeasurement of defined benefit liabilities	15B , 16B	-	-	4,168	4,168	-	4,168
Foreign operations – foreign currency translation differences	16B	-2,083	-	-	-2,083	-	-2,083
Cash flow hedges - effective portion of changes in fair value	16B	-	6	-	6	-	6
Cash flow hedges - reclassified to statement of profit or loss / statement of financial position	16B	-	-33	-	-33	-	-33
Equity-accounted investees - share of other comprehensive income	16B	-	-	5	5	-	5
<b>Total</b>		<b>-2,083</b>	<b>-27</b>	<b>4,173</b>	<b>2,063</b>	<b>-</b>	<b>2,063</b>

## 27. Alternative performance measures

The Executive Committee has defined 'underlying metrics' as performance measures, as they believe these measures are relevant to understand the Group's financial performance. These performance measures are monitored both at a consolidated and an Operating Segment level. These underlying metrics are used as Management believe they provide a better perspective of ForFarmers' business development and performance, as they exclude the impact of significant incidental items, which are considered to be non-recurring, and are not directly related to the operational performance of ForFarmers. The underlying metrics are reported at the level of EBITDA, EBIT and profit for the shareholders.

Four types of adjustments are distinguished: i) Impairments on tangible and intangible assets; ii) Business Combinations and Divestments, including the unwind of discount/fair value changes on earn-outs and options, dividend relating to non-controlling interests at anticipated acquisitions, and divestment related expenses; iii) Restructuring; and iv) Other, comprising other incidental non-operating items.

Underlying metrics are Alternative performance measures (APM) not defined by IFRS. The Group's definition of underlying EBIT(DA) and underlying profit to shareholders of the company for the year may not be comparable with similarly titled performance measures and disclosures by other entities. ForFarmers has earlier issued its guidance for the medium term of an on average annual underlying EBITDA growth in the mid single digits at constant currencies.

2018

In thousands of euro	IFRS	Business Combinations and Divestments			Restructuring	Other	Total APM items <sup>(2)</sup>	Underlying <sup>(2)</sup>
		Impairments	Divestments					
EBITDA <sup>(1)</sup>	103,920	-	4,920	-149	-904	3,867	100,052	
EBIT	75,932	569	4,920	-149	-904	4,435	71,497	
Finance costs		-	-2,316	-	-	-2,316		
Tax effect		-142	-1,205	28	160	-1,159		
Profit attributable to Shareholders of the Company	58,590	427	1,399	-121	-744	961	57,629	
Earnings per share in euro <sup>(3)</sup>	0.58	-	0.01	-	-0.01	-	0.58	

2017

In thousands of euro	IFRS	Business Combinations and Divestments			Restructuring	Other	Total APM items <sup>(2)</sup>	Underlying <sup>(2)</sup>
		Impairments	Divestments					
EBITDA <sup>(1)</sup>	101,649	-	363	-160	-	203	101,446	
EBIT	74,022	-1,932	363	-160	-	-1,729	75,751	
Finance costs		-	-88	-	-	-88		
Tax effect		266	-76	45	-	235		
Profit attributable to Shareholders of the Company	58,554	-1,666	199	-115	-	-1,582	60,136	
Earnings per share in euro <sup>(3)</sup>	0.56	-0.02	-	-	-	-0.02	0.58	

<sup>(1)</sup> EBITDA is operating profit before depreciation and amortization.

<sup>(2)</sup> Underlying metrics are Alternative performance measures (APM) not defined by IFRS. These measures are used as the Group believes they provide a better perspective of ForFarmers' business development and performance.

<sup>(3)</sup> Earnings per share attributable to ordinary equity holders of the parent. Excluding the impact of the share-buy back programme the underlying earnings per share would amount to €0.56 in 2018.



The 2018 APM items comprise:

#### *Impairments*

- €0.6 million (€0.4 million after tax) for the reversal of a past impairment in 2014 on the (second) feed mill in Deventer, which was reopened to produce nongenetically modified (non-GMO) feed.

#### *Business Combinations and Divestments*

- €4.5 million (€3.4 million after tax) incidental gain on the divestment of the arable activities in the Netherlands;
- €0.4 million (€0.3 million after tax) subsequent payment regarding the disposal of Adaptris (United Kingdom);
- €0.5 million (€0.5 million after tax) as a result of the accrual of the contingent considerations of the acquisition of VleutenSteijn, Maatman, Van Gorp and Tasomix;
- €1.8 million (€1.8 million after tax) as a result of the accrual put option liability of the acquisition of Tasomix.

#### *Restructuring*

- €0.1 million (€0.1 million after tax) restructuring costs of a sales office in the United Kingdom.

#### *Other*

- €0.9 million (€0.7 million after tax) addition for past service costs to the (closed) Defined Benefit pension scheme in the United Kingdom, due to the High Court ruling on the equal pension rights for man and woman (GMP case).

The 2017 APM items comprise:

#### *Impairments*

- €1.9 million (€1.7 million after tax) impairment of a production location in the United Kingdom as a result of the supply chain optimisation.

#### *Business Combinations and Divestments*

- €0.3 million (€0.2 million after tax) net gain on the disposal of Adaptris (United Kingdom);
- €0.1 million (€0.1 million after tax) net gains on the disposal of property in the Netherlands;
- €0.1 million (€0.1 million after tax) as a result of the accrual of the contingent consideration of the acquisition of VleutenSteijn.

#### *Restructuring*

- €0.2 million (€0.1 million after tax) restructuring costs related to the introduction of a financial shared service center on the Continent.

## 28. Capital Management

ForFarmers' monitors capital using a ratio return on average capital employed (ROACE). This ratio is defined as the underlying EBIT(DA) to average capital employed (the 12-month average of the sum of equity and non-current liabilities adjusted for cash and cash equivalents, bank overdrafts, assets held for sale and interests in equity-accounted investees). The average capital employed for 2018 was €434.5 million (2017: €417.0 million) and the EBITDA ROACE was 23.0% (2017: 24.3%). This ratio is calculated for all clusters and increases the comparability of the clusters. The EBIT ROACE was 16.4% (2017: 18.2%).

### Funding

ForFarmers' long term target is to have a net debt to normalised EBITDA ratio of maximum 2.5. Normalised EBITDA is defined as agreed in the covenant guidelines of the bank facility, a reference is made to Note 29. ForFarmers' net debt to normalised EBITDA ratio at 31 December 2018 and 31 December 2017 was as follows:

In thousands of euro	Note	2018	2017
Loans and borrowings	29	55,503	44,536
Bank overdrafts	24	13,307	49,690
Less: cash and cash equivalents	24	-51,756	-161,297
<b>Net debt</b>		<b>17,054</b>	<b>-67,071</b>
Operating profit before depreciation, amortisation and impairment (EBITDA)		103,920	101,649
Adjustments as per financing agreement		7,137	142
<b>Normalised EBITDA</b>		<b>111,057</b>	<b>101,791</b>
Leverage ratio (net debt to normalised EBITDA ratio)		0.15	-0.66
Interest coverage ratio (operating profit to net financing interest expense on loans)		-70.96	-72.36

The long term target is lower than the ratios in the credit facility, see Note 29. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

### Share buy-back programme own shares

On 26 April 2017, the Annual General Meeting of Shareholders authorised ForFarmers to initiate a programme to repurchase its own shares for a period of 18 months. The total number of shares that has been repurchased based on the share buy-back programme is 6,062,222 shares (excluding shares for the share-based payment arrangements), for a total amount of €60.0 million, reference is made to Note 26A for more information.

## 29. Loans and borrowings

In thousands of euro	Note	31 December 2018	31 December 2017
Unsecured bank loans		39,083	44,429
Secured bank loans	29C	10,220	-
Finance lease liabilities		186	79
Loans from related parties		3,051	-
<b>Total non-current</b>		<b>52,540</b>	<b>44,508</b>
Unsecured bank loans		131	-
Secured bank loans	29C	2,432	-
Finance lease liabilities		400	28
<b>Total current</b>		<b>2,963</b>	<b>28</b>

The financing arrangement, concluded in 2014, has no short term repayment obligations as at 31 December 2018 (nor as per 31 December 2017). For information regarding the financing, please refer to the subsection 'multicurrency revolving facility agreement'.

Information about the Group's exposure to interest rate, foreign currency and liquidity risks is disclosed in Note 32.

### A. Terms and repayment schedule

The terms and conditions of outstanding loans are as follows:

In thousands of euro	Currency	Nominal interest rate %	Year of maturity	Face value 31 December 2018	Carrying amount 31 December 2018	Face value 31 December 2017	Carrying amount 31 December 2017
Unsecured bank loan (floating rate)	GBP	LIBOR + 0,7%	2020	39,456	39,214	45,086	44,429
Secured bank loan (floating rate)	PLN	WIBOR + 0,85% - 1,2%	2019 - 2027	12,286	12,285	-	-
Secured bank loan (floating rate)	EUR	EURIBOR + 1,6%	2019	367	367	-	-
Finance lease liabilities	GBP	4,2% - 7,9%	2019-2021	107	72	147	107
Finance lease liabilities	PLN	3,7% - 4,2%	2022	533	514	-	-
Loans from related parties	PLN	3,8%	2021	3,051	3,051	-	-
<b>Total interest-bearing liabilities</b>				<b>55,800</b>	<b>55,503</b>	<b>45,233</b>	<b>44,536</b>

### B. Unsecured bank loans

#### (i) Multicurrency revolving facility agreement

In 2014, the Group concluded a financing agreement (multicurrency revolving facility agreement) with ABN AMRO Bank, Rabobank, Lloyds Bank and BNP Paribas, that is free from securities. The agreement has a term up to 31 January 2020. The amount of the facility amounts to a maximum of €300 million, consisting of €200 million loan facility and €100 million bank overdraft facility, of which a total nominal amount of €35.0 million (39.1 million) (31 December 2017: £40.0 million (€44.4 million)) was used as at 31 December 2018. The applicable

interest is based on Euribor and/or Libor (depending on the currency in which the facility is drawn) plus a margin between 0.7% and 1.6%. The margin depends on the leverage ratio; on the basis of the 2018 ratio the said margin amounts to 0.7% (2017: 0.7%).

### *Covenant guidelines*

Existing guidelines for financial ratios:

- Leverage ratio, that is determined by net debt divided by normalised EBITDA. The leverage ratio shall not exceed 3.0; whereas in a maximum of three relevant but not consecutive periods during the duration of the agreement the leverage ratio is allowed to be between 3.0 and 3.5.
- Interest coverage ratio, that is determined by operating profit (EBIT) divided by net interest expense and shall not be between zero and 4.0.

Net debt means the total amount of all debts to credit institutions and other financial institutions (including financial lease commitments) less cash and cash equivalents.

EBITDA means operating profit (EBIT) after adding back amortisation and depreciation of assets.

Normalised EBITDA means, in respect of a relevant period, EBITDA for that relevant period:

- Including EBITDA of a business combination acquired during the relevant period for that part of the relevant period prior to its becoming a business combination;
- Excluding EBITDA attributable to any member of the Group (or to any business) disposed of during the relevant period prior to its disposal unless the purchase price in relation to such disposal has not yet been received during the relevant period, in which case EBITDA of the disposed member of the Group or business shall be included in normalised EBITDA provided that, in the event that the purchase price is partially (and not fully) received during the relevant period, EBITDA attributable to that member, calculated on a pro-rata basis, shall be included in normalised EBITDA.
- Including, at the indication of the Group, extraordinary costs incurred in the relevant period related to the integration of business combinations acquired in the relevant period, or the disentanglement after disposal of members of the Group provided that the aggregated amount of such costs does not exceed €25 million at any time during the life of the agreement, and €10 million in any financial year of the Group. In such event, the Group shall deliver a compliance certificate that specifies any such extraordinary costs.

Net interest expense means the net amount of financial income and expense less interest, commission, fees, discounts and other finance charges accrued in accordance with the applicable accounting standards during that relevant period.

As per 31 December 2018 the leverage ratio amounts positive and the interest coverage ratio amounts negative in accordance with the applicable accounting standards. As per 31 December 2017 the leverage ratio and interest coverage ratio amount both negative. Herewith ForFarmers fully complies with the terms and conditions of the covenants as per 31 December 2018 as well as per 31 December 2017.

### *(ii) Other unsecured loan facilities*

ForFarmers Thesing, Germany, has an unsecured financing agreement with Bremers Landesbank, with a maximum amount of €6 million. At the balance sheet date an amount of €1.8 million is used (31 December 2017: the facility is not used).

## **C. Secured bank loans**

The secured bank loans of €12.7 million relate to the entities Voeders Algoet (Belgium) and Tasomix (Poland), which are acquired in 2018. The following securities have been provide for these loans:

### *Voeders Algoet - ING Bank*

- Assignment of inventories.

### *Tasomix - Credit Agricole, PKO BP S.A.*

- Silent assignment of receivables for a total amount of €3.5 million (PLN 15 million).
- Mortgage on real estate of €20.9 million (PLN 89.7 million).
- Pledge on machinery, equipment and inventories.

## D. Finance lease liabilities

Finance lease liabilities are payable as follows:

In thousands of euro	31 December 2018			31 December 2017		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than 1 year	427	27	400	39	11	28
Between 1 and 5 years	213	27	186	108	29	79
More than 5 years	-	-	-	-	-	-
<b>Total</b>	<b>640</b>	<b>54</b>	<b>586</b>	<b>147</b>	<b>40</b>	<b>107</b>

The increase of the future lease payments has been caused by the acquisition of Tasomix (Poland).

## E. Reconciliation of movements of liabilities to cash flows arising from financing activities

In thousands of euro	Note	Other loans and borrowings	Finance lease liabilities	Reserves	Other reserves and retained earnings	Unapropriated result	Non-controlling interest	Total
<b>Balance at 1 January 2018</b>		<b>44,429</b>	<b>107</b>	<b>-5,747</b>	<b>207,781</b>	<b>58,554</b>	<b>4,629</b>	
<b>Changes from financing cash flows</b>								
Proceeds from purchase and sale of treasury shares		-	-	-6	-5,873	-	-	-5,879
Proceeds from sale of treasury shares relating to employee participation plan		-	-	-	1,503	-	-	1,503
Repurchase of treasury shares relating to employee participation plan		-	-	-	-2,192	-	-	-2,192
Payment of finance lease liabilities		-	-1,115	-	-	-	-	-1,115
Proceeds from borrowings		1,608	-	-	-	-	-	1,608
Redemption bank loan		-5,928	-	-	-	-	-	-5,928
Payments of settlement of derivatives		-	-	-	-81	-	-	-81
Dividend paid	26	-	-	-	-29,077	-	-400	-29,477
<b>Total changes from financing cash flows</b>		<b>-4,320</b>	<b>-1,115</b>	<b>-6</b>	<b>-35,720</b>	<b>-</b>	<b>-400</b>	<b>-41,561</b>
The effect of changes in foreign exchange rates		-120	30	-	-	-	-	-90
Changes in fair value		460	-	-	-	-	-	460
New finance lease liabilities		-	125	-	-	-	-	125
<b>Other changes / Liability related</b>								
Acquisition of subsidiary	6	14,468	1,439	-	-	-	-	15,907
<b>Total liability-related other changes</b>		<b>14,808</b>	<b>1,594</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,907</b>
Non cash settled dividend	26C	-	-	-	-976	-	-	-976
Total equity-related changes		-	-	-1,857	68,905	36	937	68,021
<b>Balance as at 31 December 2018</b>		<b>54,917</b>	<b>586</b>	<b>-7,610</b>	<b>239,990</b>	<b>58,590</b>	<b>5,166</b>	

In thousands of euro	Note	Other loans and borrowings	Finance lease liabilities	Reserves	Other reserves and retained earnings	Unapropriated result	Non-controlling interest	Total
<b>Balance at 1 January 2017</b>		<b>45,564</b>	<b>214</b>	<b>-3,583</b>	<b>229,816</b>	<b>53,260</b>	<b>4,880</b>	
<b>Changes from financing cash flows</b>								
Proceeds from purchase and sale of treasury shares		-	-	-54	-53,504	-	-	-53,558
Proceeds from sale of treasury shares relating to employee participation plan		-	-	-	2,335	-	-	2,335
Repurchase of treasury shares relating to employee participation plan		-	-	-	-3,151	-	-	-3,151
Payment of finance lease liabilities		-	-130	-	-	-	-	-130
Dividend paid		-	-	-	-24,672	-	-1,000	-25,672
<b>Total changes from financing cash flows</b>		<b>-</b>	<b>-130</b>	<b>-54</b>	<b>-78,992</b>	<b>-</b>	<b>-1,000</b>	<b>-80,176</b>
The effect of changes in foreign exchange rates		-1,628	-7	-	-	-	-	-1,635
Changes in fair value		493	-	-	-	-	-	493
<b>Other changes / Liability related</b>								
Acquisition of subsidiary	6	-	30	-	-	-	-	30
<b>Total liability-related other changes</b>		<b>-</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30</b>
Non cash settled dividend	26C	-	-	-	-1,044	-	-	-1,044
Total equity-related changes		-	-	-2,110	58,098	5,294	749	62,031
<b>Balance as at 31 December 2017</b>		<b>44,429</b>	<b>107</b>	<b>-5,747</b>	<b>207,878</b>	<b>58,554</b>	<b>4,629</b>	

## 30. Provisions

2018

In thousands of euro	Soil decontamination	Demolition costs	Restructuring	Onerous contracts	Other	Total
Balance at 1 January 2018	684	383	398	572	1,344	3,381
Acquisitions through business combinations	150	-	-	-	180	330
Provisions made during the year	32	39	227	1,137	297	1,732
Provisions released during the year	-88	-220	-134	-453	-213	-1,108
Provisions used during the year	-	-	-285	-597	-270	-1,152
Effect of discounting	6	3	-	2	8	19
Other movement	-	-	-	-	199	199
Translation difference	-	-	-2	-	-3	-5
<b>Balance as at 31 December 2018</b>	<b>784</b>	<b>205</b>	<b>204</b>	<b>661</b>	<b>1,542</b>	<b>3,396</b>
Non-current	784	129	-	-	1,111	2,024
Current	-	76	204	661	431	1,372
<b>Balance as at 31 December 2018</b>	<b>784</b>	<b>205</b>	<b>204</b>	<b>661</b>	<b>1,542</b>	<b>3,396</b>

2017

In thousands of euro	Soil decontamination	Demolition costs	Restructuring	Onerous contracts	Other	Total
Balance at 1 January 2017	791	371	1,518	583	2,082	5,345
Provisions made during the year	-	129	344	414	275	1,162
Provisions released during the year	-100	-	-46	-53	-41	-240
Provisions used during the year	-7	-117	-1,386	-380	-953	-2,843
Effect of discounting	-	-	-	8	-	8
Translation difference	-	-	-32	-	-19	-51
<b>Balance as at 31 December 2017</b>	<b>684</b>	<b>383</b>	<b>398</b>	<b>572</b>	<b>1,344</b>	<b>3,381</b>
Non-current	534	129	2	450	1,134	2,249
Current	150	254	396	122	210	1,132
<b>Balance as at 31 December 2017</b>	<b>684</b>	<b>383</b>	<b>398</b>	<b>572</b>	<b>1,344</b>	<b>3,381</b>

### A. Soil decontamination

The soil decontamination provision relates to the expected unavoidable costs of cleaning polluted sites. The Group conducts periodical assessments to ascertain whether sites have been polluted. At the moment pollution has been determined the unavoidable costs to clean the site are estimated and provided for. The increase in the provision relates to the acquisitions.

### B. Demolition costs

A provision for demolition costs was recognised in prior years resulting from the closure of a site in the Netherlands. Based on the estimated period during which the remaining provision will be utilised, it is classified as current. The non-current provision for demolition costs is recognized for assets in use and will be utilized at the end of the useful lifetime of these assets. The release is related to the re-opening of the Deventer site.

### C. Restructuring

During the year the restructuring provision for the financial shared service centers on the continent was used and the remaining part has been released. In 2018 a provision has been formed for the restructuring of a sales office in the United Kingdom.

### D. Onerous contracts

The release of the provision for onerous contracts relates to a rent agreement, which was declassified as onerous, following the decision to use the warehouse till the end of the rent contract. The additions to the provision mainly relate to a number of loss-making forward sales contracts due to price increases in raw materials.

### E. Other

The other provisions mainly relate to legal disputes and claims.

Furthermore, ForFarmers is involved in several cases, of which the Group considers the impact to be not material, highly unlikely to result in a financial impact, or is unable to reliably estimate the magnitude of a potential impact (see also Note 36 regarding contingencies).

## 31. Trade and other payables

		31 December 2018	31 December 2017
In thousands of euro			
Trade payables due to related parties	37	2,847	1,893
Other trade payables		160,280	109,927
Accrued expenses		87,669	88,814
<b>Trade payables</b>		<b>250,796</b>	<b>200,634</b>
Taxes (other than income taxes) and social securities		6,206	6,348
Contingent consideration	6	19,211	8,255
Derivatives	32A	461	-
Put option liability	6	32,279	-
<b>Other payables</b>		<b>58,157</b>	<b>14,603</b>
<b>Total</b>		<b>308,953</b>	<b>215,237</b>
Non-current		41,258	8,255
Current		267,695	206,982
<b>Total</b>		<b>308,953</b>	<b>215,237</b>

The increase in trade payables and other payables is mainly caused by acquisitions. The net effect of acquisitions and divestments amounts to €85.7 million.

The increase of the contingent consideration mainly relates to the acquisitions of Tasomix, Maatman, Van Gorp and Algoet. The put option liability relates to the acquisition of Tasomix and concerns a long-term liability which is discounted with a rate higher than 10%. For more information about the acquisitions refer to Note 6.

The accrued expenses are, amongst others, related to invoices to be received and accrued personnel expenses.

Information about the Group's exposure to relevant currency and liquidity risks is disclosed in Note 32C.



# Financial instruments

## 32. Financial instruments – Fair values and risk management

### A. Accounting classifications and fair values

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

31 December 2018

In thousands of euro	Note	Mandatory at FVTPL - others <sup>(1)</sup>	Fair value - hedging instruments	Carrying amount		Fair value			
				Amortized costs	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>									
Forward exchange contracts used for hedging (derivatives)	21	-	-	-	-	-	-	-	-
Fuel swaps used for hedging (derivatives)	21	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
<b>Financial assets not measured at fair value</b>									
Equity securities (other investments)	21	-	-	28	28	-	-	-	-
Trade and other receivables <sup>(2)</sup>	21	-	-	264,280	264,280	-	-	-	-
Cash and cash equivalents	24	-	-	51,756	51,756	-	-	-	-
		-	-	<b>316,064</b>	<b>316,064</b>	-	-	-	-
<b>Financial liabilities measured at fair value</b>									
Contingent consideration	31	-19,211	-	-	-19,211	-	-	-19,211	-19,211
Forward exchange contracts used for hedging (derivatives)	31	-	-36	-	-36	-	-36	-	-36
Fuel swaps used for hedging (derivatives)	31	-	-425	-	-425	-	-425	-	-425
Put option liability	31	-32,279	-	-	-32,279	-	-	-32,279	-32,279
		<b>-51,490</b>	<b>-461</b>	-	<b>-51,951</b>	-	<b>-461</b>	<b>-51,490</b>	<b>-51,951</b>
<b>Financial liabilities not measured at fair value</b>									
Bank overdrafts	24	-	-	-13,307	-13,307	-	-	-	-
Bank loans	29	-	-	-51,866	-51,866	-	-	-	-
Finance lease liabilities	29	-	-	-586	-586	-	-	-	-
Trade and other payables <sup>(3)</sup>	31	-	-	-267,695	-267,695	-	-	-	-
		-	-	<b>-333,454</b>	<b>-333,454</b>	-	-	-	-

(1) Fair value through profit and loss

(2) Excluding derivatives and other investments

(3) Excluding contingent consideration

31 December 2017

In thousands of euro	Note	Carrying amount					Fair value				
		Mandatory at FVTPL - others <sup>(1)</sup>	Fair value - hedging instruments	Held-to-maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>											
Forward exchange contracts used for hedging (derivatives)	21	-	-	-	-	-	-	-	-	-	-
Fuel swaps used for hedging (derivatives)	21	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
<b>Financial assets not measured at fair value</b>											
Equity securities (other investments)	21	-	-	28	-	-	28	-	-	-	-
Trade and other receivables <sup>(2)</sup>	21	-	-	-	217,440	-	217,440	-	-	-	-
Cash and cash equivalents	24	-	-	-	161,297	-	161,297	-	-	-	-
		-	-	28	378,737	-	378,765	-	-	-	-
<b>Financial liabilities measured at fair value</b>											
Contingent consideration	31	-8,255	-	-	-	-	-8,255	-	-	-8,255	-8,255
<b>Financial liabilities not measured at fair value</b>											
Bank overdrafts	24	-	-	-	-	-49,690	-49,690	-	-	-	-
Unsecured bank loans	29	-	-	-	-	-44,429	-44,429	-	-	-	-
Finance lease liabilities	29	-	-	-	-	-107	-107	-	-	-	-
Trade and other payables <sup>(3)</sup>	31	-	-	-	-	-206,982	-206,982	-	-	-	-
		-	-	-	-	-301,208	-301,208	-	-	-	-

(1) Fair value through profit and loss

(2) Excluding derivatives and other investments

(3) Excluding contingent consideration

## B. Measurement of fair values

### *Valuation techniques and significant unobservable inputs*

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used. Related valuation processes are described in Note 4.

#### Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs
Forward exchange contracts	Forward pricing: The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.	Not applicable.
Interest rate swaps and fuel swaps	The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivative financial instruments are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include swap models, using present value calculations.	Not applicable.
Contingent consideration	Discounted cash flows: The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast sales volume, the amount to be paid under each scenario and the probability of each scenario.	<ul style="list-style-type: none"> <li>• Forecast annual sales volume growth rate.</li> <li>• Forecast receipts gross trade receivables.</li> <li>• Risk-adjusted discount rate.</li> </ul> The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> <li>• the annual sales volume growth rate were higher (lower);</li> <li>• the receipts of the gross trade receivables vary positive (negative) from the standard payment terms; or</li> <li>• the risk-adjusted discount rate were lower (higher).</li> </ul>

#### Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Equity securities (non-current)	For investments in equity instruments that do not have a quoted market price in an active market for an identical instrument (i.e. a Level 1 input) disclosures of fair value are not required.	Not applicable.
Loans and receivables (non-current)	Discounted cash flows.	Not applicable.
Cash, trade and other receivables and other financial liabilities (current)	Given the short term of these instruments, the carrying value is close to the market value.	Not applicable.
Other financial liabilities (non-current)	Discounted cash flows. The fair value of the long-term debts is equal to the carrying value as floating market-based interest rates are applicable consistent with the financing agreement.	Not applicable.

## C. Financial risk management

### (i) Risk management framework

The Executive Committee has overall responsibility for overseeing of the Group's risk management framework. The Executive Committee has established a Risk Advisory Board, which is responsible for developing and monitoring the Group's risk management policies. The Risk Advisory Board reports regularly to the Executive Committee, the Audit Committee and the Supervisory Board on its activities. The Group considers the acceptance of risks and the recognition of opportunities as an inherent part of realising its strategic objectives. Risk management contributes to the realisation of the strategic objectives and provides for compliance with corporate governance requirements. Through an active monitoring of risk management, the Group aims to create a high level of awareness in terms of risk control. The set-up and coordination of risk management takes place from the team Corporate Governance & Compliance.

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

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

### (ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and from investments in debt instruments.

The carrying amount of financial assets represents the maximum credit exposure.

### *Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the default risk of the industry and/or country in which customers operate. Further details of concentration of revenue are included in Note 5 and 8.

The Group trades with creditworthy parties and has set up procedures to determine the creditworthiness. In addition, the Group has prepared directives to limit the scope of the credit risk at each party. Moreover, the Group continuously monitors its receivables and the Group applies a strict credit procedure. In accordance with this policy, customers are categorised, and depending on their credit profile the following risk-mitigating measures are taken:

- payment according to the payment terms per country;
- payment in advance, immediate payment upon receipt of the goods or provision of collateral;
- hedging by means of credit letters and bank guarantees;
- insurance of credit risk.

Receivables, that will be due after one year, are largely interest-bearing and mainly include loans to customers for which, if possible, securities were provided in the form of feed equivalents, participation accounts and real estate.

As a consequence of the distribution over geographic areas and product groups a significant concentration of credit risk in the trade receivables does not arise (no single customer is in 2018 individual responsible for more than 2.7% (2017: 2.6%) of the turnover). For a further explanation of the trade and other receivables reference is made to Note 21.

At 31 December 2018, the allowance for impairment in relation to trade and other receivables was as follows:

In thousands of euro	31 December 2018	31 December 2017
Gross trade and other receivables	281,217	235,279
Allowance for impairment in respect of trade and other receivables	-16,909	-17,811
<b>Total</b>	<b>264,308</b>	<b>217,468</b>
Non-Current (including loans)	13,690	9,298
Current	250,618	208,170
<b>Total</b>	<b>264,308</b>	<b>217,468</b>

At 31 December 2018, the ageing of trade and other receivables was as follows:

In thousands of euro	Not impaired accounts	Impaired accounts	Total
Not due	216,614	12,066	228,680
Past due < 30 days	24,682	2,475	27,157
Past due 31 - 60 days	4,764	2,583	7,347
Past due 61 - 90 days	2,140	1,432	3,572
Past due > 90 days	3,410	11,051	14,461
<b>Gross amount</b>	<b>251,610</b>	<b>29,607</b>	<b>281,217</b>
Impairment		-16,909	-16,909
<b>Total</b>	<b>251,610</b>	<b>12,698</b>	<b>264,308</b>
Overdue receivables	13.9%	59.2%	18.7%

The percentage overdue receivables increased due to the overdues at the acquired entities.

At 31 December 2017, the ageing of trade and other receivables was as follows:

In thousands of euro	Not impaired accounts	Impaired accounts	Total
Not due	188,010	12,188	200,198
Past due < 30 days	16,254	2,391	18,645
Past due 31 - 60 days	2,415	705	3,120
Past due 61 - 90 days	255	471	726
Past due > 90 days	3,797	8,793	12,590
<b>Gross amount</b>	<b>210,731</b>	<b>24,548</b>	<b>235,279</b>
Impairment		-17,811	-17,811
<b>Total</b>	<b>210,731</b>	<b>6,737</b>	<b>217,468</b>
Overdue receivables	10.8%	50.4%	14.9%

The impaired accounts consist of trade and other receivables for which an impairment is applied. The Executive Committee believes that the unimpaired amounts are still collectible in full, based on historic payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available.

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

In thousands of euro	2018	2017
Balance at 1 January	17,811	22,149
Write-offs during the year	-2,649	-2,455
Releases during the year	-3,620	-4,002
Addition during the year	5,368	2,181
Translation difference	-1	-62
<b>Balance as at 31 December</b>	<b>16,909</b>	<b>17,811</b>
Non-current	4,862	5,287
Current	12,047	12,524
<b>Balance as at 31 December</b>	<b>16,909</b>	<b>17,811</b>

The net release in the statement of profit or loss amounts to €1,050 thousand (2017: €1,821 thousand), while the balance of added and released amounts during the year is a net addition of €1,748 thousand (2017: net release of €1,821 thousand). The difference of €2,798 thousand (2017: nil) is caused by the acquisition effect.

#### Cash and cash equivalents

Cash and cash equivalents are kept by first-class international banks, i.e. banks with at least a credit classification of A-. Derivatives are only traded with financial institutions with a high credit rating, AA- to AA+.

#### Guarantees

In principal, the Group's policy is to not provide financial guarantees except for some of its Dutch subsidiaries and guarantees to suppliers of the mill in Pionki (Poland). Refer to Note 36 on commitments and contingencies.

### (iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Furthermore the Group has financing agreements to mitigate the liquidity risk, for more information see Note 29.

#### Exposure to liquidity risk

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

### 31 December 2018 Non-derivative financial liabilities

In thousands of euro	Note	Carrying amount	Total	Contractual cash flows			
				< 1 year	1 - 2 years	2 - 5 years	> 5 years
Contingent consideration	6, 31	19,211	21,650	10,218	1,550	9,882	-
Put option liability	6, 31	32,280	67,820	-	-	-	67,820
Bank overdrafts	24	13,307	13,307	13,307	-	-	-
Bank loans	29	51,866	52,108	2,563	40,652	5,736	3,157
Finance lease liabilities	29	586	640	427	136	77	-
Trade payables and other payables <sup>1</sup>	31	254,155	254,155	254,155	-	-	-
		<b>371,405</b>	<b>409,680</b>	<b>280,670</b>	<b>42,338</b>	<b>15,695</b>	<b>70,977</b>

(1) Excluding related parties, contingent consideration and the put option liability

The Company has the availability of cash and cash equivalents at 31 December 2018 amounting to €51,756 thousand.

### 31 December 2017 Non-derivative financial liabilities

In thousands of euro	Note	Carrying amount	Total	Contractual cash flows			
				< 1 year	1 - 2 years	2 - 5 years	> 5 years
Contingent consideration	6, 31	8,255	8,407	-	8,407	-	-
Bank overdrafts	24	49,690	49,690	49,690	-	-	-
Bank loans	29	44,429	45,086	-	-	45,086	-
Finance lease liabilities	29	107	147	39	52	56	-
Trade payables and other payables <sup>1</sup>	31	205,089	205,089	205,089	-	-	-
		<b>307,570</b>	<b>308,419</b>	<b>254,818</b>	<b>8,459</b>	<b>45,142</b>	-

(1) Excluding related parties and contingent consideration

The Company has the availability of cash and cash equivalents at 31 December 2017 amounting to €161,297 thousand.

As disclosed in Note 28, the Group has an unsecured bank loan that contains a loan covenant. A future breach of covenant may require the Group to repay the loan earlier than indicated in the above table. Under the agreement, the covenant is monitored on a regular basis by the treasury department and regularly reported to the Executive Committee to ensure compliance with the agreement. The covenants have been met as per the end of the year, refer to Note 29.

The interest payments on variable interest rate loans in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. The future cash flows on loans and borrowings from financial institutions may be different from the amount in the above table as interest rates and exchange rates or the relevant conditions in the obligations change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

#### (iv) Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Group companies. The subsidiaries' functional currencies are the euro (€), pound sterling (£) and Polish zloty (PLN). Most of their transactions, and resulting balance occur in their local and functional currency.

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily euro, but also pound sterling and Polish zloty.

Interest on borrowings is denominated in the currency of the borrowing. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

The Group's sales and purchase transactions are conducted in the functional currencies of the respective entity, therefore on the forecasted sales and purchase transactions the Group is not exposed to foreign currency risks.

The Group has forward currency contracts to hedge foreign currency exposure at 31 December 2018 (31 December 2017: no forward currency contracts to hedge foreign currency exposure).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is managed within the agreed limits per business unit.

#### Exposure to currency risk

The summary of quantitative data about the Group's financial assets and liabilities denominated in foreign currencies is as follows:

In thousands	31 December 2018			31 December 2017	
	€	£	zł	€	£
Trade and other receivables	136,670	86,785	131,700	130,320	77,318
Cash and cash equivalents less bank overdrafts	25,369	10,099	-3,329	133,270	-19,219
Unsecured bank loans	-160	-34,973	-566	-	-40,000
Secured bank loans	-367	-	-52,845	-	-
Finance lease liabilities	-361	-64	-2,211	-	-95
Trade and other payables	-184,166	-68,711	-206,344	-155,587	-52,720
<b>Net statement of financial position exposure</b>	<b>-23,015</b>	<b>-6,864</b>	<b>-133,595</b>	<b>108,003</b>	<b>-34,716</b>

Net financial position in pound sterling and zloty is used to finance assets in pound sterling and zloty.

The following significant exchange rates have been applied during the year:

1€=	Average rate		Rate as at		
	2018	2017	31 December 2018	31 December 2017	31 december 2016
€	0.8847	0.8767	0.8945	0.8872	0.8562
zł	4.3013		4.3014		

### Sensitivity analysis

No financial instruments in the consolidated financial statements are individually exposed to foreign currency risk. As such no sensitivity analyses is disclosed.

### Interest rate risk

The Group tests the interest rate risk on potential financial impact. When the impact is not acceptable, the risk exposure is eliminated by fixing the rate. This is achieved partly by entering into fixed-rate instruments, and partly by borrowing at a float rate and if considered necessary using interest rate swaps as hedges against fluctuations interest levels.

### Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

In thousands of euro	Carrying amount	
	31 December 2018	31 December 2017
<b>Fixed-rate instruments</b>		
Financial assets	13,662	9,270
<b>Variable rate instruments</b>		
Financial liabilities	51,866	44,429

The financial assets relate to loans to customers, employees and other non-current receivables.

The financial liabilities relate to loans payable which mainly have the purpose of financing the non-current assets.

### Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss.

### Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Except for tax effects, the impact on equity is considered equal to the impact on profit and loss as no variable-rate financial instruments impact equity directly.

In thousands of euro	Profit or loss before tax		Equity	
	50 basis points increase	50 basis points decrease	50 basis points increase	50 basis points decrease
<b>31 December 2018</b>				
Variable-rate instruments	-247	247	-196	196
<b>31 December 2017</b>				
Variable-rate instruments	-224	224	-176	176

### Commodity price risk

The major part of ForFarmers' cost of sales consists of raw materials. The raw materials markets are volatile due to uncertain weather conditions, yield expectations, depletion of natural resources, fluctuations in demand and growing prosperity. The increased volatility inherently increases the risks related to raw material purchasing and hence the importance of risk management. The purchasing risk management policy is based on the risk appetite of the Group and is continuously monitored.

Part of the costs of the Group consist of energy and fuel costs. Changes in these prices affect the costs of production and transport of products of the Group. Higher costs may not in all instances be passed on in the sales prices, which may affect the result negatively. In the past years the prices of fuel and energy have been relatively volatile. For the purchasing of energy, the Group established a purchasing policy. Part of this policy is to, where necessary, hedge price risks via financial instruments and commodity agreements. The enforcement of this purchasing policy is monitored. The developments on the markets for energy and fuels are followed closely.



During 2018 the Group has entered into derivatives to hedge the risks associated with changes in fuel prices. With respect to these cash flow hedges, maturities relate to realisation dates of hedged items and therefore cash flow hedge accounting is applied. Amounts of fair value presented in equity are recycled in the statement of profit or loss at realisation dates of hedged items.

The contractual maturities of these derivatives are expired at different moments in 2019, with the corresponding cash settlement also taking place during different moments in 2019.

#### D. Derivative assets and liabilities designated as cash flow hedges

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur and the carrying amounts of the related hedging instruments.

In thousands of euro	2018	Expected cash flows				2017	Expected cash flows			
	Carrying amount	Total	1-6 months	6-12 months	More than one year	Carrying amount	Total	1-6 months	6-12 months	More than one year
Forward exchange contracts used for hedging										
Assets	-	-	-	-	-	-	-	-	-	-
Liabilities	-36	-36	-36	-	-	-	-	-	-	-
Fuel swaps used for hedging										
Assets	-	-	-	-	-	-	-	-	-	-
Liabilities	-425	-425	-266	-159	-	-	-	-	-	-
	<b>-461</b>	<b>-461</b>	<b>-302</b>	<b>-159</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to impact profit or loss and the carrying amounts of the related hedging instruments.

In thousands of euro	2018	Expected impact				2017	Expected impact			
	Carrying amount	Total	1-6 months	6-12 months	More than one year	Carrying amount	Total	1-6 months	6-12 months	More than one year
Forward exchange contracts used for hedging										
Assets	-	-	-	-	-	-	-	-	-	-
Liabilities	-36	-36	-36	-	-	-	-	-	-	-
Fuel swaps used for hedging										
Assets	-	-	-	-	-	-	-	-	-	-
Liabilities	-425	-425	-266	-159	-	-	-	-	-	-
	<b>-461</b>	<b>-461</b>	<b>-302</b>	<b>-159</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Group composition

## 33. List of main subsidiaries

Set out below is the list of main subsidiaries and joint venture of the Group:

### List of main subsidiaries

Subsidiaries	Registered office	Interest <sup>(1)</sup>
<b>The Netherlands</b>		
ForFarmers Nederland B.V.	Lochem	100%
FF Logistics B.V.	Lochem	100%
PoultryPlus B.V.	Lochem	100%
Reudink B.V.	Lochem	100%
Stimulan B.V.	Lochem	100%
ForFarmers Corporate Services B.V.	Lochem	100%
Vleutensteijnvoerders B.V.	Eindhoven	100%
Van Gorp Biologische Voeders B.V.	Schalkwijk	100%
ForFarmers Poland B.V.	Lochem	100%
<b>Germany</b>		
ForFarmers GmbH	Vechta-Langförden	100%
ForFarmers Langförden GmbH	Vechta-Langförden	100%
ForFarmers BM GmbH	Rapshagen	100%
ForFarmers Hamburg GmbH & Co. KG <sup>(2)</sup>	Vechta-Langförden	100%
ForFarmers Thesing Mischfutter GmbH & Co. KG <sup>(2)</sup>	Rees	60%
ForFarmers Beelitz GmbH	Beelitz	100%
Pavo Pferdenahrung GmbH	Goch	100%
<b>Belgium</b>		
ForFarmers Belgium B.V.B.A.	Ingelmunster	100%
Voeders Algoet N.V.	Zulte	100%
<b>Poland</b>		
Tasomix Sp. z o.o. <sup>(4)</sup>	Biskupice Otoboczne	60%
Tasomix Pasze Sp. z o.o. <sup>(4)</sup>	Pionki	60%
<b>United Kingdom</b>		
ForFarmers UK Holdings Ltd.	Ipswich (Suffolk)	100%
ForFarmers UK Ltd.	Ipswich (Suffolk)	100%
<b>Joint venture</b>		
HaBeMa Futtermittel GmbH & Co. KG Produktions- und Umschlagsgesellschaft <sup>(3)</sup>	Hamburg	50%

<sup>(1)</sup> Participating interests as per 31 December 2018

<sup>(2)</sup> The subsidiaries ForFarmers Hamburg GmbH & Co. KG and ForFarmers Thesing Mischfutter GmbH & Co. KG make use of the exemption under § 264b of the German Commercial Code

<sup>(3)</sup> Equity accounted investee, see Note 20

<sup>(4)</sup> Is consolidated for 100% because at any time the remaining 40% can be purchased at the specified conditions

## 34. Non-controlling interests

The following table summarises the information relating to each of the Group's subsidiaries that have material non-controlling interests (NCIs), before any intra-group eliminations.

31 December 2018

	ForFarmers Thesing Mischfutter GmbH 40%	ForFarmers Thesing Mischfutter GmbH & Co KG 40%	Total
Percentage non-controlling interest			
In thousands of euro			
<b>Non-current assets</b>	<b>174</b>	<b>2,723</b>	<b>2,897</b>
Cash and cash equivalents	5	1,465	1,470
Other current assets	41	14,955	14,996
<b>Current assets</b>	<b>46</b>	<b>16,420</b>	<b>16,466</b>
Loans and borrowings	-	-	-
Other non-current liabilities	-	-129	-129
<b>Non-current liabilities</b>	<b>-</b>	<b>-129</b>	<b>-129</b>
Loans and borrowings	-	-	-
Other current liabilities	-9	-6,313	-6,322
<b>Current liabilities</b>	<b>-9</b>	<b>-6,313</b>	<b>-6,322</b>
<b>Net assets</b>	<b>211</b>	<b>12,701</b>	<b>12,912</b>
<b>Carrying amount of NCI</b>	<b>84</b>	<b>5,082</b>	<b>5,166</b>
Revenue	-	70,119	70,119
Profit attributable to shareholders of the Company	-2	1,601	1,599
OCI	-	-	-
<b>Total comprehensive income</b>	<b>-2</b>	<b>1,601</b>	<b>1,599</b>
Profit allocated to NCI	-1	641	640
OCI allocated to NCI	-	-	-

2018

	ForFarmers Thesing Mischfutter GmbH	ForFarmers Thesing Mischfutter GmbH & Co KG	Total
In thousands of euro			
Cash flows from operating activities	-	-2,992	-2,992
Cash flows from investing activities	-	-230	-230
Cash flows from financing activities	-	-1,000	-1,000
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-</b>	<b>-4,222</b>	<b>-4,222</b>

The change in cash flows from operating activities compared to previous year is driven by changes in the working capital.

31 December 2017

	ForFarmers Thesing Mischfutter GmbH	ForFarmers Thesing Mischfutter GmbH & Co KG	Total
Percentage non-controlling interest	40%	40%	
In thousands of euro			
<b>Non-current assets</b>	<b>172</b>	<b>3,247</b>	<b>3,419</b>
Cash and cash equivalents	5	5,687	5,692
Other current assets	41	11,312	11,353
<b>Current assets</b>	<b>46</b>	<b>16,999</b>	<b>17,045</b>
Loans and borrowings	-	-4,296	-4,296
Other non-current liabilities	-	-134	-134
<b>Non-current liabilities</b>	<b>-</b>	<b>-4,430</b>	<b>-4,430</b>
Loans and borrowings	-	-	-
Other current liabilities	-5	-4,457	-4,462
<b>Current liabilities</b>	<b>-5</b>	<b>-4,457</b>	<b>-4,462</b>
<b>Net assets</b>	<b>213</b>	<b>11,359</b>	<b>11,572</b>
<b>Carrying amount of NCI</b>	<b>85</b>	<b>4,544</b>	<b>4,629</b>
Revenue	17	66,773	66,790
Profit attributable to shareholders of the Company	15	1,857	1,872
OCI	-	-	-
<b>Total comprehensive income</b>	<b>15</b>	<b>1,857</b>	<b>1,872</b>
Profit allocated to NCI	6	743	749
OCI allocated to NCI	-	-	-

2017

	ForFarmers Thesing Mischfutter GmbH	ForFarmers Thesing Mischfutter GmbH & Co KG	Total
In thousands of euro			
Cash flows from operating activities	-	7,201	7,201
Cash flows from investing activities	-	-280	-280
Cash flows from financing activities	-	-2,500	-2,500
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-</b>	<b>4,421</b>	<b>4,421</b>

# Other disclosures

## 35. Operating leases

### Leases as lessee

The Group has entered into operating leases on certain land and buildings, machinery and installations, cars and other transportation vehicles.

The Group has the option, under some of its leases, to lease the assets for additional periods. In these cases, the conditions of the contract are renegotiated at the end of the initial contract term. Furthermore, for certain contracts the lease payments increase periodically based on market terms.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

In thousands of euro	31 December 2018	31 December 2017
Less than 1 year	5,866	5,398
Between 1 and 5 years	10,152	6,067
More than 5 years	17,088	4,795
<b>Total</b>	<b>33,106</b>	<b>16,260</b>

The total future minimum rentals payable under noncancellable operating leases increased to €33.1 million (31 December 2017: €16.3 million). The increase is mainly due to increases in lease payments and extensions of rent periods of factory locations in the United Kingdom and Germany. The net effect of acquisitions and divestments is limited.

For the lease payments an amount of €8,068 thousand was recognised in 2018 (2017: €8,279 thousand) in profit or loss as part of the other operating expenses. The decrease of the lease payments has been caused by assets that were leased in the past and which are currently being purchased by the Company. This mainly concerns vehicles. The decrease is partly off set by the increase in lease payments.

## 36. Commitments and contingencies

### General

The Company and its group companies are or may become party to various claims, legal and/or administrative proceedings and investigations in the ordinary course of business or otherwise (e.g. commercial transactions, product liability, health & safety and environmental pollution). Since the outcome of asserted claims and proceedings (potential or actual), or the impact of any claims or investigations that may arise in the future, cannot be predicted with certainty, the Group's financial position and results of operations could be affected materially by the outcomes.

### Purchase commitments

The purchase commitments of the Group are as follows:

#### 31 December 2018

In thousands of euro	< 1 year	1 - 5 years	> 5 years	Total
Purchase commitments raw materials	609,175	2,029	-	611,204
Purchase commitments energy (gas/electricity)	-	-	-	-
Purchase commitments property, plant and equipment	6,584	-	-	6,584
Purchase commitments other	3,455	261	-	3,716
<b>Total</b>	<b>619,214</b>	<b>2,290</b>	<b>-</b>	<b>621,504</b>

## 31 December 2017

In thousands of euro	< 1 year	1 - 5 years	> 5 years	Total
Purchase commitments raw materials	495,566	622	-	496,188
Purchase commitments energy (gas/electricity)	-	-	-	-
Purchase commitments property, plant and equipment	4,971	-	-	4,971
Purchase commitments other	2,505	-	-	2,505
<b>Total</b>	<b>503,042</b>	<b>622</b>	<b>-</b>	<b>503,664</b>

The purchase commitments of raw materials are partly relating to existing sales contracts and the other purchase commitments mainly relate to IT licenses. The increase compared to 2017 is mainly due to the acquisitions.

A declaration of guarantee based on article 2:403 of the Dutch Civil Code has been issued by ForFarmers N.V. for the benefit of ForFarmers Nederland B.V., ForFarmers Corporate Services B.V., PoultryPlus B.V. and Reudink B.V.

For the acquisition of BOCM PAULS Ltd. (United Kingdom), guarantees have been issued amounting to €45 thousand (2017: €0.1 million).

For the credit facilities reference is made to Note 29.

## 37. Related parties

Beside the subsidiaries that operate within the Group (refer to the overview "List of main subsidiaries", Note 33) and the BOCM PAULS Ltd. (United Kingdom) and HST Feeds Ltd. (United Kingdom) Pension Schemes (see Note 15A), the Group has additional related parties and transactions, which are disclosed hereafter. The related party transactions that occurred in 2018 and 2017 were done at arm's length. Outstanding balances at the year-end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables. Furthermore, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2017: nil).

## A. Stichting Beheer- en Administratiekantoor ForFarmers and Coöperatie FromFarmers U.A.

Stichting Beheer- en Administratiekantoor ForFarmers (until 23 May 2016 named Stichting Administratiekantoor ForFarmers) (hereinafter: 'Stichting Beheer') holds 6.9% (31 December 2017: 7.7%) of the shares in ForFarmers N.V. as per 31 December 2018 and has issued depositary receipts in exchange for these shares. Coöperatie FromFarmers U.A. (hereinafter: de coöperatie) has a direct stake of 17.4% (2017: 17.4%), and an indirect stake of 28.4% (2017: 31.8%) of the ordinary shares of ForFarmers, and one priority share as per the aforementioned date. Depositary receipts are held by members of the Coöperatie, employees of ForFarmers or others. Members of the Coöperatie and employees of ForFarmers who own depositary receipts have the right to request their voting rights from Stichting Beheer.

Other depositary receipt holders cannot request voting rights. Stichting Beheer and the Coöperatie are related parties. Between the Coöperatie and a number of the members of the Coöperatie on one hand and the Group on the other hand, transactions (i.e. supply of goods and services) take place on a regular basis.

The following table provides the total amount of transactions that have been entered into with ForFarmers N.V. and its group companies.

In thousands of euro	2018	2017
Interest income	4	-
Interest expenses	4	-
Receivable from	66	3,297
Payable to	-	-

The receivable from the Cooperative in 2017 mainly related to positions arising from VAT, since the Cooperative is the head of the tax group for VAT purposes. As of 1 January 2018 Coöperatie FromFarmers U.A. is no longer part of the VAT tax group and ForFarmers N.V. is the head of the VAT tax group (see Note 16F).

## B. Executive Committee

In the financial year remuneration for the Executive Committee including pension expenses that were charged to the Company and its subsidiaries amounts of €5.2 million (2017: €6.3 million), which can be broken down as follows:

2018

In thousands of euro	Short-term employee benefits			Long-term employee benefits			Total
	Salary costs <sup>(1)</sup>	Performance bonus (short-term) <sup>(2)</sup>	Other compensation <sup>(3)</sup>	Post-employment benefits	Performance bonus (long-term) <sup>(4)</sup>	Participation plan <sup>(5)</sup>	
<b>Executive Board</b>							
Y.M. Knoop	546	248	47	107	258	83	1,289
A.E. Traas	386	113	65	13	133	14	724
J.N. Potijk	402	99	77	13	139	40	771
Executive Committee members	1,254	351	218	144	586	101	2,654
<b>Total</b>	<b>2,588</b>	<b>811</b>	<b>407</b>	<b>278</b>	<b>1,116</b>	<b>238</b>	<b>5,438</b>

(1) Including employer contributions social securities

(2) The performance bonus (short-term) relates to the performance in the year reported and is to be paid in the subsequent year.

(3) Other compensation mainly includes use of company cars, expenses, pension compensation own arrangement and any accrual for termination of the agreement of assignment.

(4) The performance bonus (long-term) concerns the proportional part of the costs recognised during the vesting period of three years in which specified performance targets are to be met. After the third year, the final bonus amount will be determined and paid.

(5) The employee participation plan concerns the costs charged during the vesting period relating to the discount on the conditionally issued depositary receipts and does not reflect the value of vested depositary receipts already in possession of the members of the Executive Board.

2017

In thousands of euro	Short-term employee benefits			Long-term employee benefits			Total
	Salary costs <sup>(1)</sup>	Performance bonus (short-term) <sup>(2)</sup>	Other compensation <sup>(3)</sup>	Post-employment benefits	Performance bonus (long-term) <sup>(4)</sup>	Participation plan <sup>(5)</sup>	
<b>Executive Board</b>							
Y.M. Knoop	461	406	48	90	309	71	1,385
A.E. Traas	378	172	64	15	163	22	814
J.N. Potijk	394	178	70	15	165	33	855
Executive Committee members	1,285	470	884	29	480	89	3,237
<b>Total</b>	<b>2,518</b>	<b>1,226</b>	<b>1,066</b>	<b>149</b>	<b>1,117</b>	<b>215</b>	<b>6,291</b>

(1) Including employer contributions social securities

(2) The performance bonus (short-term) relates to the performance in the year reported and is to be paid in the subsequent year.

(3) Other compensation mainly includes use of company cars, expenses, pension compensation own arrangement and any accrual for termination of the agreement of assignment.

(4) The performance bonus (long-term) concerns the proportional part of the costs recognised during the vesting period of three years in which specified performance targets are to be met. After the third year, the final bonus amount will be determined and paid.

(5) The employee participation plan concerns the costs charged during the vesting period relating to the discount on the conditionally issued depositary receipts and does not reflect the value of vested depositary receipts already in possession of the members of the Executive Board.

The following table includes the ownership of the (depository receipts for) shares at year end.

In numbers	(Depository receipts of) shares	
	2018	2017
Y.M. Knoop	304,542	284,001
A.E. Traas	109,329	109,329
J.N. Potijk	622,558	602,593
Non statutory board members	98,379	178,501
<b>Total</b>	<b>1,134,808</b>	<b>1,174,424</b>

### C. Supervisory board

In the financial year remuneration for members of the Supervisory Board, and former members of the Supervisory Board within the meaning of section 383 sub 1 of Book 2 of the Dutch Civil Code were charged to the Company and its subsidiaries for an amount of €339 thousand (2017: €338 thousand), which can be broken down as follows:

#### 2018

In thousands of euro	Attendance fee	Commission fee	Other compensation <sup>(1)</sup>	Total
<b>Supervisory Board</b>				
J.W. Eggink <sup>(2)</sup>	20.0	0.0	0.4	20.4
C. de Jong <sup>(3)</sup>	54.5	9.0	0.5	64.0
J.W. Addink-Berendsen	46.0	13.0	1.2	60.2
R.H.A. Gerritzen <sup>(4)</sup>	29.2	3.5	0.3	33.0
V.A.M. Hulshof	43.0	6.0	0.5	49.5
C.J.M. van Rijn	43.0	14.5	3.2	60.7
W.M. Wunnekink	43.0	7.5	1.1	51.6
<b>Total</b>	<b>278.7</b>	<b>53.5</b>	<b>7.2</b>	<b>339.4</b>

<sup>(1)</sup> Relates to reimbursement for travel and fixed expenses

<sup>(2)</sup> Resigned per 26 April 2018

<sup>(3)</sup> As from 26 April 2018 chairman of the board.

<sup>(4)</sup> Appointed per 26 April 2018

#### 2017

In thousands of euro	Attendance fee	Commission fee	Other compensation <sup>(1)</sup>	Total
<b>Supervisory Board</b>				
J.W. Eggink	60.0	2.5	2.6	65.1
J.W. Addink-Berendsen	45.0	10.0	1.5	56.5
V.A.M. Hulshof	43.0	4.0	1.3	48.3
C. de Jong <sup>(2)</sup>	28.7	4.0	2.2	34.9
H. Mulder <sup>(3)</sup>	15.3	2.0	3.7	21.0
C.J.M. van Rijn	43.0	14.5	3.3	60.8
W.M. Wunnekink	43.0	7.0	1.0	51.0
<b>Total</b>	<b>278.0</b>	<b>44.0</b>	<b>15.5</b>	<b>337.5</b>

<sup>(1)</sup> Including social security contributions

<sup>(2)</sup> Appointed per 26 April 2017

<sup>(3)</sup> Resigned per 26 April 2017

In the regular course of business the Group enters into sales transactions with members of the Supervisory Board. The related party transactions were carried out at arm's length.

The following table provides the total amount of transactions with affiliated entities of the members of the Supervisory Board.

In thousands of euro	2018	2017
Sales to	465	525
Purchases from	703	497

The following table provides the total balances of receivables from and payables to the members of the Supervisory Board.

In thousands of euro	31 December 2018	31 December 2017
Amounts owed by	36	26
Amounts owed to	-	-

The following table includes the ownership of the (depository receipts of) shares and the number of participation accounts issued by the cooperative and which can be converted into depository receipts.



## 2018

	Depository receipts/ shares	Participation accounts <sup>(1)</sup>	Total
C. de Jong	-	-	-
J.W. Addink-Berendsen	9,640	12,294	21,934
R.H.A. Gerritzen	-	-	-
V.A.M. Hulshof	-	8,640	8,640
C.J.M. van Rijn	-	-	-
W.M. Wunnekink	-	-	-
<b>Total</b>	<b>9,640</b>	<b>20,934</b>	<b>30,574</b>

*(1) The balance on the participation account can be converted into depository receipts or shares of ForFarmers N.V.*

## 2017

	Depository receipts/ shares	Participation accounts <sup>(1)</sup>	Total
J.W. Eggink	7,179	12,799	19,978
J.W. Addink-Berendsen	9,640	12,294	21,934
V.A.M. Hulshof	-	8,640	8,640
C. de Jong	-	-	-
C.J.M. van Rijn	-	-	-
W.M. Wunnekink	-	-	-
<b>Total</b>	<b>16,819</b>	<b>33,733</b>	<b>50,552</b>

*(1) The balance on the participation account can be converted into depository receipts or shares of ForFarmers N.V.*

The members of Supervisory Board did not experience any impediment in the performance of their duties during the past year as a result of transactions that they conducted.

Followed by the appointment of Mr. C. de Jong as member of the Supervisory Board, Chr. Hansen Holding A/S including the activities of its subsidiaries (hereafter mentioned together as: Chr. Hansen), is a related party of the Group as from 26 April 2017 till 1 June 2018, since Mr. C. de Jong was holding the position of CEO till 1 June 2018 at this company. The Group has, as of 31 December 2018, no contractual obligations with Chr. Hansen (2017: idem) and has bought goods for an amount of €0.7 million in the period from 1 Januari 2018 to 1 June 2018 (2017: €0.5 million in the period from 26 April 2017 to 31 December 2017). The related party transactions were carried out at arm's length.

### D. Executive Committee Coöperatie FromFarmers U.A.

In the regular course of business the Group enters into sales transactions with members of the executive Committee Coöperatie FromFarmers U.A. The related party transactions were carried out at arm's length.

The following table provides the total amount of transactions.

In thousands of euro	2018	2017
Sales to	1,612	805
Purchases from	-	-

The following table provides the total balances of receivables from and payables to the members of the executive Committee Coöperatie FromFarmers U.A.

In thousands of euro	31 December 2018	31 December 2017
Amounts owed by	20	33
Amounts owed to	-	-

The transactions with, the receivables from and payables to the members of the executive Committee of the Coöperatie FromFarmers U.A. include the transactions with and position to the members who are part of the Supervisory Board of ForFarmers N.V.

### E. Joint venture

The following table provides the total amount of transactions that have been entered into with the joint venture HaBeMa:

In thousands of euro	2018	2017
<b>Sales of goods and services</b>		
Sales to	10	5
Purchases from	46,426	45,075

The following table provides the total balances with the joint venture HaBeMa:

In thousands of euro	31 December 2018	31 December 2017
Amounts owed by	-	-
Amounts owed to	2,847	1,893

## F. Other

The following table provides the total amount of transactions that have been entered into with the minority shareholders of Tasomix (Poland):

In thousands of euro	2018	2017
Sales to	3,736	-
Purchases from	326	-

The following table provides the total balances with the minority shareholders of Tasomix (Poland):

In thousands of euro	31 December 2018	31 December 2017
Amounts owed by	5,730	-
Amounts owed to	3,051	-

## 38. Events after the reporting period

### *Poland*

In January 2019 guarantees amounting to €1.9 million (PLN 8.0 million) have been issued to suppliers of the new mill in Pionki (Poland).

### *United Kingdom*

In February 2019, ForFarmers UK announced its intention to close its site in Blandford after it has finalised the required consultation process. The current Blandford volume comprises conventional (compound) feed and organic feed. The plan is to relocate the production of conventional feed volume to the newly constructed Exeter mill and that of organic feed to Portbury, which has recently been equipped with additional raw material storage bins to support the production of organic feed. The intended closing of Blandford impacts approximately 30 employees.

# Accounting policies

## 39. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date:

- derivative financial instruments are measured at fair value;
- financial instruments, other than derivatives, stated at fair value at the first recognition and subsequently stated at amortised cost and upon deduction of possible impairments (the latter only in the case of financial instruments recognised as asset);
- first recognition of individual assets and liabilities in a business combination are measured based on acquisition method, with contingent considerations assumed in a business combination at fair value;
- biological assets are measured at fair value;
- tax liabilities for cash-settled share-based payment arrangements are measured at fair value; and
- the net defined benefit liability (asset) is measured at the fair value of plan assets, less the present value of the defined benefit obligation.

## 40. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee

- The ability to use its power over the investee to affect its returns

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase

is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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

Any contingent consideration payable is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

In determining the value of the various intangible assets, assumptions have been made regarding the customer base, the value and the expected use of brand names. Assessing the fair value of the various property, plant and equipment requires assumptions regarding the remaining economic and technical life. In determining the fair value of the acquired assets and liabilities the Group focused in particular on the following aspects:

- the fair value of property, plant and equipment;
- identifiable trademarks, patents and brand names;
- identifiable customer relationships;
- the fair value of acquired receivables and debts;
- deferred tax liability associated to the acquired assets and liabilities.

#### Anticipated acquisition method

The Group applies the anticipated acquisition method where it has both the right and the obligation, through a put and call option arrangement, to acquire any remaining non-controlling interest in an existing subsidiary. Under the anticipated acquisition method the interests of the non-controlling shareholder are presented as already owned, even though legally they are still non-controlling interests. In other words as if the put option had been exercised already or the call option had been satisfied by the non-controlling shareholders. This is independent of how the exercise price is determined (e.g. fixed or variable) and how likely it is that the put or call option will be exercised. The obligation to acquire the non-controlling interest (i.e. put option liability) is accounted for as financial liability, where the initial measurement of the fair value recognised by the Group forms part of the contingent consideration. Subsequent changes in the fair

value of the put option liability as well as dividends to non-controlling shareholders are recognised in the consolidated statement of profit or loss (finance expense).

#### Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

#### Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

#### Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

#### Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in a joint venture. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

The interest in the joint venture is accounted for using the equity method. The interest is recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

#### Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group

transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

### Foreign currency

#### Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign currency differences are generally recognised in the statement of profit or loss and presented within net finance costs. However, foreign currency differences

arising from the translation of the following items are recognised in OCI:

- an investment in equity securities designated as at FVOCI (2017: available-for-sale equity investments) (except on impairment in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedges are effective.

#### Foreign operations

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

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

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

In the event the settlement of a monetary item that is to be received from or to be paid to a foreign operation is not planned, nor is this probable to occur in the near future, currency differences on such a monetary item will be considered as part of the net investment in the foreign operation. Accordingly, these currency differences are included in OCI and recognised in the translation reserve.

## Financial instruments

### Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit & loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Policy applicable from 1 January 2018 (IFRS 9)

### Classification and subsequent measurement

#### *Financial assets*

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through OCI (hereafter: FVOCI)– debt investment; FVOCI – equity investment; or fair value through profit & loss (hereafter: FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### *Financial assets - Business model assessment*

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. Due to the nature of activities of ForFarmers the main business model within the Group is to hold assets to collect contractual cash flows.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

#### *Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the financial asset. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

#### Financial assets – Subsequent measurement and gains and losses

##### *Financial assets at FVTPL*

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

##### *Financial assets at amortised cost*

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

##### *Debt investments at FVOCI*

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

##### *Equity investments at FVOCI*

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recoverable part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

#### Financial instruments: Policy applicable before 1 January 2018 (IAS 39)

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

#### Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the transaction date on which the relevant entity of the Group becomes party in the contractual obligations of the financial instruments.

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

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are off-set and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to off-set the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. In addition the transfer of balances into a netting account should occur at the period-end to demonstrate an intention to settle on a net basis.

## Non-derivative financial assets – measurement

### *Financial assets at fair value through profit or loss*

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss.

### *Held-to-maturity financial assets*

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

### *Loans and receivables*

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

### *Available-for-sale financial assets*

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

## Non-derivative financial liabilities – measurement

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

## Derivative financial instruments and hedge accounting: Policy applicable from 1 January 2018 (IFRS 9)

The Group holds derivative financial instruments to hedge its foreign currency, interest rate and commodity risk exposures. If the Group is involved with hybrid contracts, the Group applies the following with regard to the

embedded derivatives in the hybrid contract. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and the following criteria are met:

- the economic characteristics and risk of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss.

If an embedded derivative is separated from the hybrid contract, the host contract is accounted for in accordance with the determined policies for such a contract. The embedded derivative is accounted for in accordance with the Group's principles for the applicable derivatives.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates, commodity prices and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

### *Cash flow hedges*

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income (hereafter: OCI) and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the



hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates the change of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is not separately accounted for as a cost of hedging.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to profit or loss.

#### Derivative financial instruments and hedge accounting: Policy applicable before 1 January 2018 (IAS 39)

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

Derivatives are initially recognised at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

#### *Cash flow hedges*

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

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

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

#### Share capital

##### *Ordinary shares*

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

##### *Priority share*

The priority share provides the holder of the share special rights regarding amongst others the appointment of members of the Board of Supervisory Directors as defined in the Articles of Association of the Company. The Group's priority share can only be held by Company itself or Cooperative FromFarmers U.A., provided that it may exercise twenty percent or more of the total votes on shares or depositary receipts to be cast in the capital of the Company.

The priority share is classified as equity, because the share does not contain any obligations to deliver cash or other financial assets and does not require settlement in a variable number of the Group's equity instruments.

#### *Preference shares*

The Company has the ability to issue preference shares. When preference shares are issued, these give the holder(s), in summary, rights to set up a new, independent foundation, with an independent board, which will have the ability to obtain and exercise, on a temporary basis (up to two years), a majority of the voting rights at the General Meeting. This will work through the ownership of the preference shares issued. However, these protective rights are related to fundamental changes in the activities of an investee, or are rights that apply only in exceptional circumstances. As such, they cannot give the holder permanent power or prevent other parties from having power permanently and therefore de facto acquire control over the Company. At this moment no preference shares have been issued.

#### *Repurchase and reissue of ordinary shares (treasury shares)*

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. The par values of repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented within retained earnings.

## **Impairment**

Policy applicable from 1 January 2018 (IFRS 9)

#### *Non-derivative financial assets:*

##### *Financial instruments*

The Group recognises loss allowances for expected losses (hereafter: ECLs) on:

- financial assets measured at amortised cost; and
- debt investments measured at FVOCI.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are

measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held)

The Group considers most of the financial assets to have a low credit risk. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

#### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

### *Credit-impairment financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being substantial past due; or
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

### *Presentation of allowance for ECL in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

### *Write-off*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when there are no realistic prospects of recovery of the asset. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 January 2018 (IAS 39)

### *Non-derivative financial assets*

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;

- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security;
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 25% to be significant, and a period of nine months to be prolonged.

### *Financial assets measured at amortised cost*

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

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

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

### *Availability-for-sale financial assets*

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI.

### *Equity-accounted investees*

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

### **Non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than goodwill, biological assets, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash flow Generating Units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## **Intangible assets and goodwill**

### Recognition and measurement

#### *Goodwill*

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

#### *Research and development*

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

#### *Other intangible assets*

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

### Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

## Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

Goodwill is not amortised.

The estimated useful lives for current and comparative periods are as follows:

Trade and brand names:	2 - 20 years
Software:	3 - 5 years
Customer relationships:	10 - 20 years

The amortisation of the customer relationships is based on the historical development of the customer portfolio. The amortisation of trade and brand names depends on the period for which the trade and brand names will actually still be used.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## Property, plant and equipment

### Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

### Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

### Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by

the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Buildings:	10 - 50 years
Plant and Machinery:	7 - 30 years
Other operating assets:	4 - 20 years

Other operating assets comprise mainly vehicles, fixtures and fittings.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. For more information reference is made to Note 17.

### Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is reclassified accordingly. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property.

## Investment property

Investment property is initially measured at cost minus depreciation and impairment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

## Biological assets

Biological assets are measured at fair value less costs to sell, with any change therein recognised in profit or loss.

## Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

## Assets held for sale

Non-current assets, or groups comprising assets and liabilities which are to be disposed, are classified as held-for-sale if it is highly probable that they will be recovered

primarily through sale rather than through continuing use.

Such assets, or groups to be disposed, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

## Provisions

Provisions are created for liabilities of which it is likely that they will need to be settled, and of which the value can be reasonably estimated. A provision is created only if there is a liability that is legally enforceable or a constructive liability. The size of the provision is determined by the best estimate of the amounts required to settle the liabilities and losses concerned as per balance sheet date.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

## Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

## Soil decontamination

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised in the event the land is

contaminated.

## Onerous contracts

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

## Employee benefits

### Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### Share-based payment transactions

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments (through the participation plans), whereby employees render services as consideration for equity instruments (equity-settled transactions). As the Group will settle the employee tax obligations relating to these share-based payments, these are also considered share-based compensation (cash-settled transactions).

### *Equity-settled transactions*

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The statement of profit or loss expense or credit for a period represents the movement in cumulative expense

recognised as at the beginning and end of that period and is recognised in employee benefits expense.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

As the depositary receipts for the employees of the Netherlands participation plan are fully issued during the year, the non-vested portion is not recognized within profit and loss, but rather accrued as other receivables within Trade and other receivables. Over the service period the respective amounts are recognized within profit and loss.

#### *Cash-settled transactions*

The fair value of the employee tax amounts payable in respect of the equity-settled share-based payments, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to benefit. The liability is remeasured at each reporting date and at settlement date based on the fair value of the employee tax obligation. Any changes in the liability are recognised in profit or loss.

#### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The post-employment benefit plans of ForFarmers N.V. and its subsidiaries are defined contribution plans (except for the plans as noted under the last paragraph at the policy defined benefit plans below), which have been placed with insurance companies by means of collective defined contribution agreements. This implies that these entities are only subject to the obligation to pay the agreed contributions to the insurance companies.

#### Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

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

#### Other long-term employee benefits

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

## Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

## Revenue

### Sale of goods: Policies after 1 January 2018 (IFRS 15)

Revenue is recognised when customers obtain control of the goods. Customers obtain control when the goods are delivered to and have been accepted at their premises. Revenue is measured net of returns, trade discounts and volume rebates.

### Sale of goods: Policies before 1 January 2018 (IAS 18)

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement, in general the transfer occurs at delivery. For sale of livestock, transfer occurs on receipt by the customer.

### Rendering of services: Policies after 1 January 2018 (IFRS 15)

The Group is involved in performing related services to agriculture. Revenue is recognised over time as the services are provided. The stage of completion is assessed based on surveys of work performed, in general this is based upon the time spent. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated based on their relative stand-alone selling prices.

### Rendering of services: Policies before 1 January 2018 (IAS 18)

The Group is involved in performing related services to

agriculture. When the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services.

The Group recognises revenue from rendering of services in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed, in general this is based upon the time spent.

## Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

## Government grants

Government grants are initially recognised in the balance sheet as deferred income when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognized in the profit and loss on a systematic basis in the same period in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognized in the profit and loss account on a systematic basis over the useful life of the asset, if it is within reason expected that it shall become unconditional in time. This grant is accounted for in the profit and loss account through reduction of the depreciation costs over the period of the expected useful life.

## Expenses

### Costs of raw materials and consumables

This regards the costs of raw materials and consumables of the sold products or the costs for obtaining the sold products. The costs of raw materials and consumables are calculated according to the first-in-first-out principle and include the change in the fair value of the biological assets.

### Other operating expenses

Other operating expenses are determined taking into account the aforementioned accounting principles for valuation and recorded in the reporting year to which they relate. Foreseeable liabilities and potential losses



stemming from causes occurring before the end of the financial year are recorded if they became known before the financial statements were made and the further conditions for recording provisions are met.

## Leases

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

### Leased assets

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

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

### Lease payments

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense

is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

## Operating profit

Operating profit is the result generated from the continuing principal revenue producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of equity accounted investees and income taxes.

## Finance income and costs

Finance income comprises interest received on loans and receivables from third parties, dividend income, positive changes to the fair value of financial assets valued at fair value after incorporating changes in value in the profit and loss account, gains on hedging instruments that are recognised in the profit and loss account and reclassifications of amounts previously recognised in other comprehensive income. Interest income is recognised in the profit and loss account as it accrues using the effective interest method.

Finance costs comprises interest expenses on borrowings and other obligations to third parties, dividend to non-controlling interest, fair value losses on financial assets at fair value through profit or loss, unwinding the discount on provisions and contingent consideration, impairment losses recognised on financial assets (other than trade receivables), losses on hedging instruments that are recognised in the profit and loss account and reclassifications of amounts previously recognised in other comprehensive income. Interest expenses are recognised in the consolidated profit and loss account as they accrue by means of the effective interest method.

Foreign currency gains and losses of trade receivables and trade payables are recognised as a component of the operating result. All other foreign currency gains and losses are reported on a net basis either as finance income or finance costs, depending on whether the foreign currency movements are in a net gain or net loss position.

## Income tax

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

## Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax is determined on the basis of the best estimate regarding the tax credit or tax loss, taking into consideration possible uncertainties with respect to income tax. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

## Deferred tax

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences and future taxable profits, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

## Segmentation

The identified operating segments regard the individual countries within the Group for which financial information is available. The Executive Committee jointly acts as Chief Operating Decision Body, reviews the internal management reports of each operating segment on a monthly basis, in order to reach decisions on the allocation of the available resources to an operating segment and to determine the performances of the segment. Although each country is a separate operating segment, there is one overarching business model across all countries, i.e. delivering of Total Feed solutions. These operating segments can be aggregated into strategic clusters and reportable segments depending on economic characteristics, given that the nature of the products and services, the nature of the production processes, the type of customer, the methods used to distribute the products, and the nature of the regulatory environment, is similar.

The Group has divided the operating segments respectively clusters into the following reportable segments:

- The Netherlands
- Germany/Belgium/Poland
- United Kingdom

Inter-segment pricing is determined on arm's length basis. Segment results include items directly attributable to a cluster as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise joint expenses, corporate expenses, corporate assets and corporate liabilities.

## Cash flows

The cash flow statement has been prepared according to the indirect method. Cash flows in foreign currencies are converted to euro's against the exchange rate on the transaction date. Exchange rate differences for cash and cash equivalents are shown separately in the cash flow statement. Payments for interest and payments for income taxes have been included under cash flow from operating activities. Interest received and dividends received are included in the cash flow from investment activities. Dividends paid have been included under cash flow from financing activities. Transactions not involving an exchange of cash, including financial lease, are not included in the cash flow statement. The payment of lease instalments under the finance lease contract are shown as a cash-out under financing activities as far as the repayment is concerned and as a cash-out under operating activities as far as the interest is concerned.

## 41. Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 2018, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

Standards and interpretations issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards and interpretations when they become effective.

- IFRS 16 Leases, effective 1 January 2019
- IFRIC 23 Uncertainty over Tax Treatments.
- Amendments to existing standards (IFRS 9 Financial Instruments, IAS 28 Investments in Associates and Joint Ventures, IAS 19 Employee Benefits, IFRS 10 Consolidated Financial Statements)
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.

## IFRS 16 - Leases, effective 1 January 2019 (IASB and EU)

For lessees, IFRS 16 (issued on 13 January 2016) requires most leases to be recognised on-balance, eliminating the distinction between operating and finance leases. IFRS 16 supersedes IAS 17 Leases and related interpretations. Under IFRS 16 a lessee recognises a right-of-use asset and lease liability. The right-of-use asset is treated similarly to other non-financial assets and is depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined and the liability accrues interest or the incremental borrowing rate.

The group will not apply IFRS 16 to short-term leases and leases for which the underlying asset is of low value. Furthermore, the group will not apply IFRS 16 to leases of intangible assets.

### Transition

The Group will apply the modified retrospective transition approach and as a consequence only apply the IFRS 16 lease definition to the lease contracts which at transition date comply with the IAS 17 lease definition and does not restate comparative information. Based on the selected transition method no adjustment to equity will be recorded. Furthermore, the Group will classify on transition date all leases with a remaining lease term shorter than 1 year as a short term lease, and use the same discount rate for all leases with the same characteristics. In addition, initial direct costs will not be taken into account in the measurement of the right of use asset.

### Impact

The Group has completed an assessment of the impact on its consolidated financial statements. The actual impact of applying IFRS 16 on the results of 2019 will depend on future economic conditions, including the Group's borrowing rate, currency developments, acquisition effects and the Group's latest assessment regarding renewal options.

The most significant impact is that the Group will recognise new assets and liabilities for its operating leases of land, buildings, factory facilities, company cars and trucks.

On transition date IFRS 16 will lead to the recognition of right-of-use assets and lease liabilities of approximately €25.0 million.

The impact of the application of the new accounting standard IFRS 16 as of 1 January 2019 based on the contract per this date is expected to result in an increase of EBITDA by approximately €5.0 million, an almost flat EBIT, and a decline of profit before tax by approximately €0.5 million.

As a result key performance measures such as (underlying) EBITDA and ROACE will change, with an expected decrease of ROACE (based on underlying EBITDA) of approximately 0.15% and an expected decrease of ROACE (based on underlying EBIT) of approximately 0.7%. Refer to Note 28 for additional guidance on (underlying) EBIT(DA) and ROACE.

The main impact on the statement of cash flows is higher cash flows from operating activities, since cash payments for the principal part of the lease liability are classified as cash flow from financing activities.

### **Other standards and amendments on standards**

The Group has performed an assessment on the possible effects of the amendments on standards and interpretations. The Group does not expect a significant impact on the current financial position and results and will apply these amended standards when endorsed by the EU.

# COMPANY FINANCIAL STATEMENTS

## Company balance sheet

In thousands of euro (before profit appropriation)	Note	31 December 2018	31 December 2017
<b>Assets</b>			
Other receivables		165	183
Equity-accounted investees	44	363,447	444,435
Deferred tax assets		86	-
<b>Non-current assets</b>		<b>363,698</b>	<b>444,618</b>
Other receivables		310	382
Receivables from group companies	45	106,092	15,426
Cash and cash equivalents		7,040	9,632
<b>Current assets</b>		<b>113,442</b>	<b>25,440</b>
<b>Total assets</b>		<b>477,140</b>	<b>470,058</b>
<b>Equity</b>			
Share capital		1,063	1,063
Share premium		143,554	143,554
Treasury share reserve		-61	-55
Legal translation reserve		-6,653	-5,692
Legal hedging reserve		-896	-
Other legal reserves		19,188	18,478
Retained earnings		220,802	189,400
Unappropriated result		58,590	58,554
<b>Equity attributable to shareholders of the Company</b>	48	<b>435,587</b>	<b>405,302</b>
<b>Liabilities</b>			
Provisions	49	500	500
Deferred tax liabilities		-	-
<b>Non-current liabilities</b>		<b>500</b>	<b>500</b>
Bank overdrafts		-	-
Trade and other payables		435	237
Debts to group companies	45	36,601	58,872
Taxes and social securities	47	4,017	5,147
<b>Current liabilities</b>		<b>41,053</b>	<b>64,256</b>
<b>Total liabilities</b>		<b>41,553</b>	<b>64,756</b>
<b>Total equity and liabilities</b>		<b>477,140</b>	<b>470,058</b>

# Company statement of profit or loss

In thousands of euro	Note	2018	2017
Revenue		-	-
<b>Operating income</b>		-	-
Wages and salaries		-	-
Other operating expenses		-554	-514
<b>Operating expenses</b>		<b>-554</b>	<b>-514</b>
<b>Operating profit</b>		<b>-554</b>	<b>-514</b>
Finance income		393	332
Finance costs		-1,671	-738
<b>Net finance costs</b>		<b>-1,278</b>	<b>-406</b>
<b>Profit (loss) before tax</b>		<b>-1,832</b>	<b>-920</b>
Income tax expense		1,116	-964
Share of profit of equity-accounted investees, net of tax	44	59,306	60,438
<b>Profit for the year</b>		<b>58,590</b>	<b>58,554</b>

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 42. General

The Company financial statements are part of the 2018 financial statements of ForFarmers N.V. (the 'Company').

For the accounting principles as well as the explanatory notes to the Company balance sheet and the statement of profit or loss account reference is made to the policies and explanatory notes to the consolidated statement of financial position and of profit and loss.

All amounts are presented in euro's and have been rounded to the nearest thousand, unless otherwise indicated.

## 43. Principles for the measurement of assets and liabilities and the determination of the result

The Company financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code. For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, the Company makes use of the option provided in section 2:362(8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of the Company are the same as those applied for the consolidated EU-IFRS financial statements. Refer to Note 39 and 40 of the consolidated financial statements for a description of these principles.

### Participating interests in group companies

Participating interests in group companies are accounted for in the company financial statements according to the equity method. Refer to the basis of consolidation accounting policy in the consolidated financial statements.

## Result of participating interests

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

## 44. Investments in subsidiaries

In thousands of euro	Note	2018	2017
<b>Carrying value at 1 January</b>		<b>444,435</b>	<b>405,739</b>
Dividend received		-74,000	-23,832
Share in results from participating interest, net of tax		59,306	60,438
Foreign operations – foreign currency translation differences, net of tax	26D	-961	-2,083
Remeasurement of defined benefit liabilities, net of tax	26D	9,864	4,168
Other changes		-75,197	5
<b>Carrying value at 31 December</b>		<b>363,447</b>	<b>444,435</b>

The other movement in 2018 mainly relates to the liquidation of a subsidiary.

## 45. Receivables from and debts to group companies

The receivables from and debt to group companies are current.

## 46. Financial instruments

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

In the notes to the consolidated financial statements information is included about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. These risks, objectives, policies and processes for measuring and managing risk, and the management of capital apply also to the company financial statements.

### Fair value

The fair values of the financial instruments stated on the balance sheet, including trade and other receivables, cash and cash equivalents, trade and other payables and debts to group companies are close to their carrying amounts.

## 47. Taxes and social security

The net amount receivable and payable of taxes and social securities includes a current income tax payable amounting to €3.9 million (2017: €5.0 million).

A tax group is in place for the income tax between the Company and Dutch group companies in which the Company has a 100% interest. The total current receivable or liability towards the tax authorities is accounted for in the statement of financial position of the head of the tax group. The comparative figures of prior year have been adjusted. Settlement of the taxes within the tax group takes place as if each company is independently liable for tax. As of 1 January 2018 Coöperatie FromFarmers U.A. is no longer part of the VAT tax group and ForFarmers N.V. is the head of the VAT tax group.



## 48. Shareholders' equity

### Statement of changes in equity

2018

In thousands of euro	Note	Attributable to shareholders of the Company								Total
		Share Capital	Share premium	Treasury share reserve	Legal translation reserve	Legal hedging reserve	Other legal reserves	Retained earnings	Unappropriated result	
<b>Balance as at 31 December 2017</b>		<b>1,063</b>	<b>143,554</b>	<b>-55</b>	<b>-5,692</b>	<b>-</b>	<b>18,478</b>	<b>189,400</b>	<b>58,554</b>	<b>405,302</b>
IFRS 9 adjustment	2	-	-	-	-	-	-	-97	-	-97
<b>Balance as at 1 January 2018</b>		<b>1,063</b>	<b>143,554</b>	<b>-55</b>	<b>-5,692</b>	<b>-</b>	<b>18,478</b>	<b>189,303</b>	<b>58,554</b>	<b>405,205</b>
Addition from unappropriated result		-	-	-	-	-	-	58,554	-58,554	-
<b>Total comprehensive income</b>										
Profit		-	-	-	-	-	-	-	58,590	58,590
Other comprehensive income	16, 26	-	-	-	-961	-896	-	9,853	-	7,996
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-961</b>	<b>-896</b>	<b>-</b>	<b>9,853</b>	<b>58,590</b>	<b>66,586</b>
<b>Transactions with shareholders of the Company, recognised directly in equity</b>										
Contributions and distributions										
Dividends	26	-	-	-	-	-	-	-30,053	-	-30,053
Purchase of own shares	26	-	-	-6	-	-	-	-6,023	-	-6,029
Equity-settled share-based payments	15	-	-	-	-	-	-	-122	-	-122
Transfers		-	-	-	-	-	710	-710	-	-
<b>Total transactions with shareholders of the Company</b>		<b>-</b>	<b>-</b>	<b>-6</b>	<b>-</b>	<b>-</b>	<b>710</b>	<b>-36,908</b>	<b>-</b>	<b>-36,204</b>
Balance as at 31 December 2018		1,063	143,554	-61	-6,653	-896	19,188	220,802	58,590	435,587

2017

In thousands of euro	Note	Attributable to shareholders of the Company								Total
		Share Capital	Share premium	Treasury share reserve	Legal translation reserve	Legal hedging reserve	Other legal reserves	Retained earnings	Unappropriated result	
<b>Balance as at 1 January 2017</b>		<b>1,063</b>	<b>143,554</b>	<b>-1</b>	<b>-3,609</b>	<b>27</b>	<b>17,099</b>	<b>212,717</b>	<b>53,260</b>	<b>424,110</b>
Addition from unappropriated result		-	-	-	-	-	-	53,260	-53,260	-
<b>Total comprehensive income</b>										
Profit		-	-	-	-	-	-	-	58,554	58,554
Other comprehensive income	16, 26	-	-	-	-2,083	-27	-	4,173	-	2,063
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-2,083</b>	<b>-27</b>	<b>-</b>	<b>4,173</b>	<b>58,554</b>	<b>60,617</b>
<b>Transactions with shareholders of the Company, recognised directly in equity</b>										
Contributions and distributions										
Dividends	26	-	-	-	-	-	-	-25,716	-	-25,716
Purchase of own shares	26	-	-	-54	-	-	-	-53,700	-	-53,754
Equity-settled share-based payments	15	-	-	-	-	-	-	45	-	45
Transfers		-	-	-	-	-	1,379	-1,379	-	-
<b>Total transactions with shareholders of the Company</b>		<b>-</b>	<b>-</b>	<b>-54</b>	<b>-</b>	<b>-</b>	<b>1,379</b>	<b>-80,750</b>	<b>-</b>	<b>-79,425</b>
Balance as at 31 December 2017		1,063	143,554	-55	-5,692	-	18,478	189,400	58,554	405,302

### Share capital and share premium

In thousands of euro	Ordinary shares (number)		Amount	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Ordinary shares – par value €0.01	106,261,040	106,261,040	144,617	144,617
Priority share – par value €0.01	1	1	-	-
<b>In issue at 31 December – fully paid</b>	<b>106,261,041</b>	<b>106,261,041</b>	<b>144,617</b>	<b>144,617</b>

On 15 April 2016, it was resolved to amend the articles of association of the Company in their entirety. Accordingly, the legal form of the Company was converted into a public limited company and the par value of the shares was reduced from €1.00 to €0.01 per share with an effective date per 23 May 2016. At 31 December 2018, the share capital consists of 106,261,040 (31 December 2017: 106,261,040) ordinary shares and 1 (31 December 2017: 1) priority share. At balance sheet date the shares were issued and fully paid up. The share premium consists of the positive difference between the issue price and the nominal value of the issued shares.

On 26 April 2017, the Annual General Meeting of Shareholders authorised ForFarmers to initiate a programme to repurchase its own shares for a period of 18 months for (a) an amount between €40 million and €60 million and (b) in addition to purchase shares for the implementation of employee participation plans. In 2018 ForFarmers repurchased 802,291 shares (2017: 5,747,993) for a total amount of €8.1 million (2017: €56.7 million) (including purchasing costs). From the total number of repurchased shares 179,579 (2017: 358,465) at an amount of €1.8 million (2017: €3.0 million) are reissued as certificates for employee participation plans, bringing the balance of repurchased shares to €60.0 million (2017: €53.7 million) (including purchasing costs). During 2018 the Group has completed the share buy-back programme.

### Ordinary shares

Holders of these shares are entitled to dividends as declared from time to time, and are entitled to one vote per share at general meetings of the Company. On the shares held by the Company no dividend is paid and no voting rights are exercised.

### Priority share

The priority share provides the holder of the share the right to appoint four out of the six Supervisory Directors as defined in the Articles of Association of the Company. With a stake of fifty percent or less the holder has this right for three of the six Supervisory Directors. As long as the holder has more than fifty percent of the voting rights it will also have the control right over how the role of the Chairman of the Board of Supervisory Directors of ForFarmers N.V. is detailed. Issues of new shares must be approved by seventy-five percent of the Board of

Supervisory Directors. Major acquisitions, for which the total consideration of more than 25% of shareholder's equity are to be approved by the holder of the priority share.

The Group's priority share can only be held by the Company itself or the Cooperative FromFarmers U.A., provided that it may exercise twenty percent or more of the total votes on shares or depositary receipts to be cast in the capital of the Company.

The priority share is classified as equity, because the share does not contain any obligations to deliver cash or other financial assets and does not require settlement in a variable number of the Group's equity instruments.

### Treasury share reserve

The reserve for the Company's treasury shares comprises the cost of the Company's (depositary receipts for) shares held by the Group. The treasury shares are accounted for as a reduction of the equity attributable to the owners of the parent.

Treasury shares are recorded at cost, representing the market price on the acquisition date, where the par value of treasury shares purchased is debited to the treasury share reserve. When treasury shares are sold or re-issued, the par value of the instruments is credited to the treasury share reserve. Any premium or discount to par value as result of the market price is shown as an adjustment to retained earnings.

During the reporting period the Company purchased 802,291 of its shares to be able to re-issue the depositary receipts in relation to the employee participation plans. At 31 December 2018, the Group held 6,092,004 of the Company's shares.

In 2017 the Company purchased 5,747,993 of its shares to be able to re-issue the depositary receipts in relation to the employee participation plans. Besides the repurchase of the abovementioned number of shares, the 358,465 treasury shares, which were obtained on behalf of the previous liquidity provider agreement (SNS) which ended on May 24 2016, were used for the purpose of employee participation plans. At 31 December 2017, the Group held 5,469,292 of the Company's shares.

The movement in the treasury shares can be summarised as follows:

### The movement of treasury shares

	Number of shares		Amount par value in thousand euro	
	2018	2017	2018	2017
Balance at 1 January	5,469,292	77,580	55	1
Repurchase Employee participation plan	186,502	301,560	-	-
Re-issuance Employee participation plan	-179,579	-358,465	-	-
Share buyback	615,789	5,446,433	6	54
Other movements through trading platform	-	2,184	-	-
<b>Balance as at 31 December</b>	<b>6,092,004</b>	<b>5,469,292</b>	<b>61</b>	<b>55</b>

The other movements 2017 relate to depositary receipts which are settled with outstanding receivables.

### Legal translation reserve

The legal translation reserve comprises all foreign currency differences arising from the activities of foreign subsidiaries. The decrease in this reserve as at 31 December 2018 is caused by the devaluation of the pound sterling partly off set by the revaluation of the Polish zloty.

### Legal hedging reserve

The legal hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss. This mainly relates to the result on derivatives for the acquisition of Tasomix and fuelhedges.

### Other legal reserves

The other legal reserves contain the undistributed results and direct changes in equity of participating interest, revaluation of certain land within property, plant & equipment and revaluation of biological assets and the part that is related to loans to staff for the purchase of depositary receipts in the period 2007-2009. Direct changes in equity do not include the changes in equity that derive from the relationship with the shareholder, such as paid-in share premium. The (change in the) legal reserve relating to participating interest is only recognised if, and to the extent that, ForFarmers N.V. cannot realise payment of the equity of the participating interest to itself without restrictions.

### Retained earnings

Retained earnings comprise the balance of accrued profits that have not been distributed to the shareholder.

Pursuant to the Articles of Association a decision to distribute a dividend may be taken if and to the extent that equity exceeds the issued share capital plus the legal reserves.

A reference is made to the section Other information regarding the result appropriation scheme under the Articles of Association.

### Unappropriated result

The result after tax is, after deduction of the addition to other legal reserves, included in the item unappropriated result within equity.

## Proposal for profit appropriation

ForFarmers aims to distribute dividend, taking into consideration long-term value creation, a healthy financial structure and sufficient earnings to execute its strategy. The dividend policy of ForFarmers is to pay out between 40% and 50% of the profit after taxes (the result after tax attributable to the shareholders of the Company) excluding non-recurring effects.

In thousands of euro	2018	per share (€)
Underlying net profit attributable to Shareholders of the Company	57,629	
Pay-out ratio of approximately 50% of the underlying net profit	28,360	0.283
50% of the net proceeds of the sale of the arable activities	1,691	0.017
<b>Dividend</b>	<b>30,051</b>	<b>0.300</b>

This results in a proposed dividend distribution of €0.30 per ordinary share (based on 100.2 million outstanding shares). The proposed dividend contains a dividend of €0.283 and a special dividend of €0.017. The annual accounts will be presented to the Annual General Meeting of 26 April 2019 for adoption. The dividend is payable on 9 May 2019.

This method takes into account the strategy and a healthy balance sheet structure. Within these principles, ForFarmers N.V. aims for a stable development of the cash dividend paid to its shareholders. The Company will only make payments to the shareholders entitled to the distributable profit in so far as:

- the Company can continue to pay its outstanding debts after the distribution (the so-called distribution test), and
- the shareholders' equity exceeds the legal reserves and statutory reserves under the articles of association to be maintained (the so-called balance sheet test).

If the distribution or the balance sheet test is not passed, then management will not approve the distribution (after agreement with the Supervisory Board). Preliminary tests revealed no indications that the proposed distribution of dividend will not be possible, but these tests have to be finalized (and the Executive Committee has to approve the distribution, after agreement with the Supervisory Board) prior to the actual payment of the dividend.

## Dividends

The following dividends were declared and paid by the Company for the year:

### Distributed in the year

In thousands of euro	2018	2017
€0.30 per qualifying ordinary share (2017: €0.24)	30,053	25,716
	<b>30,053</b>	<b>25,716</b>

The dividend is based on the total number of shares issued at year end of 100.2 million (2017: 100.8 million). The treasury shares are not entitled to dividend.

After the respective reporting date, the following dividends were proposed by the Executive Committee. The dividends have not been recognised as liabilities and there are no tax consequences for the Company.

### Proposed over the year

In thousands of euro	2018	2017
€0.30 per qualifying ordinary share (2017: €0.30)	30,051	30,238
	<b>30,051</b>	<b>30,238</b>

## 49. Provisions

In thousands of euro	Other	Total
Carrying value at 1 January 2018	500	500
Provisions made during the year	-	-
Releases	-	-
Provisions used during the year	-	-
Effect of discounting	-	-
<b>Carrying value at 31 December 2018</b>	<b>500</b>	<b>500</b>

In thousands of euro	Other	Total
Carrying value at 1 January 2017	650	650
Provisions made during the year	-	-
Releases	-	-
Provisions used during the year	-150	-150
Effect of discounting	-	-
<b>Carrying value at 31 December 2017</b>	<b>500</b>	<b>500</b>

For more information on the other provisions a reference is made to Note 30.

## 50. Credit facilities

The credit facility of ForFarmers N.V. only relates to the financing agreement (multicurrency revolving facility agreement) that was concluded with ABN AMRO Bank, Rabobank, Lloyds Bank, and BNP Paribas and is free from securities. For a further explanation a reference is made to Note 29 to the consolidated financial statements.

## 51. Commitments and contingencies

A declaration of guarantee based on article 2:403 of the Dutch Civil Code has been issued by ForFarmers N.V. for the benefit of ForFarmers Nederland B.V., ForFarmers Corporate Services B.V., PoultryPlus B.V. and Reudink B.V.

For the acquisition of BOCM PAULS Ltd. (United Kingdom), guarantees have been issued amounting to €45 thousand (2017: €0.1 million).

## 52. Remuneration of the supervisory board and the executive board

The remuneration of the board of supervisory directors and the statutory board of directors equals the remuneration of the board of supervisory directors and the statutory board of directors as declared in Note 37 of the explanatory notes to the consolidated financial statements. During the year under review 6 employees (2017: 6 employees) were employed by the Company who were all partially employed in the Netherlands.

Lochem, 12 March 2019

Executive Board ForFarmers N.V.

Yoram Knoop, CEO

Arnout Traas, CFO

Jan Potijk, COO

Supervisory Board ForFarmers N.V.

Cees de Jong, Chairman

Sandra Addink-Berendsen, Vice-Chair

Roger Gerritzen

Vincent Hulshof

Cees van Rijn

Erwin Wunnekink

# OTHER INFORMATION

## Result appropriation scheme under the articles of association

Articles 36, 37 and 38 of the articles of association of the Company read as follows:

### Payments - General

#### Article 36

**36.1** Payments may be made only to the extent that the Company's equity capital exceeds the amount of the paid up and called up part of its capital, plus the reserves that have to be maintained by virtue of the law.

**36.2** The Executive Board may decide to make an interim payment, if the requirement of Article 36.1 has been satisfied, as evidenced by an interim statement of assets and liabilities, drawn up in accordance with article 105 (4) of Book 2 DCC, and if the payment in question concerns an interim payment of profits, with due observance of the sequence set out in Article 38.1.

**36.3** There is no entitlement to payments in relation to preference shares or the priority share, other than as set out in the Articles 12.2, 38.1 and 39.3.

**36.4** Payments are made in proportion to the aggregate nominal amount of the shares of the class in question. Notwithstanding the previous full sentence, payments on preference shares (or payments to the former holders of preference shares) are made in proportion to the amounts paid up, or paid up earlier, on those preference shares.

**36.5** Those entitled to payments are the relevant shareholders, holders of a right of usufruct and holders of a right of pledge, depending on the circumstances of the case, on a date determined for that purpose by the Executive Board. This date shall not precede the date on which the payment is announced.

**36.6** The General Meeting may resolve, with due observance of Article 32, that a payment will fully or partly be made in the form of shares in the Company's capital or

in kind, instead of in cash.

**36.7** Payments will be made available on a date to be determined by the Executive Board and, if a payment in cash is concerned, in a currency to be determined by the Executive Board.

**36.8** A claim for payment shall lapse upon expiry of a period of five years after the payment became available.

**36.9** When calculating the amount or the distribution of a payment, the shares held by the Company in its own capital are not considered. No payment is made to the Company on shares held by it in its own capital.

### Payments - Reserves

#### Article 37

**37.1** All reserves maintained by the Company are attached to the ordinary shares only, unless expressly provided otherwise in this Article 37.

**37.2** The General Meeting is authorized to resolve to make a payment at the expense of the Company's reserves, with due observance of Article 32.

**37.3** Without prejudice to the provisions of Articles 37.4 and 38.2, payments at the expense of a reserve shall be made on those shares only to which such reserve is attached.

**37.4** The Executive Board may resolve to charge amounts to be paid up on shares to the Company's reserves, regardless as to whether those shares are issued to existing shareholders.

## Payments - Profit

### Article 38

**38.1** With due observance of Article 36.1, any profits appearing from the Company's annual accounts regarding a specific financial year shall be distributed in the sequence set forth below:

- a. to the extent that preference shares were withdrawn without the payment specified in Article 12.2 (b) having been made in full and without such a deficit subsequently having been paid in full as set forth in this Article 38.1 or Article 38.2, an amount equal to such a deficit, or remaining deficit, will be paid out to the one or the ones who was or were holding preference shares the moment the withdrawal took effect;
- b. to the extent that any Preference Payment (or any part thereof) on previous financial years has not yet been effected in full as set forth in this Article 38.1 or Article 38.2, an amount equal to such a deficit, or remaining deficit, will be paid out on the preference shares;
- c. the Preference Payment on the financial year to which the annual accounts relate will be paid out on the preference shares;
- d. the Executive Board determines which part of the remaining profits will be added to the Company's reserves;
- e. from what is left of the profits remaining thereafter an amount equal to the nominal amount of the priority share will be paid out on the priority share; and
- f. with due observance of Article 32, the profits remaining thereafter shall be at the disposal of the General Meeting in order to be paid out on the ordinary shares.

**38.2** To the extent that the payments set forth in Article 38.1 (a) up to and including (c) (or any part of these) cannot be made from the profits appearing from the annual accounts, a deficit of that kind will be paid out at the expense of the Company's reserves, with due observance of the Articles 36.1 and 36.2.

**38.3** Payments of profits are made, with due observance of Article 36.1, after the adoption of the annual accounts showing that such is permitted.

# Special provision in the articles of association regarding governance

## Trust Office Foundation

The management of the ForFarmers Trust Office Foundation operates independently of the Company. The ForFarmers Trust Office Foundation holds ordinary capital shares in the Company and is intended, inter alia, for (i) the acquisition of ordinary shares for management purposes (ii) the issue of depositary receipts, (iii) where applicable, the acquisition, disposal and encumbrance of shares for its own account, (iv) the exercise of rights associated with the ordinary shares it holds and (v) the granting of proxies for the exercise of voting rights as well as the acceptance of voting instructions as regards the exercise of the voting right, all in accordance with the Trust terms & conditions. The Articles of Association, Trust terms & conditions and the Report of the ForFarmers Trust Office Foundation (in Dutch: “*Stichting Beheer- en Administratiekantoor ForFarmers*”) are on the Company’s website. As aforementioned, only Coöperatie FromFarmers U.A. may issue binding voting instructions for the shares held by the aforementioned foundation (and for which voting rights have not been requested).

The Trust Office Foundation shall only accept ordinary shares for management purposes against issue of depositary receipts to (i) a holder of depositary receipts within the context of exercising a share claim, (ii) someone entitled to the balance of a participation account held with Coöperatie FromFarmers U.A. within the context of a conversion, (iii) an employee as part of a participation plan, (iv) Coöperatie FromFarmers U.A. or (v) a party designated by the aforementioned Cooperative.

## Priority shareholder

The priority share is held by Coöperatie FromFarmers U.A. As a result of the treasury shares held by the Group Coöperatie FromFarmers U.A., on the latest reference date of 1 January 2019, could exercise the voting right for 48.5% of votes to be cast on the total of ordinary shares. Furthermore, the Coöperatie FromFarmers U.A. could give voting instructions with regard to the shares held by the Trust Office Foundation, giving it a total voting right of 55.9%. As priority share holder Coöperatie FromFarmers U.A.:

- (i) has a recommendation right for four of the six members of the Supervisory Board;
- (ii) may appoint a member of the Supervisory Board as Chairman after consultation with the Supervisory Board;
- (iii) has an approval right as regards the decisions of the Executive Board regarding:
  1. moving the Company’s head office outside the east of the Netherlands (Gelderland and Overijssel);
  2. an important change in the identity of nature of the Company or its enterprise as a result of (1) transfer of the enterprise or practically all of the enterprise to a third party or (2) entering into or breaking off a long-term partnership of the Company or a subsidiary thereof with another legal entity or company, or as fully liable partner in a limited partnership or general partnership, if such partnership or its termination represents a fundamental change to the Company;
  3. taking or disposing of a participating interest in the capital of a company to a value of at least a third of the amount of the Company’s equity according to the balance sheet with explanatory notes or, in the event the Company draws up consolidated balance sheets, according to the consolidated balance sheet with explanatory notes, according to the most recently adopted annual accounts of the Company, or any of its subsidiaries;
  4. changes to the Company’s articles of association;
  5. affecting a merger or division.



Please refer to the Corporate Governance Statement for the conditions for holding the priority share and the special control rights associated thereto if that voting right and/or voting instruction can be exercised or given for 50% or less.

### **Protective measures**

The Company has entered into a call-option agreement with regard to preference shares with Stichting Continuïteit ForFarmers (ForFarmers Continuity Foundation). This Continuity Foundation was established to safeguard the identity, strategy, independence and continuity of the enterprise affiliated with the Company. Stichting Continuïteit ForFarmers is fully independent and has independent management. Furthermore, Coöperatie FromFarmers U.A. holds a priority share to which rights are associated as provided for in the Company's Articles of Association.

The appointment of Executive Board members furthermore only occurs by binding recommendation from the Board, and material decisions of the General Meeting of Shareholders (such as issues of shares, dividends, amendment to the articles of association, mergers, divisions and demergers) may only be made on the proposal of the Executive Board with the approval of the Board.

## Branch offices

The Company itself does not have branches outside the Netherlands. For the list of main subsidiaries (including foreign subsidiaries) of the Company, a reference is made to Note 33 of the notes to the consolidated financial statements.

# Independent auditor's report

The auditor's report with respect to the consolidated financial statements and the company financial statements is set out on the next pages.



# Independent auditor's report

To: the General Meeting of Shareholders and the Supervisory Board of ForFarmers N.V.

## **Report on the audit of the financial statements 2018 included in the annual report**

### ***Our opinion***

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of ForFarmers N.V. as at 31 December 2018 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- the accompanying company financial statements give a true and fair view of the financial position of ForFarmers N.V. as at 31 December 2018 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

### ***What we have audited***

We have audited the financial statements 2018 of ForFarmers N.V. based in Lochem. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

- 1 the consolidated statement of the financial position as at 31 December 2018;
- 2 the following consolidated statements for 2018: profit or loss, comprehensive income, changes in equity and cash flows; and
- 3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- 1 the company balance sheet as 31 December 2018;
- 2 the company statement of profit or loss for 2018; and
- 3 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 ForFarmers N.V. in accordance with the EU Regulation on specific requirements regarding statutory audits of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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

## ***Audit approach***

### ***Summary***

#### **Materiality**

- Materiality of EUR 3.5 million
- 4.7% of profit before tax

#### **Group audit**

- 97% of total assets
- 88% of revenue

#### **Key audit matters**

- Valuation of trade receivables
- Valuation of goodwill
- Accounting for the Tasomix acquisition

#### **Opinion**

Unqualified



## **Materiality**

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 3.5 million (2017: EUR 3.0 million). The materiality is determined with reference to profit before tax of which it represents 4.7% (2017: 4.0%). We consider profit before tax as the most appropriate benchmark because the main stakeholders are primarily focused on profit before tax. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 0.15 million (2017: EUR 0.1 million) which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

## **Scope of the group audit**

ForFarmers N.V. is at the head of a group of components. The financial information of this group is included in the financial statements of ForFarmers N.V.

Our group audit is mainly focused on significant components that are (i) of individual financial significance to the group, or (ii) that, due to their specific nature or circumstances, are likely to include significant risks of material misstatement of the group financial statements. We have considered in this respect the size and/ or the risk profile of the components or operations.

The company disclosed their main components in Note 33 of the financial statements.

We have selected 13 significant components (2017: 13) where we performed procedures. For these significant components we have:

- performed audit procedures ourselves at group level in respect of some areas in the reporting packages, such as the annual goodwill impairment test and valuation of deferred tax assets;
- made use of the work of local KPMG auditors and one non-KPMG auditor for 11 significant components for which an audit of the complete reporting package was performed and for 1 significant component for which an audit of specific items was performed. These entities are located in The Netherlands, Germany, Poland, Belgium and the United Kingdom;
- at group level performed audit of specific items for 1 significant component

The group audit team provided detailed instructions to all significant component auditors who were part of the group audit, covering the significant audit areas, including the relevant risks of material misstatement, and set out the information required to be reported back to the group audit team. In relation to the 2018 audit the group audit team has visited components in The Netherlands and Poland and held conversations with local management and the auditors of these components. File reviews were performed at component auditors in The Netherlands, Germany, Poland and the United Kingdom. Telephone conferences were held and e-mail conversations were exchanged with all significant component auditors part of the group audit. During these visits, telephone conferences and email conversations, the audit approach, findings and observations reported to the group audit team were discussed in more detail.



Desktop review procedures of other non-significant components were performed at group level to corroborate our assessment that there are no significant risks of material misstatement within these components.

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

The audit coverage as stated in the section summary can be further specified as follows:

### Total assets

89%  
Audit of the complete reporting package

8%  
Audit of specific items

### Revenue

88%  
Audit of the complete reporting package

0%  
Audit of specific items

### ***Audit scope in relation to risk of fraud and non-compliance with laws and regulations***

In accordance with the Dutch Standards on Auditing we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. As part of our fraud risk assessment we:

- discussed management's evaluation in relation to fraud risk management (prevention, detections and response);
- assessed ForFarmers' code of conduct, whistleblower policy and other entity level controls which include ethical standards to create a culture of honesty; and
- assessed events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud ('fraud risk factors').

Based on our fraud risk assessment, we have not identified any fraud risk in addition to those presumed by the auditing standards. Those presumed risks were relevant to our audit and have been discussed with the Executive and Supervisory board and are as follows:



- fraud risk in relation to the recognition of non-existing revenue through non-recurring (manual) journal entries; and
- fraud risk in relation to management override of controls to meet targets and/ or expectations.

Our audit procedures included:

- an evaluation of the of the design and implementation of internal controls relevant to mitigate these risks; and
- supplementary substantive audit procedures, which included verification of source documentation, including detailed testing of journal entries based on high risk criteria (e.g. manual journal entries on revenue accounts) in:
  - revenue accounts
  - non-routine transactions

Data analytics, including detailed revenue testing, are part of our audit approach to address fraud risks which could have a material impact on the financial statements. This also relates to audit procedures carried out to address the risk of management override of controls.

Our audit procedures differ from a specific forensic fraud investigation, which investigation often has a more in-depth character.

We also assessed factors related to the risk of non-compliance with laws and regulations which could have a direct or indirect impact on the financial statements. We assessed the extent of compliance with the direct laws and regulations as part of our procedures on the related financial statement items. Auditing standards limit the required audit procedures to identify non-compliance with indirect laws and regulations, which we performed, to inquiry of management and those charged with governance and inspection of regulatory and legal correspondence.

### ***Our key audit matters***

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

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

Compared to last year we have added the Tasmix acquisition as key audit matter. This acquisition is a key audit matter as it is a significant transaction and the accounting method applied is complex and new to ForFarmers.



## Valuation of trade receivables

### Description

Trade receivables (third party) of EUR 213.3 million are deemed significant to our audit considering it represents approximately 24.4% of the balance sheet total and the valuation of trade receivables includes estimates of management.

In addition, the group has adopted the mandatory IFRS 9 for the financial year beginning January 1, 2018 using the modified retrospective method as disclosed in notes 2 and 32.

### Our response

We have evaluated the internal controls in the sales and the trade receivable processes and evaluated the reasonableness of the valuation of the receivables, amongst others, by analysing the ageing and by evaluating specific trade debtors risks and considering local facts and circumstances.

We evaluated management assumptions in determining the provision in accordance with IFRS 9, amongst others by analysing the ageing and by evaluating the expected credit loss model and specific trade receivable risks.

We also assessed the adequacy of the company's disclosures included in note 2 and note 32 to the financial statements in relation to trade receivables, the movement during the year and the credit risk.

### Our observation

Based on our procedures performed we consider management's key assumptions for the valuation of trade receivables to be within the reasonable range and we assessed the disclosures in note 2 and note 32 to the financial statements being proportionate.

## Valuation of goodwill

### Description

Goodwill amounts to EUR 110.3 million as at 31 December 2018.

Under EU-IFRS the Company is required to test the amount of goodwill for impairment at least annually. The impairment tests were significant to our audit due to the complexity of the assessment process and judgements and assumptions involved which are affected by expected future market and economic developments.

Due to the limited headroom calculated in the 2017 goodwill impairment test for the UK cash generating unit (CGU), we specifically focused on the valuation of goodwill in the UK CGU for 2018 as disclosed in note 18.

### Our response

We challenged the cash flow projections included in the annual goodwill impairment tests.





Our audit procedures included, among other things, the involvement of a valuation specialist to assist us in evaluating the assumptions, in particular the (terminal) growth and pre-tax discount rates, and the valuation methodology used by ForFarmers.

We furthermore assessed the appropriateness of other data used by comparing them to external and historical data, such as external market growth expectations and by analysing sensitivities in ForFarmers' valuation model.

We specifically focused on the sensitivity in the available headroom for the cash generating units, evaluating whether a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount and assessed the historical accuracy of management's estimates.

We assessed the adequacy of the disclosures in note 18 to the financial statements.

### **Our observation**

Based on our procedures performed we consider management's key assumptions and estimates to be within the reasonable range and we assessed the disclosure in note 18 to the financial statements being proportionate.

## **Accounting for Tasomix acquisition**

### **Description**

On July 2, 2018 ForFarmers acquired 60% of the Tasomix Group for a total consideration of EUR 62 million, which includes a contingent consideration of EUR 6.9 million. A put/call option for the remaining 40% of the shares of the Tasomix group was agreed and recognized for EUR 30.0 million at acquisition date.

The anticipated acquisition method is applied in which ForFarmers fully consolidates the Tasomix group and fair value changes of the contingent consideration and the put option are recorded in the income statement as disclosed in note 6.

### **Our response**

With respect to the accounting for the Tasomix Group acquisition, we have, amongst others, read the investment agreement, examined the accounting considerations, assessed the consideration paid and traced payments to bank statements, assessed the identification and the valuation of the identifiable assets and liabilities, including any fair value adjustments, and assessed and challenged significant valuation assumptions, such as the discount rates and the terminal growth rates.

In doing so we have included a valuation specialist in our team to assist with the audit of the identification and valuation of the assets and liabilities acquired – including the valuation of the option agreement and the contingent consideration.

We assessed the adequacy of the disclosures in note 6 to the financial statements.



### **Our observation**

The result of our procedures relating to management's accounting for the Tasomix Group acquisition in the 2018 financial statements were satisfactory. Assumptions used by management to determine the proportional fair value of assets and liabilities, impacting the result of this investment, are reasonable. We assessed the disclosure in note 6 to the financial statements being proportionate.

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

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

- the annual report which includes key figures, CEO statement, ForFarmers in Focus, Report of the Executive Board, Governance and Compliance and Report of the Supervisory Board;
- the 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; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

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

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

The Executive Board is responsible for the preparation of the other information, including the Report of the Executive Board, Governance and Compliance in accordance with Part 9 of Book 2 of the Dutch Civil Code and the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

### **Report on other legal and regulatory requirements**

#### ***Engagement***

We are auditor of ForFarmers N.V. since 2014. We were re-engaged by the General Meeting of Shareholders as auditor of ForFarmers N.V. on 26 April 2018 for the year 2018.

#### ***No prohibited non-audit services***

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.



## **Description of responsibilities regarding the financial statements**

### ***Responsibilities of the Executive Board and the Supervisory Board for the financial statements***

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, Executive Board 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, Executive Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, Executive Board should prepare the financial statements using the going concern basis of accounting unless Executive Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Executive Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

### ***Our responsibilities for the audit of the financial statements***

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

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

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

A further description of our responsibilities for the audit of the financial statements is included in the appendix of this auditor's report. This description forms part of our auditor's report.

Amstelveen, 12 March 2019

KPMG Accountants N.V.

R.P. Kreukniet RA

Appendix:

Description of our responsibilities for the audit of the financial statements



## Appendix

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

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Executive Board;
- concluding on the appropriateness of Executive Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; 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 components. Decisive were the size and/or the risk profile of the group components or operations. On this basis, we selected group components for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audits of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.



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

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

# Sustainability assurance report of the independent auditor

The sustainability assurance report is set out on the next pages



# Assurance report of the independent auditor

To: the Executive Board and Supervisory Board of ForFarmers N.V.

## Our conclusion

We have reviewed the sustainability indicators in the Annual Report 2018 (hereafter: the sustainability indicators) for the year 2018 of ForFarmers N.V. (hereafter 'ForFarmers') based in Lochem. A review is aimed at obtaining a limited level of assurance.

Based on our procedures performed, nothing has come to our attention that causes us to believe that the sustainability information is not prepared, in all material respects, in accordance with the reporting criteria as included in the section 'Sustainability reporting criteria' in the 'Appendix About ForFarmers' sustainability reporting'.

The sustainability indicators in scope consist of the following indicators:

- Phosphate efficiency in dairy and swine production systems
- Greenhouse gas emissions (kg of CO<sub>2</sub> per tonne of feed produced and total tonnes of CO<sub>2</sub>)
- % sustainable soy bean meal and palm oil purchases
- Number of LTIs
- Number of feed safety incidents

The sustainability indicators are disclosed in the chapter "Sustainability and Innovation" on pages 69 up to and including 81 of the ForFarmers Annual Report 2018 (hereafter: the annual report).

## Basis for our opinion

We have performed our review on the sustainability information in accordance with Dutch law, including Dutch Standard 3000A 'Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten)' (Assurance engagements other than audits or reviews of historical financial information (attestation engagements)).

Our responsibilities under this standard are further described in the 'Our responsibilities for the review of the sustainability information' section of our report.



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

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

### **Reporting criteria**

The sustainability indicators need to be read and understood together with the reporting criteria. ForFarmers is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the sustainability indicators are the applied internal reporting criteria as disclosed in the section 'Sustainability reporting criteria' in the 'Appendix About ForFarmers' sustainability reporting'.

### **Materiality**

Based on our professional judgement we determined materiality levels for each relevant part of the sustainability information and for the sustainability information as a whole. When evaluating our materiality levels, we have taken into account quantitative and qualitative considerations as well as the relevance of information for both stakeholders and the company.

We agreed with the Supervisory Board that misstatements which are identified during the review and which in our view must be reported on quantitative or qualitative grounds, would be reported to them.

### **Scope of the review of the group**

ForFarmers is the parent company of a group of entities. The sustainability indicators incorporate the consolidated information of this group of entities to the extent as specified in the Appendix 'About ForFarmers' sustainability reporting'.

Our group review procedures consisted of both review procedures at corporate (consolidated) level and at site level. Our selection of sites in scope of our review procedures is primarily based on the site's individual contribution to the consolidated information. Furthermore, our selection of sites considered relevant reporting risks and geographical spread.

By performing our review procedures at site level, together with additional review procedures at corporate level, we have been able to obtain sufficient and appropriate assurance evidence about the group's sustainability indicators to provide a conclusion about the sustainability indicators.





## Key review matters

Key review matters are those matters that, in our professional judgement, were of most significance in our review of the sustainability information. We have communicated the key review matters to the Supervisory Board.

The key review matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our review of the sustainability information as a whole and in forming our conclusion thereon, and we do not provide a separate conclusion on these matters.

## Design of the sustainability indicator on phosphate efficiency in dairy and swine production systems

### Description

The sustainability indicator phosphate efficiency in dairy and swine production systems are introduced and explained in the section 'Background KPI phosphate efficiency' included in the Appendix 'About ForFarmers' sustainability reporting'. The phosphate efficiency indicator is designed by ForFarmers itself and has a scientific basis underpinning the ForFarmers methodology. The calculations are based on a number of assumptions and contain inherent uncertainties which are further explained by ForFarmers.

This sustainability indicator is in scope of our review. The phosphate efficiency indicator, to the best of our knowledge, is not reported by any other multinational animal feed production company. Furthermore, the data set contains the data from a selected number of ForFarmers clients for which complete data sets could be derived. Given the specific nature of the sustainability indicator and the complexity of the methodology used, we consider this a key review matter.

### Our response

The design of the phosphate efficiency indicator has been evaluated by reviewing the underpinning scientific basis of the ForFarmers methodology.

We have focused on completeness and accuracy (complexity of the calculations) of the phosphate efficiency indicator. We have evaluated whether the selection of companies in scope provide a sufficient representation of all ForFarmers clients by reviewing the selection of companies and the reason for inclusion or exclusion in the calculations. Furthermore, we have reperformed the calculations to test them on mathematical accuracy and evaluated whether the calculations comply with the ForFarmers methodology.

We also have evaluated whether the definition and explanation provided by ForFarmers in the section 'Background KPI phosphate efficiency' in the Appendix 'About ForFarmers' sustainability reporting', is sufficient to provide a clear understanding of the inherent



uncertainties of the sustainability indicator on phosphate efficiency in dairy and swine production systems.

### **Our observation**

The results of our review procedures performed on the phosphate efficiency indicator and the disclosed definition and explanation were satisfactory.

### **Responsibilities of the Executive Board and the Supervisory Board for the sustainability indicators**

The Executive Board of ForFarmers is responsible for the preparation of the sustainability indicators in accordance with the reporting criteria as included in the section 'Sustainability reporting criteria' in the 'Appendix About ForFarmers' sustainability reporting', including the identification of stakeholders and the definition of material matters.

The Executive Board is also responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the sustainability indicators that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the reporting process of ForFarmers.

### **Our responsibilities for the review of the sustainability indicators**

Our objective is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determining the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review engagements with a limited level of assurance is therefore substantially less than the reasonable assurance obtained in audit engagements.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the sustainability information. The materiality affects the nature, timing and extent of our review procedures and the evaluation of the effect of identified misstatements on our conclusion.

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, Regulations on quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3000A, ethical requirements and independence requirements.



Our review included amongst others, the following procedures:

- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of the company;
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the Executive Board;
- Obtaining an understanding of the reporting processes for the sustainability indicators, including obtaining a general understanding of internal control relevant to our review;
- Identifying areas of the sustainability indicators with a higher risk of misleading or unbalanced information or material misstatements, whether due to fraud or error. Designing and performing further assurance procedures aimed at determining the plausibility of the sustainability indicators responsive to this risk analysis. These procedures included among others:
  - Interviewing management and relevant staff at corporate and site level responsible for the sustainability strategy, policy and results;
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability indicators;
  - Determining the nature and extent of the review procedures for the group components and locations. For this, the nature, extent and/or risk profile of these components are decisive. Based thereon we selected the components and locations to visit. The site visits to the production sites in Lochem (the Netherlands), Langförden (Germany) and Bury St. Edmunds (United Kingdom) are aimed at, on a local level, validating source data and evaluating the design and implementation of internal controls and validation procedures;
  - Obtaining assurance information that the sustainability indicators reconcile with underlying records of the company;
  - Reviewing, on a limited test basis, relevant internal and external documentation;
  - Performing an analytical review of the data and trends;
- Evaluating the consistency of the sustainability indicators with the information in the annual report which is not included in the scope of our review;
- Evaluating the presentation, structure and content of the sustainability indicators;
- To consider whether the sustainability indicators as a whole, including the disclosures, reflect the purpose of the reporting criteria used.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the review and significant findings that we identify during our review.



From the matters communicated with the Supervisory Board we determine the key review matters: those matters that were of most significance in the review of the sustainability indicators. We describe these matters in our assurance report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

Amstelveen, 12 March 2019

KPMG Accountants N.V.

R.P. Kreukniet RA

# Overview financial history

## Consolidated statement of financial position

In millions of euro	2018	2017	2016	2015	2014
Intangible assets and goodwill	168.0	96.2	102.2	89.2	77.3
Property, plant and equipment	261.6	205.9	194.7	197.7	190.3
Financial fixed assets	41.8	37.1	36.7	36.2	34.7
Non-current assets	471.4	339.3	333.6	323.1	302.3
Current assets	402.3	448.0	442.7	458.9	396.2
<b>Total assets</b>	<b>873.7</b>	<b>787.3</b>	<b>776.3</b>	<b>782.0</b>	<b>698.6</b>
Equity	435.6	405.3	424.1	402.5	363.9
Non-controlling interests	5.2	4.6	4.9	4.6	4.4
<b>Total equity</b>	<b>440.8</b>	<b>409.9</b>	<b>429.0</b>	<b>407.2</b>	<b>368.2</b>
Non-current liabilities	142.5	111.9	131.8	135.9	138.5
Current liabilities	290.5	265.5	215.5	239.0	191.8
<b>Total liabilities</b>	<b>873.7</b>	<b>787.3</b>	<b>776.3</b>	<b>782.0</b>	<b>698.6</b>
Capital employed	434.5	417.0	415.4	470.2	420.3
Net debt	17.1	-67.1	-61.5	-33.3	-25.7
<b>Solvency ratio<sup>(1)</sup></b>	<b>50.4%</b>	<b>52.1%</b>	<b>55.3%</b>	<b>52.1%</b>	<b>52.7%</b>
<b>Equity as a percentage of total liabilities</b>	<b>101.8%</b>	<b>108.6%</b>	<b>123.5%</b>	<b>108.6%</b>	<b>111.5%</b>
ROACE on underlying EBITDA <sup>(2)</sup>	23.0%	24.3%	22.5%		
ROACE on underlying EBIT <sup>(3)</sup>	16.4%	18.2%	16.3%		

(1) Solvency ratio is equity divided by total assets.

(2) ROACE means underlying EBITDA divided by 12-month average capital employed; see Note 28 of the financial statements.

(3) ROACE means underlying EBIT divided by 12-month average capital employed.

## Consolidated statement of profit or loss

In millions of euro	2018	2017	2016	2015	2014
Revenue	2,404.7	2,218.7	2,109.0	2,244.5	2,221.3
Gross profit	443.4	419.8	407.4	424.2	393.7
Operating profit	75.9	74.0	67.8	64.1	62.6
Net finance costs	-4.4	-2.4	-3.5	-2.6	-4.6
Profit before tax	74.5	75.5	68.1	66.2	62.6
Profit for the year	59.2	59.3	53.8	51.3	49.0
<b>Profit attributable to shareholders of the Company</b>	<b>58.6</b>	<b>58.6</b>	<b>53.3</b>	<b>50.7</b>	<b>48.1</b>
Compound feed (x million tonnes)	6.95	6.67	6.33	6.34	6.36
DML (x million tonnes)	2.78	2.57	2.61	2.45	2.30
Fertilizer (x million tonnes)	0.14	0.17	0.18	0.12	0.09
Other (x million tonnes)	0.15	0.14	0.14	0.13	0.01
<b>Volume Total Feed (x million tonnes)<sup>(1)</sup></b>	<b>10.02</b>	<b>9.55</b>	<b>9.26</b>	<b>9.04</b>	<b>8.76</b>
Number of employees at year-end (in fte's)	2,654	2,325	2,273	2,370	2,286
Underlying EBITDA <sup>(2)</sup>	100.1	101.4	93.6	90.4	86.5
Underlying EBITDA as % of revenue <sup>(3)</sup>	4.2%	4.6%	4.4%	4.0%	3.9%
Underlying EBITDA as % of gross profit <sup>(3)</sup>	22.6%	24.2%	23.0%	21.3%	22.0%
Underlying EBIT <sup>(2)</sup>	71.5	75.8	67.6	64.4	59.6
Underlying EBIT as % of revenue	3.0%	3.4%	3.2%	2.9%	2.7%
Underlying profit <sup>(2, 3)</sup>	57.6	60.1			
Dividend (€ million)	30.1	30.2	25.7	24.7	18.7
Dividend per share (€) <sup>(4)</sup>	0.30	0.30	0.24	0.23	0.18
Impact of acquisitions and divestments on Revenue	3.6%	2.9%	1.5%	2.0%	
Impact of acquisitions and divestments on Gross profit	2.3%	0.9%	0.7%	2.0%	
Impact of acquisitions and divestments on Operating profit (EBIT)	-3.2%	4.3%	3.0%	0.2%	
Impact of acquisitions and divestments on Operating profit before depreciation (EBITDA)	0.6%	3.7%	2.6%	0.1%	

(1) Prior year volume amounts have been adjusted to conform to the current year presentation

(2) Underlying metrics are Alternative performance measures (APM) not defined by IFRS. These measures are used as the Group believes they provide a better perspective of ForFarmers' business development and performance. For a reconciliation between IFRS measures and underlying measures, reference is made to Note 27 of the financial statements.

(3) Underlying profit is a new APM

(4) 2018: €0,283 per ordinary share and €0,017 special dividend

# OTHER

## INDEX

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Glossary

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# GLOSSARY

<b>[Dutch] Corporate Governance Code</b>	The Corporate Governance Code applies to all companies with a registered office in the Netherlands, whose shares or depository receipts thereof are admitted to trading on a regulated market or multilateral trading facility within the EU, or a comparable market or trading facility outside the EU.
<b>Additives</b>	Ingredients that are added to feed to improve the feed, for instance with respect to shelf life, taste, odour or nutritional value.
<b>AGM</b>	Annual General Meeting of Shareholders.
<b>Agrifirm</b>	Dutch cooperative of farmers and horticulturists with subsidiaries in multiple countries in and outside Europe. Strategic partner of ForFarmers for the purchase of fertilisers, seeds and crop protection products in NL.
<b>AMR</b>	Anti Microbial Resistance.
<b>AMX</b>	The AMX Index (short for Amsterdam Mid Cap Index) is a stock market index composed of Dutch companies, ranking 26-50 in size, which trade on the Euronext Amsterdam stock exchange.
<b>Apollo</b>	Feed concept for broilers.
<b>AScX Index</b>	The AScX Index (short for Amsterdam Small Cap Index) is a stock market index composed of Dutch companies, ranking 51-75 in size, which trade on the Euronext Amsterdam stock exchange.
<b>Beak trimming</b>	The clipping of the beaks of layer hens.
<b>Bedding products</b>	Products such as chopped straw, flax or wood shavings that are used as bedding in barns.
<b>Better Life concept</b>	Quality label developed by 'Dierenbescherming' (The Dutch Society for the Protection of Animals) in the Netherlands for products that are produced with extra care for animal welfare. The number of stars (1, 2 or 3) indicates the extent to which producers meet the quality requirements.
<b>Blend</b>	Mixture consisting of various (unground) raw materials, minerals and pre-mix.
<b>Board</b>	The Supervisory Board of ForFarmers N.V.
<b>Broiler parent stock</b>	Produce hatching eggs which are delivered to the hatchery where the broiler chicks are born.
<b>Calf breeding</b>	The raising of a newborn calf.
<b>CEO</b>	Chief Executive Officer of ForFarmers N.V.



<b>CFO</b>	Chief Financial Officer of ForFarmers N.V.
<b>Chicken of Tomorrow</b>	2013 agreement between supermarkets and the poultry sector in the Netherlands with the purpose of obtaining a more sustainable range of poultry on Dutch supermarket shelves.
<b>CIEL</b>	Centre for Innovation Excellence in Livestock.
<b>Co-products</b>	Products derived from the manufacturing process of human food, such as brewers' grains, which are used for animal feed.
<b>Code of Conduct</b>	These are the values, company principles and rules of conduct that apply to everyone who works at ForFarmers. These specify, inter alia, the rules of integrity and responsibilities for both the organisation and the employee.
<b>Company</b>	ForFarmers N.V.
<b>Compliance Officer</b>	Person, employee of the company, who is responsible for monitoring and managing regulatory compliance issues within an organisation.
<b>Compound feed</b>	The collective name for dry animal feeds composed of different ingredients to give them certain properties.
<b>Concentrates</b>	A highly concentrated supplementary feed that is diluted at the farm with raw materials available there.
<b>COO</b>	Chief Operating Officer, Director responsible for a specific ForFarmers cluster (operating segment).
<b>Coöperatie FromFarmers U.A.</b>	Coöperatie FromFarmers U.A. is the majority shareholder of ForFarmers N.V. and has some 4,500 members, which are predominantly active in the ruminant, swine and poultry sectors.
<b>Corn silage</b>	Forage crop that is harvested with a chipper as whole plant and then stored in a silo at the cattle farm. Serves as cattle feed.
<b>Cross-selling</b>	Cross-selling: sale of products that are related to a product that a customer has already purchased.
<b>Delta concept</b>	Feed concept for finishers (pigs).
<b>Derogation</b>	The European Nitrates Directive specifies that, in all European countries, no more than 170 kg of nitrogen from animal manure may be used per hectare of land. An exception was made to this for several Member States, including the Netherlands, under a range of conditions. Livestock farmers in these countries may use 250kg of nitrogen from animal manure per hectare of feed grassland.
<b>Disclosure Committee</b>	A disclosure committee is a group tasked with reviewing all proposed disclosures prior to their release. This committee is mandatory for publicly-held companies.

<b>DML</b>	DML stands for Dry, Moist and Liquid co-products. See also co-products.
<b>Employee participation plan</b>	ForFarmers introduced an employee share ownership plan in 2015 for permanent staff through which employees could purchase a maximum of € 5,000 of ForFarmers depositary receipts per person at a discount. A lock-up period applies to the purchased depositary receipts.
<b>EPS</b>	Earnings per share.
<b>Equity on Name</b>	A process that has been running since 2006 pursuant to which approximately 82.5% of FromFarmers' equity is registered in the names of members as part of the growth strategy. The last tranche took place in 2017.
<b>Europe+</b>	Europe and adjacent regions.
<b>Executive Board</b>	The executive board of the company (ForFarmers N.V). The Company's statutory management board composed of three members.
<b>Executive Committee</b>	ForFarmers' Executive Committee is composed of three members of the Executive Board and the other four directors.
<b>FAO</b>	Food and Agriculture Organization of the United Nations.
<b>Feed Chain Alliance</b>	Feed Chain Alliance Standard (before GMP) is a quality system. managed by OVOCOM, a Belgian platform for animal feed sector.
<b>Feed conversion</b>	The amount of feed an animal consumes as compared to the produce of the animal as a ratio. The aim is to get a higher output with a diminishing amount of feed.
<b>Feed efficiency</b>	Ratio which indicates how many kilos of animal product (milk, meat, eggs) are made from one kilo of feed.
<b>Feed equivalents</b>	The key for allocating equity to members. A member that has feed equivalents can use them by acquiring feed or other products. Members receive a credit on their participation account linked to the use of feed equivalents. This credit consists of the right to depositary receipts.
<b>Feed evaluation system</b>	Programme with an overview of all of the nutrients per raw material, the degree to which these nutrients are available for the various animals at various ages and the specific nutrient requirements of animals in various phases of life. This data is combined with the available raw materials in order to give the animal exactly those nutrients that it needs in the most (cost) efficient manner.
<b>Feed performance</b>	The final result that is achieved from the feed, such as feed intake, growth, milk production, etc.
<b>Feed solutions</b>	A supply of feed products that provides for the specific needs of an animal in terms of nutrition.
<b>Feed system</b>	The (technical) manner in which the farmer delivers the feed to his animals.
<b>Feed2Milk</b>	Feed2Milk is the ForFarmers' approach to feed for dairy cattle. It allows a better assessment of the nutritional value of the feed and as a result, higher milk production, better feed efficiency and healthier animals.

<b>Feed4Foodure</b>	Feed4Foodure is a public-private partnership between the Dutch Ministry of Economic Affairs and a consortium of various organisations within animal feed industry and the animal production chain. The research programme aims to contribute to sustainable and healthy livestock farming in the Netherlands, simultaneously strengthening our competitive position on the global market.
<b>FEFAC</b>	European Feed Manufacturers' Federation.
<b>Ferm4Farm</b>	Is a feed concept for swine which, by using fermented raw materials, provides for a reduction of the annual feed costs, better gut health and a reduction in the use of antibiotics.
<b>Fermentation</b>	Process through which lactic acid bacteria convert (pig) feed into a healthy, tasty mash with high levels of lactic acid, leading to more efficient feed usage, lower feed costs and healthier pigs.
<b>Fertiliser</b>	Administration of fertilisers (nitrogen, phosphate, potassium, etc.) to the soil for optimal crop growth. Both animal and chemical fertilisers.
<b>FFEEC</b>	ForFarmers European Employees Council. The Europe-wide employee representative which consists of employee representatives from the Netherlands, Belgium, Germany and the United Kingdom. It discusses subjects that concern several countries.
<b>Forage / roughage</b>	Unperishable products that are specifically cultivated for livestock feed purposes, such as grass and corn silage.
<b>ForFarmers dealers</b>	ForFarmers works in the cattle sector in the Netherlands through regional dealers. These are independent businesses which sell ForFarmers products and advise livestock farmers on various issues, including feed recommendations and business development.
<b>ForFarmers European Employees Council</b>	FFEEC, the Europe-wide employee representative which consists of employee representatives from the Netherlands, Belgium, Germany and the United Kingdom. It discusses subjects that concern several countries.
<b>ForFarmers Group</b>	The Company along with the legal persons or companies with which the Company has organisational links forming an economic unit as referred to in Article 2:24b of the Dutch Civil Code. Also referred to as the 'Company'.
<b>ForFarmers N.V.</b>	also referred to as the 'Company'.
<b>GMP+</b>	GMP+ FSA (Feed Safety Assurance) is an internationally recognised scheme to certify the safety of animal feed in all links of the animal feed chain, including the companies supplying raw materials.
<b>GRI G4</b>	The Global Reporting Initiative is a guideline for sustainability reporting. The GRI's goal is to make sustainability reporting a "standard practice" for all companies and to bring sustainability reports to the same level as financial ones.
<b>Group</b>	The Company along with the legal persons or companies with which the Company has organisational links forming an economic unit as referred to in Article 2:24b of the Dutch Civil Code.
<b>HACCP</b>	Hazard Analysis and Critical Control Points is a risk inventory for foodstuffs. By identifying health risks in processing and preparation processes, and thereby controlling them, the safety of the product is increased.
<b>Horizon 2020</b>	ForFarmers' strategy to further reinforce the organisation, to become the leading feed business in Europe+ and a Total Feed partner for the farmer.
<b>IFFO RS</b>	IFFO RS (International Fishmeal and Fishoil Organisation) is a global standard and certification for responsible fishmeal and fish oil.

<b>IFRS</b>	The International Financial Reporting Standards (IFRS) are an accounting standard for company annual reports. Companies in the EU listed on the stock exchange are required to report in this manner since 1 January 2005.
<b>Integrated feed solutions</b>	A combination of feed products, related advice and resources in order to first establish and then achieve the customer's business objectives, and monitor results.
<b>Issued ordinary shares</b>	Issued Shares relates to the total number of shares that are sold to and held by shareholders of the company and include treasury shares (i.e. repurchased shares held by the company).
<b>LCA</b>	LifeCycle Analysis. Demonstrates the environmental performance of the entire production chain.
<b>Like-for-like (LFL)</b>	Excluding translation effects of currency and the net effect of acquisitions and divestments.
<b>Liquid co-products</b>	Liquid products derived from the manufacturing process of human food, such as whey, brewer's yeast or glucose syrup, and which are used as animal feed.
<b>LTI</b>	Lost Time Incident. Accidents at work that lead to one day or more of absence from work.
<b>Material aspect</b>	A main aspect of the ForFarmers sustainability strategy. It is an indicator for the GRI guidelines.
<b>Materiality analysis</b>	Analysis in which it is determined whether a subject is or is not significant to stakeholders of ForFarmers or to ForFarmers itself. Often used in relation to sustainability.
<b>Materiality matrix</b>	A manner (matrix) in which the importance of Corporate Social Responsibility (including sustainability) issues are plotted in 2 dimensions; the relevant importance of the issues to the stakeholder groups and the importance of the issue to the company.
<b>Micro-ingredients</b>	Vitamins, minerals, medicines and other substances used in very small quantities and weighed in milligrams, micrograms or parts-per-million (ppm).
<b>Milk quota</b>	The right to produce a certain amount of cowmilk. The quota were introduced because farmers in the EU produced more milk than was being consumed. The milk quatum was introduced in 1984 and abolished on 1 April 2015.
<b>Milk€fficient</b>	A programme developed by ForFarmers that combines determining factors of dairy farm results and enables farmers to understand different scenario's how they can improve returns.
<b>Molasses</b>	A viscous co-product resulting from refining sugarcane or sugar beets into sugar.
<b>MSCI Netherlands Index</b>	The MSCI Netherlands Index is designed to measure the performance of the large and mid cap segments of the Netherlands market.
<b>NIC</b>	ForFarmers' Nutrition Innovation Centre works, inter alia, on improving the technical performance of feed, such as feed efficiency and optimal animal growth, and on developing innovative nutritional solutions to contribute to good animal health. The NIC also focuses on improving the sustainabilisation of our products and of the farming industry as a whole.

<b>NL GAAP</b>	NL GAAP (also Dutch GAAP) stands for Dutch Generally Accepted Accounting Principles and is used in order to indicate the system of reporting and accounting principles that is applicable in the Netherlands. ForFarmers reported according to NL GAAP until and including 2014. As of 2015, the Company reports according to IFRS.
<b>NOVA</b>	A new concept for sows. The NOVA products provide a higher milk production per sow, more piglets per litter, a higher weaning weight per piglet and a longer lifespan for sows.
<b>Nutreco</b>	International organisation, operating worldwide in the animal feed and fish feed sector. Strategic partner of ForFarmers.
<b>Nutrient requirements</b>	A specific animal's need for nutrients such as amino acids, energy, essential fats, vitamins, minerals and trace elements.
<b>Nutrient value</b>	Nutritional value, for example, levels of protein, oil, fibre, ash, starch, sugar, calcium, phosphorous, or sodium.
<b>Nutrition Innovation Centre (NIC)</b>	Department within ForFarmers responsible for nutrition, research and innovation.
<b>Nutritional matrix</b>	Schedule of nutrients and the nutrient requirements of different animals in various phases of life, which forms the basis for the feed solutions that ForFarmers provides.
<b>Nutritional total solutions</b>	Total solution offered to cover all livestock feed needs of any type.
<b>Organisation</b>	ForFarmers Group. The company headed up by ForFarmers N.V. and/or ForFarmers Group. When 'the Organisation' is referred to, it means ForFarmers Group.
<b>Outstanding ordinary shares</b>	Outstanding Shares are the number of issued shares minus the number of treasury shares (i.e. repurchased shares held by the company)
<b>Ovocom</b>	OVOCOM is a Belgian quality platform for the animal feed sector comparable to GMP+ in the Netherlands.
<b>Palm oil</b>	Vegetable oil extracted from the fruit of the palm tree.
<b>Participation account</b>	The participation in the capital of Coöperatie FromFarmers (the proprietary rights per member) registered a member which can be converted by the member into depositary receipts.
<b>Pavo</b>	Company specialising in horse feed for both recreational and competitive horses, with branches in the Netherlands and Belgium and sales in practically all of Europe. A subsidiary of ForFarmers.
<b>Performance feed</b>	Feed aimed at high performance of the animal (e.g. compound feed, specialties etc.).
<b>Phosphate efficiency</b>	Indicator of how efficiently a livestock farm handles phosphates.
<b>Phosphate rights</b>	The production of phosphate by the Dutch cattle industry is restricted by phosphate rights. The Dutch Secretary of State for Economic Affairs made this decision in 2016 because phosphate production by the Dutch cattle industry in 2015 was higher than had been agreed with the sector.
<b>Phytases</b>	Phytases are enzymes that improve phosphorus digestion in pigs and poultry.
<b>Plant</b>	The name of a ForFarmers business unit that focuses on agriculturists, contractors and cattle farmers that produce forage.
<b>PoultryPlus</b>	Breeding organisation for broiler chickens with sales in the Netherlands, Germany, Belgium, Switzerland and Austria. A subsidiary of ForFarmers.

<b>Premixes</b>	Mixture of vitamins, (trace) minerals and additives that are added to the feed in order to meet the animal's needs.
<b>Priority share</b>	The priority share is held by Coöperatie FromFarmers U.A. The priority shareholder has the rights as specified in the ForFarmers Articles of Association.
<b>Priority shareholder</b>	The priority share is held by Coöperatie FromFarmers U.A.
<b>Rapeseed meal</b>	Rapeseed meal is a protein-rich co-product of the extraction of oil from rapeseed.
<b>Reudink</b>	Animal feed supplier specialised in organic animal feeds, operating in the Netherlands, Germany and Belgium. A subsidiary of ForFarmers.
<b>Risk Advisory Board (RAB)</b>	Risk Advisory Board is composed of the CFO, Director Supply Chain, Director Reporting, Tax & Risk. The Internal Auditor participates in meetings as an observer.
<b>Roots in the top layer of soil</b>	The quantity and distribution of root growth in the top layer of soil.
<b>Roughage+</b>	Farming approach in which the soil, fertiliser, crop growth and management of planting and harvesting are properly synchronised with each other.
<b>RSPO</b>	Round Table on Sustainable Palm Oil. Round Table for responsibly produced palm oil. ( <a href="http://www.rspo.org">www.rspo.org</a> )
<b>RTRS</b>	Round Table Responsible Soy. Round Table for responsibly produced soy. ( <a href="http://www.responsiblesoy.org">www.responsiblesoy.org</a> )
<b>Ruminants</b>	Ruminants have four stomachs. They chew the feed again in the mouth after it has been in the rumen. Examples are dairy cattle, beef cattle, goats, and sheep.
<b>SDGs</b>	The Sustainable Development Goals are a collection of 17 global goals set by the United Nations, to Transform our World.
<b>SecureFeed</b>	Organisation that guarantees the food safety of animal feeds in the Netherlands. SecureFeed develops and manages a common system for monitoring and risk assessment of raw materials and their suppliers. Dutch dairy farmers are obliged to purchase from SecureFeed members.
<b>Sedex code</b>	Supplier Ethical Data Exchange
<b>Seeds</b>	Seeds from cultivated crops for planting. Collective name for the entire range of seeds for grasses, grains, maize etc.
<b>Semi-finished products</b>	Raw materials that have already been processed but need to be further processed to make a finished product.
<b>Silage additives</b>	Additives that counteract preservation losses in silage to gain the maximum use of nutrients in the forage.

<b>SiloSolve©FC</b>	A silage additive, which ForFarmers has introduced in 2017 in NL in partnership with Chr. Hansen, which avoids heating in the silage and reduces preservation loss.
<b>Single raw materials / straights</b>	Raw materials, including types of grain such as wheat and maize, which the farmer mixes with other feed products at the farm.
<b>Slurry</b>	A mixture of solid and liquid manure (urine and dung) from animal origin.
<b>Soybean meal</b>	Also known as 'soya meal', 'soya bean meal' or 'soybean meal'. Heat-treated product that remains after extraction of soy oil from the soy bean. Serves as protein-rich raw material for cattle feed.
<b>Special feed</b>	Feed for animals in a specific phase of life or with specific requirements.
<b>Stackable co-products</b>	Co-products with a lot of moisture that are not fluid but stackable, for example potato starch.
<b>Statutory Board (of the Company)</b>	The executive board of the company composed of three members.
<b>Stichting Beheer</b>	See Stichting Beheer- en Administratiekantoor ForFarmers.
<b>Stichting Beheer- en Administratiekantoor ForFarmers</b>	The ForFarmers Trust Office Foundation holds all shares in the capital of the Company and its purpose is, inter alia, to acquire and administrate shares for safekeeping against the granting of depositary receipts and to exercise the voting rights attached thereto and other control rights.
<b>Stichting Continuïteit ForFarmers</b>	The ForFarmers Continuity Foundation. This Foundation was set up to safeguard the identity, strategy, independence and continuity of the Company headed up by the organisation. It is fully autonomous and has a fully independent management.
<b>Strategic partnership</b>	Close cooperation with other specialist players in the market with the goal of reinforcing each other in terms of knowledge, innovation and purchasing.
<b>Sunflower seed meal</b>	A protein-rich co-product of the extraction of oil from sunflower seed.
<b>Supervisory Board</b>	The Supervisory Board (the Board) is composed of six members and is tasked with the supervision of the Executive Board's strategy and of the general affairs of the company and the organisation linked to it.
<b>Sustainability Advisory Board</b>	Composed of three members of ForFarmers' Executive Committee, one member of the ForFarmers Supervisory Board and six external members. Its role is to provide advice on ForFarmers' sustainability strategy and on major trends and issues that should be taken into account.
<b>Terra+</b>	A total feed approach, introduced in 2017 by ForFarmers, with which dairy farms can improve the quality and output of forage.
<b>TMR concept</b>	Total Mixed Ratio (TMR) is the name of a ration whereby all of the feed materials are mixed via the feed mixer wagon and provided and delivered to the cattle.
<b>Toll manufacturing</b>	Manufacture (of feeds) for third parties based on specifications provided by these third parties.
<b>Tools</b>	Collective name for apps, checklists, programmes, analyses, etc. that ForFarmers offers its customers in order to monitor results or to adjust and improve management.

<b>Total Feed</b>	A ForFarmers strategy to offer livestock producers a complete package consisting of feed solutions, corresponding advice and resources in order to establish the customer's business objectives and to monitor the results thereof.
<b>Total Feed approach</b>	See Total Feed.
<b>Total Feed Business</b>	See Total Feed.
<b>Transition Approach</b>	The Transition Approach consists of practical recommendations and distinctive products for the transition period; the period around the birth proces.
<b>True phosphor</b>	Indicator which helps dairy farmers to more accurately determine the P-need of their dairy cows and be able to steer more specifically on true phospor, based on milk production and the composition of milk.
<b>UFAS</b>	Universal Feed Assurance Scheme. The AIC (Agricultural Industries Confederation) have developed a range of Trade Assurance Schemes covering areas of the agri-supply industry. UFAS deals with the production and delivery of compound feeds and the supply of feeds to farms.
<b>ULTRA</b>	Feed concept for finishers (pigs).
<b>VIDA</b>	Brand name for ForFarmers' feeds for piglets.
<b>Vital</b>	A new approach by Reudink for organic cattle farmers to positively influence the feed intake and health of young animals.
<b>Vleuten-Steijn</b>	The feed company focussed on the swine sector in NL and GE, acquired by ForFarmers in October 2016. Special focus on sow and piglet segment.
<b>Weda Holland B.V.</b>	Exclusive importer of Weda feeding systems in the Netherlands and Belgium and provider of total solutions for feed systems in the agricultural and industrial sectors. Partner of ForFarmers in the Ferment+ project.
<b>Wellfare concept</b>	Livestock concepts with extra focus on animal welfare.
<b>Wet co-products</b>	Liquid products derived from the manufacturing process of human food, such as whey, brewer's yeast or glucose syrup, and which are used as animal feed.
<b>Whistle-blower policy</b>	The whistle-blower policy specifies the suspicions of wrongdoing that should be reported and to whom, as well as the procedures that apply thereto. The whistle-blower policy forms part of the Code of Conduct.