

# ANNUAL REPORT

2019



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

2019

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# 2019 AT A GLANCE

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Key figures

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Facts and figures

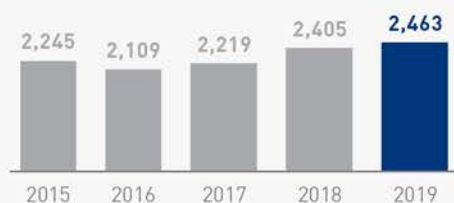
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# Key figures

## RESULTS

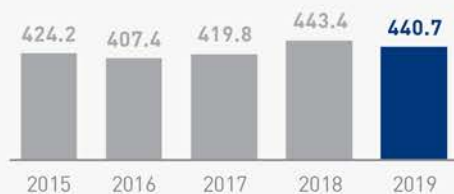
**Revenue**  
€ x million

**2,463**



**Gross profit**  
€ x million

**440.7**



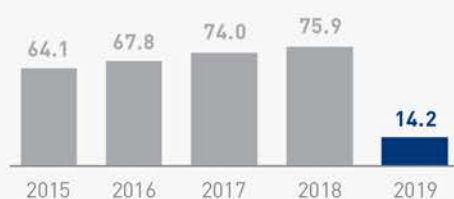
**Underlying EBITDA<sup>1</sup>**  
€ x million

**88.5**



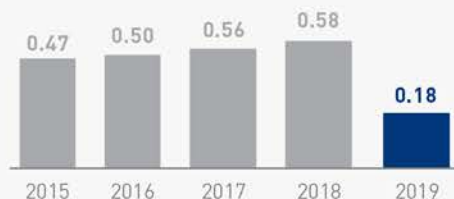
**Operating profit (EBIT)**  
€ x million

**14.2**



**Earnings per share**  
€

**0.18**



**Dividend per share<sup>2</sup>**  
€

**0.28**



<sup>1</sup> Underlying means excluding incidental items (See note 17 of the financial statements regarding the Alternative Performance Measures (APMs)).

<sup>2</sup> In 2018 and 2019: dividend comprises regular and special dividend.

General: 2019 results include effect of IFRS 16 implementation.



RESULTS	2019	2018
<b>Consolidated statement of profit or loss</b> (€ million)		
Revenue	2,463.1	2,404.7
Gross profit	440.7	443.4
Operating profit (EBIT)	14.2	75.9
Underlying <sup>1</sup> operating profit (EBIT)	48.2	71.5
Operating profit before depreciation and amortization (EBITDA)	85.2	103.9
Underlying EBITDA <sup>2</sup>	88.5	100.1
Profit attributable to shareholders of the Company	17.7	58.6
Profit for the year	18.0	59.2
<b>Consolidation statement of financial position per 31 December</b> (€ million)		
Equity	418.4	440.8
Balance sheet total	865.5	873.7
Average capital employed <sup>3</sup>	547.0	434.5
Net debt position <sup>4</sup>	7.0	17.1
<b>Cash flow</b> (€ million)		
Net cash from operating activities	96.1	82.1
Acquisition/disposals of subsidiaries	-2.7	-81.0
Acquisition of property, plant and equipment and intangible assets	-36.9	-44.0
<b>Ratio's</b>		
Underlying EBITDA as % of gross profit	20.1%	22.6%
Return on average capital employed (ROACE) <sup>5</sup>	16.2%	23.0%
Solvency ratio (equity divided by total assets)	48.3%	50.4%
<b>Key data per share</b> (€)		
Earnings per share	0.18	0.58
Dividend per share <sup>6</sup>	0.28	0.30
Share price at year-end	5.74	8.05
<b>Other key figures per 31 December</b>		
Number of outstanding shares (million)	97.7	100.2
Market capitalisation (€ million) on 31 December	560.8	806.6
Number of employees (in FTEs)	2,570	2,654

<sup>1</sup> Underlying means excluding incidental items [See note 17 of the financial statements regarding the Alternative Performance Measures (APMs)].

<sup>2</sup> IFRS 16 effect in 2019 is +€5.8 million

<sup>3</sup> Based on 12 months average; see Note 17 of the financial statements.

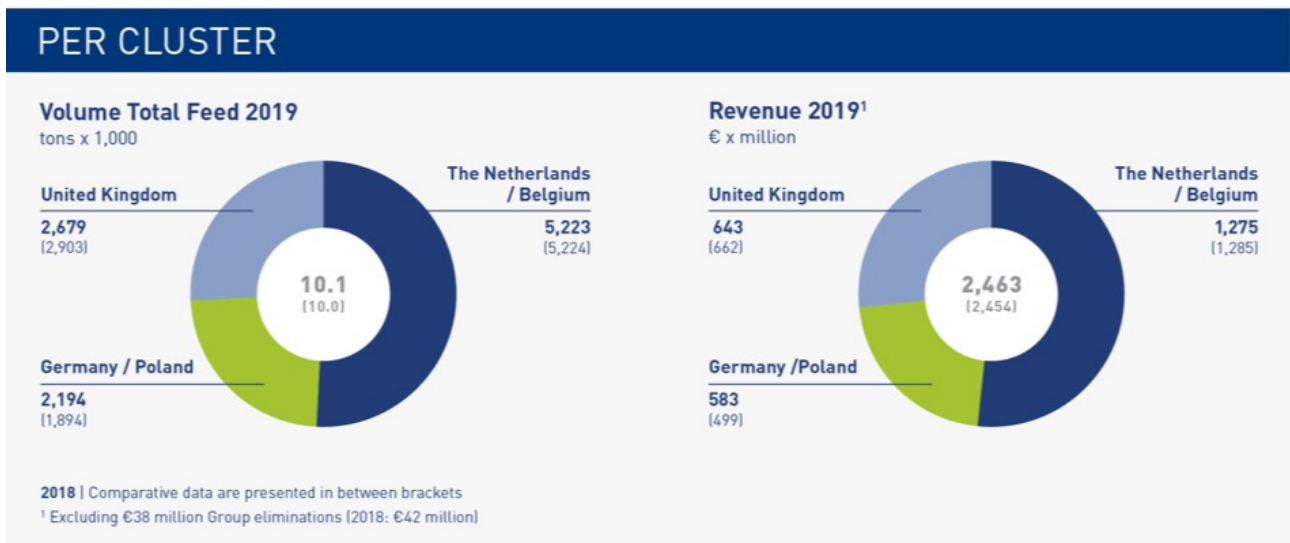
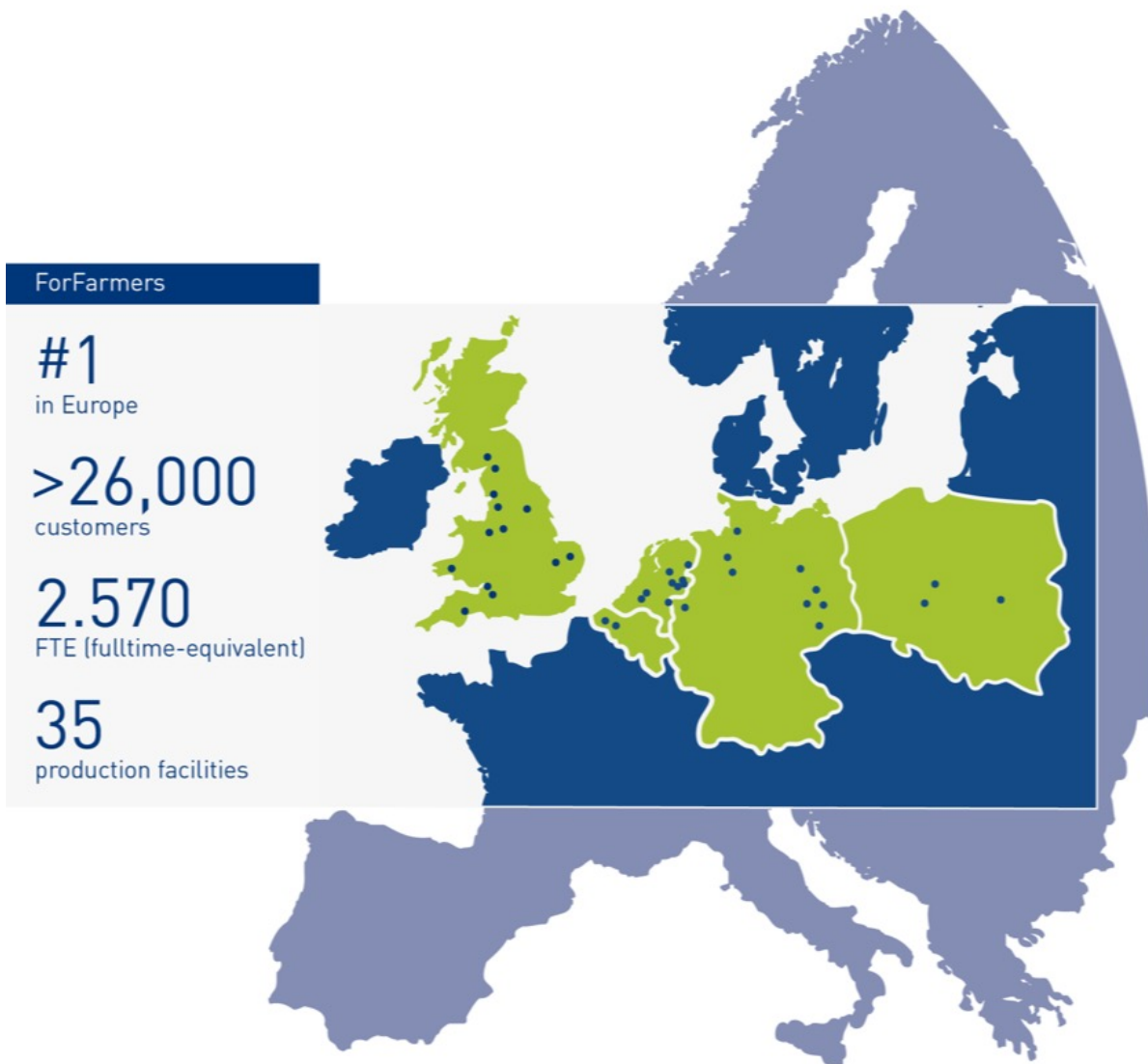
<sup>4</sup> Excluding IFRS 16 Lease liabilities

<sup>5</sup> ROACE means underlying EBITDA divided by the average capital employed; see Note 17 of the financial statements.

ROACE based on underlying EBIT; 2019: 8.8%, 2018: 16.4%

<sup>6</sup> For calculation of dividend per share, see Note 49 of the financial statements; dividend in 2019 and 2018 comprises regular and special dividend  
General: 2019 results include effect of IFRS 16 implementation

# Facts and figures



LETTER FROM

THE CEO

# Letter from the CEO



## Anticipating a new market reality

*2019 was a difficult and turbulent year for us. We were faced with both the impact of the unfavourable purchasing position and rapidly changing market circumstances, especially in our home market the Netherlands. It was also a year in which we were asked to contribute our expert opinion to the discussions about the future of the agricultural sector, because of our leading position in the feed industry. These are turbulent times and a new market reality is appearing rapidly, of which we see the challenges but we also see opportunities. And we are convinced that we, thanks to our position and our knowledge of the market, are able to create value for our stakeholders in a sustainable manner.*

## Price fluctuations of raw materials; inherent part of our business

The first half-year of 2019 was characterised by the unfavourable purchasing position which we did not pass on to our customers. We took this decision to retain our market position. The result, however, was that our first-half 2019 results were severely put under pressure. In the meantime we have further tightened our purchasing procedure in order to minimise the chance of such a risk recurring. We cannot however completely rule out such a situation happening in the future.

The second half of the year fared better. Despite further declining volumes due to challenging market circumstances we realised better results, especially

because of the implementation of our efficiency plans, including the closure of five mills. Both in the United Kingdom and in the Netherlands two mills were closed, and later in the year one in Belgium also. We are well on track with the realisation of the earlier announced €10 million cost saving in 2021 (compared to 2018).

The integration of the four companies which we acquired in 2018 has been completed. Our market positions in Belgium and in organic feed have been strengthened due to these acquisitions. We are pleased to see that volumes are increasingly more balanced across the various sectors, as a result of the acquisitions in the poultry sector in Poland (Tasomix) and in the Netherlands (Maatman). For example, our market share in the growing European poultry sector following our acquisition Tasomix in the growth market Poland has clearly improved. Volume development in the United Kingdom however is slower than anticipated which is why an impairment was required.

Thanks to our continuous focus on working capital we have improved our operational cash flow.

## Contributing to a sustainable livestock industry

A political debate about the necessity to reduce nitrogen emissions and the relating measures that needed to be taken, arose in the summer of 2019 in the Netherlands.

The Dutch government aims at providing livestock farmers the choice, on a voluntary basis, to stop farming or to make their farming businesses more sustainable.

Although the government declared that it was not a goal unto itself to reduce livestock numbers it has become clear that the proposed measures will in due course definitely lead to a small decline in animal numbers in the Netherlands. As ForFarmers we support the Agricultural Collective, the group that discusses the necessary measures with the Ministry of Agriculture, Nature and Food quality, such as adjustments in feed and technical innovations in barns.

In other Northwest European countries we also notice that social concern with respect to the impact of the agricultural sector on the environment is increasing. At the same time, livestock farmers in Northwest Europe in general, and in the Netherlands in particular, have a lower to much lower carbon footprint than their colleagues in other parts of the world. Because of the investments that livestock farmers need to make to meet all the environmental requirements, they are more reluctant to invest in the expansion of their farms. Consequently, the tension and discussion is intensifying with respect to the question how to meet the growing global demand for animal proteins in a sustainable manner. Replacing livestock farming to areas where environmental requirements are less strict, does not, after all, reduce the carbon footprint on a global scale and is therefore not a solution.

With our mission 'For the Future of Farming' we make clear that we focus on a future proof, sustainable livestock farming industry. A livestock industry with strong and healthy farming businesses, paying attention to animal health and welfare and to the impact of the sector on nature and environment. Our answer to the challenge the sector is facing is the Total Feed approach. We help farmers improve their returns on-farm efficiently and responsibly, with our innovative feed concepts, advice and digital tools that help monitor and optimise the farming businesses of the livestock farmer. Knowledge and innovation are crucial in this respect. Partly because of our scale we can train our advisors in internal academies where they can share knowledge, which can subsequently be deployed on-farm. Sustainability is an integral part of our business. We continue to work on improving feed efficiency: more (animal protein) production with less feed. Wherever possible we use residual flows (co-products), from the food industry and not suitable for direct human consumption, in the production of our feeds. In 2019 we have again devoted attention to improving our carbon footprint, both in our own processes

and where possible on-farm. Moreover, in the area of health and safety of our employees we were able to achieve a large decline in lost time incidents (LTIs).

## **Animal diseases**

Animal diseases are having a large impact on the sector for already some time. African swine fever has resulted in an approximate 50% decline of the number of pigs in China, resulting in more export of pig meat to China, a sharp rise in pig prices and, in the meantime, also more export of poultry products to China. African swine fever has also been detected among wild boars in Belgium. Because hygiene protocols have been implemented there is little risk of the disease spreading further. The illness has however recently also surfaced among wild boars other regions including Poland and close to the German border. We are monitoring this closely. Poultry farmers are on the alert because the contagious version of avian flu has been detected among wild birds in Poland. Animal diseases remain a concern for the livestock farming industry, although important steps have been made during past years in determining hygiene protocols and collaborating in the sector to combat spreading of animal diseases.

## **The importance of a good team**

Creating and retaining a good team requires time, money and attention. In 2019 again, we invested in internal training programmes and in creating a culture of teamwork and permanent education. We see this back in committed employees and a growing number of young talents joining ForFarmers. Traditionally more men than women work in our sector. We are all the more proud that we have seen the percentage of female employees within ForFarmers increase for several years already. We are also content that Pieter Wolleswinkel and David Fousert, both from our own organisation, joined the Executive Committee on 1 January 2019 as COO ForFarmers Netherlands and COO Reudink, Pavo and ForFarmers Belgium respectively.

Arnout Traas announced in June 2019 that he would not be eligible for appointment for a new term as CFO during the coming Annual General Meeting of shareholders (AGM). Arnout joined ForFarmers as CFO in 2011. He has played a vital role in further professionalising our organisation and in the many acquisitions we made since 2011. Arnout has also been very valuable during our transition of a cooperative to a stock listed company. On behalf of the

entire Executive Committee team I want to take this opportunity to express thanks to Arnout for his exceptionally great contribution to the development of ForFarmers. We are pleased that Roeland Tjebbes joined our Executive Committee on 1 March 2020, as nominated successor. Roeland brings with him significant and relevant experience from the food and the animal feed industry.

The Executive Committee and the Supervisory Board (Board) once again cooperated well in 2019. The Board was also closely involved in determining the strategy for the years 2020-2025. The composition of the Board will also change after the coming AGM. Cees van Rijn will step down (in line with the corporate governance code) after the AGM in 2020 after serving two terms. On behalf of the entire Executive Committee I want to thank Cees for his great commitment and contribution to ForFarmers.

Annemieke den Otter has been nominated by the Board as commissioner in the created vacancy.

We deem it of great importance that our employees can do their work safely. Accordingly we have devoted a lot of attention to safety, including providing training sessions, various investments and actively communicating about safety. This has resulted in substantially fewer incidents in 2019 than in 2018.

## **Faith in our own strength**

2019 was a turbulent year. Our shareholders were, particularly in the first half of 2019, sadly confronted with the consequences of the unfavourable purchasing position. And our employees experienced cost saving projects. For some of our customers it was a year full of uncertainties because of potential limits to their growth due to environmental measures or due to uncertainty of future trade agreements after Brexit. At the same time other customers saw growth pick up because of the enormous demand from China for pig meat and poultry products.

2019 was also the year in which certain trends became more visible and picked up in pace. By implementing strategy Horizon 2020 in the past years we have positioned ourselves stronger in four countries and made a successful start in the growth market Poland as fifth country of operation. We have a solid base with our market positions and our scale with which we can continue to create value for our stakeholders in the current new reality. On 12 May 2020 we will announce our strategy for the years 2020-2025. The commitment and effort of our

employees is vital. I want to thank them for this, on behalf of myself and my fellow Executive Committee members. I would also like to thank 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, 11 March 2020

Yoram Knoop  
CEO of ForFarmers N.V.

# WHO WE ARE AND WHAT WE DO

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Our contribution to  
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Financial and operational  
review 2019, Dividend proposal

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# Our mission: For the Future of Farming

Our mission 'For the Future of Farming' is indicative of the confidence we have in the future of the agricultural sector. Our efforts are focused on responsible food production, continuity of the farming business and further enhancing the sustainability of the agricultural sector and society in general.

We are convinced that our Total Feed approach offers a sustainable long-term solution for both farmers and society. This involves providing innovative feed concepts, advice and tools to help farmers achieve better on-farm returns with a healthier herd, greater efficiency and lower emissions (including carbon dioxide, ammonia, nitrogen, phosphate, particulates and odour).

Globally the agricultural sector is faced with the challenge of finding a sustainable way of supplying the growing world population with animal proteins. Most of these proteins are produced in countries with the required knowledge and infrastructure and where the climate is best suited to such activities, including for example countries in northwest Europe, and are destined for local consumption as well as for export to other countries. Given the environmental impact of the agricultural sector both locally and elsewhere this presents social challenges at national as well as international level. As the European market leader in livestock nutrition we have not only the opportunity but also the duty to make a real to more efficient and sustainable production of meat, egg and dairy produce.

We seek to achieve this by focusing on:

*Results:* Targeted planning, monitoring and analysis of the results of the farming business in order to constantly improve feed efficiency: more production (of animal protein) using less feed.

*Team:* Assistance from among others specialist expert advisers who stand shoulder to shoulder with the livestock farmers, both on site at the farm and through the Total Feed support desk.

*Products:* The application of tailored solutions and our Total Feed portfolio, comprising compound feed, specialities including young animal feed, liquid and moist co-products, individual raw materials (straights), seeds and fertilizers.

## Core values

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

### Ambition

We aim to achieve ever-higher results, both on-farm and within our own organisation. This requires clear leadership and a team that is in synch. Recruiting, developing and retaining the best people and motivating them to perform even better is crucial to this, as is placing trust and responsibility in our staff.

### Sustainability

We view sustainability as an integral and natural part of our business. 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. Key aspects in this are responsible use of natural resources and scarce raw materials, reducing the pressure on the environment, improving the technical performance of feed and providing nutritional solutions that contribute to good animal health and welfare. Our actions are geared to the long term and are based on trust and transparency, we respect local regulations and procedures and show consideration for our living environment.

Our sustainability objectives are linked to the United Nations Sustainable Development Goals which are relevant to us and focus on Zero hunger (2), Responsible consumption and production (12), Climate action (13) and Life on land (15).

### Partnership

Our activities are aimed at providing the best possible support to our customers. The bedrock of this is cooperation – with customers and suppliers as well as

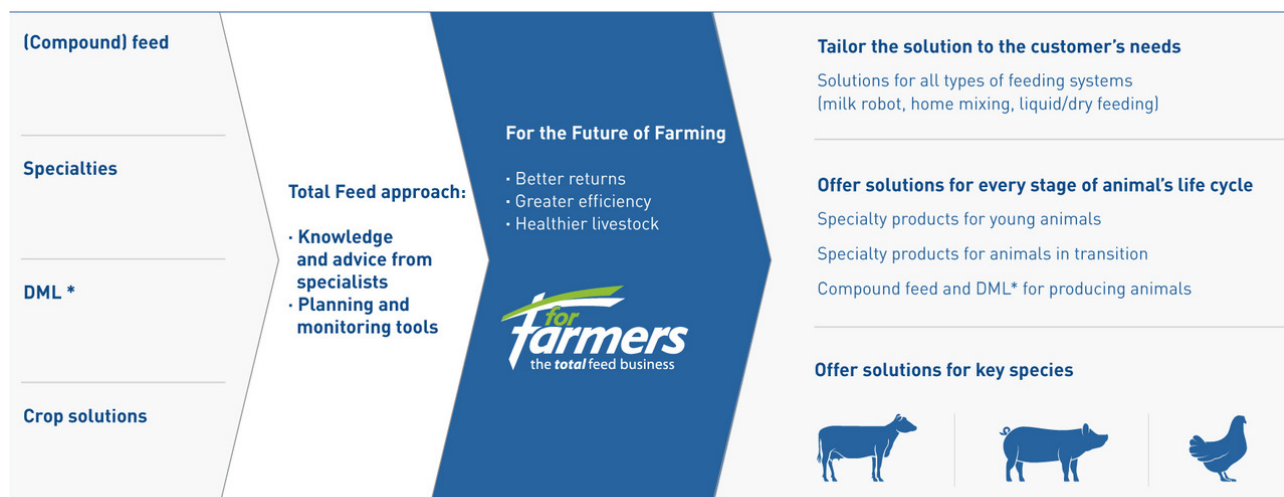


with strategic partners in the various sectors. Wherever necessary or opportune we complement the Total Feed portfolio with special products from partners, source micro ingredients together and develop new concepts. The guiding principle is a long-term relationship based on trust.

## Business profile

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 with acquisitions adding operations in Germany, Belgium and the United Kingdom to our activities in the Netherlands. ForFarmers shares were listed on Euronext Amsterdam in 2016.

Following our acquisition of 60% of the shares in Tasomix in Poland in July 2018 we are well-positioned in the growing Polish poultry market. Following these acquisitions ForFarmers is the leading animal nutrition company in Europe with 2,570 FTEs (2018: 2,654 FTEs) and production facilities in the Netherlands, Belgium, Germany, Poland and the United Kingdom. Our head office is based in the Dutch town of Lochem. In 2019 Total Feed volume equalled 10.1 million tonnes and annual revenue was €2.5 billion. Gross profit came in at €440.7 million.



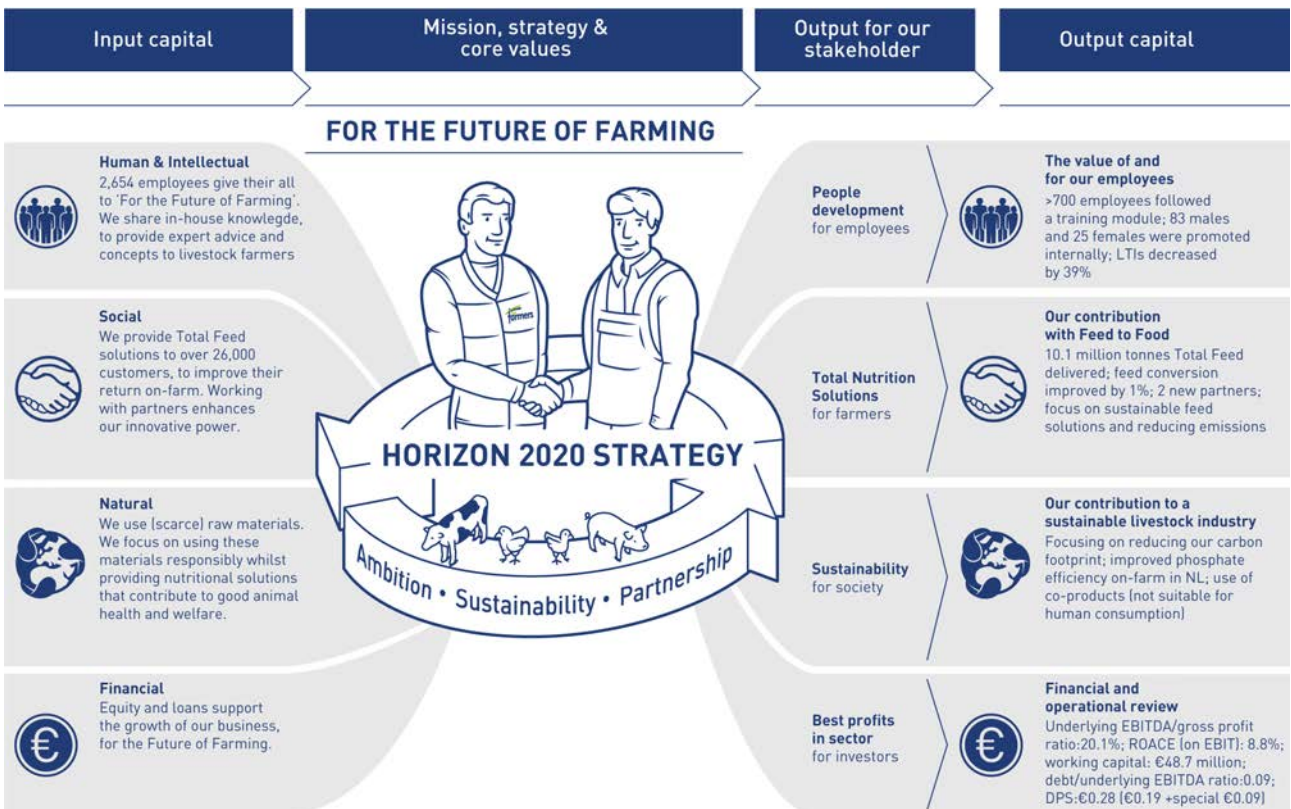
\*DML stands for Dry, Moist, Liquid. This includes co-products such as residual flows from human food production

# How we create value: strategy Horizon 2020

In the chain in which it is active, ForFarmers aims to contribute in a sustainable manner to the growing demand for food – in particular for animal proteins such as meat, eggs and dairy products. The growing demand is a 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 or less sustainable, for example due to the climate. In Europe concerns about the local impact of this production on the everyday surroundings, the climate (carbon footprint) and on nature (for example nitrogen depositions) is putting growing social pressure on livestock farming. In addition livestock farmers are encountering growing consumer interest in animal welfare and food safety. All these factors require extra investment and changes to the way that farmers work, which, including the also existing challenges with respect to succession, leads to ongoing consolidation of farming businesses.

Due to this and other factors the feed solutions and on-farm support requirement is changing. With our mission 'For the Future of Farming' we seek to contribute to improving continuity of the farming business, a healthy agricultural sector and a sustainable society. It is the goal we work towards for our employees, customers, investors, nature and society. Key to this is an approach that focuses on livestock farmers with innovative feed concepts and advice, supported by data-driven tools. The focus is on improving returns (for all stakeholders), animal welfare, reducing emissions and minimising the carbon footprint.



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



### Pillars of Horizon 2020 strategy

Strategy Horizon 2020 was determined in 2014 for the period up to 2020. A start was therefore made in 2019 with the determination of the strategy for the years 2020-2025. This strategy will be announced on 12 May 2020.

In order to further shape our mission and long-term value creation further steps were made in 2019 in implementing our Horizon 2020 strategy, which is based on four pillars:

#### 1. Focus on attractive segments

We gear our nutritional knowledge (with respect to the function of feed components) and our range of products and services to the size and stage of development of our customers' businesses. Large farming businesses with many employees or companies that use milk robots and other modern technology need different products and advice than small companies or companies that focus on a niche market, such as organic dairy products. So that we can provide these different groups of customers with the best possible service, customer segmentation is a prominent feature of our market approach. In all our operating countries we have teams that concentrate on particular customer segments. We use a customer relationship management (CRM) system to record which products are purchased by individual customers, and for which stage of the animal's life. This helps us in delivering a tailored Total Feed solution to the livestock farmer and in increasing our 'share of stomach' in the customer's

herd. There are a number of distinctive segments. Organic livestock farmers for example are offered Reudink concepts, we deliver Pavo products to horse owners and we have special young animal feed products for pig farmers.

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

Through our Total Feed approach we help livestock farmers by delivering solutions that meet their individual needs, specific business objectives and feed systems. The products, advice and tools used for this together form the Total Feed portfolio. The products comprise compound feed, specialties such as young animal feed, liquid co-products, individual raw materials (straights), 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 (feed) solutions. For a number of specific products – such as premixes, specialties, additives and seeds – we have chosen to form strategic partnerships with companies that specialise in these products and are able to make a fundamental contribution to the Total Feed approach. An example is our 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 where possible, allowing major economies of scale to be realised. We have also joined forces with Nutreco in the area of research, resulting for example in new feed concepts for the pig sector, such as VIDA.

In addition we have formed local partnerships with a number of parties with a view to adding to the Total Feed portfolio. These include our strategic partnership with Baks relating to the sales and transport of mainly whey products for the pig sector in the Netherlands. Whey products are an example of co-products derived from residual flows from human food production. The use of these residual flows, co-products, is consistent with the ForFarmers sustainability policy aimed at optimising the circular use of raw materials. Examples of products produced by third parties being incorporated in our portfolio and cooperation with partners for the development of new concepts can also be found in other sectors and in the other countries where we operate.

### 3. Acquisitions

We aspire to a number one or two position in the regions where we are active because the bigger our market share, the better our chances of leveraging economies of scale. We aim to achieve these positions through both organic growth and acquisitions while aiming for the best possible result for all stakeholders. The agricultural sector is characterised by great loyalty between customers and their feed company, mainly thanks to the strong relationship between the advisers who visit the farms and the customer. Making acquisitions also offers a good perspective for growth in this context.

In terms of acquisition opportunities we focus primarily on the five core countries the Netherlands, Belgium, Germany, 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. We also look at opportunities in new regions within or adjacent to Europe (Europe+). We consider regions attractive if they have enough animals and growth perspective (both organic and in terms of acquisition possibilities), allowing us to build up a leading position in the region. In order to get a clear picture of potential takeover candidates and ensure an effective and efficient acquisition process we have a Mergers & Acquisitions team that works closely with the

Executive Committee and the senior managers involved.

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

The One ForFarmers approach is aimed at optimising cost efficiency, for example by professionalising processes and leveraging best practices across the group. Internal knowledge sharing as well as further professionalisation of the organisation and implementing clear working practices play an important role in this. This approach is possible thanks to the matrix organisational structure, under which central departments provide support to the country organisations. For example we have three dedicated marketing teams, focusing on the ruminant, pig and poultry sectors respectively, which devise marketing strategies and implementation plans which are then carried out 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. In addition we have set up internal 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.

## Breakdown of Horizon 2020 deliverables by stakeholder group

We strengthen our position in the chain by implementing the Horizon 2020 strategy. We devote a lot of attention to the professional and personal development of employees to enable us to develop sustainable feed concepts and innovative Total Feed solutions and to deliver these to customers. The goal is for this to translate into results that are among the best in the industry.

### Employees: focus on personal development

We deem professional and personal development of our employees important and therefore make considerable investments in both management and professional training courses. We also conduct regular employee engagement surveys and use the results to tighten up our HR policy if necessary. The chapters 'The value of and for our employees' and 'Our contribution with feed to food' take a closer look at the HR policy and the results.

### **Customers: offering Total Feed solutions**

Livestock farmers' returns are largely dependent on the quality and quantity of the production of their animals, with the price they get for their products obviously also being an important factor. Our advisers and specialists maintain an ongoing dialogue with customers both on-farm and via for example sounding board groups and conferences in order to understand their changing needs and requirements. This allows us to provide the best response through our Total Feed approach and to supply the right feed and appropriate advice throughout the various stages of an animal's life. In this way, we help livestock farmers to keep their animals healthy, organise their business efficiently and increase on-farm results. In so doing we create value for our customers and for other stakeholders.

### **Climate and environment: sustainability**

We consider sustainability important, both from the point of view of creating long term value and because of the impact of the sector on climate and environment. Sustainability is one of the core values of ForFarmers, in addition to ambition and partnership. It is seen as a natural and integral part of our business. We have developed a sustainability framework with six material focus areas in three themes, namely Environment, People & Society, Animal Health & Welfare. We can exercise influence on these themes within the value chain, and have defined five KPIs for the six relating focus areas. During 2019 we made further progress in implementing sustainability initiatives in the business processes and on-farm, as explained in more detail in the chapter 'Our contribution to a sustainable livestock industry'.

### **Investors: profitability among the best in the sector**

Profitability is important for all stakeholders. It is a prerequisite to be able to continue to invest in innovation, knowledge and employees for example. Underlying EBITDA in 2019 equalled €88.5 million, 11.6% lower than in 2018. At constant currencies the decline was also 11.6%. Gross profit fell by 0.6% to €440.7 million. As a result the underlying EBITDA/gross profit ratio in 2019 decreased to 20.1% from 22.6% in 2018. The underlying profit per share was €0.37, 36.2% lower compared to 2018. The dividend proposal for 2019 is €0.28 per ordinary share (based on 97.7 million shares outstanding), comprising €0.19 related to 50% of the underlying net

result and a special dividend of €0.09 per ordinary share. Based on the closing share price of €5.74 at year-end 2019, this equates to a dividend yield of 4.9%.

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

ForFarmers' Horizon 2020 strategy focuses on long-term value creation for customers (livestock farmers), shareholders, employees 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>· Focus on Total Feed approach on-farm by advisers</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>· Due to specific market characteristics it is not possible to optimally leverage scale everywhere throughout the group</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, acquisition opportunities, ongoing digitalisation</li> <li>· Increasing consumer interest in quality and provenance of food</li> <li>· Growing global demand for animal proteins</li> <li>· Need for innovative feed concepts and advice on animal housing and manure processing in light of tighter environmental legislation</li> </ul>	<p><b>THREATS</b></p> <ul style="list-style-type: none"> <li>· Increase in legislation and regulations regarding environmental impact (CO<sub>2</sub>) and nature (e.g. nitrogen) impacts herd sizes</li> <li>· Growing focus on and availability of alternatives to animal proteins for human consumption</li> <li>· Feed advice based on algorithms</li> <li>· Volatility of raw materials prices in relation to price transparency</li> </ul>

# ForFarmers - from cooperative to listed company

## 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 of livestock farmers. In the interests of leveraging scale, over the next decades the cooperative grew both organically and through mergers and acquisitions. The cooperative's main activities were the sourcing of raw materials and the production of feed for its members. In 2005 the cooperative changed its name to ForFarmers, in line with its international growth ambitions.



In 2007 the share ownership and the business were split in order to facilitate further international expansion. This created the shareholder Coöperatie FromFarmers (the 'Cooperative') and the company ForFarmers. The same year saw the launch of the 'Equity on Name' process under which 82.6% of the Cooperative's assets were credited to participation accounts of members of the Cooperative over a period of 10 years. From 2010 up until the flotation of ForFarmers' shares in May 2016 members of the Cooperative and third-party investors (non-members and generally not farmers) traded in depository receipts of ForFarmers on a multilateral platform. The Cooperative is currently the direct holder of 17.4% of the issued shares and depository receipts of shares in ForFarmers. The roughly 4,000 individual members of the Cooperative, all livestock farmers, also hold shares and depository receipts of shares in ForFarmers. Individual members can decide at any time to sell their ForFarmers' securities on Euronext Amsterdam. At 31 December 2019 this collectively held indirect interest amounted to 26.6% of the issued shares and depository receipts of shares in ForFarmers.



# ForFarmers shares

The shares of ForFarmers N.V. have been listed on Euronext Amsterdam since 24 May 2016 under the symbol 'FFARM'. From September 2016 ForFarmers was included in Euronext Amsterdam's AScX index and from May 2017 in the MSCI Netherlands index.

The Company's issued share capital equalled €1,062,610.41 as at 31 December 2019 and consisted of 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.

At 31 December 2019 ForFarmers held 8,573,005 of its own ordinary shares following the share buy-back programmes carried out in the preceding years and the €30 million programme that was launched on 3 May 2019 and will run for 18 months. On 14 December 2019 ForFarmers notified the Netherlands Authority for the

Financial Markets (AFM) of a substantial holding in its own capital (5% based on the number of ordinary shares issued).

## Share information

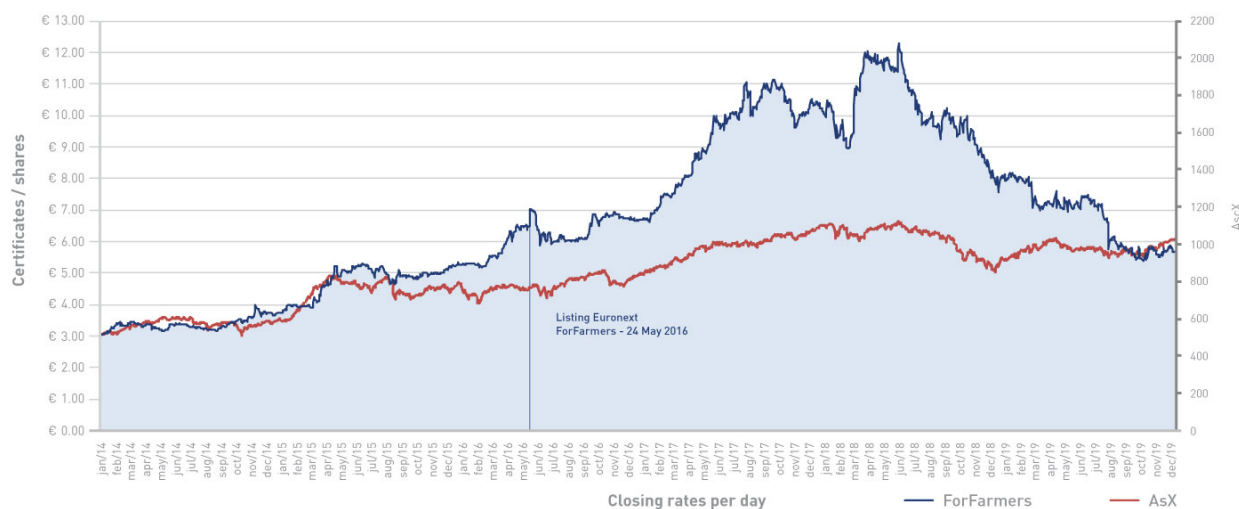
In euro	2019	2018
Earnings per share <sup>(1)</sup>	0.18	0.58
Dividend <sup>(2)</sup>	0.28	0.30
Number of ordinary shares outstanding (x 1 million) as of 31 December	97.7	100.2
Market capitalisation (€ million) on 31 December <sup>(3)</sup>	560.8	806.6
Highest price	8.53	12.30
Lowest price	5.40	7.83
Closing price	5.74	8.05

*(1) Earnings per share is calculated based on the weighted average of the number of ordinary shares outstanding. In 2019 this number was 99,413,657 (2018: 100,242,704).*

*(2) Dividend is calculated based on the number of ordinary shares outstanding as at 31 December.*

*(3) Market capitalisation is calculated based on the number of ordinary shares outstanding as at 31 December.*

## Closing price per day



## Dividend policy

ForFarmers aims to distribute a dividend, taking into consideration long-term value creation and a healthy financial structure to execute its strategy. Our dividend policy is aimed at distributing a dividend of between 40% and 50% of the underlying net profit<sup>1</sup>. The underlying net profit includes four different eliminations: i) impairments on tangible and intangible fixed assets; ii) business combinations and divestments of assets and participations, including the discounting effect/fair value changes on earn-out schemes and options, dividend costs relating to minority interests in the event of expected acquisitions, and divestment-related expenses; iii) restructuring; and iv) other, comprising other non-recurring non-operational items.

<sup>1</sup> Underlying net profit is the result attributable to shareholders of the Company excluding non-recurring items. ForFarmers regards this as one of its alternative performance measures (APMs), see note 17 to the financial statements.

## 2019 dividend proposal

It will be proposed to the General Meeting of Shareholders of 24 April 2020 that a dividend be distributed of €0.28 per ordinary share with a nominal value of €0.01 (based on 97.7 million ordinary shares outstanding) which comprises €0.19 related to 50% of the underlying net profit and a special dividend of €0.09 (2018: €0.30, the sum of €0.283 per ordinary share and a special dividend of €0.017 per ordinary share relating to the net proceeds of the sale of the arable activities in the Netherlands).

This proposal has been approved by the Supervisory Board.

## Notification of substantial shareholdings

At 31 December 2019 the following shareholders with a substantial participating interest (>3%) were registered with the AFM in accordance with the notification requirement pursuant to the Dutch Financial Supervision Act ('Wft').

	Capital interest <sup>(1)</sup>	Registration date
Coöperatie FromFarmers U.A. (direct and indirect) <sup>(2)</sup>	49.99%	18 Oct 2017
Stichting Beheer- en Administratiekantoor ForFarmers <sup>(2)</sup>	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) <sup>(2)</sup>	5.02%	14 Dec 2017

(1) based on 106,261,040 issued ordinary shares

(2) As of 31 Dec 2019 the capital interest of Coöperatie FromFarmers U.A. is 44.04%, of Stichting Beheer- en Administratiekantoor ForFarmers 7.50% and of ForFarmers N.V. 8.07%

## Share buy-back programme

In the period from 3 May 2019 up to and including 31 December 2019, ForFarmers repurchased 2,786,204 (ordinary) shares. Of these, 2,534,352 shares were repurchased for the share buy-back programme in order to make the balance sheet more efficient and 251,852 shares for the employee participation plans for Directors and senior managers, and other employees. In 2019 the General Meeting of Shareholders authorised the Executive Board to buy back shares up to a maximum of €30 million. The relating shares have been repurchased for an average price of €6.33 per share. Taking into consideration that payment for 51,954 shares took place in 2020, the total amount that was paid in 2019 for the share buyback programme was €17.3 million. The progress of the share buy-back programmes was announced by means of a weekly press release.

## Specification of shares

Following the buy-back programmes of shares (which have neither voting rights nor dividend rights) at 31 December 2019 there were 97,688,035 ForFarmers ordinary shares or depositary receipts of shares outstanding.

Based on the number of issued shares the Cooperative had a direct equity interest of 17.4% at 31 December 2019 which was unrelated to any participation account, and an indirect interest of 26.6% for which the Cooperative has issued participation accounts to individual members.

The Cooperative holds the priority share so long as certain conditions are adhered to as laid down in the [Articles of Association](#). As the holder of the priority share the Cooperative has certain rights, which are partly

determined by the percentage of voting rights (at the reference date of 1 January of each year) that can be represented by the Cooperative. These also include the voting rights held by [Stichting Beheer- en Administratiekantoor ForFarmers](#) – the ForFarmers Trust Office Foundation – and for which no voting rights have been requested. Members of the Cooperative can request the voting rights for their individual shares or depositary receipts of shares at any time.

At the reference date of 1 January 2020 the Cooperative represented the voting rights in relation to 46,798,929 shares and depositary receipts of shares held by the Cooperative (directly and indirectly), as well as those in relation to the 7,974,494 depositary receipts which were held by the Trust Office Foundation, representing a combined voting interest of 56.1% (based on the number of ordinary shares outstanding).

The above is clarified in the following table.

## Shares / Depositary receipts

	Shares / depositary receipts 31 December 2019	Capital interest	Shares / depositary receipts 31 December 2018	Capital interest
Total of ordinary shares outstanding	106,261,040	100.00%	106,261,040	100.00%
Held by ForFarmers	8,573,005	8.07%	6,092,004	5.73%
<b>Number of ordinary shares outstanding</b>	<b>97,688,035</b>	<b>91.93%</b>	<b>100,169,036</b>	<b>94.27%</b>
Shares Coöperatie FromFarmers U.A. (Direct)	18,498,469	17.41%	18,498,469	17.41%
Participation accounts of members (Indirect)	28,300,460	26.63%	30,126,607	28.35%
<b>Coöperatie FromFarmers U.A.</b>	<b>46,798,929</b>	<b>44.04%</b>	<b>48,625,076</b>	<b>45.76%</b>
Depositary receipts of members	5,644,991	5.31%	5,079,437	4.78%
Depositary receipts in lock-up	769,263	0.72%	978,868	0.92%
Depositary receipts other holders <sup>(1)</sup>	1,560,240	1.47%	1,307,125	1.23%
<b>Shares Stichting Beheer- en Administratiekantoor ForFarmers</b>	<b>7,974,494</b>	<b>7.50%</b>	<b>7,365,430</b>	<b>6.93%</b>
Shareholders (external)	42,914,612	40.39%	44,178,530	41.58%
<b>Total of ordinary shares outstanding</b>	<b>97,688,035</b>	<b>91.93%</b>	<b>100,169,036</b>	<b>94.27%</b>

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

## Trading volume

One of the reasons for obtaining a public listing on Euronext Amsterdam was to increase the share's liquidity. Prior to the listing on Euronext Amsterdam in May 2016 the average daily trading volume equalled around 40,000 ForFarmers depositary receipts. In 2019 the average daily trading volume was around 120,000 ForFarmers shares (2018: around 110,000).

## Liquidity provider

In its role as liquidity provider ABN AMRO was obliged to support trading in ordinary shares of ForFarmers on Euronext Amsterdam from 1 January 2019 to 31 December 2019 by issuing permanent purchase and sale

orders. As a liquidity provider ABN AMRO operates fully independently from the Company and is bound by the rules of the AFM. ForFarmers has extended its contract with ABN AMRO by one year.

## General Meeting of Shareholders

The General Meeting of Shareholders will be held on 24 April 2020 in Laren (Gelderland province, the Netherlands). The agenda for the AGM will be published on the ForFarmers website on 12 March 2020.

## Financial calendar

27-03-2020	Registration date General Meeting of Shareholders
24-04-2020	General Meeting of Shareholders
28-04-2020	Ex-dividend listing
29-04-2020	Registration date for those entitled to a dividend
01-05-2020	Q1 2020 Trading update
08-05-2020	Dividend payment
12-05-2020	Announcement Strategy 2020-2025 (Capital Markets Day)
13-08-2020	Publication of half-year results 2020
30-10-2020	Q3 2020 Trading update
11-03-2021	Publication annual results and annual report 2020
23-04-2021	General Meeting of Shareholders

The Company is registered in Lochem (the Netherlands) and is entered in the trade register of the Chamber of Commerce under number 08159661.

# Profile of ForFarmers for investors

## ForFarmers key points for investors

- #1 provider of Total Feed solutions to livestock farmers in Europe+ with leading market positions
- Predominantly active in mature markets in which limited growth opportunities
- Active in Poland (poultry feed company Tasomix) since 2018, a market with growth perspective, particularly in the poultry sector
- Central position in the value chain for animal proteins: on-farm access
- Targeted strategy for further reinforcement and expansion of activities: Horizon 2020
- M&A strategy aimed at realising further expansion
- Sustainability is a key aspect of the business model
- Business model in which in principle fluctuations in prices of raw materials are passed on to customers; if these are not passed on this can lead to (substantial) fluctuations in the development of results
- Strong balance sheet and substantial free cash flow

The strategy for the years 2020-2025 will be unveiled to the market on 12 May 2020.

We value a good and open relationship with our shareholders and potential shareholders, depositary receipt holders, investors, analysts and other financial stakeholders (hereinafter: Investors). Our aim is to give Investors clear, accurate and prompt information on developments at ForFarmers.

We do so by making information available in the form of press releases, annual reports, quarterly trading updates and presentations. All information is available on the [corporate website](#). In addition we organise audio webcasts to present the annual and semi-annual results, roadshows to visit our shareholders and potential shareholders and participate in conferences organised for investors by banks. All information that is shared with Investors is based on publicly available information. This is laid down in the [Policy regarding bilateral contact with shareholders](#). In view of the key participating interest held in ForFarmers by the Cooperative FromFarmers U.A. there is a [relationship agreement](#) between these parties.

## Contact with Investors

We undertook a wide range of Investor Relations activities during the course of the financial year. We had over 120 meetings with fund managers in 14 different cities, with the sessions being conducted by the CEO or the CFO, in all cases accompanied by the Investor Relations director. The meetings took place during seven roadshows and nine conferences in major financial centres including Amsterdam, London, New York, Frankfurt, Madrid, Geneva, Helsinki and Paris. The bilateral contacts with Investors were always in accordance with the aforementioned policy. Moreover, the chairman of the Supervisory Board also met with some Investors.

In addition to the conferences and roadshows there were a growing number of one-on-one conference calls with Investors, either organised by banks or at the direct request of an Investor.

In 2019, members of the Executive Board of ForFarmers attended meetings of the member council and the annual FromFarmers Cooperative members meeting.

Information-sharing at these meetings takes place under the conditions of the aforementioned policy.

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

## Disclosure

Information is provided to Investors in accordance with the requirements of the Dutch Financial Supervision Act (Wft) and the European Market Abuse Regulation. Investors are notified of relevant developments promptly, simultaneously and in full 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 is therefore subject to the disclosure obligation.

## Independent analyst reports

In 2019 ForFarmers was followed by financial analysts from six different organisations. ABN AMRO, the Idea-Driven Equities Analyses company, KBC, Kempen, Kepler Cheuvreux and Bank Degroof Petercam all published analyst reports on ForFarmers. Periodic updates were

published as well as detailed reports. In addition ForFarmers took part in conferences in London organised by Berenberg and JP Morgan. In 2019, ForFarmers received a rating of AA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment.

# Trends and opportunities

The food value chain is facing ever greater challenges. According to the Food and Agricultural Organisation of the United Nations (FAO) in around 30 years' time up to 70% more food will be needed to feed the growing world population. The question that is increasingly being raised is how to meet the growing global demand for animal protein in a sustainable way. After all, the societal pressure on production (and consumption) of animal proteins is growing considerably in Northwest Europe, where the most efficient agricultural production systems are applied. Climate, recycling and biodiversity are major topics. In this apparent tension field our Total Feed approach offers sustainable solutions, both nationally and internationally.

The current trends in the food value chain are:

- Global demand for animal proteins – dairy products, meat, eggs – continues to rise driven by the growing world population and increasing prosperity in emerging markets. In Northwest Europe overall consumption of animal proteins seems to be stabilising, however.
- Ongoing globalisation has a positive impact on international trade in products with animal proteins. At the same time geopolitical tensions on the global market and the outbreak of animal diseases result in (temporary) shifts and uncertainties in flows of export goods. The outbreak of African swine fever in 2019 in particular, mainly in China and elsewhere in Asia, has an impact on these shifts.
- Many of the animal proteins produced in Northwest Europe are exported to countries where production of such proteins is less efficient, for example because of location and climate, and generates a larger carbon footprint. Given the (local) environmental impact of the agricultural sector, both in absolute terms and in relation to national and international climate targets, Northwest Europe is seeing an increasing number of measures taken and legislation introduced that the livestock industry must comply with. In 2019 for example the nitrogen crisis was an acute political issue in the Netherlands, which is impacting the future perspective for farmers. The measures in the Netherlands relating to the nitrogen crisis have not yet fully taken shape. In Germany there was a proposal to raise the VAT rate on meat products. This proposal was rejected.
- Despite the fall in the number of livestock farmers in Northwest Europe production volume of animal proteins is generally stable. Although there are differences

between sectors and countries, this means that farming businesses are getting bigger and consequently the requirements for feed solutions, advice and tools are changing.

- The growing interest among consumers in Europe in animal welfare and food quality and provenance is prompting new initiatives and cooperation in the sector, for example welfare concepts for broilers which give them a longer lifespan and more space.
- Consumers especially in the more prosperous countries are increasingly choosing chicken and fish over red meat. In addition there is growing interest in plant-based meat alternatives, organic, vegetarian and vegan food. Despite this, research shows that there is no decline yet in average per capita consumption of animal proteins including meat in Northwest Europe.

## Opportunities for ForFarmers

The agricultural sector in Northwest Europe in general and the Dutch livestock sector in particular leads the world in the production of meat, eggs and dairy produce, for example generating the lowest carbon footprint<sup>1</sup>. The knowledge and experience ForFarmers has gained thanks to its strong position in the Dutch agricultural sector can best be leveraged internationally, helping livestock farmers to produce more sustainably and efficiently, with healthier animals and lower emissions (including carbon dioxide, ammonia, nitrogen, phosphate, particulates and odour). The increasing regulatory pressure requires extra investments throughout the food chain which as yet cannot be easily passed on in consumer prices. This impacts on the international competitive position of the

Northwest European livestock farming sector. This leads to further consolidation of farming companies, which is also driven by succession challenges among farmers. Farmers of larger farming businesses have changing needs. Think for example of on-farm mixing of feed by the farmer (home mixing), specific feed solutions for welfare concepts and the demand for advice. Innovative tools have an important role to play in this, enabling data from the farming business to be used to improve on-farm results.

Consequently, the need for scale among feed companies also increases which, in combination with other developments, leads to further consolidation in the feed sector. This dynamic in the agricultural sector brings opportunities and challenges for the entire chain. In the more densely populated areas of Western Europe in particular the sector is placing increasing emphasis on a 'circular agrofood system' in order to reduce the pressure on the climate, nature and society (local environment).

### The role of animals in a Circular agrofood system

In 2050, the global population will have risen to 9.5 billion people. In a circular food system we can use the current available agricultural land to provide the growing world population with food, without causing any extra burden to the earth. An essential part of this system is in establishing smart connections between plant-based and animal products, in order to create an integral agrofood system.

[www.wur.eu/circularfood](http://www.wur.eu/circularfood)

#### LAND

Manure from the animals contributes to a fertile healthy soil and **improves crop yields**.

#### CROPS

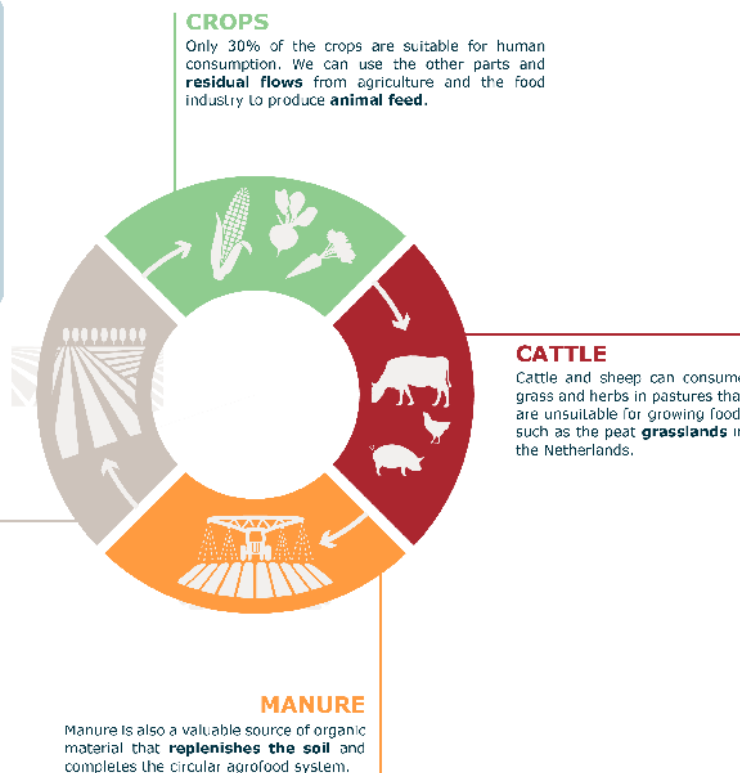
Only 30% of the crops are suitable for human consumption. We can use the other parts and **residual flows** from agriculture and the food industry to produce **animal feed**.

#### CATTLE

Cattle and sheep can consume grass and herbs in pastures that are unsuitable for growing food, such as the peat **grasslands** in the Netherlands.

#### MANURE

Manure is also a valuable source of organic material that **replenishes the soil** and completes the circular agrofood system.



As an essential link in the food chain ForFarmers plays a role in these developments. We make optimal use of scarce raw materials in producing feed. Through the Total Feed portfolio, we constantly focus on the optimum use of co-products (residual flows which are not suitable for direct human consumption). High-quality and appropriate forage solutions are also provided specifically to dairy farmers. This enables us to provide our customers with the best possible feed solution to fit their business operations. In addition we constantly aim to improve feed conversion under the motto 'more [production from the animal] with less [feed intake]'. We are also involved in various projects to process manure into energy and

actively put forward better ways of using manure, such as in the Kunstmestvrije Achterhoek (a regional Dutch project aiming for zero fertiliser usage). Another example is 'fertile circularity', a project which involves around 100 Dutch dairy farmers focusing on using raw protein from their own land, the mineral cycle, carbon footprint and ammonia emissions. The KringloopWijzer tool is used to make information available that participating farmers can use to make business decisions which are not only good for soil and water quality and biodiversity, but also for the dairy company's results.

We believe the use of tools to be crucial for the agricultural sector. Only by reading out, combining and



interpreting on-farm data can new steps be taken towards making the sector more sustainable.

## Raw materials market

The animal feed industry uses a large quantity of raw materials, some of which are scarce. Feed companies are being called on to take responsibility with regard to the amount of raw materials they use, the provenance of raw materials and whether these have been produced sustainably. We acknowledge the need to be socially responsible in our actions, respecting nature, humans and animals – a guideline in the formulation of our sustainability objectives. We endorse the [Sedex code](#) in this aspect and are a member of the Round Tables on Responsible Soy and Responsible Palm Oil.

Regional purchasing and tracing the provenance of raw materials for animal feed are becoming more important. The changing market demand from parties in the food value chain and possible tightening of European and other rules for international raw material chains means that intensive cooperation in the chain is increasingly important. In the United Kingdom, the Netherlands and Belgium we are in talks with retailers and processors to set up chain partnerships to improve traceability and reduce failure costs between the various links in the chain.

Raw material costs make up a considerable part of the cost of animal feeds. Raw material prices fluctuate constantly and these changes are passed on to customers. With our customers keeping a close eye on developments in the raw materials markets, the purchasing process and the combination of raw materials in the feed (the formulation) are crucial activities at ForFarmers. The raw materials that we process in our feeds 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). Since 2014 purchasing of micro ingredients and premixes is done with and via our strategic partner Nutreco wherever possible, allowing both parties to take advantage of economies of scale.

ForFarmers purchases its macro ingredients in collaboration with a number of selected parties. We have appointed category specialists for this purpose, who manage purchasing across the countries, with purchasing taking place from a small number of global suppliers. In

addition raw materials are purchased directly from crop farmers. The efficiency of the purchasing process, the quality assurance of the products and the optimisation of feed composition (the formulation) so as to achieve the desired nutritional performance are crucial to us. The most important macro ingredients we purchase are cereals such as maize, wheat and barley, and sources of vegetable protein such as soybean meal, rapeseed meal and sunflower seed meal. In many cases these ingredients are satisfactory for animal feed but not for humans. Furthermore our sustainability objectives are aimed at purchasing certified soybean meal and palm oil. Finally we process residual flows (co-products) from human food production, for example from breweries and cheese manufacturers. These residual flows are purchased locally.

Raw material prices are determined by a whole range of factors, including the harvest quality, which is strongly dependent on weather conditions. Costs associated with production, storage, transport (for example affected by the water levels in the rivers) and energy prices also impact on the overall purchasing price for raw materials. Climate change can also lead to more frequent and more rapid fluctuation in raw materials prices, as was the case in the summer of 2018. The sharp drop in demand for cereals, led by the rapid decline in the number of pigs due to the outbreak of African swine fever in China, also had an unprecedented impact on raw material prices in 2019.

## Farming businesses

Livestock farmers in Northwest Europe are increasingly facing measures to limit animal emissions, enhance animal welfare and reduce nuisance for local residents. We see opportunities in this area for contributing to solutions for both livestock farmers and society in general. Emissions (including carbon dioxide, ammonia, phosphate, nitrogen, particulates and odour) can be reduced by constantly improving feed concepts, working on continued developments in feed utilisation, implementing technological improvements in animal housing and finding different ways of using manure. This can, however, result in extra costs in the chain. The large number of environmental measures mean that livestock farmers in Northwest Europe face higher costs than their colleagues in other parts of the world. Consumers are not always prepared to pay a premium for more sustainable production. Margins throughout the chain are therefore

coming under pressure. ForFarmers will continue its efforts to ensure that livestock farmers are fairly rewarded for sustainable production.

In combination with labour market tightness the above is resulting in further upscaling and professionalisation in the sector. Increase in scale, transparency and availability of data means that some livestock farmers are setting higher standards on the way to obtain feed and advice. The integrated solution we deliver is effective in this respect. We therefore invest constantly in improving our Total Feed approach, including in concepts and options in response to new environmental measures. We use our knowledge and experience in this area in all the countries where we are active.

## Ruminants

In the ruminant sector we are mainly active in the dairy segment. We are also active in the goat sector and sheep sector. Developments in this sector vary from country to country. With the exception of the United Kingdom 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.



Dairy and cattle farmers in the Netherlands were forced to reduce their production and in some cases even reduce herd sizes in 2019 in order to bring phosphate emissions down to below the limit set by the European Commission. Milk production in Germany and the United Kingdom remained virtually stable while Belgium saw a slight increase. Poland also saw a small increase in milk production, mainly driven by professionalisation of the local dairy farming sector.

We are seeing more differentiation in dairy flows in the

markets where we operate. Growing demand from German consumers for non-GMO food is fuelling interest in VLOG-certified ('Verband Lebensmittel ohne Gentechnik') feed from livestock farmers in Belgium and the Netherlands many of whose products are exported to Germany.

There was a sharp decline in the sheep population in the United Kingdom in 2019 due to the uncertainty regarding export opportunities against the backdrop of Brexit. Goat numbers in the Netherlands stabilised following the growth of recent years.

## Swine sector

The global swine sector is dealing with the effects of the outbreak of African swine fever, first in China and now increasingly in other Asian countries. China was home to around 50% of the world's pigs but since the start of the outbreak of the disease in August 2018 the number of animals is estimated to have fallen by 30%-50%. The result is a global shortage of pigs and a huge rise in Asian demand for pork produced in the rest of the world. As a result pig prices have risen significantly to levels seldom seen before.

Pig farmers in Continental Europe produce for both the local and the export market. While Asian demand for pork is substantial and global demand continues to grow, demand in Europe is stable to slightly lower. In the more densely populated regions such as the Netherlands and Western Germany sentiment is increasingly turning against intensive pig farming. This is leading to more local regulations, for example to curb odour nuisance and improve animal welfare. The 'warm restructuring' of the pig farming sector in the Netherlands is an example of a voluntary scheme aimed at reducing odour nuisance for local residents in certain areas. Under the scheme the Dutch government has already made at least €180 million available to buy up the pig rights of pig farmers who decide to quit farming. In this way the farmer receives compensation and the government reduces the pig population.

Germany has also set limits for the amount of nitrogenous manure farmers are allowed to spread on their land. The aim is to make better use of fertilisers and reduce both ammonia emissions and groundwater pollution. As a result of these developments pig farmers in the Netherlands and Germany have been reluctant to invest in

increasing their herds, while other countries in Western Europe have benefited from the growing demand from Asia.

During the past year pig farmers in Belgium had to deal with the effects of an outbreak of African swine fever among wild boar. Further spreading of the disease to pigs was prevented thanks to prompt action from the Belgian government and feed companies, including ForFarmers, observing hygiene protocols as a precaution. Despite this a number of Asian countries blocked the import of Belgian pig products, putting pressure on prices. This, amongst other reasons, prompted a number of pig farmers to (temporary) give up farming.

A large part of the market in the United Kingdom is supplied by three large pig farming companies, namely BQP, Wayland Farms (part of Cranswick) and Brydock Farms (part of Karro). In 2019 BQP was acquired by Pilgrim's Pride, a Brazilian company that is mainly active as a seller of poultry products. This is an example of cross-sector diversification.

In the United Kingdom pigs tend to be held outside as opposed to the other countries where ForFarmers is active. The swine sector supplies around 60% of local demand. For the remainder the country is reliant on imports, mainly from Europe, and these could be hampered in the future due to Brexit. Farmers are however very reluctant to invest in expansion of their herds as long as they do not have more certainty about future trade agreements. ForFarmers expects that, once there is more certainty, farmers in the United Kingdom will possibly expand their herds, particularly in the pig and poultry sector.

Poland is experiencing ongoing consolidation of farming companies and a growing number of integrations between feed and finisher companies and slaughtering companies. Eastern Poland has seen a significant reduction in sow numbers due to the outbreak of African swine fever.

In addition to the example of diversification, some countries are seeing developments in the field of virtual chain integration. Retailers in the United Kingdom have been distinguishing themselves in this field for some time. Various initiatives have been developed in the Netherlands across the sector and a start is now also being made in Germany. Where virtual chain integration is established from feed company through to retailer, large retailers are more inclined to enter into talks with feed companies that

are active nationwide than with companies operating at a more regional level.

## **Poultry sector**

Consumers in Europe are increasingly opting for poultry, which is seen as an affordable and by some a healthier and more sustainable choice. Dutch consumers have a preference for meat from slow-growing chickens and organic or free-range eggs. In Germany traditional chickens are reared based on the Initiative Tierwohl concept, which involves applying various animal welfare criteria and compensating poultry farmers who meet these criteria. Poultry farmers in both countries are feeding their animals with welfare feeds especially developed for this purpose, which – although more expensive – produce greater returns for these non-conventional farmers.

In other European countries, however, conventional production remains the standard, especially when it comes to exports. The main competition is from Poland and Ukraine. The acquisition of our 60% stake in Polish poultry company Tasomix strengthened our competitive position in this segment and boosted our scope for growth. Growth is continuing 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 UK poultry sector also reported growth. In Belgium, however, poultry farmers had to deal with an outbreak of bird flu in 2019. Animals in barns affected by the virus had to be destroyed, leaving the barns temporarily idle. This mainly applied to barns for laying hens and broiler parents.

## **Organic sector**

The organic sector is experiencing ongoing professionalisation and steady growth, driven by rising consumer demand. Consumers are increasingly prepared to pay the higher prices associated with organic products. Consequently returns for organic livestock farmers are good. Even so, the organic sector is still a niche market compared to conventional livestock farming. Growth in the sector slowed in 2019 compared to previous years with

availability of organic raw materials being a point of attention in this respect.

With Reudink we hold a leading position in the European organic market. We have a dedicated factory in the Netherlands for the production of organic feeds, which also undertakes toll manufacturing for other feed companies. We also have a growing market share in the organic sector in the United Kingdom.

## Horse sector

In recent years riding and keeping horses has continued to grow 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 specialist online and offline retail sector is also benefiting from the growing interest in equestrianism. In addition, there is a flourishing trade in (recreational) sport horses that have been bred in Belgium, Germany or the Netherlands. Conversely sports associations have seen a decline in membership.

Recreational horse owners increasingly have a preference for products that contain no cereals, but do contain molasses or are non-GMO products. Equine sport is also adopting data-driven solutions/tools that allow rations to be adjusted to better suit the individual needs of animals. Pavo, the brand through which ForFarmers has been catering to the horse sector for over 50 years, is responding to these trends. Pavo updated its online platform in 2019, which resulted in a significant increase of traffic on their site and accordingly to more revenue.

## Compound feed industry and competitive position of ForFarmers

The compound feed market is highly fragmented at an international level. All markets are experiencing consolidation among both farming businesses and feed companies. However, animal numbers across the various markets are virtually stable, despite differences between the sectors.

The three main players in the Netherlands – ForFarmers, Agrifirm and De Heus – have a combined market share of around 65% with the remaining 35% being split among some 75 other feed manufacturers.

The three largest feed companies in the United Kingdom – AB Agri, ForFarmers and 2Agriculture – have a combined market share of around 40%. Besides these, approximately 150 medium-sized and smaller players are active in the UK market.

The acquisition of Voeders Algoet in 2018 made ForFarmers the second-largest feed company in Belgium after Arvesta (the former Aveve) and ahead of VandenAvenue (number 3). Together these three manufacturers hold a market share of around 35% in a playing field of around 50 companies. In late 2019 Agrifirm announced a partnership with Quartes in Belgium. As a result of this the four largest feed companies (including Quartes/Agrifirm) will have a market share of just over 40%.

In the fragmented German feed market Agravis, DTC, Bröring and ForFarmers are the leading players, with a combined market share of around 35%. Germany has some 300 other medium-sized and smaller players, many of which are owned by a cooperative or one or several families.

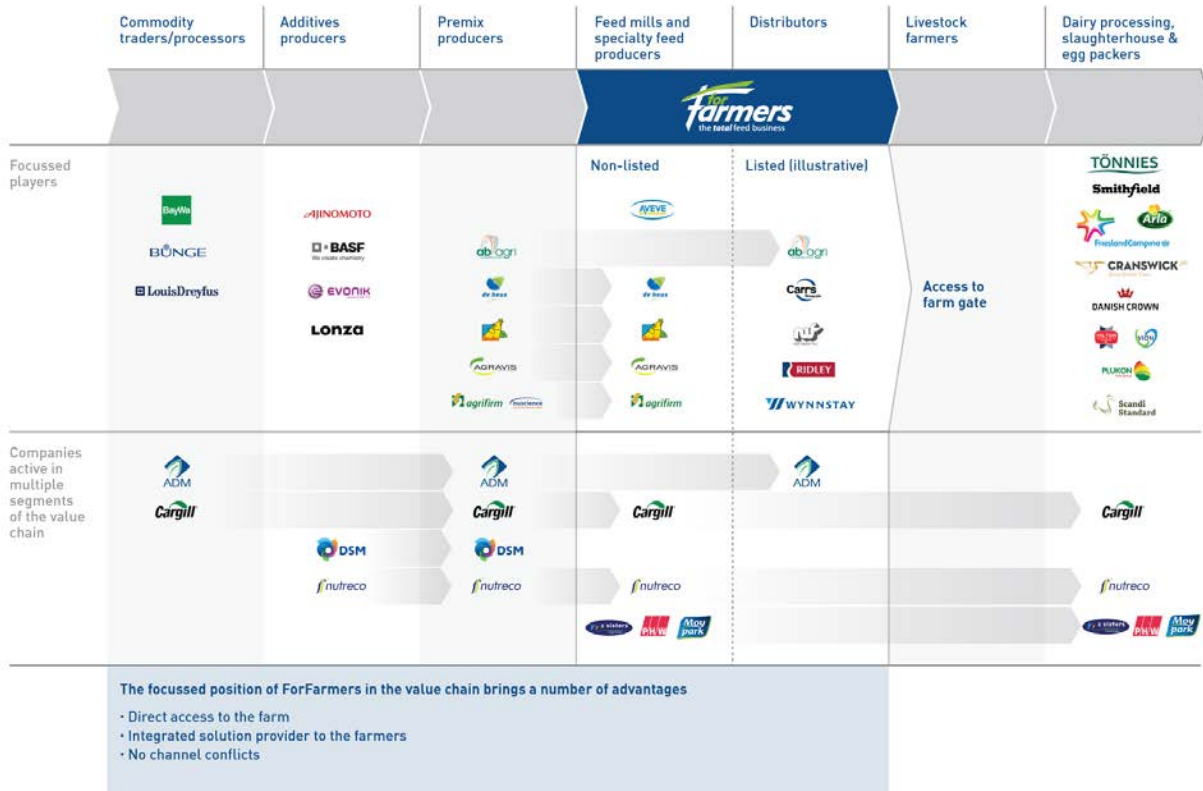


Since 2018 ForFarmers has also been active in the rapidly growing Polish market, which has a higher level of consolidation. In addition many feed companies in Poland operate in integrated chains. The three largest feed companies on the non-integrated market – Cargill, De Heus and Wipasz – have a combined market share of almost 40%. Following the acquisition of 60% of the shares in Tasomix in 2018 ForFarmers holds the number four position in Poland. At the time of the acquisition production by Tasomix predominantly took place at the plant in Biskupice, besides some production in Kaboro. A new factory was opened in Pionki in the second half of 2018, with a maximum capacity of 350 thousand tonnes.

In addition to the top four feed companies some 35 other players are active in the non-integrated market for compound feed in Poland.

Traditional players in the compound feed industry are experiencing increasing competition from independent advisers and digital platforms. Independent advisers have played a role in the UK market for some time. At the same time we are seeing consolidation, transparency, growing regulation and complexity in the chain along with greater

availability of data fuelling the need for an optimum combination of feed and advice. An integrated solution provides a response to these developments. We therefore invest constantly in improving our Total Feed approach, including in concepts and possibilities in response to new environmental measures. This sets ForFarmers apart from a number of its competitors.



We leave the production of premixes to other specialised players in the chain, purchasing these products via and with Nutreco and others, in line with our choice to work with strategic partnerships.

Scale and focus are key to being competitive and having a leading position in the feed chain. We therefore focus on strengthening our market positions through organic growth and making acquisitions in the markets where we are already active, thus enabling us to achieve synergy benefits. In addition we look at new markets in Europe+ (Europe and adjacent regions). To maximise our economies of scale we use our One ForFarmers programme to work on areas such as development and sharing of knowledge in order to achieve innovation and versatile feed solutions. Under this programme best

practices are shared in a wide range of areas, including the supply chain, administrative departments and marketing, with the aim of structurally improving processes and maximising cost efficiency in our operations.

## Government

### Legislation

Legislation and regulation frameworks for the agricultural sector are generally developed at a European level. However country-specific implementation is regulated locally or under private law and can be set considerably tighter than the original European frameworks.

Legislation and regulation mainly focuses on limiting the use of antibiotics in the sector, improving animal welfare and, in the light of climate change, specifically on reducing the environmental footprint. In addition increasing attention is being paid to a 'circular approach' whereby, amongst others, raw materials and residual flows which are not suitable for direct human consumption are used for the production of feed. ForFarmers processes these co-products in compound feed and also delivers these products directly to farmers as part of its Total Feed portfolio.

In the Dutch dairy sector the focus has mainly been on reducing phosphate and carbon emissions and more recently also on reducing nitrogen (ammonia) depositions. In the summer of 2019 the Dutch Council of State ruled that the Integrated Approach to Nitrogen (Programma Aanpak Stikstof – PAS) was in breach of EU law. As a result construction projects were halted and no new permits were granted.

The Dutch Government announced the introduction of short term and longer term measures aimed at reduction of nitrogen deposition, in order to overcome the deadlock. These measures were mainly aimed at livestock farmers (at first instance an extreme pruning of existing nitrogen rights). This resulted in great unrest among farmers and builders. The fact that livestock farming was unilaterally pointed out as the sector causing the largest nitrogen deposition and the manner in which the deposition of the sector was measured resulted in farmers' protest marches. Government and the Landbouw Collectief (a group of agriculture stakeholders) came to an agreement in December, resulting in a number of measures which could be introduced at short notice, such as adjusting the protein level of feed, bringing cows to pasture longer and technical measures for spreading manure.

Germany has implemented the 'Düngeverordnung' ('fertiliser ordinance'), which mainly relates to manure application. In addition there is a growing emphasis on animal welfare in Germany. The second phase of 'Initiative Tierwohl' has started, a programme focusing on welfare concepts (including more space for animals). In 2019 German politicians proposed raising VAT on meat in order to reduce meat consumption, improve animal welfare and combat climate change. This proposal was rejected however.

The addition of antibiotics to feed was banned in the

Netherlands and Germany some years ago. The rules in Belgium have since also 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 achieved further reduction of antibiotics in feed in 2019. ForFarmers was 'highly commended' at the International Antibiotic Guardian awards 2019 in recognition of its continued commitment to the role nutrition and advice can play in tackling the global challenge of anti-microbial resistance. We use our knowledge and experience to convince livestock farmers how good feed and attention to on-farm hygiene are making the addition of medication to feed increasingly unnecessary.

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 sourced in Poland. This could mean that quality and price become of secondary importance in purchasing decisions.

Finally, Brexit will affect the entire agricultural sector, although it remains impossible to say what the precise impact will be.

## Retail

Retail organisations are of significant influence on the food production chain. Generally speaking, retailers are a major driver of cost control and greater efficiency in the supply chain. However, their influence differs from country to country. Retailers in the United Kingdom for example put considerable pressure on the dairy sector in 2019 by instigating a price war.

In the Netherlands a growing number of supermarket chains now only sell eggs and poultry meat produced according to concepts with an extra focus on animal welfare. These special requirements do not apply, or apply to a lesser extent, to export markets, the destination of the majority of poultry produced in the Netherlands, the United Kingdom, Poland, Germany and Belgium.

Retailers also increasingly want transparency regarding food provenance and a manageable chain. This results in concepts which are developed with fixed suppliers that supply to the entire chain according to a certain concept in what is known as 'virtual chain integration.' ForFarmers is

well-positioned in this playing field thanks to its strong position in the market and good contacts with all the relevant parties, further helped by our sustainability objective aimed at purchasing 100% certified soya and palm oil.



## Consumers

Non-governmental organisations (NGOs) play an important role in getting topics on the agenda in the public debate. Examples include the carbon footprint of the agricultural sector, the impact of nitrogen depositions on nature, animal welfare, particulate and odour nuisance from intensive livestock farming and food provenance. This has resulted in growing consumer demand for organic and/or locally produced foods. At the same time price and convenience remain important factors for consumers. In Germany in particular there is strong consumer interest in dairy products produced without using genetically modified raw materials (non-GMO). This impacts on exports of dairy products from the Netherlands and Belgium and hence on demand for non-GMO feeds from dairy farmers in these countries.

Consumers in Northwest Europe are increasingly choosing alternatives for red meat, such as chicken and fish, plant based meat replacers or vegetarian food. Studies show however that the average per capita consumption of animal proteins including meat is not yet declining.

The number of people who are eating less meat for various reasons means there is a need to develop 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 trend is set to continue. It is expected that this will happen sooner in Europe than in most other regions.

## Trends in the chain by player

 <b>Suppliers</b> raw materials	 <b>ForFarmers</b> Advisor Innovation Producer Supplier	 <b>Farmers</b>	 <b>Processing industry</b> and retail	 <b>Consumers</b>
Consolidation of large players in macro ingredients and smaller local suppliers	Fragmentation varies according to country	Consolidation of farming businesses due to factors such as financial and succession issues and legislation in some regions	Fragmentation varies according to country	More focus on sustainability, animal welfare and health; price nevertheless still a major factor
Growing interest in quality and provenance of raw materials	Steady consolidation driven by the need for economies of scale and efficiency	Growing (public and political) pressure on livestock farmers in terms of sustainability aspects, including reducing carbon footprint, odour nuisance, phosphate emissions, etc.	Consolidation/ upscaling boosting purchasing power	Increasing focus on food provenance
Increasing pressure for responsible and circular use of raw materials	Changing demand from livestock farmers for feed solutions	Rising costs due to growing flow of legislation and regulations	Responding to opportunities by focusing on sustainability, animal welfare, health and food provenance	Concerns about the use of antimicrobial medicines in livestock farming
More pressure to use local raw materials	Increasing need for data-driven solutions	Use of on-farm data increasingly important	Strong influence of NGOs	More consumers opting for plant-based meat alternatives, vegetarian and vegan food
	Increasing professionalisation for example through consolidation and smaller number of family businesses	More focus on welfare concepts and more pressure from NGOs for animal welfare	Strong position of low-cost retailers	More interest in special concepts (e.g. Chicken of Tomorrow, non-GMO food, organic food, etc.)
	More pressure to reduce carbon footprint in production and supply chain	Initiatives to find solutions for manure processing	Growing interest in distinctive concepts	Increasing preference for poultry products over products containing red meat
	Some countries seeing growing production overcapacity	Eventual reduction in number of animals in some countries as a result of environmental measures and unexpected events such as the outbreak of African swine fever		
More initiatives aimed at mutual cooperation in the chain, focusing on more added value (concepts), joint purchasing and/or efficiency and reduction of failure costs in all stages of the supply chain				

[1] Bron: ABN AMRO rapport: Alles van Waarde, juli 2017 (<https://insights.abnamro.nl/2017/06/alles-van-waarde-circulariteit-door-sectoren-heen/>)



# Our stakeholders

With its mission 'For the Future of Farming' ForFarmers seeks to contribute to the continuity of the farming business, a healthy agricultural sector and a sustainable society. On behalf of all our internal and external stakeholders – including customers, investors and employees – we strive to improve both the environment and society.

## Stakeholders' views are important in determining our strategy

The views of our stakeholders are an important factor for us in determining our strategy. As part of our normal business operations we maintain a constant dialogue with stakeholders, in the course of which we identify whether any topics require more attention – or less. In addition we recognise that advances in knowledge, trends and regulations also impact the topics that are important to stakeholders in relation to the agricultural sector in general and our role in it in particular. We conduct a structured survey among our stakeholders and subsequently record these topics in a materiality matrix.

## Materiality matrix updated in 2019 based on stakeholder dialogue

In 2019 we updated and considerably expanded the materiality analysis of 2017. To this end almost 400 (2017: almost 100) internal and external stakeholders were questioned about what they consider important when it comes to our activities and role in society. The process involved both a quantitative questionnaire and qualitative, in-depth interviews and round-table sessions. Customers and members of the FromFarmers cooperative, suppliers, processing companies, retailers, NGOs and other external stakeholders all made an important contribution. Employees of all countries and all departments also participated in the study, which focused on the following topics:

- What are the most important topics in society right now;
- How do our stakeholders feel about certain sustainability dilemmas;
- What do our stakeholders expect from ForFarmers in external communications about the agricultural sector;
- What do stakeholders think of the sustainability performance of ForFarmers and the sector as a whole.



## Materiality Matrix



### ● Material themes

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>1 <b>Limiting GHG emissions (the sourcing of raw materials)</b></li> <li>2 Limiting GHG Emissions (feed manufacturing and logistics)</li> <li>3 <b>Limiting GHG Emissions (on-farm)</b></li> <li>4 <b>Optimising nutrient utilisation in total chain (phosphates and nitrogen/ammonia)</b></li> <li>5 Preserving biodiversity</li> <li>6 Improving soil health and fertility</li> <li>7 Optimising the management of manure</li> <li>8 Using alternative raw materials (algae, duckweed, insects)</li> <li>9 <b>Enhance the use of feed materials which are not consumed by humans (e.g. co-products/by-products)</b></li> </ul> | <ul style="list-style-type: none"> <li>10 <b>Responsible sourcing of raw materials (e.g. zero deforestation)</b></li> <li>11 Regional or local sourcing of raw materials (e.g. EU)</li> <li>12 <b>Ensuring food and feed safety</b></li> <li>13 <b>Ensuring occupational health &amp; safety</b></li> <li>14 Preventing corruption, bribery and discrimination</li> <li>15 <b>Reducing antimicrobial resistance (AMR)</b></li> <li>16 <b>Improving animal health and welfare</b></li> <li>17 Fair distribution of margins along the value chain</li> <li>18 Genetically modified crops</li> <li>19 Involvement in the local community</li> <li>20 Limiting water usage and pollution</li> <li>21 Full transparency and traceability in value chain</li> <li>22 <b>Employee training and development</b></li> <li>23 Employee diversity</li> </ul> |
|---|---|

The results of this survey among our key external and internal stakeholders were used to update the materiality matrix. The top right of the matrix shows the material topics that are most important to us and to our stakeholders. The number of topics has been significantly reduced from 47 to 23, compared to our survey in 2017. The study highlighted a number of core topics which will be taken into account in setting the strategy for 2020-2025. This strategy will be announced on 12 May 2020. The key findings of the study were:

- The topics included in the current sustainability approach are still seen as very relevant by the stakeholders: sustainable purchasing of raw materials, food and feed safety, health and safety of employees, and animal health and welfare;
- Improving the carbon footprint is deemed more important than regional/local purchasing;
- Stakeholders indicated that a number of topics have become more important, i.e. optimising the use of nutrients such as nitrogen and phosphate, increasing the use of raw materials which are unsuitable for human consumption such as residual flows, fair distribution of

margins in the chain and transparency/traceability in the chain;

- Because the future of the agricultural sector is increasingly a topic in the public debate, our stakeholders indicated that they would like the animal feed industry to communicate more proactively with consumers and the general public;
- Stakeholders rate our current performance in terms of sustainability as average to above-average compared to the median for the animal feed industry as a whole.

In the materiality matrix 10 of the 23 potential material topics were deemed to be most material. These are linked to the Horizon 2020 strategy, the sustainability approach and our key risks. In the chapters 'The value of and for our employees', 'Our contribution to a sustainable livestock industry' and 'Our contribution with feed to food' we explain what we wish to achieve with these 10 most material topics and how we performed in 2019:

Material theme (with reference to number in matrix)	Description material theme	Reference to chapter (how ForFarmers addresses this material theme)
<b>Limiting GHG emissions (the sourcing of raw materials) (1)</b>	Reduce the carbon footprint of our materials (including the cultivation and transport of our materials)	 Our contribution to a sustainable livestock industry
<b>Limiting GHG Emissions (on-farm) (3)</b>	Reduce the carbon footprint on farm through our Total-Feed approach, with feed and advice.	 Our contribution to a sustainable livestock industry
<b>Optimising nutrient utilisation in total chain (phosphates and nitrogen/ammonia) (4)</b>	Optimising nutrient utilisation in total animal chain to improve phosphate and nitrogen/ammonia efficiency on-farm.	 Our contribution to a sustainable livestock industry
<b>Enhance the use of feed materials which are not consumed by humans (e.g. co-products/by-products) (9)</b>	Enhance the use of feed materials which are not consumed by humans (e.g. co-products/by-products).	 Our contribution with feed to food
<b>Responsible sourcing of raw materials (e.g. zero deforestation) (10)</b>	Responsible sourcing of raw materials (e.g. zero deforestation)	 Our contribution to a sustainable livestock industry
<b>Ensuring food and feed safety (12)</b>	Ensuring the quality and safety of our feed for the overall food safety.	 Our contribution with feed to food
<b>Ensuring occupational health &amp; safety (13)</b>	Ensuring safe and healthy working conditions for employees, contractors and visitors.	 The value of and for our employees
<b>Reducing antimicrobial resistance (AMR) (15)</b>	Support clients and veterinarians to reduce the amount of antibiotics used in livestock production via nutrition solutions.	 Our contribution with feed to food
<b>Improving animal health and welfare (16)</b>	Optimize the animal health and welfare through our Total Feed approach, with feed and advice.	 Our contribution to a sustainable livestock industry
<b>Employee training and development (22)</b>	Develop and train our employees.	 The value of and for our employees

The stakeholder survey mainly highlighted topics related to our business activities. During regular meetings with investors a number of topics were discussed frequently. It is increasingly important to investors that companies are transparent about non-financial aspects such as the environment, corporate social responsibility and governance. This is referred to as ESG (Environmental Social Governance). In 2019 the agricultural sector in the Netherlands and Germany in particular came under increasing pressure because of its impact on the environment and nature. The uncertainty for the sector as to future measures and regulations to reduce nitrogen deposition is a point of concern for investors. Other recurring topics were the risk control measures with respect to purchasing, the climate impact on the business activities and growth opportunities for the sector in Europe. The meetings gave us a clear impression of the topics which Investors found to be material.

In 2019 Dutch media in particular devoted significant attention to developments in the agricultural sector. As of the third quarter of 2019, the nitrogen debate in the Netherlands was trending topic. In addition, the following topics were regularly addressed in the media in the Netherlands and also in the other countries in which we are active: sustainability initiatives in and by the sector, animal welfare, farmers' protests, increasing interest in veganism and meat replacers, circular agriculture, and soy in relation to the Amazon.

ForFarmers was specifically mentioned in the press with its financial results, the impact of the unfavourable purchasing position on the results in the first half-year of 2019, the announcement of the efficiency plans, the progress of the share buy-back programme, the announced change of CFO, nomination of a new member of the Supervisory Board, the farmers' protest and the relation with Yvon Jaspers.

For more information about the process of creating the materiality analysis, including the dialogue with our stakeholders, please refer to the '[Sustainability Appendix](#)' of the Annual Report.



# The value of and for our employees

The success of ForFarmers is largely determined by the capabilities, efforts and performance of our staff and so attracting talented employees and helping them to develop and progress internally is important to us. Our core values Ambition, Sustainability and Partnership are key in this respect.

## Ambition: attracting talent

Employees increasingly want to work for a company with a clear social mission. ForFarmers' 'For the Future of Farming' mission is a clear statement of what we stand for. Our employees promote this mission at fairs, universities, colleges, and study and student associations by giving presentations and guest lectures, attending open days and via messages on social media. As part of our HR policy we offer our employees a wide range of training programmes to allow them to work on their development on an ongoing basis, an aspect which is also clearly highlighted in our employment market activities. Thanks to this approach we were able to fill around 80% of our vacancies in 2018 and 2019 without any intervention by an external intermediary.

In 2019 we attended 28 employment market events (2018: 15), including some that we organised ourselves and some to which we were major contributors. These resulted in the hiring of 18 new trainees, who will follow a two-year extensive international programme in mainly commercial and advisory positions (2018: 9). The induction programme for new employees was updated in 2019, meaning that newcomers are now broken in in a uniform way at all sites in all the countries. The programme begins even before the new employee actually starts at ForFarmers. For all employees the first few working weeks are all about getting to know ForFarmers and their role within the organisation.

We deem it important to have a good reputation among students, as a large, leading employer in the agricultural sector. Moreover we consider it valuable to gain an insight into what drives young people when choosing a future employer. In light of this we organised successful introduction days for students in Germany and the Netherlands. In addition we held two intern selection days in the Netherlands, which provided an interactive way of

introducing students to ForFarmers managers who are offering an internship.

Furthermore in late 2019 we took part in the Sustainability Business Challenge, a competition for Dutch students focusing on sustainability issues faced by businesses. Other participating companies included KLM Cargo, ProRail, Waternet and Engie. Twelve students, in three teams, worked on a predetermined assignment for six weeks. The team that won presented an idea to change the packaging of specialty feeds to compostable plastic (bioplastics) and paper (from the current carton and plastic packaging).

All-in all these activities resulted in 105 new interns (2018: 76). In 2020 this approach will also be rolled out to the other countries.

## Develop: ForFarmers training programmes as a key pillar of the One ForFarmers approach

Employee development is important to ForFarmers, both from the perspective of being a good employer and in order to realise the Horizon 2020 strategy. Only by continuing to raise the bar and getting that little bit more out of ourselves every day can we provide a good service to our customers and help them improve their business operations and on-farm returns. In addition, both existing and potential employees increasingly assess their current and future employer in terms of the scope they offer for long-term development. As of 2019 all training programmes and development activities are centrally coordinated, in order to manage all the initiatives in this field constructively.

Our academies for example offer development opportunities that appeal to existing and future employees. These are training programmes we have developed in-house dealing with customer advice and

technical knowledge for each species. The purpose of the academies is to enhance professional knowledge, to hone commercial skills and to share new developments in the market. A total of over 700 employees attended one or more modules of one of the ForFarmers academies in 2019.

Working efficiently helps to reduce work pressure. In light of this a time management course was launched in late 2018 and successfully repeated in 2019. In a few sessions employees learn how to better structure their activities. Finally 40 employees followed one of the leadership programmes.

The training programmes and various types of career guidance are ways to stimulate the vertical and horizontal progression of employees. Other pillars that help us promote internal development and career progression include knowledge and experience sharing, opportunities to follow other – external – courses and career exploration as a fixed element of the annual reviews. In 2019 83 men and 25 women were promoted internally.

Programme	Objective of the programme	Total number of participants
<b>Sr. Management Development Programme</b>	To develop personal leadership, implement strategy, promote the ForFarmers mission and coach employees	10
<b>Potential Programme</b>	To translate strategy into practice, promote the ForFarmers mission and prepare for a position in Senior Management	11
<b>Management Foundation Programme</b>	To develop leadership skills, implement strategy, promote the ForFarmers mission and coach employees	20
<b>Logistics Academy</b>	To develop knowledge of relevant legislation and regulations, safe and efficient working practices, reduce fuel consumption, focus on interaction with customers	243
<b>Sales Academy</b>	To effectively convey knowledge and advice to customers	212
<b>Ruminants Academy</b>	To enhance professional know-how, share developments at the NIC and strategic partners, update commercial skills	130
<b>Swine Academy</b>	To enhance professional know-how, share developments at the NIC and strategic partners, update commercial skills	217
<b>Poultry Academy</b>	To enhance professional know-how, share developments at the NIC and strategic partners, update commercial skills	34
<b>Time Management</b>	To improve planning and organisational skills in combination with e.g. Outlook	84

## Being a good employer

### Career progression: 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 and the Executive Committee discuss all employees who have been identified, both from the country organisations and the support departments at

group level. Individual development plans are designed for these talents to get them ready in time for taking the next step. Improvements can still be made, both in terms of the development sessions with employees and the quality of the individual targets set. To address this, a training programme was rolled out in 2019 which has resulted in better individual development targets being agreed. The programme will be continued in 2020.

Adequate preparation of potential promotion candidates continues to be very time-consuming. In 2019 agreements were reached with the Executive Committee about the key positions for which internal succession must be assured.

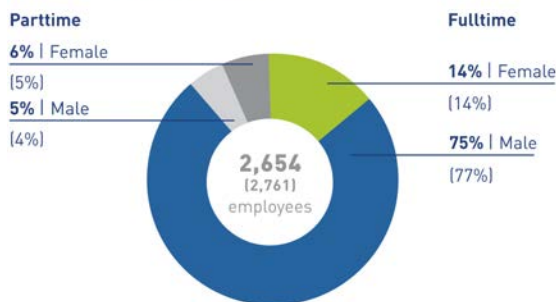
In addition HR has started to make candidate selection much more specific, not just for the position that needs to be filled but also in terms of progression potential.

### Diversity and social responsibility

ForFarmers considers it important to hire and retain employees based on their having the right skills, regardless of their gender, age, race or religion. This is part and parcel of the inclusive culture of the organisation, a culture in which we take into consideration and respect differences between employees. Although we operate in a world where traditionally the vast majority of employees are male, fortunately a growing number of women are choosing to train and work in our industry. It is pleasing to note that an increasing number of women are not only being promoted internally but are also responding to our outstanding vacancies. Of the employees who started the training programme for advisers/specialists in 2019, 44% were women (2018: 30%).

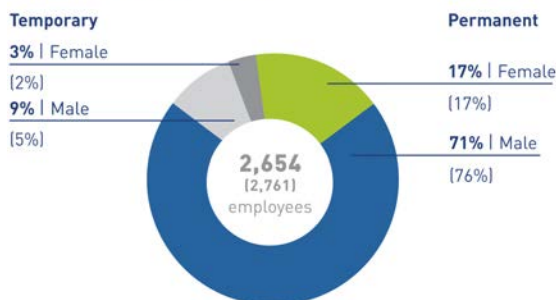
Almost all employees in the Netherlands and Belgium (97% and 99%, respectively) are covered by a collective labour agreement (CLA). In Germany this applies to around 14% of employees while in the United Kingdom and Poland no employees are covered by a CLA.

### Contract type by gender



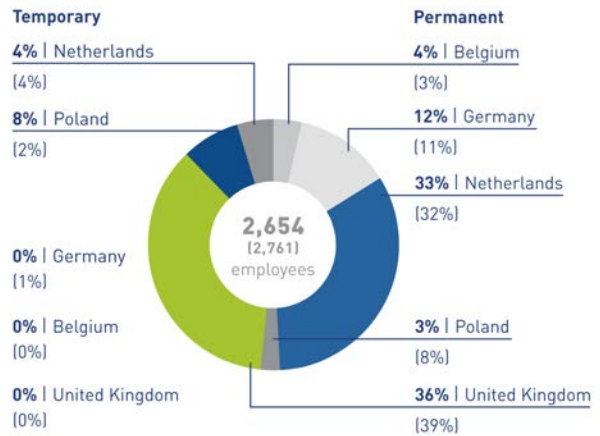
2018 | Comparative data are presented in between brackets

### Contract type by gender



2018 | Comparative data are presented in between brackets

### Contract type by geography



2018 | Comparative data are presented in between brackets

### Providing a safe and good working environment: one of our focus areas of our sustainability strategy

ForFarmers considers providing a safe and good working environment for all employees, temporary contracted staff, contractors and visitors a prerequisite for being a good employer. Reducing lost time incidents (LTIs) is one of our sustainability objectives. Much attention is devoted to safety, monitoring and the proactive tackling of dangerous or potentially dangerous situations at our own sites and en route to and at customer sites. This is reflected for example in our [Code of Conduct](#), the fact that we require suppliers to sign the [Sedex supplier code](#) and in our own FarmRisk approach. This involves specially trained drivers assessing on-farm safety risks and making livestock farmers aware of the risks on their premises.

We have a dedicated IT system for recording Lost Time Incidents (LTIs). All LTIs are notified to the Executive Committee within 24 hours of being reported to the relevant managers. LTIs are a fixed item on the agenda at Executive Committee meetings. Health and Safety Officers have been appointed in each country who are responsible for coordinating training and the sharing of best practices in the area of health and safety.

LTIs are monitored and the results displayed on screens at a number of our local offices with the aim of raising awareness of this topic among both employees and visitors. In addition the results are published in the Annual Report.

## Number of LTIs\*

	2019	2018
Netherlands	11	16
Germany	7	13
Belgium	3	3
UK	15	27
<b>Total</b>	<b>36</b>	<b>59</b>

\* Poland will be included as of 2020

Source: ForFarmers

There was a 39% reduction in LTIs in 2019, compared to the number of LTIs in 2018. 38% (2018:31%) of sites did not incur any LTIs during 2019. With the exception of Belgium where the number of LTIs was stable versus last year, all countries showed a reduction in LTIs. This performance shows that a zero LTI culture is achievable if the culture change continues to develop as we move forward.

The improved health & safety performance in 2019 can partly be attributed to the following: increased attention from management across the ForFarmers businesses for this topic, better accident investigation to identify root cause and prevent reoccurrences of incidents, annual audit program and the best practice initiative which is driving continuous improvement and sharing good safety ideas. Despite the increased focus on and investments in Health & Safety the number of LTIs still remains too high. Health & safety continues to remain a key topic going forward.

*CHALLENGE: finding a balance between health and safety of employees and customer relations*

ForFarmers sees it as its responsibility to safeguard the health and safety of both its employees and its other stakeholders. We have implemented various programmes for our own employees aimed at increasing safety awareness and thus changing behaviour in this area. The programmes concern both activities at our own sites and situations en route and on farmers' premises. Any risks identified on-farm are discussed with the customer and remedial actions recommended. If the customer does not act accordingly and within the agreed timeframe we will stop supplying them with feed. This can create a tension field between the importance of health and safety for employees on the one hand and

customer retention on the other.

## Corporate social responsibility

In accordance with our objective of acting as a socially responsible enterprise we support a number of agricultural charities which promote the development and well-being of people and society. These include the Agriterro organisation, which offers employees opportunities to engage in initiatives aimed at developing the entrepreneurial skills of farmers in developing countries. In 2019 four ForFarmers employees took part in projects in Tanzania and Zambia.

In addition ForFarmers supports the Farm Fresh Revolution in Staffordshire in the United Kingdom. This project provides children and their parents with access to fresh produce along with advice on nutritional value and how to prepare it. ForFarmers also supports Run4Life, an EU-funded project aimed at recovering nutrients from domestic waste streams and using them to create more environmentally friendly fertilisers.

For many years now staff and customers of all ForFarmers units have formed a team to participate in the Alpe d'HuZes event, a Dutch initiative aimed at raising money for cancer research. ForFarmers takes part every year under the name BIG Challenge. The cyclists of BIG Challenge collected approximately €750,000 in 2019.



## Staff meetings

Regular meetings are organised to inform groups of employees about the progress of the Horizon 2020 strategy. This has proven to be an effective way of increasing employee engagement with the strategy, helping to realise the One ForFarmers approach and promoting the ForFarmers mission. The country



organisations also arrange regular interactive staff meetings at local level. In 2019 a total of 34 staff meetings were held which were attended by 30 employees or more. Two-day management conferences for the senior management were held in May and November 2019. Other examples of occasions at which information was exchanged included the Christmas and New Year gatherings and summer BBQs in the various countries.

## Employee participation plan

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

Senior managers can purchase shares for an amount equalling the maximum possible bonus amount, and are entitled to 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 at the end of the lock-up period. In 2019 almost 9% of employees participated in the plan (2018: 12%), investing an average of €6,300 each. Overall, approximately 25% of employees now hold shares in ForFarmers (2018: 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 subject to annual approval by the Supervisory Board and subsequent authorisation from the General Meeting of Shareholders to buy back the necessary shares on the stock exchange.

## Employee engagement survey

ForFarmers conducted an employee engagement survey in 2016, followed up with a pulse check in 2018. Another survey will be held in 2020, once the new strategy has been launched.

## Staff movements and organisational changes

Recruitment initiatives resulted in 438 new employees being hired in 2019 (2018: 471). A total of 542 employees left ForFarmers in 2019 (2018: 422) for various reasons,

including voluntary redundancy, retirement, restructuring and poor performance. Every employee who leaves the organisation is asked about their reasons for doing so. For example the United Kingdom saw a relatively high number of drivers leave the company in 2019. This was due to a shortage of drivers in the market, the specific circumstances relating to the position (unloading feed on farm), lack of engagement with the business and in some cases to conditions of employment. Where possible, action has been taken to address these points.

Efficiency plans were announced in March 2019 at the time of the publication of the 2018 annual results. The plans are aimed at reducing costs by €10 million (in 2021 compared to 2018) by optimising the group's factory footprint and other efficiency plans in various parts of the organisation. The plans, which affect all countries except Poland, will see the number of FTEs reduced by around 125-150 (approx. 5-6% of FTEs at end-2018) in the period 2019-2020 mainly through attrition but also through redundancies.

As part of these plans five factories were closed in 2019, (two in the Netherlands, two in the United Kingdom and one in Belgium). The closures resulted in 68 FTEs leaving ForFarmers in 2019, including 49 compulsory redundancies in the United Kingdom.

Furthermore in 2018 ForFarmers made a start on changing the organisational structure in the United Kingdom in order to be able to respond more quickly and efficiently in the changing market. The employees were informed of the changes on-site. During 2019 HR employees fleshed out concrete action plans for management, based on the feedback from the on-site meetings. In addition a leadership and change management course took place which was attended by 50 managers in the United Kingdom.

## Priorities for the years ahead

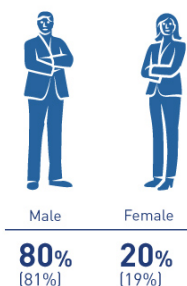
In 2020 the payroll administration activities in the Netherlands and Germany will be transferred to an external partner. More, and more intensive, use will be made of the HR system, which will be expanded with new modules. The HR system will be implemented in Poland in the second half of 2020.

Improving succession potential is important and will take centre stage in the HR agenda in 2020. We prefer seeing

employees develop and make progression in the organisation. This is why we will devote significant attention to recording and discussing development goals with employees. Moreover we will specifically start supporting managers in recognising career progression potential when attracting new employees. To this end we have developed a training 'competence focused interview techniques'.

A successful implementation of the strategy depends to a large degree on the engagement of employees, which in its turn is conditional upon them knowing how they can contribute to the success of the organisation, for example. This entails that managers need to know how the various pillars of the strategy can be translated into concrete action plans and behavioural requirements for individual employees. To this end a programme is being developed, in which the following key competencies are being trained: carrying out a vision, creating optimal employee engagement, ensuring optimal execution of activities and being focused on the agreed upon assignments.

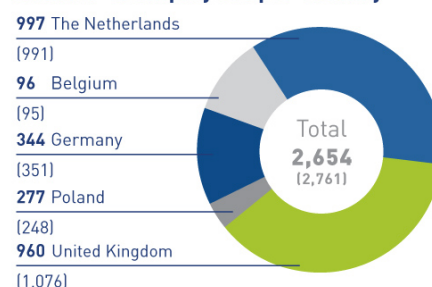
### Male/Female



### Age structure



### Number of employees per country



2018 | Comparative data are presented in between brackets

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

# Our contribution with feed to food

The world needs a sustainable, high-quality way of meeting the growing, global demand for food and animal proteins. The animal feed industry plays a crucial role in this by constantly leveraging its expertise to improve both efficiency in the livestock farming sector and animal health and welfare – with the smallest possible impact on the environment. Sustainable and safe production of animal feed, and hence food, can only be achieved by focusing on quality, precision feeding and innovation. This is what ForFarmers focuses on. Our sustainability objectives to improve feed safety and to promote animal health and welfare should be viewed in this context.

## Continuous process a prerequisite for the supply of safe feeds

To provide high-quality feeds that contribute to the health and welfare of animals, with the smallest possible carbon footprint, the processes for the production of these feeds must be tightly coordinated and closely monitored.

The process starts with establishing an animal's nutrient requirement, and is based on the principle that the (market) value of a raw material is determined by how readily available it is and how it can be applied in animal feed. Cows can digest more and different nutrients than humans. This means that large flows of raw materials which are not suitable for making human food are used to produce feed for ruminants, with grass being the most obvious example. By comparison, pigs and poultry have a digestive system which is more similar to that of humans. At the same time pigs and poultry do have a different diet than that of humans, for example consuming barley that is not suitable for brewing beer and wheat that cannot be used to make bread. Whereas humans enjoy eating crisps made from potatoes that have been peeled and fried in sunflower oil, pigs are happy with potato peel and the by-products of sunflower oil production (sunflower seed meal). There are other residual products from the food industry which are unsuitable for direct human consumption but are used in pig feed, including co-products derived from the production of wheat flour, the sugar industry, fruit juices and beer production. Return flows from supermarkets such as bread, cake and

chocolate are converted into high-quality food products (in the form of milk, meat and eggs) for human consumption. Animals furthermore produce manure, which is used to grow crops. As such animals are an indispensable link in the nutrient cycle.

## Formulation: collaboration between nutritionists and purchasing department to achieve optimum recipe for the animal

To get animals to grow and produce efficiently it is not enough to only use and combine co-products and residual flows into feed concepts. Raw materials for animal feed must be used as efficiently as possible in order to achieve the optimum balance between growth, production and manure emission by the animal. This is called 'precision feeding' and is aimed at achieving optimum feed conversion. The employees of the Nutrition Innovation Centre (NIC) collaborate closely with the purchasing and formulation departments. The first step is to establish the nutritional requirements for the feed. These are used to determine and purchase the necessary raw materials (type, quality and quantity). A sample is taken from each batch of raw materials and tested at the delivery site and/or the laboratory. The raw materials, vitamins and minerals are analysed at the laboratory. This information is used to determine feed recipes, so that animals get exactly the right quantity of energy and protein for their health and welfare to enable them to optimise their growth and production.

## Purchasing high-quality raw materials

The process for purchasing raw materials is a crucial activity at ForFarmers. Availability, usability, price and quality of raw materials are important pillars which ForFarmers uses as a basis for deciding what raw materials to purchase, and in what quantity and from which supplier. In this context we see advantages in cooperating with only a limited number of parties for whom quality and quality assurance is also a prime consideration. The purchasing process is described in more detail in the chapter 'Trends and opportunities'. Needless to say we also look at the sustainability credentials of our suppliers, for example only working with businesses that respect the [Sedex code](#). This is described in more detail in the chapter 'Our contribution to a sustainable livestock industry'.

## Production: from raw material to pellet

Once the recipes are ready they are sent to the factories, where they are used to turn raw materials into meal, crumbs or smaller or larger pellets. Younger animals get the feed in crumbs and smaller pellets, with larger pellets for older animals.

## Quality control: an essential part of our objective to improve feed safety

Quality is a top priority for ForFarmers. We have four in-house laboratories which test both our raw materials and our feeds on an ongoing basis. Animals are selective in what they eat. The physical quality of feed is a key factor in this respect. Following each production cycle the percentage of meal in the feed pellet and its firmness and/or structure is determined. Moreover samples are taken from the feeds which are analysed in the laboratory to establish whether they meet the contents specified on the label. The results of the sample tests are reported to both the factory production manager and the quality department. If any discrepancies are found, corrective measures are taken to prevent repetition. If necessary, feeds are not delivered or are recalled. The process is governed by a strict procedure, supported by digital systems. The quality reports are shared both at site and sector level and with the Executive Committee.

## Control approach

We take a group-wide approach (One ForFarmers) to the control of feedstuffs and compound feed, thereby working in accordance with the requirements of EU legislation, GMP+ International, the Feed Chain Alliance, UFAS and QS quality standards, the SecureFeed control plan and our own ForFarmers risk analyses. In each country compliance with the legal requirements and voluntary codes is determined by means of inspections and external checks by the relevant competent authorities, external certification bodies and audits by third parties – in many cases retailers. In the United Kingdom there is an 'earned recognition' agreement between UFAS and the regulator (the Food Standards Agency), which means that a different emphasis is placed on risk analysis compared to continental Europe where the national control bodies play a more proactive role.

All incidents whereby animal feed does not comply with the legal requirements and the voluntary codes are proactively monitored and managed. We aim for zero incidents.



## 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	
	2019	2018	2019	2018	2019	2018
Netherlands	0	0	0	3	2	5
Germany	1	3	1	1	0	0
Belgium	1	0	0	0	1	0
UK	0	0	1	0	2	4
<b>Total</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>4</b>	<b>5</b>	<b>9</b>

\* Poland will be included as of 2020

The number of feed safety incidents decreased further in 2019. After additional internal checks, specific improvements were made in 2019 in the field of hygiene and pest control at site level. Moreover, processes at a few sites where critical ingredients are processed were optimised in order to reduce the risk of possible cross-contamination.

## Logistics: on-time delivery is a prerequisite for customer retention

Animals need to be fed in time and so getting the right order to the customer on time is crucial. ForFarmers spends time and energy on, and invests funds in, optimising outbound logistics. Where possible factories are equipped with contrasets (pre-loading silos) in order to minimise loading times into bulk trucks. We are also investigating the possibilities of changing, sometimes with the aid of digital systems, the ordering habits of customers in such a way as to avoid peak loads at the factories and in the logistics chain.

## Advice: crucial to the livestock farmer

In addition to feed ForFarmers supplies livestock farmers with advice and tools so that they can improve their on-farm returns. Feed conversion and animal health and welfare play a central role in this. Our advisers use data to show the farmer how business processes can be adapted where necessary. Providing advice is part of the Total Feed approach, whereby we stand side by side with the livestock farmers to help them improve their on-farm returns with healthy animals and in an efficient way. Where necessary our advisers work with the vet to develop a shared improvement plan, such as the new Nutricare

360 approach to improve the health and vitality of piglets. The management approach of the livestock farmer, the health approach of the vet and the nutritional approach of ForFarmers are combined to create a joint advisory plan. The Agroscoop management programme is used to formulate and monitor the technical objectives, and so it is important to us to provide ongoing training to our advisers. For this purpose we have set up internal, animal-specific academies, where all the knowledge and experience that is present can be shared. This benefits livestock farmers.

## Innovation: promoting the health and welfare of animals

In line with one of our six sustainability objectives the 25 or so employees of the Nutrition Innovation Centre (NIC) are constantly working on the development of specific concepts aimed at promoting animal health and welfare. The core focus is to ensure that each animal gets the right amount of nutrients to meet its basic needs. ForFarmers customers use many different production systems: intensive and extensive, conventional and organic, indoor and outdoor and small and large-scale. In developing animal-specific concepts the type of production system and the quality of the end product (eggs, milk, meat) must be taken into account. In addition each innovation project looks at what impact it will have on the environment, humans and animal welfare. This demonstrates just how complex innovation processes are.

Given the different species of animal and the breadth of the subject it is still hard to define and monitor improvements in animal health and welfare in a consistent and measurable way. Digitalisation definitely offers opportunities. ForFarmers is actively looking for workable solutions in this area.

The following innovation projects are examples of concepts for the improvement of animal health and welfare:

## Antimicrobial resistance

Antimicrobial resistance (AMR) is one of the great challenges for both human and veterinary medicine given that some bacteria no longer respond to antibiotics. The European Commission has included the role of animal nutrition in its action plan against AMR. ForFarmers searches for nutritional solutions to help customers and vets to reduce the amount of antibiotics used in livestock farming. In the Netherlands and Germany the sector has agreed to stop adding medication to feed. In the United Kingdom, Belgium and Poland reduction targets have been set by the sectors locally.

ForFarmers in the United Kingdom was “highly commended” at the annual international Antibiotic Guardian Awards in 2019, a recognition of our constant efforts in the fight against AMR. The efforts in the area of AMR have resulted in an increasing reduction in the use of antibiotics in livestock farming.



### Innovation projects aimed at improving animal health and welfare

Ruminant	Swine	Poultry
Including synthetic amino acids in rations for ruminants, leads to better nitrogen efficiency, improved health and fertility.	Introduction of an improved VIDA Vital piglet feed to prevent gut health problems	Developing an optimal feeding strategy for slow growing/higher animal welfare broilers.
Differentiation in production and maize seed grinding size improves the feeding value of maize silage. Plus can improve animal health	To reduce streptococcus via feed approach	Improving early life concepts for broiler chicks resulting in improved health in later life.
Improving immunity and fertility in dairy cows via inclusion of specific fatty acids in the diet	Continuous development of the Ultra-Score, the farm health monitoring system for grower/finisher pigs helping to select the best nutritional health promoting approach	Optimize layer feeds for hens with longer laying cycle so improved sustainability in the cycle
Innovative weaning strategy aiming at reduced weaning stress in calves	Introduction of Nutripower+: System to predict digestive parameters of feed such as speed of digestion. This system help to promote gut and total animal health	Feed for better leg/bone quality in broilers and broiler breeders
Improved Translac concept aiming at better health and fertility of dairy cows	Developing a heat stress feed approach that prevents the negative performance, animal welfare and health effect in periods of temperatures above the animals thermo comfort zone	Further develop the split-feeding concept for laying hens to lower phosphorus and nitrogen input thus improve mineral efficiency

# Our contribution to a sustainable livestock industry

## **Sustainability – a core value for ForFarmers and an integral part of our business operations**

Sustainability is one of the three core values of ForFarmers, alongside ambition and partnership, and is viewed as a logical and integral part of the business operations. In the context of sustainability we focus on the ethics and working methods of our suppliers, how we can implement improvements in our own production and logistical processes and how to achieve better returns for livestock farmers whilst reducing on-farm emissions of substances such as phosphate and nitrogen. We constantly strive for 'more with less' – more production of animal proteins with less use of raw materials – by working efficiently and innovatively on feed solutions in which animal health and welfare play a central role. In so doing we contribute to a sustainable way to feed the growing world population.

## **The Total Feed approach of ForFarmers: inherently sustainable**

ForFarmers operates in the chain that seeks to sustainably meet the growing demand for food. Our Total Feed approach is aimed at supplying good feed and advice tuned to the different stages of an animal's life. This approach includes concepts, such as on-farm fermentation, non-GMO and organic feed. Our concepts allow animals to efficiently produce nutritious food, in the form of milk, meat and eggs, for human consumption. Animals also produce manure, which in turn is used to grow crops. In this way our feed contributes to the creation of food.

One of our core product groups is DML, which includes residual flows (co-products) from the food industry which cannot be processed further into food for human consumption but can be used as animal feed. Of the roughly 10 million tonnes of Total Feed volume supplied annually to our customers around 2 million tonnes consist of co-products. We are the only feed company which has a dedicated mill, in the Dutch town of Lochem, to process co-products from milk processing into liquid feed for pigs.

## **Dialogue with stakeholders as a basis for setting our strategic course**

ForFarmers maintains a constant dialogue with its stakeholders, including about sustainability topics. Last year we conducted an extensive survey to gain an insight into which sustainability topics have become less or indeed more relevant. The outcome of the survey was used to update the materiality analysis, which is included in the chapter 'Our stakeholders'.

## **ForFarmers' sustainability strategy**

ForFarmers has developed a sustainability framework comprising six focus areas that we deem to be of material importance, grouped into three themes: Environment, People & Society and Animal Health and Welfare. These are the themes where we are able to exert influence within the value chain. We have defined five Key Performance Indicators (KPIs) in relation to the six focus areas.

The three KPIs related to the theme Environment are further explained in this chapter.

## Total value chain approach



The KPIs that are aimed at the themes People & Society and Animal Health and Welfare are explained in the chapters 'The value of and for our employees' and 'Our contribution with feed to food'.

The above is further elaborated in the connectivity table below:



Theme	Focus area (link to materiality matrix) <sup>1</sup>	Link to SDG	Impact in the value chain	KPI	Associated risks	Result <sup>2</sup>
<b>Environment</b>	1. Limit phosphate emissions (4) 	 2.4 12.2 13.3 15.5	ForFarmers, Customers	1. phosphate efficiency rate on-farm in NL	• Environmental legislation and regulations & Climate change	+
	2. Limit carbon emissions (1, 2, 3) 	 2.4 12.2 13.3 15.5	Supply chain, ForFarmers, Customers	2. Greenhouse gas emissions in tonnes of CO <sub>2</sub> equivalent	• Environmental legislation and regulations & Climate change	+/-
	3. Minimise use of land, water and energy (10) 	 2.4 12.2 13.3 15.2, 15,5	Supply chain, ForFarmers, Customers	3. % certified soy meal and palm oil	• Environmental legislation and regulations & Climate change	+/-
<b>People &amp; Society</b>	4. Ensure safe and good working conditions (13) 		Supply chain, ForFarmers, Customers	4. Number of Lost Time Incidents (LTIs)	• Health & Safety	+
	5. Ensure feed safety (12) 		Supply chain, ForFarmers, Customers	5. Total number of incidents whereby feed regulations and voluntary codes were not complied with	• Feed safety	+
<b>Animal health &amp; welfare</b>	6. Contribute to improving the health and welfare of animals (15,16) 	 2.4	ForFarmers, Customers	Improving animal health and welfare is considered to be an integral part of the Total Feed approach for which no specific KPI has been defined	• Herd sizes and animal diseases	No specific KPI

<sup>1</sup>The materiality matrix is presented in the chapter 'Our stakeholders'

<sup>2</sup>Explanation: (+): the results have improved, (+/-): the results are stable, (-): the results have deteriorated (worsened) compared to last year

## Our contribution to the Sustainable Development Goals

In 2019 ForFarmers further aligned its sustainability approach with the Sustainable Development Goals (SDGs) of the United Nations. The increased focus in the sustainability strategy means that the selection of SDGs to which we contribute differs from the selection in 2018. For these SDGs we also determined which underlying targets we will specifically focus on.

The current selection of SDGs is as follows:

### Zero Hunger



*2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.*

#### Our contribution

The Total Feed approach focuses on this SDG sub-target. Through our Total Feed approach we focus on improving on-farm returns, animal health and welfare and efficiency. It is an integrated approach that takes account of the impact on the climate and environment. We achieve this by supplying livestock farmers not just with feed but also with advice and monitoring tools. In doing so we aim to improve feed efficiency – or ‘more (production) with less (feed)’ – whilst reducing emissions (e.g. CO<sub>2</sub>, phosphate and ammonia), improving the quality of forage on-farm and using manure effectively.

### Responsible production and consumption



*12.2 By 2030, achieve the sustainable management and efficient use of natural resources.*

*12.3 By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses.*

#### Our contribution

Using residual flows (co-products) in the production of animal feed prevents food loss. Animals are able to efficiently process low-quality nutrients from residual

flows and co-products which are unsuitable for direct human consumption into high-quality animal proteins that are suitable for human consumption. Around 20% of the roughly 10 million tonnes of Total Feed volume that ForFarmers supplies annually to customers consists of co-products. We are constantly looking for ways of using new residual flows which can either be used directly or as ingredients for animal feed, such as chocolate spread for pig farming.

In addition we supply nutritional solutions that help customers and vets to reduce the quantity of antibiotics used in livestock farming. In doing so we draw on the experiences gained in the Netherlands and Germany, where sector agreements prohibit the addition of medication to feed.

### Climate action



*13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.*

#### Our contribution

As well as giving advice on the technical performance of animals ForFarmers also gives advice on climate-related subjects. In the Netherlands for example we take part in the KringloopWijzer programme, a nutrient management system that dairy farmers can use to record the use of minerals (phosphate, nitrogen and carbon) in their business. In addition we help livestock farmers with fertilisation plans and forage optimisation.

In order to promote internal awareness and knowledge-sharing, for example on circular farming, we have established specie-specific academies in which the advisers participate. In addition we are involved in various external networks in this area. Via our 400+ feed advisers we reach around 27,000 livestock farmers. Furthermore we carefully analyse climate risks and have control measures in place to manage these.

### Life on land



*15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.*

15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.

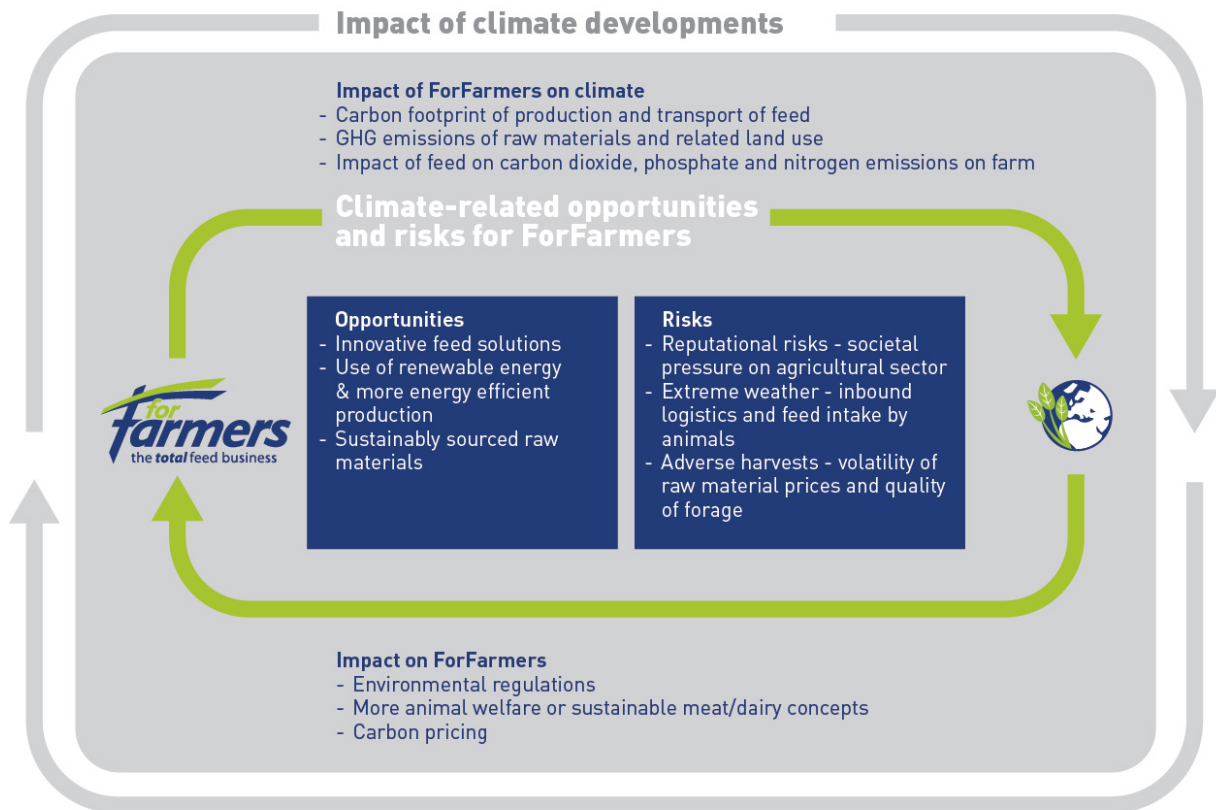
**Our contribution**

ForFarmers endorses the Amazon Soy Moratorium, which is aimed at ensuring that European animal feed uses no soy derived from lands in the Amazon which have been subject to deforestation since 2008. Furthermore in 2019 we worked closely with the European Feed Manufacturers' Federation (FEFAC) on launching the Responsible Soy Declaration, an online platform where European feed manufacturers can voluntarily state their commitment to purchase responsibly produced soy.

The purchasing policy of ForFarmers is focused on the purchasing of responsibly produced palm oil and soy. ForFarmers follows the [Sedex supplier code](#) when purchasing other raw materials.

**Climate-related risks and opportunities**

In 2019 ForFarmers made a more specific analysis of the climate-related risks and opportunities. The risks and opportunities surrounding climate developments, along with ForFarmers' response to these, are a regular topic of discussion for the Risk Advisory Board and the Sustainability Task Force. In the risk management chapter climate risk is also specifically highlighted.



**Management of sustainability activities**

The sustainability activities are governed by two committees: the Sustainability Advisory Board, chaired by the CEO of ForFarmers, and the Sustainability Task Force under the responsibility of the Director Strategy & Organisation. Progress with regard to sustainability is one

of the qualitative targets for the long-term variable remuneration for the members of the Executive Board.

More detailed information about the sustainability strategy (including governance, reporting criteria and a description of the KPIs) can be found in the [sustainability appendix](#) on the corporate website.

## A closer look at focus areas and KPIs

Progress was made in 2019 in terms of measuring and reporting. All the countries introduced quarterly updates for the five KPIs to report on the performance and results achieved to the Executive Committee. The updates also set out what future actions are planned to achieve further improvement in the results. The three KPIs related to the theme Environment are further explained in this chapter. The KPIs that are aimed at the themes People & Society and Animal Health and welfare are explained in the chapters 'The value of and for our employees' and 'Our contribution with feed to food'.

### 1. Limit phosphate emissions

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

Limiting phosphate emissions is viewed as a relevant focus area as phosphate emissions by animals pollute surface water. The EU has therefore imposed phosphate production ceilings for all member states. In view of the intensive livestock farming in the Netherlands a higher ceiling has been set for Dutch livestock farmers than for farmers in other European countries. Measures were taken in 2018 in order to stay below the phosphate ceiling. These included reducing the amount of phosphate in feed. Measuring phosphate efficiency is of material importance, particularly in the Netherlands, and is therefore considered a KPI. After all, too much phosphate in feed increases emissions into the environment and hence the risk of production-limiting measures, while too little phosphate leads to possible animal health issues and reduces livestock performance.

#### *What was done in 2019*

Until 2019 we focused on monitoring phosphate efficiency only in the dairy sector and swine sector in the Netherlands. We influence phosphate efficiency through feed solutions by [continually focusing on] better utilisation of nutrients and using the latest generation of phytase enzymes. The ForFarmers NIC is involved in various pilot programmes to develop feed concepts that reduce phosphate emissions, for example the recently introduced Ultra concept. We also work constantly to update and enhance the accuracy of the phosphate data in our systems. This new phosphate data enables us to get even closer to the optimum feed requirement and can also be used to further improve feed efficiency. In 2019 we also analysed the phosphate efficiency of poultry, both layers (eggs) and broilers (meat), in the Netherlands.

#### *How progress is measured*

In the Netherlands we are involved in the KringloopWijzer programme, a nutrient management system for dairy farmers to record the use of minerals (phosphate, nitrogen and carbon) in their farming business. The feed and tools we supply to livestock farmers enables them to monitor the phosphate efficiency of their business and to limit the phosphate losses which cause pollution.

The table below shows phosphate efficiency in 2018. The results are always one year behind the current year due to data availability. Given that the reliable data required for the calculation of phosphate efficiency is only available for Dutch farmers, the scope is limited to the Netherlands.

## Phosphate efficiency (only for The Netherlands)

	2018		2017	
	%	Number of farms in the sample	%	Number of farms in the sample
Dairy	38.4%	2,273	38.4%	2,343
Swine fattening	54.4%	243	54.0%	245
Sows	43.4%	95	41.8%	99
Swine breeder & feeder farms (sows and fattening)*	50.8%	62	48.6%	54
Broilers – regular	64.5%	192	63.7%	187
Broilers – animal health and welfare concepts	49.2%	470	48.9%	458
Layers – regular	16.2%	23	15.7%	19
Layers – animal health and welfare concepts	15.5%	19	14.3%	18

*The results are one year behind the current year due to data availability  
\* Closed herd pig farms  
Source: ForFarmers*

Phosphate efficiency in the dairy farming sector was unchanged in 2018 compared to 2017. However, the sample included fewer dairy farmers than in the previous year as a result of the discontinuation of businesses. Phosphate efficiency in the swine sector showed a slight improvement in 2018. Our ongoing efforts aimed at optimising nutritional composition resulted in an improvement in feed conversion and thus higher phosphate efficiency among fattening pigs. The improvement in phosphate efficiency in the pig breeding segment was mainly related to a year-on-year increase in the number of piglets per sow and a slight improvement in feed conversion. As of 2019 we are able to also report the phosphate efficiency in poultry with retroactive effect over the last few years. This shows the efficiency has been improved in small steps. The contradiction between nutrient efficiency and system husbandry is clear in poultry: animals kept in more welfare-friendly systems achieve a clearly lower phosphate efficiency. In order to present a comparison in the most accurate manner, phosphate efficiency in poultry is reported according to two main categories, i.e. regular production system and welfare system.

The higher the phosphate utilisation rate (also referred to as phosphate efficiency), the better. It is however, impossible to achieve phosphate utilisation of 100%. Phosphate efficiency in 2018 was virtually stable

compared to in 2017, with the best performing 25% of dairy farmers achieving an average efficiency of 43%, reflecting efficiency for fattening pigs of 61%, for sows of 53% and for swine breeder & feeder farms (sows and fattening pigs) of 56%. The figure for layers in the regular system was 18% and for those in the welfare system 17%. Phosphate efficiency for broilers in the regular system was 68% and for those in the welfare system 53%.

### *CHALLENGE: Climate and nitrogen debate: no straightforward solutions*

There is growing public interest in livestock farming in Western Europe. Climate (in relation to GHG emissions) and environment (for instance in relation to lowering nitrogen depositions in order to protect nature and biodiversity) are the principal themes.

Consumers, governments and supply chain parties are calling for more attention to be paid to these themes.

The animal chain is faced with the challenge of complying with sustainability parameters which are increasingly being tightened in various countries, thus limiting the licence to produce. There is a risk that measures will be proposed or taken under which a perceived sustainability gain will take preference over actual sustainability

gains in the medium term. With its objective to limit GHG emissions ForFarmers is addressing the Climate theme. We are also active in terms of the Environment theme by working with parties in the chain on possibilities for limiting nitrogen depositions, for example by optimising the amount of crude protein in the diet (too much protein pushes up nitrogen emissions). This is conditional on neither the animal's health nor its performance being compromised. Technical changes to sheds and different ways of using manure can also help reduce nitrogen emissions. Tests aimed at reducing for example nitrogen emissions also look at the side effects on for example phosphate emissions.

## 2. Limit greenhouse gas emissions

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

Like other industries the livestock nutrition and livestock farming chain emits greenhouse gases. Greenhouse gases contribute to climate change. We therefore monitor the greenhouse gas emissions of our own operations both per tonne of feed produced and overall.

This involves measuring the amount of gas, oil and diesel (scope 1) and electricity (scope 2) used in the production of feed and by our own vehicle fleet. This is an area where we can make a difference through our own actions, although the greenhouse gas emissions produced within scope 1 and 2 are minimal compared to those produced in scope 3 (emissions produced in our raw materials supply chain and emissions on-farm).

In order to help livestock farmers lower their carbon footprint we also focus on delivering 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 grains and palm kernels) and optimising feed conversion, i.e. more production with less feed (and hence less use of scarce raw materials).

Using systems to monitor phosphate emissions is another example of how we are working to improve the carbon footprint of the sector. The willingness of both politicians and livestock farmers to agree improvement plans, as well as that of consumers to contribute to the additional costs, are crucial in this respect.

### *What was done in 2019*

In 2019 we carried out the following important activities to limit greenhouse gas emissions:

#### **Scope 1 and 2**

We use an energy savings matrix in relation to our production activities, which sets out a list of projects in the various countries aimed at improving energy efficiency. For example at various factories in the United Kingdom we invested in new equipment that reduces the amount of energy consumed during the production process.

In addition we want to make increasing use of renewable energy. In this context the new biomass plant in Lochem came on stream in 2019. The plant can supply virtually all the energy needed by the Lochem mill to produce steam, used to press feed into pellets. The biomass plant enables us to save around 1.7 million cubic metres of natural gas a year. It was an absolute precondition for us that the plant should be fuelled solely by local waste wood. This is supplied by the cooperative Coöperatie Streekhout Achterhoek.

We also take measures to improve the energy efficiency of our transport activities (logistics). For example:

- The amount of fuel (in litres) per tonne of feed delivered is measured and reviewed on a monthly basis and any ideas for making improvements that result from this are shared.
- Energy efficiency is improved by efficient vehicle planning, which increases utilisation and capacity fill.
- Tests with silo measuring systems are being conducted in the United Kingdom to better determine order timings and thus be able to plan more efficient loading resulting in lower emissions per tonne of product transported.
- In 2019 we continued to invest in new, more efficient trucks – especially in the United Kingdom – replacing trucks with Euro 4 or 5 engines with more efficient ones with Euro 6 engines. We are already operating these more fuel-efficient vehicles on the Continent. In Germany we are conducting tests with alternative, cleaner fuels (LNG).
- A project has started in Germany to transport raw materials by rail rather than road.
- Various projects were introduced aimed at optimum deployment of trucks, minimising the number of empty trips made, efficient loading with larger trailers and encouraging drivers to increase their fuel economy.
- In 2018 a pilot was launched involving the unloading of feed from trucks using batteries (electric). During 2019 it became clear that the recharging of the batteries while

driving (using energy released when braking) was not yet working properly. A decision will be taken in 2020, based on the opportunities for improvement then available, as to whether this project will be continued.

### Our efforts on-farm

We contribute as much as we can to reducing greenhouse gas emissions in the supply chain and on-farm. Monitoring and measuring GHG emissions on-farm in a consistent way is still challenging, and is therefore not yet included as a KPI.

We apply the [Sedex supplier code](#) to ensure our purchasing complies with recognised social, ethical and environmental standards. At farm level we help livestock farmers with our Total Feed approach comprising feed and advice. We are also involved in the KringloopWijzer programme. In 2019 we launched Ultra, a new feed concept for finishers. The concept is aimed at optimum feed conversion, which also reduces the carbon footprint and land use.

Furthermore it contributes to animal health, for example with better intestinal health, calmer pigs and lower failure rates. In the ruminant sector we are involved in a project to reduce the carbon and methane footprint of feed concepts. And in the poultry sector we launched the Apollo concept in Belgium, following the proven success in our other countries of operation. The Apollo concept is also aimed at improving feed efficiency, with a lower carbon footprint and less land use.

It is a challenge to develop concepts with a balanced impact on the three themes. For example, while lowering greenhouse gas emissions and land use has a positive impact on the environment it is often at the expense of animal welfare. For instance the Gildehoen concept for broilers complies with the wish of consumers for the birds to live longer lives in larger sheds, thus improving animal welfare, but the concept results in a higher carbon footprint because it requires the use of more raw materials over a longer period.

Sustainable key issue in innovation				
Balancing the sustainability themes in innovative concepts		Environment	People	Welfare
<b>Apollo</b> (broilers)	Producing meat efficiently with reduced carbon footprint and lower land use	●	●	●
<b>Split-Feeding</b> (layers)	More healthy chickens which live longer, because of specific morning and afternoon feed with different composition	●	●	●
<b>Gildehoen</b> (broilers)	Slow Growing Concept in collaboration with retailers in the Netherlands	●	●	●
<b>ULTRA-SCORE</b> (swine finisher)	Monitoring health of pork meat: 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, reduce preweaning mortality	●	●	●
<b>Pens-Stimulator</b> (Dairy)	Improved gut health, prevents a leaky gut due to stress factors (heat, pick order, transition etc.). Results in healthier cows and increased milk production	●	●	●
<b>Translac</b> (Dairy)	Optimally managing the transition period (drying off – calving) of dairy cows	●	●	●

A darker shade of green indicates greater relevance  
Source: ForFarmers

How progress is measured with respect to scope 1 and 2

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

	2019						2018				
	Scope 1			Scope 2			Scope 1			Scope 2	
	Production			Logistics			Production			Logistics	
	Gas	Kerosene	Medium Oil	Gas oil	Diesel	Electricity*	Gas	Kerosene	Medium oil	Diesel	Electricity
Netherlands	3.67				5.75	16.95	4.08			5.55	16.1
Germany	3.5				6.45	7.03	3.63			6.71	11.94
Belgium	2.48					3.76	2.19				4.75
UK	4.71	1.36	0.41	0.11	11.25	13.59	4.48	1.28	0.32	10.85	20.67
<b>Total</b>	<b>3.88</b>	<b>1.36</b>	<b>0.41</b>	<b>0.11</b>	<b>8.49</b>	<b>13.81</b>	<b>4.02</b>	<b>1.28</b>	<b>0.32</b>	<b>8.29</b>	<b>16.21</b>

\*The GHG emissions from scope 2 are based on the market-based method. For comparison purposes, the GHG emissions per tonne feed from scope 2 according to the location-based method were in total 17.23 (NL: 18.30; Germany: 11.88; Belgium: 3.75; UK: 20.68). This increase compared to 2018 can be related to the changed national conversion factors.

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

	2019						2018				
	Scope 1			Scope 2			Scope 1			Scope 2	
	Production			Logistics			Production			Logistics	
	Gas	Kerosene	Medium Oil	Gas oil	Diesel	Electricity*	Gas	Kerosene	Medium oil	Diesel	Electricity
Netherlands	11,171				6,943	51,654	12,799			6,789	50,456
Germany	2,723				2,951	5,466	2,857			3,326	9,395
Belgium	962					1,459	904				1,958
UK	8,398	2,418	733	198	17,237	24,212	8,471	2,424	600	17,522	39,072
<b>Total</b>	<b>23,254</b>	<b>2,418</b>	<b>733</b>	<b>198</b>	<b>27,131</b>	<b>82,792</b>	<b>25,031</b>	<b>2,424</b>	<b>600</b>	<b>27,637</b>	<b>100,881</b>

\*The GHG emissions from scope 2 are based on the market-based method. For comparison purposes, the GHG emissions from scope 2 according to the location-based method were in total 103,298 (NL: 55,760; Germany: 9,231; Belgium: 1,456; UK: 36,850). This increase compared to 2018 can be related to the changed national conversion factors.

In 2019 we switched to a better, more accurate way of reporting carbon emissions. In previous years we converted energy consumption into carbon dioxide using the generally applicable factors in the respective countries based on the national energy mix. As from 2019 we have switched to the market approach, which means that we use the CO<sub>2</sub> conversion factors of our energy suppliers based on the energy actually supplied to us. The renewable energy that we use generates fewer carbon emissions and is now also included in the calculations. This creates a more realistic picture of our carbon emissions. We will continue to use this method in the future.

Total tonnes of CO<sub>2</sub> per source all show a decrease compared to previous year. This is mainly caused by ongoing execution of energy savings projects (such as the construction of the biomass installation), a lower production volume and a greener energy mix. This will continue to be our focus for 2020. The decrease in the greenhouse gas emissions in scope 2 – electricity – is significant. This is partly due to a change in method of measuring which takes into account the CO<sub>2</sub> emission factor of the actually delivered electricity mix, which is increasingly comprised of green energy.

The CO<sub>2</sub> per tonne feed, the intensity ratios, show a decrease on gas and electricity compared to last year. Diesel impact however increased slightly. Although total diesel emissions decreased versus last year, when measured per tonne they grew slightly. This can be explained by the fact that capacity fill was lower and customer distance was higher, particularly for specific new feed concepts. In the Netherlands for example, non-GMO feed concepts are only manufactured in Deventer. Despite driver challenge and new trucks, diesel emissions per tonne were slightly higher as delivering the highest service levels was also a prime goal.

### CHALLENGE: measuring emissions throughout the value chain

ForFarmers recognises that scope 3 greenhouse gas emissions produced in the inbound logistical chain by growing, producing and supplying raw materials and by the consumption of feed by animals on-farm are significant. However, comparable and consistent measurement of these emissions remains challenging. Without reliable data it is difficult to ascertain whether scope 3 greenhouse gas emissions fell compared to a year earlier. We are therefore actively involved in



European and international initiatives towards a standard methodology for calculating the environmental impact of the production and consumption of animal feed. In December 2018 the Global Feed LCA Institute, an independent initiative by the feed industry, launched an initial version of the Feed Life Cycle Analysis (LCA) database of feed materials. The database was updated in 2019 and an improved version was launched providing environmental impact information on almost 1,000 major ingredients of animal feed. We are now using this data and these tools to calculate the emissions associated with processing raw materials and are able to calculate the carbon footprint of each individual feed concept. This information can be made available for example to chain partners who wish to move towards including carbon impact data in their labelling.

### 3. Minimise the use of 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 very important to ForFarmers and many of its stakeholders. The issues concern matters such as deforestation and other types of land use associated with growing raw materials that are imported into the EU, in particular soy and palm oil. In 2025 all soy meal and palm oil purchased by ForFarmers will be 100% certified.

As a socially responsible enterprise we aim to purchase raw materials in accordance with recognised social, ethical and environmental standards. We do so in line with the Sedex supplier code, which sets out the shared responsibilities of suppliers with regard to the purchasing of raw materials. It includes standards on business ethics aimed at preventing bribery, discrimination, corruption and fraudulent business practices, and employment practices that comply with ILO standards.

As concerns the total product-related procurement spend in 2019, more than 83% of the suppliers subscribed to either the Sedex code or another supplier code of conduct (2018: over 80%). As concerns the non-product-related procurement spend in 2019, over 35% of the suppliers subscribed to a code of conduct. In 2019 we also started applying the Sedex code to DML suppliers (over 30%), a

category not included before. All together this represented more than 69% of total annual non-product-related spend. Relationships with suppliers who do not wish to work in accordance with the Sedex code will be phased out.

#### *What was done in 2019*

- In 2019 FEFAC launched the Responsible Soy Declaration, an online platform where European feed manufacturers can voluntarily state their commitment to purchase responsibly produced soy. ForFarmers worked tirelessly to realise this initiative at a European and sector level. It will help transform the soy market. The president of FEFAC is also the Director Corporate Affairs of ForFarmers.
  - ForFarmers is a member of the Round Table on Responsible Soy (RTRS) and the Round Table on Sustainable Palm Oil (RSPO) and was actively involved in developing the guidelines for soy sourcing published by the European Feed Manufacturers' Federation ([FEFAC](#)) in 2015. 74.7% of soy meal and 70% of palm oil purchased complied with ForFarmers' sustainability criteria. In the United Kingdom all palm oil which was purchased was certified.
- Furthermore, ForFarmers endorses the Amazon Soy Moratorium, which is aimed at ensuring that European animal feed uses no soy derived from lands in the Amazon which have been subject to deforestation since 2008. ForFarmers businesses in the Netherlands and Belgium already purchase 100% certified soy.
- Active involvement in developing new sector initiatives (e.g. Round Table on Responsible Soy in the UK) to encourage adoption by the sector and create a level playing field.

#### *CHALLENGE: Is regional purchasing more sustainable?*

There are various ongoing initiatives aimed at promoting regional purchasing of raw materials. These are based on concerns about the livestock sector's dependency on imports of high-protein raw materials such as soy from non-European countries (95% of soy in the EU is imported). While we understand the concerns we also see the challenges. European soy is of inferior quality because the growing conditions are less favourable than closer to the equator, more water is needed for growing and more energy is used for regional growing; this may result in a larger environmental footprint despite the shorter

transport distances. The stakeholder survey held in 2019 showed that stakeholders consider lowering the carbon footprint to be more important than local or regional purchasing of raw materials.

We are also working on developing protein substitutes in order to reduce our dependency on soy. However, many of the existing alternatives increase the environmental impact of livestock farming rather than reducing it. For example some protein substitutes cause higher phosphate emissions. Moreover all the current options mean livestock farmers face higher costs to maintain performance, and therefore 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	
	2019	2018	2019	2018
<b>Total</b>	<b>74.7%</b>	<b>74.8%</b>	<b>70%</b>	<b>70%</b>

#### *Water*

Water usage was not flagged as a material topic by stakeholders in the 2019 survey. Nevertheless as a responsible organisation we consider it important to ensure that wastage and pollution of water is kept to a minimum, both in our own processes and in the chain. Water is used during the manufacturing process to generate steam to press pellets. We realise that there needs to be a balance between the use of steam and electricity consumption during the manufacturing process. On-farm, we focus on improving efficiency by helping farmers to reduce their water consumption. The trend toward lower crude protein diets also translates into lower water consumption by livestock.

# Financial and operational review 2019, Dividend proposal

## Report 2019

### Key parameters of results 2019<sup>1</sup>:

- Total Feed<sup>2</sup> volume: up 0.7% to 10.1 million tonnes; but like-for-like decline (-2.9%), especially in H2-2019 (-4.0%)
- Compound feed volume: up 1.9% to 7.1 million tonnes; but like-for-like decline (-3.2%), especially in H2-2019 (-3.9%)
- Gross profit: down 0.6% to €440.7 million; despite further volume decline, recovery in H2-2019 compared to H1-2019 (H1: impact of unfavourable purchasing position and also volume decline)
- Underlying EBITDA: down 11.6% to €88.5 million; including positive IFRS 16 effect (€5.8 million); recovery in H2-2019 compared to H1-2019 despite volume decline
- Underlying earnings per share: down 36.2% to €0.37
- Net profit<sup>3</sup>: down by 69.8% to €17.7 million, due to, a.o., goodwill impairment United Kingdom (€25.6 million)
- Dividend proposal: total of €0.28 per ordinary share (regular dividend of €0.19 and a special dividend of €0.09)
- Working capital: improved by 36.2% to €48.7 million due to operational improvements
- Net cash flow from operating activities: up 17.1% to €96 million

### Consolidated key figures

In millions of euro (unless indicated otherwise)	2019	2018	Total change in %	Currency	Acquisition	Like-for-like <sup>(3)</sup>
Total Feed volume (x 1.000 ton)	10,095	10,021	0.7%		3.6%	-2.9%
Compound feed	7,083	6,952	1.9%		5.1%	-3.2%
Revenue	2,463.1	2,404.7	2.4%	0.1%	4.7%	-2.4%
Gross profit	440.7	443.4	-0.6%	0.1%	3.9%	-4.6%
Operating expenses	-428.1	-372.9	14.8%	0.1%	4.4%	10.3%
Underlying operating expenses	-393.1	-372.4	5.6%	0.1%	4.4%	1.1%
EBITDA	85.2	103.9	-18.0%	0.0%	5.1%	-23.1%
<b>Underlying EBITDA<sup>(1)</sup></b>	<b>88.5</b>	<b>100.1</b>	<b>-11.6%</b>	<b>0.0%</b>	<b>5.3%</b>	<b>-16.9%</b>
EBIT	14.2	75.9	-81.3%	0.0%	1.2%	-82.5%
Underlying EBIT <sup>(1)</sup>	48.2	71.5	-32.6%	0.0%	1.3%	-33.9%
Profit attributable to shareholders of the Company	17.7	58.6	-69.8%	0.0%	3.8%	-73.6%
Underlying profit <sup>(1)</sup>	36.4	57.6	-36.8%	0.0%	-0.2%	-36.6%
Net cash from operating activities	96.1	82.1	17.1%			
Underlying EBITDA / Gross profit	20.1%	22.6%	-11.1%			
<b>ROACE on underlying EBITDA<sup>(2)</sup></b>	<b>16.2%</b>	<b>23.0%</b>				
ROACE on underlying EBIT <sup>(2)</sup>	8.8%	16.4%				
Basic earnings per share (x €1)	0.18	0.58	-69.0%			
Underlying earnings per share (x €1)	0.37	0.58	-36.2%			

(1) Underlying means excluding incidental items (see Note 17 regarding the Alternative Performance Measures (APMs)).

(2) ROACE means underlying EBITDA (EBIT) divided by 12-month average capital employed.

(3) Like for like is the change excluding currency impact and acquisitions and divestments.

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

## General

In 2019, the markets in which ForFarmers is active were impacted by four developments:

- There is growing public debate in Northwest Europe about the environmental impact of the agricultural sector in general. The political debate about reducing nitrogen emissions from livestock farming is causing uncertainty in the Netherlands in particular. The measures which may be imposed by the government could eventually lead to a reduction in the livestock population;
- The significantly higher demand from China for pig meat and currently also for poultry products, as a result of the outbreak of African swine fever in China, leading to substantially higher European pig prices;
- The outbreak of animal diseases, including African swine fever, which was detected among wild boars in Belgium and now in western Poland not far from the German border too, is another cause for concern. In addition highly pathogenic bird flu is detected in Poland;
- In all countries where ForFarmers is active, except Poland, markets are seeing growing overcapacity and increasing competition because of declining volumes.

These developments are causing some uncertainty about the outlook for the agricultural sector.

The results in the first half-year of 2019 have left a large stamp on the 2019 results.

2019 shows the following picture:

- In the first half-year of 2019 an unfavourable purchasing position, which was not passed onto customers, had a substantial negative impact on gross profit, underlying EBITDA and underlying net profit;
- In addition, in the first half of the year volumes declined (like-for-like) for the first time in many years, especially in the Netherlands, Belgium and the United Kingdom;
- In March 2019 efficiency plans were announced to cut costs. Cost savings took place in the second half-year mainly resulting from the closures of mills in the Netherlands, the United Kingdom and Belgium;
- In the second half of 2019 volumes declined (like-for-like) further in all countries except in Poland;
- The four acquisitions made in the second half of 2018 were fully integrated in the second half of 2019 and contributed to the development of underlying EBITDA (H1: +8.2% and H2: +2.1%).

The table below presents the H1-2019, H2-2019 and full-year results, including the related YoY (absolute and in %). Underlying EBITDA in the second half of 2019 was up 47.5% compared to H1-2019.

### Core parameters 2019 and year-on-year delta versus 2018<sup>(1)</sup>

		2019	Total change	Total change in %	Currency	Acquisition	Like-for-like <sup>(2)</sup>
Total Feed volume (x 1.000 ton)	H1	5,079	253.3	5.2%		6.8%	-1.6%
	H2	5,017	-179.0	-3.4%		0.6%	-4.0%
	FY	10,095	74.3	0.7%		3.6%	-2.9%
Compound feed (x 1.000 ton)	H1	3,561	238.5	7.2%		9.8%	-2.6%
	H2	3,522	-108.1	-3.0%		0.9%	-3.9%
	FY	7,083	130.4	1.9%		5.1%	-3.2%
Gross profit	H1	214.1	-3.6	-1.7%	0.3%	6.6%	-8.6%
	H2	226.6	0.9	0.4%	-0.1%	1.2%	-0.7%
	FY	440.7	-2.7	-0.6%	0.1%	3.9%	-4.6%
Underlying operating expenses	H1	-198.4	-20.3	11.4%	0.4%	7.9%	3.1%
	H2	-194.7	-0.5	0.3%	-0.1%	1.2%	-0.8%
	FY	-393.1	-20.7	5.6%	0.1%	4.4%	1.1%
Underlying EBITDA	H1	35.8	-16.5	-31.5%	0.2%	8.2%	-39.9%
	H2	52.8	5.0	10.5%	-0.1%	2.1%	8.5%
	FY	88.5	-11.6	-11.6%	0.0%	5.3%	-16.9%

(1) In millions of euro (unless indicated otherwise)

(2) Like for like is excluding acquisition and divestments and currency impact.

The year-on-year (YoY) analysis focuses on the full-year consolidated results for 2019, followed by more detailed analyses of the individual clusters. The contributions of acquired companies are recognised under 'acquisition effect' for a period of one year after the date of acquisition.

For 2019 this means that the contribution of Tasomix (Poland) is regarded as an acquisition effect in the first half of the year and as a like-for-like development in the second half. The results of Maatman (NL) are treated as an acquisition effect up until 31 August 2019, and those of Van Gorp Biologische Voeders (NL) and Voeders Algoet (Belgium) up until 30 September 2019, and after those dates as a like-for-like development. The currency translation effect in 2019 was very limited and will therefore not feature specifically in the following analyses.

### IFRS 16 effect on 2019 results

The effect of the application of the new accounting standard IFRS 16 (leases), as of 1 January 2019 and based on contracts as of that date, has led to an increase of underlying EBITDA by €5.8 million, an increase of underlying EBIT by €0.6 million and a decline of underlying profit before tax by €0.3 million. Total assets have increased by €23.5 million. The comparative 2018 results have not been adjusted for the IFRS 16 effect.

2019

In millions of euro	IFRS	Impairments	Business Combinations and Divestments	Restructuring	Other	Total APM items	Underlying excluding APM items
EBITDA <sup>(1)</sup>	85.2		2.0	-5.1	-0.3	-3.3	88.5
EBIT	14.2	-30.7	2.0	-5.1	-0.3	-34.1	48.2
Net finance result			13.4			13.4	
Tax effect		1.3	-0.5	1.0	0.1	1.9	
Profit attributable to Shareholders of the Company	17.7	-29.4	14.9	-4.1	-0.2	-18.7	36.4
Earnings per share in euro <sup>(2)</sup>	0.18	-0.30	0.15	-0.04	-	-0.19	0.37

(1) EBITDA is operating profit before depreciation, amortization and impairments.

(2) Earnings per share attributable to Shareholders of the Company.

### On EBITDA level:

The incidental restructuring costs (€5.1 million) are related to the closure of five factories, as part of the efficiency plans.

The impact of €2.0 million of business combinations and divestments comprises the final settlement with the former shareholders of Vleuten-Steijn (€1.1 million) and

### 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 operating expenses, EBITDA, EBIT and profit for the shareholders. The APMs are further explained in note 17 of the 2019 financial statements. The impact of the incidental items on the profit or loss account in the four defined categories are presented and explained below.

furthermore a gain (€0.9 million) of the sale of property in the Netherlands. For further information see note 6 of the financial statements 2019.

### On EBIT level:

The outcome of the goodwill impairment test with respect to the activities in the United Kingdom resulted in an

impairment of €25.6 million. Volume development in the United Kingdom is slower than anticipated which is why an impairment is required. The other impairments (total €5.2 million) are related to the closure of factories.

### **On the level of net finance result:**

€13.4 million, which is the balance of the accrual (loss) (€4.7 million) on the earn-outs and the put-option liability, and the remeasurement (gain) regarding the put-option (€9.8 million) and the earn-out liabilities (€8.3 million) mainly with respect to Tasomix. As part of the acquisition of the 60% stake of Tasomix an earn-out was agreed based on, amongst others, the expected results of Pionki in 2019 and 2020. The development of the results however is such that it is not anticipated that the original earn-out liability will need to be fulfilled, which is why there is a remeasurement of the earn-out liability. The option on the remaining 40% of the shares of Tasomix is valued as a put-option liability. It is currently anticipated that in the future the put-option can be executed at a lower amount because of a lower growth expectation for the medium term and a limited higher cost level. This resulted in a remeasurement (gain) of €9.8 million. For more information on this topic, please see Note 6 and Note 17 of the 2019 financial statements.

## **Consolidated results 2019**

Total Feed volume was up 0.7% at 10.1 million tonnes. Total Feed volume rose in H1-2019 by 5.2% and declined in H2-2019 by 3.4%. Volume growth in Poland could not compensate the like-for-like volume decline in the other markets in the second half of 2019.

On full year basis 3.6% in the Total Feed growth was attributable to acquisitions and there was a like-for-like volume decline of 2.9%. Total Feed volume growth in the cluster Germany/Poland, fully driven by Tasomix, was higher than the volume decline in the United Kingdom. Total Feed volume remained stable in the cluster Netherlands/Belgium.

**Compound feed** volume, part of the Total Feed portfolio, rose by 1.9%. Compound feed volume grew 5.1% due to the acquisitions, especially Tasomix in Poland, but declined like-for-like by 3.2%. Compound feed volume rose in H1-2019 by 7.2% and declined in H2-2019 by 3.0%.

The like-for-like decline of compound feed (in percentage terms) was higher in H2-2019 (-3.9%) than in H1-2019 (-

2.6%), especially in the United Kingdom. The product mix improved in H1-2019 (compound feed volume rose more, in terms of percentage, than Total Feed volume). In H2-2019 the decline (in percentage terms) of compound feed volume and Total Feed volume was nearly equal. Within the product group compound feed more specialties, including young animal feed, and concentrates were sold in H2-2019 than in H2-2018.

Compound feed volume declined in the cluster Netherlands/Belgium mainly due to the reduction in pig and cattle numbers due to environmental measures. In the United Kingdom compound feed volumes declined due to factors including more animals staying at pasture during the mild winter. Furthermore, in a number of regions the deliberate decision was taken not to take part in the downward price setting in the markets. In Poland compound feed volume increased further; like-for-like volume growth (H2-2019 compared to H2-2018) was 27%.

**Revenue** rose by 2.4% to €2,463 million. Revenue grew by 4.7% due to acquisitions and declined like-for-like by 2.4%, in line with volume decline.

**Gross profit** was 0.6% lower at €440.7 million. On full year basis gross profit rose 3.9% due to the acquisitions and fell 4.6% like-for-like. In H1-2019 like-for-like gross profit declined by 8.6% because of the unfavourable purchasing position and like-for-like volume decline. There was a slight like-for-like gross profit decline of 0.7% in H2-2019 despite the 3.9% like-for-like fall in compound feed volume. By comparison: gross profit in the second half of 2018 included one-off additional inbound logistics costs (€2 million) due to the low water levels in the rivers in the Netherlands and Germany.

**Underlying total operating expenses**, including depreciation and amortisation, were 5.6% higher at €393.1 million, with the impact of acquisitions being 4.4%. Like-for-like operating expenses rose by 1.1%. Underlying operating expenses rose in the first half of the year. Execution of the efficiency plans started in the second quarter of 2019, resulting in a like-for-like decline in operating expenses in H2-2019.

Despite a decline in the number of FTEs, employee benefit expenses increased slightly through indexation of wages, acquisitions and higher social security expenses. Other operating expenses rose mainly on higher production

costs and (third-party) transport. In 2019 there was a release of €0.2 million (net) from the allowance for bad debts.

**Underlying depreciation<sup>4</sup>** (as part of underlying operating expenses) grew by €11.7 million to €40.3 million, including an IFRS 16 effect of €5.2 million. The increase was mainly due to the acquisitions (€4.4 million) and finalised investment projects. €8.7 million out of the €40.3 million is related to amortisation.

**Underlying operating profit** (EBIT) fell by 32.6% to €48.2 million as a result of a decline in gross profit, a rise in underlying operating expenses and including a positive IFRS 16 effect (€0.6 million).

The effect of the incidental items on underlying EBITDA is as follows:

In millions of euro	2019	2018	Δ	Δ%
<b>EBITDA</b>	<b>85.2</b>	<b>103.9</b>	<b>- 18.7</b>	<b>-18.0%</b>
Business Combinations and Divestments	-2.0	-4.9	2.9	
Restructuring cost	5.1	0.1	5.0	
Other	0.3	0.9	-0.6	
<b>Underlying EBITDA</b>	<b>88.5</b>	<b>100.1</b>	<b>- 11.6</b>	<b>-11.6%</b>
FX effect	-			
Underlying EBITDA, at constant currencies	88.5	100.1	- 11.6	-11.6%

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

**Underlying EBITDA** fell by 11.6% to €88.5 million. The acquisitions contributed a positive 5.3%, whilst there was a like-for-like decline by 16.9%. Underlying EBITDA fell in the cluster Netherlands/Belgium, rose slightly in Germany/Poland and remained stable in the United Kingdom. This was including the positive IFRS 16 effect of €5.8 million.

Underlying EBITDA declined by 31.5% in H1-2019 and rose in H2-2019 by 10.5% (mainly due to a positive IFRS 16 effect).

The **underlying EBITDA/gross profit** ratio fell from 22.6% in 2018 to 20.1% in 2019.

As currency translation effect in 2019 was very limited **underlying EBITDA at constant currencies** also declined by 11.6%.

**Underlying net finance expenses** rose by 31.8% to €2.7 million, driven by the increase in interest expenses due to IFRS 16 (€0.9 million).

The contribution from the German joint venture HaBeMa, which is reported under **share of profit of equity-accounted investees (net of tax)**, remained virtually stable at €2.8 million.

The **underlying effective tax rate** was 25.4% (2018: 20.3%). The higher tax rate was the result of partly applying the tax rate decrease, which was announced in December 2018 in the Netherlands, in 2019. In 2018 one-off deferred tax assets were recognised.

**Underlying profit** was down 36.8% at €36.4 million, including a negative effect of IFRS 16 (-€0.3 million). Underlying earnings per share fell by 36.2% at €0.37. The effect of the share buy-back programme (of €30 million), which was executed for just over 50% at the end of 2019, was less than one cent.

The number of employees as at 31 December 2019, presented in full-time equivalents (FTEs) was lower at 2,570 than at 31 December 2018 (2,654). The net decrease in the number of employees (84 FTEs) is mainly attributable to the closure of mills in the United Kingdom, the Netherlands and Belgium, as part of the efficiency plans. The number of employees in Poland grew due to the further scale up of the mill in Pionki.

## Summary consolidated statement of cash flows

In thousands of euro	2019	2018
Net cash from operating activities	96,146	82,095
Net cash used in investing activities	-34,953	-113,997
Net cash used in financing activities	-85,018	-41,561
Net increase/decrease in cash and cash equivalents	-23,825	-73,463
Cash and cash equivalents at 1 January <sup>(1)</sup>	38,449	111,607
Effect of movements in exchange rates on cash held	735	305
<b>Cash and cash equivalents as at 31 December<sup>(1)</sup></b>	<b>15,359</b>	<b>38,449</b>

(1) Net of short term bank overdrafts

## Summary consolidated statement of financial position

In millions of euro	31 December 2019	31 December 2018
Total Assets	865.5	873.7
Equity	418.4	440.8
<b>Solvency ratio<sup>(1)</sup></b>	<b>48.3%</b>	<b>50.4%</b>
<b>Net working capital</b>	<b>48.7</b>	<b>76.3</b>
- Current assets <sup>(2)</sup>	328.6	350.6
- Current liabilities <sup>(3)</sup>	284.6	277.2
Overdue receivables	16.1%	18.7%
<b>Net Debt / (Cash)<sup>(4)</sup></b>	<b>7.0</b>	<b>17.1</b>
IFRS 16 Lease liabilities	24.1	-

(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.

(4) Excluding IFRS 16 Lease liabilities

General remark: additions may lead to small differences due to roundings.

## Integration of acquisitions

The integration of Van Gorp Biologische Voeders into Reudink was completed in the third quarter of 2019. This acquisition has further strengthened the market position of Reudink. Voeders Algoet and ForFarmers Belgium were merged to create a single organisation, currently the second largest feed company in Belgium. In Poland the integration of Tasomix was completed with regard to all operational departments.

## Capital structure and solvency

**Group equity** decreased in 2019 by €22.4 million to €418.4 million (compared to 31 December 2018). The decrease was the result of the addition of the 2019 profit (€18.0

million) minus the dividend distribution (€30.5 million) and the 2019 share buy-back programme (€15.5 million).

Other comprehensive income was directly recognised in group equity and comprised mainly currency translation differences (€5.1 million).

Solvency decreased from 50.4% (at end-2018) to 48.3% (at 31 December 2019).

The **net debt position** (the net balance of bank loans and borrowings, long and short-term, minus available cash and cash equivalents) was €7.0 million (end-2018: net debt of €17.1 million). This was due to the cash flow from operating activities of €96.1 million, including the decrease of working capital, less items including the expenses for the investment programme (€36.9 million), dividend distribution (€29.4 million) and the share buy-back (€15.5 million).

**Net working capital** decreased to €48.7 million at 31 December 2019 (€76.3 million at end-2018).

Working capital fell mainly in the Netherlands, Belgium and the United Kingdom, where accounts receivable balances from customers were lower. Progress was also made in improving payment behaviour of customers at the acquired companies. In addition, payment terms were further tightened with our suppliers.

The percentage of overdue receivables improved, from 18.7% at end-2018 to 16.1% at 31 December 2019.

The purchase contract for the Dutch pig feed company Vleuten-Steijn Voeders acquired in 2016 stipulated that the final payment would be made in the fourth quarter of 2019. The payment of €8.7 million was in fact made in January 2020.

**Capital investments** in tangible and intangible fixed assets equalled €38.6 million (2018: €45.9 million) with maintenance investments having been made as well as investments in innovation and refurbishment of mills, which were due to take over production activities from mills which were being closed in line with the efficiency plans. In addition, raw material storage silos were acquired in Poland to improve the supply chain. At the beginning of 2019 ForFarmers said it would invest approximately €50 million in 2019 (2018: €45 million). The investment plans for 2019 included the possible construction of a new feed mill in Wesel, Germany. On publishing its half-year 2019 results ForFarmers stated that it had decided not to build the new mill and that partly because of this decision the expected



capex for 2019 was reduced from €50 million to €40 million.

**Net cash flow from operating activities** rose from €82.1 million in 2018 to €96.1 million in 2019, mainly due to the improvement in working capital, which more than compensated the lower result over the period.

**ROACE<sup>5</sup>** was down from 23.0% in 2018 to 16.2% in 2019 due to the lower EBITDA combined with the higher on average capital employed as a result of the full year effect of the acquisitions. ROACE based on underlying EBIT fell from 16.4% to 8.8%.

## Results per cluster

As was indicated in the Q1-2019 trading update, the classification of the reporting clusters has changed as of the beginning of 2019. As of 1 January 2019 the cluster classification is the Netherlands/Belgium, Germany/Poland, the United Kingdom and the 'Central and support expenses' cluster. The 2018 figures for the clusters have been restated for comparison purposes.

## Price and market developments in the sectors in 2019

Average European milk prices were reasonably stable in 2019 and were lower than a year earlier, except for in the second quarter.

Average pig prices in Europe (for both piglets and pigs) rose sharply from the second quarter of 2019 as a result of the outbreak of African swine fever in China and the resulting considerable reduction in the local pig population. At the end of 2019 average European pig prices were more than 40% higher than a year earlier.

However this was not the case in Belgium, where an export ban was imposed on Belgian pork to certain non-European countries following the detection of African swine fever among wild boars. In the Netherlands and Germany pig farmers were reluctant to expand their herds despite the increased prices.

Average egg prices in Europe at the beginning of 2019 were well below year-earlier levels. Since the summer egg prices were higher than the previous year, but over the year as a whole average European egg prices were lower than in 2018.

Prices of broilers were volatile in 2019, with an upward

trend in the first half of the year. This was partly due to increased Asian demand for broilers as a substitute for pork; however, much of this demand was met by American exports to Asia. In the second half of 2019 prices fell and were generally lower than in 2018, eventually ending the year at around the same level as at the start of 2019. Over the full year average European prices for broilers were virtually unchanged compared to 2018.

## Netherlands/Belgium

In thousands of euro

	2019	2018	Δ%
Total Feed volume (in tons)	5,222,528	5,223,731	0.0%
<b>Revenue</b>	<b>1,275,439</b>	<b>1,284,974</b>	<b>-0.7%</b>
<b>Gross profit</b>	<b>240,496</b>	<b>250,556</b>	<b>-4.0%</b>
Other operating income	456	4,932	-90.8%
Operating expenses incl depreciation & amortisation	-192,912	-181,280	6.4%
Underlying expenses incl depreciation & amortisation	-189,551	-181,849	4.2%
EBITDA	64,046	82,144	-22.0%
<b>Underlying EBITDA</b>	<b>64,378</b>	<b>77,633</b>	<b>-17.1%</b>
Underlying depreciation and amortisation	-12,977	-8,503	52.6%
<b>EBIT</b>	<b>48,040</b>	<b>74,208</b>	<b>-35.3%</b>
<b>Underlying EBIT</b>	<b>51,401</b>	<b>69,130</b>	<b>-25.6%</b>
Underlying EBITDA / Gross profit	26.8%	31.0%	-13.6%
<b>ROACE on underlying EBITDA</b>	<b>34.9%</b>	<b>48.2%</b>	<b>-27.5%</b>

### Market and sector developments

Dutch dairy farmers produced slightly less milk in 2019 than in 2018, mainly in the first half of the year when dairy farmers were reluctant to increase production. Dairy farmers started producing a little more as of the summer, partly due to a small increase in the number of animals.

There was a slight increase in production (in terms of weight) in the swine sector whilst the pig population shrank. Pig farmers benefitted from a strong increase in pig prices. Production in the poultry sector was lower; this applied to both broilers and eggs.

#### *Nitrogen debate in the Netherlands*

2019 in the Netherlands was dominated by the nitrogen debate. In May 2019 the Dutch Council of State ruled that the Integrated Approach to Nitrogen (PAS<sup>6</sup>) was not compatible with EU nature legislation. The ruling led to building projects being put on hold and to social unrest. In September measures were proposed to create 'room for deposition' in the short term to allow building permits to be issued again. These included area-specific measures for the agricultural sector, such as voluntary buy-out schemes, which caused unrest among livestock farmers and are fuelling uncertainty about the sector's future. In December 2019 the government announced<sup>7</sup> that it had reached agreements with the Agricultural Collective to work together to reduce nitrogen deposition in the Netherlands and to work on a healthy future for livestock farmers, without generic herd reduction and without

forced restructuring. In addition a package of measures has been proposed such as adjusting the protein content of livestock feed, keeping cattle outside more and technical measures for the spreading of manure.

In February 2020 the government announced to make an additional €172 million available to farmers who wish to continue farming, to innovate their barns and make them more sustainable (and environmentally friendly). In addition, €350 million has been made available for targeted, voluntary buy-out schemes of farmers located close to Nature 2000 areas. When farmers decide to make use of the available subsidies to be able to stop farming, their animal rights will be deleted. As a result of these measures it is expected that the dairy sector in particular will decrease slightly in the coming years.

Nitrogen excretion in manure fell 2.6% in 2019 compared to a year earlier and was lower than the nitrogen limit set by the European Union for the Dutch livestock population.

Phosphate emissions were also lower (-3.7%) in 2019 compared to a year earlier and were well below the limit set for the Netherlands<sup>8</sup>.

#### *Warm restructuring of pig farming sector in the Netherlands*

In addition the Dutch pig farming sector was confronted with what is generally referred to as the 'warm restructuring of the pig farming sector'. This subsidy scheme was put in place before 2019 by the sector in

collaboration with the government with the aim of reducing odour nuisance in livestock-rich areas through voluntary closure of pig farms. Pig farmers had a month to register for the subsidy scheme. On receipt of the subsidy the farmer's pig rights are deleted. In January 2020 it became clear that more pig farmers had registered than expected. Pig farmers have until May/June 2020 to make a final decision on whether or not to discontinue their business. The government announced in February 2020 that an additional sum will be made available, on top of the €180 million which had already been set aside for the warm restructuring. This will be done to make it possible that all pig farmers who meet the requirements can stop farming. In first instance the expectation was that the number of pig places in the Netherlands is expected to fall by around 7-10% over the next two years, if the full €180 million would be allotted.

This percentage could become higher given the higher budget available.

### *Belgium*

The average milk price in Belgium was higher in 2019 than in 2018. Milk production increased in 2019, mainly because there were approximately 2% more dairy cows. Cattle farmers had to deal with lower prices for meat than a year before. The number of animals in the cattle (beef) sector decreased slightly.

The agricultural sector in Belgium was faced with the threat of animal diseases in 2019. The outbreak of African swine fever, which was only detected among wild boars, seems not to be spreading further.

However the export ban on pigs to certain countries outside Europe, imposed due to the threat of swine fever, has still not been lifted. The export ban had a temporary negative impact on pig prices in Belgium. A number of livestock farmers decided to stop farming (temporarily or permanently). In the meantime pig prices have risen sharply. Expectations are that the export ban (to the remaining countries that still have their import ban in place) will be lifted around September 2020 provided no new cases of swine fever are detected.

The poultry sector was faced with an outbreak of low pathogenic bird flu. The situation is now under control. Birds from all infected sheds were culled, with farmers compensated out of EU funds.

## **Results**

Total Feed volume remained stable at 5.2 million tonnes.

Volume growth due to the acquisitions (Maatman and Van Gorp Biologische Voeders both in the Netherlands and Voeders Algoet in Belgium) was nearly equal to the like-for-like volume decline. Compound feed volume fell.

Total Feed development in the Netherlands was particularly impacted by the fall in compound feed volume, which was higher (in terms of percentage) for the dairy sector in H1-2019 than in H2-2019. In the pig sector volumes were under pressure all year. Although lower volumes were sold to poultry farmers in 2019 as a whole, the fall in volumes was higher (in percentage terms) in H1-2019 than in H2-2019. Reudink, the biological (organic) feed company, realised volume growth on the back of the acquisition of Van Gorp Biologische Voeders, which was fully integrated in 2019. Pavo (horse feed) volumes rose steadily due to growth in the core regions following product innovations, amongst other things.

Total Feed development in Belgium remained stable due to the acquisition of Voeders Algoet. Volume fell like-for-like because of factors including export restrictions as a result of the (threat of) animal diseases in the pig and poultry sector. The takeover of Voeders Algoet initially caused challenges in retaining customers and members of the sales team. In the meantime new customers have been attracted and old customers are gradually returning.

Gross profit declined by €10.1 million (4.0%). In the first half-year 2019 gross profit declined by 8% mainly as a result of the unfavourable purchasing position. In the second half gross profit remained stable (Y-o-Y) despite lower compound feed volumes and a less favourable product mix. By comparison: gross profit in the second half of 2018 included one-off additional inbound logistics costs (€2 million) due to the low water levels in the rivers. Because of the decline in volumes, gross profit development in the second half-year was not sufficient to fully compensate the fall of gross profit in H1-2019.

Underlying operating expenses increased by €7.7 million (4.2%), because of the acquisitions and a like-for-like increase. Employee benefit expenses increased through indexation of wages, compensated by a decrease in the number of FTEs, partly due to the closure of three mills. Production costs were higher, including the additional costs of the reopened mill in Deventer. Transport costs were also higher. Overhead cost allocation was €2.2 million lower than last year.

Underlying EBITDA declined by 17.1% (€13.3 million) to €64.4 million (including a positive IFRS 16 effect of €1.9 million). The underlying EBITDA/gross profit ratio decreased from 31.0% in 2018 to 26.8% in 2019.

ROACE (based on underlying EBITDA) decreased from 48.2% to 34.9% due to the lower underlying EBITDA and the higher capital employed following the acquisitions.

## Germany/Poland

In thousands of euro

	2019	2018	Δ%
Total Feed volume (in tons)	2,194,065	1,894,471	15.8%
<b>Revenue</b>	<b>582,548</b>	<b>499,070</b>	<b>16.7%</b>
<b>Gross profit</b>	<b>76,392</b>	<b>64,691</b>	<b>18.1%</b>
Other operating income	186	32	481.3%
Operating expenses incl depreciation & amortisation	-72,136	-55,905	29.0%
Underlying expenses incl depreciation & amortisation	-71,155	-55,905	27.3%
EBITDA	13,766	13,941	-1.3%
<b>Underlying EBITDA</b>	<b>14,321</b>	<b>13,941</b>	<b>2.7%</b>
Underlying depreciation and amortisation	-8,898	-5,123	73.7%
<b>EBIT</b>	<b>4,442</b>	<b>8,818</b>	<b>-49.6%</b>
<b>Underlying EBIT</b>	<b>5,423</b>	<b>8,818</b>	<b>-38.5%</b>
Underlying EBITDA / Gross profit	18.7%	21.6%	-13.0%
<b>ROACE on underlying EBITDA</b>	<b>8.0%</b>	<b>12.5%</b>	<b>-36.1%</b>

### Market and sector developments

In **Germany** there is growing public and political focus on the environmental impact of the agricultural sector.

Reducing phosphate and ammonia emissions is becoming increasingly important in Germany, especially in the swine sector. This is resulting in measures including subsidies for livestock farmers who stop farming, and hence a declining pig population, similar to the situation in the Netherlands. Consumers in Germany are increasingly choosing non-GMO dairy products. This means that dairy farmers need to give their animals non-GMO feed. Layer farmers benefited from good egg prices as of the beginning of 2019 and also noted growing demand for larger eggs. By contrast, broiler farmers were faced with sharply declining broiler prices at the end of 2019.

In **Poland** the broiler sector continues to grow as more slaughter capacity becomes available to meet the growing export demand for poultry meat products. Global demand for poultry products is rising as a result of increasing European consumer demand and the shortage of pig meat due to the African swine fever in Asia. In the first half of 2019 there was a sharp rise in broiler prices in Poland, followed by a drop in the latter half of the year. Poultry farmers in Poland decide at the end of each rearing cycle whether to restock their barns. This depends on the price development of their products; if the price is too low, they wait. This makes sales in Poland more volatile than in Western European countries.

In 2019 African swine fever was detected among wild boars, first in the east of Poland and subsequently in the west of the country as well. Measures including the installation of fences are now in effect in around a quarter of Poland aimed at stopping the spread.

### Results

The 2019 results of the cluster Germany/Poland are significantly impacted by the results of Tasomix, which are presented as acquisition effect in the first half-year results and supported the like-for-like development of the results in the second half.

Total Feed volume increased by 15.8% to 2.2 million tonnes, completely attributable to the contribution of Tasomix in Poland. In Germany, Total Feed volume rose in H1-2019, but fell in the second half of 2019 on lower DML-volumes. Compound feed volume was higher in 2019 in all sectors in Germany and Poland. Competition in the pig sector increased, leading to pressure on volumes in H2-2019. Volumes in the pig sector in Poland increased following the expansion of the sales and marketing team and despite the threat of spreading African swine fever. Volumes in the poultry sector grew, especially as a result of the substantial contribution of Tasomix, which realised a like-for-like volume growth of 27% in the second half of 2019. This contributed to the increase in utilisation level of the mill in Pionki, to currently over 40%.

In the cluster Germany/Poland, growth in compound feed volume was greater (in percentage terms) than in Total Feed volume.

Gross profit increased by €11.7 million (18.1%). The contribution of Tasomix in volume growth with better margins was impacted by the price pressure in the pig sector in Germany.

Underlying operating expenses increased by 27.3%, particularly due to the additional expenses associated with the acquisition of Tasomix. Employee benefit expenses stayed flat as the increase in Poland was offset by a decline in Germany. Production and logistics costs were higher because of the volume growth in Poland in the second half of 2019. Overhead cost allocation was €0.4 million higher than last year.

Underlying EBITDA rose by 2.7% (€0.4 million) to €14.3 million (including a positive IFRS 16 effect of €0.9 million). Tasomix contributed €8.1 million to underlying EBITDA, an increase of €5.8 million compared to 2018. Underlying EBITDA in Germany declined by €5.4 million.

The underlying EBITDA/gross profit ratio decreased however to 18.7% (2018: 21.6%).

ROACE (based on underlying EBITDA) decreased to 8.0% (2018: 12.5%). In Poland ROACE increased mainly because of the increase of capital employed due to the full year effect of the take-over of Tasomix and the start-up of the new mill in Pionki.

## Tasomix

Because of the importance of Tasomix, its 2019 results are presented separately on the level of key parameters:

In millions of euro (unless indicated otherwise)	2019	H2-2018
Total Feed volume (x 1.000 ton)	531	218
	H1	254
	H2	277
Compound feed (x 1.000 ton)	526	216
Gross profit	23.6	8.6
Underlying EBITDA	8.1	2.3
Capacity utilization Pionki mill as at end of year	40%	25%

## United Kingdom

In thousands of euro

	2019	2018	Δ%
Total Feed volume (in tons)	2,678,742	2,902,796	-7.7%
<b>Revenue</b>	<b>642,708</b>	<b>662,231</b>	<b>-2.9%</b>
<b>Gross profit</b>	<b>122,924</b>	<b>127,478</b>	<b>-3.6%</b>
Other operating income	86	443	-80.6%
Operating expenses incl depreciation & amortisation	-145,938	-120,292	21.3%
Underlying expenses incl depreciation & amortisation	-117,434	-119,239	-1.5%
EBITDA	17,463	19,843	-12.0%
<b>Underlying EBITDA</b>	<b>20,561</b>	<b>20,486</b>	<b>0.4%</b>
Underlying depreciation and amortisation	-15,053	-12,214	23.2%
<b>EBIT</b>	<b>-22,928</b>	<b>7,629</b>	<b>-400.5%</b>
<b>Underlying EBIT</b>	<b>5,512</b>	<b>8,272</b>	<b>-33.4%</b>
Underlying EBITDA / Gross profit	16.7%	16.1%	4.1%
<b>ROACE on underlying EBITDA</b>	<b>12.3%</b>	<b>12.6%</b>	<b>-2.5%</b>

### Market and sector developments

The agricultural sector in the United Kingdom is less affected by changes in environmental legislation.

There was a slight reduction in the dairy herd. A rise in milk production per cow resulted in a 2% rise in milk volume in 2019 compared to 2018. The price of milk declined, especially in the second half of the year. Demand for compound feed declined in the ruminant sector due to the presence of ample forage following a good growing season. Moreover ruminants, especially sheep, were kept outside for longer due to the mild winter. Sheep farmers sold their lambs earlier in the year due to uncertainty regarding Brexit.

Pig farmers faced a drop in local demand for their products, with the decline completely offset by higher demand for pig meat, particularly from Asia. Pig prices in the United Kingdom rose to a certain extent in 2019 but not as much as in continental Europe. The trend towards fewer but larger pig farms is continuing. The pig population shrank slightly.

### Results

Total Feed volume decreased by 7.7% to 2.7 million tonnes. Within the ruminants sector less feed was sold because of the mild winter (2018/2019) when sheep stayed at pasture longer and therefore ate less compound feed. Contrary to in 2018 when there was a shortage of grass due to the drought, dairy cows did not need additional feed during the summer months in 2019. Volume in the pig sector still decreased somewhat as a result of the

tightened commercial proposition, and especially because a large customer had fewer animals. More feed was sold in the poultry sector.

The decline in compound feed volume was larger (in percentage terms) than for Total Feed volume.

Gross profit decreased by 3.6%. The decline of gross profit in the first half-year of 2019, especially due to the unfavourable purchasing position, could not be fully offset in the second half. Although gross profit fell in the second half of the year on lower volumes, the margin per tonne improved compared to that in 2018 and in the first half-year.

Underlying operating expenses were down by 1.5%.

Employee benefit expenses were lower due to there being fewer employees than the year before. This was attributable to the closure of two mills, as part of the efficiency plans and the general focus on efficiency. Production and transport costs decreased because of the lower volumes. Overhead cost allocation was €0.1 million lower than last year.

Underlying EBITDA rose by 0.4% to €20.6 million (including a positive IFRS 16 effect of €2.2 million), despite the volume decline and the lower gross profit, because of lower operating expenses.

The underlying EBITDA/gross profit ratio increased slightly from 16.1% in 2018 to 16.7% in 2019. ROACE (based on underlying EBITDA) decreased slightly from 12.6% in 2018 to 12.3% in 2019.

The outcome of the goodwill impairment test with respect to the activities in the United Kingdom resulted in an impairment of €25.6 million. Volume development in the United Kingdom is slower than anticipated which is why an impairment is required.

## Central and support expenses

In thousands of euro

	2019	2018	Δ%
<b>Gross profit</b>	<b>852</b>	<b>683</b>	<b>24.7%</b>
Other operating income	895	1	89400.0%
Operating expenses incl depreciation & amortisation	-17,122	-15,407	11.1%
Underlying expenses incl depreciation & amortisation	-14,963	-15,407	-2.9%
EBITDA	-10,095	-12,008	-15.9%
<b>Underlying EBITDA</b>	<b>-10,740</b>	<b>-12,008</b>	<b>-10.6%</b>
Underlying depreciation and amortisation	-3,328	-2,715	22.6%
<b>EBIT</b>	<b>-15,375</b>	<b>-14,723</b>	<b>4.4%</b>
<b>Underlying EBIT</b>	<b>-14,093</b>	<b>-14,723</b>	<b>-4.3%</b>

Underlying operating expenses of the Central and support services are exclusive of the amount in overhead costs that is passed on to the clusters. In 2019 underlying central operating expenses decreased by €0.4 million and the amount passed on to the clusters also fell by €1.9 million. The total decline of central expenses (-€2.3 million) was mainly attributable to lower M&A expenses and a lower bonus accrual. In 2019 underlying EBITDA included a positive IFRS 16 effect of €0.8 million.

## 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 (after tax) attributable to shareholders. In 2019 this amounted to €36.4 million. It is proposed to distribute a dividend of €0.28 per ordinary share (based on 97.7 million ordinary shares outstanding), comprising €0.19 related to 50% of the underlying net result and a special dividend of € 0.09 per ordinary share. In 2018 the dividend was €0.30 per ordinary share, comprising €0.283 relating to the underlying net profit and a special dividend of €0.017 relating to the net proceeds of the sale of the arable activities in the Netherlands. The annual accounts will be submitted for adoption at the

Annual General Meeting on 24 April 2020. The dividend is payable on 8 May 2020.

## Outlook and developments in the market

### Social pressure and environmental measures

Global demand for animal protein continues to increase on the back of a growing world population and increasing prosperity. In Northwest Europe there is increasing social and political pressure on the agricultural sector due to the impact of livestock farming on the environment and an increasing focus on animal welfare. This is making livestock farmers more reluctant to invest in expanding their herds. Moreover investments are needed in order to comply with the environmental measures imposed. The challenge of finding suitable successors and the growing financial pressure is fuelling consolidation of farming businesses, which in turn is leading to changing client needs and requirements. While overall consumption of animal proteins remains stable in Europe, interest in alternative protein sources is noticeably on the rise. Volume growth will most likely be driven by export growth. In 2020 the Dutch agricultural sector will still be faced with the effects of the nitrogen issue. Expectations are that the dairy herds in the Netherlands will not grow in



2020, taking into consideration the measures which were announced in February 2020 to reduce nitrogen emissions.

## **Outlook by sector and impact of animal diseases**

The long-term global outlook for the ruminant sector remains positive. Internal consumption of dairy products and meat in Northwest Europe is stabilising and production volume must therefore become more export-focused. Prosperity is increasing in Eastern Europe and this is also boosting local demand for dairy products and meat.

The outbreak of African swine fever in China and other Asian countries is having a significant impact on European pig prices. Production growth in Europe is expected<sup>9</sup> to be limited due to uncertainty surrounding the post-Brexit trade agreements, US-China trade tensions and worries over further swine fever outbreaks. In addition to the outbreak among wild boars in Belgium swine fever has now also been detected among wild boars in Poland, not far from the German border. This is a source of concern to pig farmers. Along with the existing restrictions on expansion due to environmental measures this situation is making them reluctant to scale up their production. In the Netherlands the pig population is expected to shrink in the next two years as a result of the 'warm restructuring of the pig farming sector', a subsidy scheme aimed at buying out pig farmers in order to reduce odour nuisance in certain livestock-rich areas. The impact on the pig herds depends on the number of pig farmers taking their final decision coming spring, whether to stop or continue their farming business.

The poultry sector is growing as a result of the fact that consumers are increasingly opting for chicken meat and eggs as an alternative to other sources of animal protein. In addition demand for poultry products from China and other Asian countries has increased due to the shortage of pork. In Northwest Europe there is growing local demand for animal welfare concepts (e.g. free range and organic). Furthermore conventional production for export continues to grow, especially in Poland.

At the start of 2020 highly pathogenic (contagious) avian influenza was detected among wild birds in Poland. Hygiene protocols have been introduced to prevent spreading. A number of countries outside Europe have imposed an import ban on poultry from Poland, putting

pressure on broiler prices. Consequently it is expected that growth will temporarily slow down. The situation is being closely monitored.

Slaughter capacity in Poland is set to grow in the coming years. This is expected to boost demand for compound feed in the poultry sector. With the new factory in Pionki ForFarmers has the capacity to meet the growing demand. It is expected that in the first quarter of 2020 poultry production in Belgium will reach levels equal to before the outbreak of low pathogenic avian flu in 2019.

## **Brexit**

The ultimate effects of Brexit remain uncertain, although with a transition period now in place at least an orderly exit from the EU should be possible and ForFarmers remains optimistic that there will ultimately be an expansion of UK pig and poultry output.

## **Coronavirus**

ForFarmers is closely monitoring the developments with respect to the coronavirus. As of the beginning of March a coordination team has been appointed and measures have been taken to mitigate the risk and impact of disease spread. The measures are in line with the guidance of national governments. For the time being, the measures focus on limiting international travel to business critical, heightened personal hygiene awareness and a strict protocol for employees who have recently visited high risk areas. ForFarmers is closely monitoring business critical processes that could be impacted by (measures regarding) the coronavirus, such as sourcing of certain raw materials from China for example and the availability of our employees. Given all the uncertainties surrounding the coronavirus it is not possible to make an assessment of the potential impact on future results. At this point in time there is no material impact yet.

## **Efficiency plans 2019 - 2020**

At the beginning of 2019 ForFarmers announced its efficiency plans, targeting €10 million cost savings 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 efficiency plans affect all countries excluding Poland and involve a reduction of 125–150 FTEs during 2019–2020 through natural attrition and redundancies. In line with these plans five mills were closed in 2019; two in the Netherlands, two

in the United Kingdom and one in Belgium. Partly due to these closures the number of FTEs decreased in 2019 by 123. In Poland the number of FTEs grew because of the growth of the business. The closures of the mills included incidental costs. ForFarmers is on track with the announced plans. Market circumstances require that cost control is closely executed.

## Capital expenditure and investments

ForFarmers continues to invest in systems and process optimisation. The Company plans to invest approximately €40 million in 2020 (equal to in 2019). The focus on further optimising working capital will be sustained. ForFarmers will also continue to pursue acquisitions. As of 31 December 2019 debt /underlying EBITDA ratio was 0.09. ForFarmers has sufficient financial headroom to realise her growth plans.

## Share buy-back plan

In May 2019 ForFarmers started a share buy-back programme amounting to €30 million, and with a duration of up to October 2020 latest. 2,786,204 (ordinary) shares were repurchased in 2019, of which 251,852 shares were repurchased for the employee participation plans. The 2,534,352 shares, specifically repurchased for the share buy-back programme of €30 million, were repurchased for a total amount of €15.5 million (taking into consideration that 51,954 shares were settled in 2020). This programme continues until the Annual General Meeting of shareholders (AGM) on 24 April 2020. The General Meeting will be asked to provide authorization to repurchase the remaining shares within the total amount of €30 million alongside the possible share buy-back programme for a new employee participation plan. Such a plan needs to be approved by the Supervisory Board, after the AGM. It will be proposed to the AGM of 24 April 2020 to cancel all treasury shares of the share buyback programme of €60 million (2017) and the shares already purchased and to be purchased of the €30 million share buyback programme. This will have no impact on the dividend per share or the earnings per share. In addition, a proposal will be submitted to decrease the authorised capital accordingly.

## Launch of strategy 2020 – 2025

The strategy for the years 2020-2025 will be announced on 12 May 2020. This will be done by means of a press release (before opening trade). On that same date a Capital Markets Day will be held in Amsterdam for invited shareholders, analysts and investors. The presentations can be followed by means of an audio webcast.

## Guidance

Taking into consideration the already mentioned market circumstances and the fact that the strategy for the years 2020 -2025 with the corresponding objectives will be published on 12 May coming, ForFarmers provides the following guidance.

ForFarmers expects to continue the trend of the second half-year of 2019 in 2020. It is anticipated that the impact of the expected like-for-like volume decline in all countries except in Poland can be offset by further implementation of the efficiency plans and an improvement of the product mix. Expectations are that this will have a positive impact on the improvement of the result in the first half of 2020 compared to the result in the first half-year of 2019, which was negatively impacted by an unfavourable purchasing position.

## Subsequent events

There were no subsequent events.

[1] Results are always compared year-on-year

[2] 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)

[3] Net profit: in this instance profit attributable to shareholders of the Company

[4] Depreciation includes amortisation in this instance

[5] ROACE means underlying EBITDA (EBIT) divided by 12-month average capital employed

[6] The Integrated Approach to Nitrogen (Plan Aanpak Stikstof - PAS) is a system which allows permits to be issued for nitrogen-emitting activities (such as infrastructure and construction) before the necessary nitrogen-offsetting measures have been effected

[7] Source: <https://www.rijksoverheid.nl/actueel/nieuws/2019/12/18/kabinet-en-landbouw-collectief-maken-afspraken>

[8] Source: Centraal Bureau voor Statistiek, Netherlands

[9] Source: RaboResearch, Pork Quarterly Q1 2020

# HOW WE SAFEGUARD LONG-TERM VALUE CREATION

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# Composition of the Executive Board and Executive Committee

## Organisation

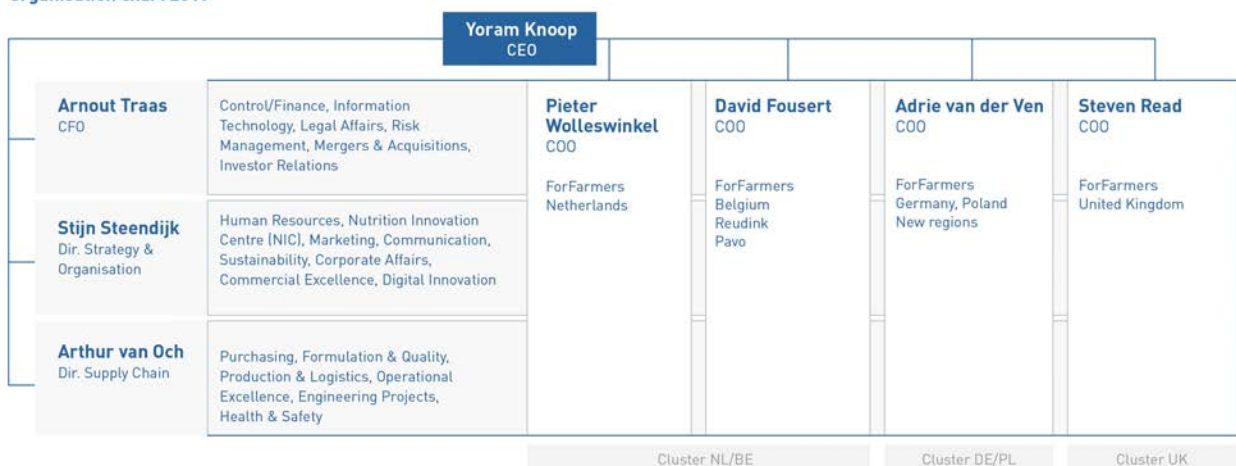
Effective implementation of the Horizon 2020 strategy requires an efficient organisation that strikes the right balance between entrepreneurship in the local markets and leveraging the knowledge, values and experience that are present within the ForFarmers organisation.

ForFarmers has three geographically defined clusters: the Netherlands/Belgium, Germany/Poland and the United Kingdom. Because of its size, the cluster Netherlands/Belgium is managed by two COOs, whereas the clusters Germany/Poland and the United Kingdom are each managed by one COO. Operational and commercial activities generally take place at local level to serve the customers optimally.

The activities that are organised at group level are linked to the clusters via a matrix organisation. These include the disciplines Control/Finance, Mergers & Acquisitions (M&A), IT, Investor Relations, Legal Affairs and Risk Management, all of which are headed by the CFO. HR (Human Resources), the Nutrition Innovation Centre (NIC), Marketing, Communication, Sustainability, Corporate Affairs, Commercial Excellence and Digital Innovation are managed by the Strategy & Organisation director. The Supply Chain director is responsible for Purchasing, Formulation & Quality, Production & Logistics, Operational Excellence, Engineering Projects, and Health & Safety.

The basic principle is that group activities should be centralised wherever possible, in line with the One ForFarmers approach. This approach is aimed at further professionalisation of the organisation, with a uniform way of working and optimum leverage of economies of scale.

Organisation chart 2019



# Composition of the Executive Board and the Executive Committee



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

The Executive Committee of ForFarmers is composed of the members of the Executive Board and the other directors. Yoram Knoop (CEO), Arnout Traas (CFO) and Jan Potijk (COO) made up the Executive Board up until the General Meeting of Shareholders (AGM) on 26 April 2019. The AGM of 2019 appointed Adrie van der Ven, COO of the Germany/Poland cluster, to the Executive Board to succeed Jan Potijk.

## Executive Board

### Yoram Knoop

#### CEO (Chief Executive Officer)

Yoram Knoop (1969, Dutch nationality) joined ForFarmers in November 2013 and was appointed CEO of ForFarmers N.V. with effect from 1 January 2014 (then ForFarmers B.V.). As chairman of the Executive Committee he is ultimately responsible for all strategic and operational affairs.

His current contract is for a period of four years until the AGM in 2022, when he will be eligible for reappointment for another four-year term. By virtue of his position he is a member of the Steering Group of the European Feed Manufacturers' Federation (FEFAC).

Before joining ForFarmers Yoram Knoop was managing director of an operating company in the Cargill group, which focuses on the production of premixes for animal

nutrition and for other companies. Yoram Knoop has a degree in Business Administration. He has experience in commercial, operational and general management positions at quoted, private and private-equity companies in the Netherlands, United Kingdom and United States (Provimi, Quest, Owens Corning).

### Arnout Traas

#### CFO (Chief Financial Officer)

Arnout Traas (1959, Dutch nationality) has worked for ForFarmers as CFO since August 2011. He oversees the Control/Finance, Information Technology (IT), Legal Affairs, Risk Management, Mergers & Acquisitions (M&A) and Investor Relations departments. At the AGM of 2016 a term of four years was attached to his appointment, ending at the end of the AGM of 2020. In June 2019 Arnout Traas announced he would not be standing for reappointment at the AGM of 2020 and would be leaving ForFarmers at that time.

Arnout Traas is a chartered accountant and worked for FrieslandCampina before joining ForFarmers, in the disciplines M&A and Finance. Prior to that he gained extensive experience in all financial disciplines, at both quoted and private companies (including Vendex, Mars and Arthur Andersen).

### **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 the year under review he was responsible for ForFarmers' activities in Germany and Poland, and for the further international expansion of ForFarmers in new regions. Adrie van der Ven has a contract for a term of four years up until the AGM of 2023, when he will be eligible for reappointment for another four-year term.

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

## **Executive Committee members**

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

David Fousert (1978, Dutch nationality) joined ForFarmers in 2016 as director of the Ruminants business unit at ForFarmers Netherlands. As of 1 January 2019 he is COO and responsible for the business units Reudink, Pavo and ForFarmers Belgium. His employment contract is permanent.

After obtaining a degree in Pharmacy David Fousert gained broad experience in various international management positions in the food and agri business at Cargill.

### **Arthur van Och** **Supply Chain director**

Arthur van Och (1971, Dutch nationality) has been employed by ForFarmers since May 2018 as Supply Chain director. He is responsible for Purchasing, Formulation &

Quality, Production & Logistics, Operational Excellence, Engineering & Projects as well as 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 he held national and international management positions at AB InBev, Accenture and Philips. He gained extensive international supply chain experience during his 13 years at AB InBev.

### **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 is a member of the Executive Committee since July 2014. Until the end of 2017 he was Supply Chain director. Since 1 January 2018 he has held the position of director (COO) of ForFarmers in the UK with responsibility for the company's activities there. Steven Read's employment contract is permanent.

Steven Read grew up on a dairy farm in the United Kingdom. After taking a degree in Agriculture with a specialisation in animal nutrition he joined Pauls Agriculture, which (as part of BOCM PAULS) was subsequently taken over by ForFarmers in 2012. He has held both commercial and general management positions, headed up a large number of change projects and was directly involved in the sale of BOCM PAULS to ForFarmers.

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

Stijn Steendijk (1969, Dutch nationality) joined ForFarmers in July 2014 as director of Strategy & Organisation. He is responsible for HR (Human Resources), the 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 has held commercial, HR and general management positions at companies including 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.

## **Pieter Wolleswinkel**

### **COO (Director)**

Pieter Wolleswinkel (1977, Dutch nationality) joined ForFarmers in 2014 as director of the business unit North at ForFarmers Germany. During 2018 Pieter Wolleswinkel was the director of the Swine business unit at ForFarmers Netherlands. As of 1 January 2019 he is COO and responsible for ForFarmers Netherlands. Pieter Wolleswinkel's employment contract is permanent.

Pieter Wolleswinkel grew up on a mixed farm. He has a degree in Veterinary Medicine and an MBA. After graduating he practiced as a veterinary doctor for a number of years before moving to international leadership positions at Provimi.

On 1 March 2020 **Roeland Tjebbes** was appointed to the ForFarmers Executive Committee. At the end of November 2019 the Supervisory Board nominated Roeland Tjebbes to be appointed by the AGM on 24 April 2020 as member of the Executive Board in the position of Chief Financial Officer (CFO) for a period of four years, as successor of Arnout Traas.

Roeland Tjebbes (1969, Dutch Nationality) started his career as accountant. After a few years he started on a career in various companies in financial management positions. He attained broad experience in the food and the feed sector at companies including Perfetti Van Melle, Nutreco and Vion. His most recent position was CFO at Hoogwegt Group. Roeland Tjebbes has a degree in business economics from the University of Maastricht and also attained a postgraduate degree as chartered accountant from Tilburg University.

# Composition of the Supervisory Board and Committees



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

During the year under review the Supervisory Board was composed of six members. The Annual General Meeting of Shareholders (AGM) of 26 April 2019 reappointed Erwin Wunnekink on the recommendation of Coöperatie FromFarmers U.A. (the Cooperative) and on the nomination of the Supervisory Board. The Board is now composed as follows:

## **Cees de Jong, Chairman**

*(1961, Dutch nationality)*

A member of the Supervisory Board since 2017 and eligible for reappointment in 2021. Mr De Jong has degrees in Medicine and Business Administration, and has extensive international management experience including as former 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 industries. 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. in Belgium, and vice-chairman of the Supervisory Board of Novozymes A/S in Denmark.

As at 31 December 2019 Mr De Jong held no shares or depositary receipts of shares in ForFarmers N.V.

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

*(1973, Dutch nationality)*

A member of the Supervisory Board since 2010 and will step down no later than 2022. Ms Addink-Berendsen is a dairy farmer, a member of the Supervisory Board of Royal FrieslandCampina N.V. and a board member of Zuivelcoöperatie FrieslandCampina U.A. In 2017 Ms Addink-Berendsen was appointed a member of the Supervisory Board of Alfa Accountants.

As at 31 December 2019 Ms Addink-Berendsen held no shares, 9,640 depositary receipts of shares in ForFarmers N.V. and, as a member of Coöperatie FromFarmers U.A., had a balance equivalent to 12,294 shares in a participation account issued by the aforementioned Cooperative which can be converted into shares or depositary receipts of shares in ForFarmers N.V.



### **Roger Gerritzen**

*(1972, Dutch nationality)*

A member of the Supervisory Board since 2018 and eligible for reappointment in 2022. Mr Gerritzen has been a member of the board of Coöperatie FromFarmers U.A. since 2017. He is chairman of the board of Agro-Polen, a Polish company active in arable and dairy farming, and is also actively involved in his family's agricultural business. Mr Gerritzen is partner at Yeald, a company active in the horticultural sector and as per 1 January 2020 member of the Supervisory Board of 30mhz. During his career he held various financial and organisational management positions at companies including NXP and Unilever.

As at 31 December 2019 Mr Gerritzen held no shares or depositary receipts of shares in ForFarmers N.V. and, as a member of Coöperatie FromFarmers U.A., had no balance in any participation account issued by the Cooperative.

### **Vincent Hulshof**

*(1962, Dutch nationality)*

A member of the Supervisory Board since 2014 and eligible for reappointment in 2022. Mr Hulshof is a pig farmer as well as a member of the board of Coöperatie FromFarmers U.A.

As at 31 December 2019 Mr Hulshof held no shares or depositary receipts of shares in ForFarmers N.V. and, as a member of Coöperatie FromFarmers U.A., had a balance equivalent to 8,640 shares in a participation account issued by the aforementioned Cooperative which can be converted into shares or depositary receipts of shares in ForFarmers N.V.

### **Cees van Rijn**

*(1947, Dutch nationality)*

A member of the Supervisory Board since 2012 and due to step down in 2020. Mr Van Rijn is former CFO of Nutreco and is currently a member of the Supervisory Boards of Detailresult Groep, Plukon Food Group, PwC Nederland and Erasmus Q-Intelligence.

As at 31 December 2019 Mr Van Rijn held no shares or depositary receipts of shares in ForFarmers N.V.

### **Erwin Wunnekink**

*(1970, Dutch nationality)*

A member of the Supervisory Board since 2015 and eligible for reappointment in 2023. Mr Wunnekink is a dairy farmer and a member of the Supervisory Board of Royal FrieslandCampina N.V. and a member of the board of Zuivelcoöperatie FrieslandCampina U.A.

As at 31 December 2019 Mr Wunnekink held no shares or depositary receipts of shares in ForFarmers N.V. and, as a member of Coöperatie FromFarmers U.A., had no balance in any participation account issued by the 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	Male	Female	Male	Male	Male	Male
Nationality	Dutch	Dutch	Dutch	Dutch	Dutch	Dutch
Year last appointment	2017	2018	2018	2018	2016	2019
Eligible for reappointment in	2021	-	2022	2022	-	2023
To retire no later than	2029	2022	2030	2026	-	2027
Independent	Yes	Yes	No	No	Yes	Yes
Core Committees	RC and S&AC	AC and RC	AC	S&AC	RC and AC	S&AC

#### Knowledge and experience:

National/International business experience	Yes	Yes	Yes	Yes	Yes	Yes
International Management experience	Yes	-	Yes	-	Yes	-
Specific agri sector 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

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

The [diversity policy](#) and its enforcement are explained in the [Corporate Governance Statement](#). With regard to the terms of reappointment for Supervisory Board members, ForFarmers deviates from best practice provision 2.2.2 of the Dutch Corporate Governance Code (the Code) as explained in more detail in the Corporate Governance section.

All but two members of the Supervisory Board are independent in the sense of best practice provision 2.1.7 of the Code. The Supervisory Board considers members who are also directors of the Cooperative, i.e. Messrs V.A.M. Hulshof and R.H.A. Gerritzen, to be non-independent in the sense of the Code. This was determined both by the individual members and by the Supervisory Board itself. As regards the question of whether a significant business relationship exists, the Supervisory Board also took into consideration that this is not the case where there is no contractual obligation to purchase consumables, products and/or services from ForFarmers or any of its subsidiaries.

No member of the Supervisory Board sits on more than five Supervisory Boards (including as a non-executive director on a one-tier board) of legal entities (including ForFarmers) as referred to in Article 2:252a of the Dutch Civil Code. The Supervisory Board is not aware of any form of conflict of interest between ForFarmers and members of the Supervisory Board, or between ForFarmers and natural persons or legal entities which hold at least 10 per cent of the shares (or depositary receipts of shares) in ForFarmers.

During the year under review the following members of the Supervisory Board purchased feed – via the (family) company in which they are involved – from ForFarmers or one of its subsidiaries under the same customary conditions that apply to other customers of ForFarmers or any of its subsidiaries: Ms Addink-Berendsen and Messrs Gerritzen, Wunnekink and Hulshof. Such transactions do not automatically represent a conflict of interest pursuant to Article 11.5 of the [Supervisory Board Regulations](#).

# Committees of the Supervisory Board

The Supervisory Board has 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 Supervisory Board from among its members. As laid down in the [Supervisory Board Regulations](#) the Supervisory Board remains responsible for decisions, including those prepared by any of its committees. The Supervisory Board has formulated regulations for each of the core committees. During the year under review the Supervisory Board received reports from each of its committees on their deliberations and findings. The composition of the committees, the number of committee meetings, the main discussion topics and the committees' performance of their set tasks are outlined below.

## Audit committee

During the year under review the Audit committee consisted of Sandra Addink-Berendsen (chair), Cees van Rijn (member) and Roger Gerritzen (member). As set out in the [Regulations of the Audit committee](#) the committee supports the Supervisory Board in its supervisory duties and responsibilities in the areas of (i) external financial reporting, audit and compliance with the annual financial reporting guidelines, (ii) appointment and performance of the external auditor, (iii) quality and effectiveness of the internal, financial and management reporting as well as the internal control and risk management systems, and (iv) compliance with internal procedures, legislation and regulations and the functioning of codes of conduct.

The Audit committee held five regular meetings and one extra meeting during 2019. The external auditor was present at all of these meetings, while the CEO and the internal auditor only attended the regular meetings. The CFO, the Director Accounting, Tax & Treasury and/or the Group Finance director and the Corporate Secretary were present at all these meetings.

The committee, the Executive Board and/or its representatives and the external auditor discussed at length the 2018 annual accounts, the 2018 report of the Executive Board, the 2019 first-half results (including the impact of IFRS 16), the trading updates and the associated press releases, and the internal and external audit plan for 2019. At the December meeting the external auditor expanded on the Management Letter with findings with

regard to the administrative organisation and internal control insofar as relevant to the audit. The main topics discussed in this context were: how the adjustment of the purchase process was progressing in relation to the tightened purchase risk policy, and the progress of the integration of the acquisitions e.g. in the field of taxes, IT and risk management. The Executive Board introduced additional measures in order to control the risks. Other matters discussed at the committee meetings included the implementation of recommendations by the internal and external auditors, risks and risk management and control systems, the purchasing policy for raw materials, financial integration of acquisitions, implementation of the accounts receivable and dividend policy, information and communication technology (including risks related to cyber security and personal data protection), the financing facility, and the status of the meetings with the tax authorities in the respective countries.

Extensive attention was paid to the purchasing policy for raw materials. The committee discussed the stricter rules governing the hedging period for key raw materials (including value at risk), the assessment of available information on price developments on both the local and global raw materials markets and the effectiveness of the central purchasing organisation. At the extra meeting the committee discussed matters including the parameters for the goodwill impairment test, the evaluation of the Alternative Performance Measures (APM), the new accounting standards and recognition of pension

liabilities. The outcome of the goodwill impairment test and the valuation of the Tasomix option were determined during the Audit committee meeting in which the annual report and financial statements 2019 were discussed.

During the year under review various members of the senior management team were invited to elaborate to the Audit committee on a range of subjects including treasury, tax, insurance and the progress of investment projects. Agendas for the meetings were always accompanied by an overview of any ongoing and/or potential legal claims, as well as a list of incident reports. After each meeting the Audit committee spoke with the external auditor, always outside the presence of the Executive Board and/or its representatives, and shared its findings with the Supervisory Board with regard to the relationship with the external auditor. In formulating the external auditor's brief, attention was paid to the audit scope, the materiality to be applied and the audit fee. The committee is of the opinion that relations with the external auditor are satisfactory and supports the proposal to appoint KPMG as auditor for the 2020 financial year.

The Audit committee and the Executive Board discussed the effectiveness of the design and functioning of the internal risk management and control systems as referred to in best practice provisions 1.2.1 to 1.2.3 of the Code and established that the risks relating to the ForFarmers strategy have been identified and that the control measures aimed at strategic, operational, compliance and reporting risks have been implemented. The Executive Board informed the Audit committee of one infringement of the purchasing policy. The infringement had no impact on the result and measures were taken with respect to those directly involved. The Audit committee reported to the Supervisory Board on the topics as referred to in best practice provision 1.5.3 of the Code and was involved in the work schedule drawn up by the internal auditor. In addition the committee held an evaluation session with the internal auditor.

## Remuneration committee

During the year under review the Remuneration committee consisted of Cees van Rijn (chairman), Cees de Jong (member) and Sandra Addink-Berendsen (member). As set out in the [Regulations of the Remuneration committee](#) the committee's tasks include submitting proposals to the Supervisory Board with respect to the

[remuneration policy](#) to be pursued and the remuneration of the individual members of the Executive Board.

## Remuneration

In formulating the proposal for the remuneration of the Executive Board the Remuneration committee took note of the views of the individual directors with regard 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 previously agreed targets and determined the incentives (STI 2019 and LTI 2017-2019). In doing so the Remuneration committee drew on the report of the external auditor which confirmed the accuracy of the calculation of the incentive in relation to the financial objectives. The Supervisory Board subsequently approved the proposed incentive amounts.

The Remuneration committee met four times during 2019. The CEO and the Strategy & Organisation director (the member of the Executive Committee responsible for the HR portfolio) were present at three of these meetings. The committee performed activities both during and outside its meetings, including preparing the remuneration report and discussing the remuneration of new members of the Executive Committee as well as the short-term (2020) and long-term (2020-2022) variable remuneration plans. In addition the Remuneration committee held discussions with the CEO and made a proposal to the Supervisory Board regarding the short and long-term variable remuneration targets for members of the Executive Committee for 2019 (STI 2019 and LTI 2019-2021). The targets were subsequently discussed and approved by the plenary Supervisory Board. The remuneration committee also discussed the remuneration ratios at ForFarmers. The proposals have been incorporated in the remuneration report which was approved by the Supervisory Board.

Furthermore the 2019 employee participation plans were approved by the Supervisory Board on the recommendation of the Remuneration committee. The [main aspects of the contracts with members of the Executive Board](#) are published on the ForFarmers website.

Finally, the Remuneration committee proposed a change to the remuneration of members of the Supervisory Board. The proposal has been incorporated in the revised remuneration policy and is based on a comparison with

the reference group defined in the policy made in 2019.

## Remuneration policy

The remuneration policy was adopted by the AGM of 26 April 2017, which also approved the regulations with regard to the rights of members of the Executive Board to purchase depositary receipts of ordinary shares. In 2019, new requirements in terms of the content of the remuneration policy were set following the Dutch act for the implementation of the revised EU directive on shareholder engagement. In light of this the Remuneration committee has proposed to the Supervisory Board that the remuneration policy be revised. The revised remuneration policy will be submitted to the AGM of 24 April 2020 for approval.

## Selection and appointment committee

In 2019 the Selection and appointment committee consisted of Erwin Wunnekink (chairman), Vincent Hulshof (member) and Cees de Jong (member). As set out in the [Regulations of the Selection and appointment committee](#) the committee's tasks include submitting proposals to the Supervisory Board in relation to the selection criteria and appointment procedures, succession planning, and in relation to the scope, composition, appointments, reappointments and appraisal of the functioning of the Supervisory Board and the Executive Board. The Selection and appointment committee met four times during 2019. The committee drew up an individual profile for the vacancy that will arise in 2020 due to the resignation of Cees van Rijn. The profile was approved and adopted by the Supervisory Board at an informal meeting on 4 July 2019. With regard to the succession of Cees van Rijn the Selection and appointment committee made the necessary preparations in 2019 and interviewed candidates. During the preparations the [diversity policy](#) was taken into consideration where possible, while the distribution of competencies within the Supervisory Board was also an important consideration in the selection procedure. Ms Annemieke den Otter was put forward to the Supervisory Board in view of her knowledge and experience in the field of (Corporate) Finance and IT.

It is the committee's opinion that the individual profile would thereby be met. In light of this the committee proposed to the Supervisory Board that Annemieke den Otter will be nominated for appointment to the Supervisory Board. The Supervisory Board accepted the committee's proposal, meaning that the appointment will be placed on the agenda of the AGM to be held on 24 April 2020.

In addition the Selection and appointment committee and the Supervisory Board discussed the succession planning for the Executive Board, the Executive Committee and the Supervisory Board, partly in light of the announcement of 12 June 2019 that Arnout Traas will not be standing for reappointment as CFO of ForFarmers in 2020. With regard to the succession of Arnout Traas the Selection and appointment committee drew up a profile for the CFO role. In light of the diversity policy the committee in first instance compiled a list of female candidates and a list of male candidates only in second instance. The Selection and appointment committee interviewed several candidates. In addition to diversity in terms of gender ratio the knowledge and experience of candidates played a key role in the selection procedure. Mr Roeland Tjebbes was put forward to the Supervisory Board in light of his knowledge and experience in the field of (Corporate) Finance, Risk Management and financial reporting processes. In the committee's opinion the appointment of Roeland Tjebbes would represent an adequate interpretation of the role of CFO on the Executive Board of ForFarmers.

Finally, the committee hired an external adviser to conduct appraisal reviews with the individual members of the Supervisory Board, and the performance of the Supervisory Board as a whole was discussed with the Supervisory Board. As regards the performance of the Executive Board and the Executive Committee, the committee discussed the outcome of the talks held by the members of the Supervisory Board with each individual member of the Executive Committee.

# Corporate Governance

The Executive Board and the Supervisory Board are responsible for the company's corporate governance structure. The corporate governance of ForFarmers N.V. (ForFarmers or 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 as a separate document on the corporate website. The document sets out how the Code is applied by ForFarmers 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 Supervisory 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. (the Cooperative), 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 Supervisory Board members were nominated for appointment at the recommendation of the Cooperative as the holder of the priority share in the capital of ForFarmers.

2.2.2

### Appointment and reappointment of Supervisory Board members

In the interests of safeguarding 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 (Supervisory Board)

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 the year under review there was no deviation from this provision, with members who are independent as specified above accounting for over half of the committees' members.

#### 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, Stichting Beheer- en Administratiekantoor ForFarmers) and no voting instructions have been given by the Cooperative 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 ForFarmers and its affiliated enterprise. Since ForFarmers ordinary shares were listed on Euronext Amsterdam the Cooperative has had the option of issuing voting instructions as referred to above. This partly determines the rights that the Cooperative is able to exercise as the holder of the priority share in ForFarmers.

#### 4.4.8

#### Proxy votes

Only holders of depositary receipts who are also employees of ForFarmers or members of the Cooperative 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 but may convert their depositary receipts into shares. Only the Cooperative 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. This arrangement was incorporated in the terms and conditions at the time in view of the listing of ForFarmers ordinary shares 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 ForFarmers and its affiliated enterprise. In accordance with its [Regulations the Executive Board](#) developed a vision on long-term value creation and has subsequently – in consultation with the Supervisory Board – formulated a strategy consistent with this. The strategy was designed 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 eight. The members of the Executive Board have been subject to the retirement schedule below since the AGM of 26 April 2019. In June 2019 Arnout Traas indicated that he will not be available for reappointment in 2020.

Naam	Year of latest appointment	Eligible for reappointment in
Knoop, Y.M. (CEO)	2018	2022
Traas, A.E. (CFO)	2016*	N/A
Ven, A.J.A. van der (COO)	2019	2023

*\*concerns change to 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. During the year under review the Executive Board evaluated both its own collective performance and that of the individual members.

### Supervisory Board

The Supervisory Board supervises the policy of the Executive Board and the general affairs of the Company as well as advising the Executive Board. The Supervisory 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 ForFarmers website along with the [Profile of the Supervisory Board](#).

### General Meeting of Shareholders

The Executive Board and the Supervisory 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 ForFarmers has drawn up a

[Policy on bilateral contact\(s\) with its shareholders](#). As set out in this policy, due to historical and other reasons the relationship between ForFarmers and the Cooperative is such as to justify supplementary agreements with regard to this relationship; these are set out in a [Relationship Agreement](#). For transactions with affiliated parties, including the Cooperative, please refer to note 38 in the notes to the financial statements.

The share capital of ForFarmers 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 ForFarmers. No preference shares have been issued. The Cooperative 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 – operates independently of ForFarmers. The Trust Office Foundation holds ordinary shares in ForFarmers 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 ForFarmers website. As already stated, the Cooperative 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 the Cooperative in the context of a conversion, (iii) an employee in the context of an employee participation plan, (iv) the Cooperative or (v) a party designated by the Cooperative.

### **Priority shareholder**

The priority share is held by the Cooperative. Given that as at the most recent reference date of 1 January 2020 the Cooperative 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, the Cooperative 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

ForFarmers 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 the Cooperative holds a priority share with associated rights as set out in the [ForFarmers Articles of Association](#).

Furthermore Executive Board members are appointed solely on a binding recommendation from the Supervisory Board while the General Meeting of Shareholders 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 Supervisory 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 Supervisory 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 employee satisfaction 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.

Two incidents or suspected incidents were reported during the year under review. In each case 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/english>. An overview of the application of the Code by ForFarmers N.V. 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

ForFarmers must take both opportunities and risks in order to be able to realise its strategic, operational and financial objectives. ForFarmers acknowledges the importance of good internal risk management and control systems in properly identifying, balancing and managing risks. This approach is embedded throughout the organisation, from the Executive Board and the Executive Committee – under the supervision of the Supervisory Board – to all the operating and financial departments. Risk management is actively monitored as part of the objective to increase risk awareness in the organisation. Both the tone at the top and the hard and soft control measures are important in this context. The group’s corporate governance & compliance team and other staff departments provide risk and compliance workshops and facilitate self-assessment of the processes by the business units. There are designated key officers (risk owners and risk managers) for all the major risks whose roles include being responsible for risk management. ForFarmers uses a process based on the methodology formulated by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to control and manage the various risks.

The figure below gives an overview of the process as it is implemented at ForFarmers.



## Internal environment

The Executive Board bears ultimate responsibility for all aspects of risk management and is accountable to the Supervisory Board. The Executive Board has appointed a Risk Advisory Board (RAB) to execute, monitor and report on this topic. The RAB comprises the CFO, the supply chain director, the COO UK, the accounting, tax and treasury director, and the risk manager. The internal auditor sits in on the meetings of the RAB as an observer. The RAB monitors the control of the principal risks based on the periodic reporting. The objectives of this reporting include measuring ForFarmers’ risk appetite with regard to the actual risks and taking additional control measures where necessary and possible.

In addition there is a Purchase Risk Board (PRB) that must approve raw material purchases, use of derivatives, hedging of energy contracts and pre-sales contracts which exceed the authorisation or exposure limits. The PRB meets on an ad hoc basis when a request for approval is received from purchasing or business unit directors. The permanent members of the PRB are the members of the Executive Board, the supply chain director and the accounting, tax and treasury director.

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

ForFarmers has a regular planning and control cycle in order to mitigate financial risks. The cycle comprises the monthly reports, the quarterly forecasts for the current year, the annual budget for the following year, the annual five-year forecast including scenario analyses, and once every five years an update of the strategic plan. The Executive Committee and local management teams discuss the content and key points of all these reports. In addition the Executive Committee discusses ForFarmers’ financial performance with the Supervisory Board.

## Risk appetite

In principle ForFarmers has a low risk appetite and this is the basic assumption for the assessment and acceptance of risks in order to realise the strategic goals. The risk profile and risk acceptance are reviewed annually by the

Executive Committee and risk managers, and where necessary adjusted to reflect changing market conditions or a revision of the strategy. The outcomes are reported to the Audit Committee and the Supervisory Board. This enables ForFarmers to strike the best possible balance between decisions and commercial or strategic goals and the associated risks/opportunities when taking decisions.

ForFarmers has grouped the 14 main risks into the four key categories for which control measures are devised and implemented. The desired and determined risk appetite may differ depending on the key category, as displayed below:

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

## Risk assessment

### Risk appetite in respect of strategic objectives

Investments both substantial and otherwise are made in order to meet the growth objectives, both organically and through acquisitions. ForFarmers has an average to high risk appetite with respect to acquisitions. However there are three specific areas where ForFarmers has a very low to low risk acceptance level in the pursuit of its strategic objectives:

- Reputation: this is crucial for the trust placed in ForFarmers by customers, suppliers and society.
- Animal health and welfare: one of ForFarmers' sustainability objectives is to contribute towards improving animal health and welfare. ForFarmers focuses on supplying sustainable nutritional solutions to livestock farmers to enable them to achieve better returns with healthy animals and a focus on animal welfare.
- Safety: ForFarmers believes it is vital to provide a good and safe working environment for its employees, staff hired on a temporary basis, contract workers and visitors. It therefore maintains a very low risk acceptance level and aims for zero Lost Time Incidents (LTIs).

### Risk appetite in respect of operational objectives

The **purchase of raw materials** is an inherent aspect of ForFarmers' business operations. As raw material prices are subject to considerable fluctuation, the purchasing of these materials presents a risk for ForFarmers and a low to average risk acceptance level applies to the purchasing policy. In order to control these purchasing risks, the risk limits are set based on the 'value at risk' principle; this applies to the organisation as a whole and is translated to the various business units. When conducting the purchasing activities in accordance with the risk policy it can happen that not all fluctuations in raw material prices can be fully passed on to customers, which may put pressure on the development of the gross profit. The purchase policy was reviewed in 2019 and cover lengths have been shortened.

ForFarmers applies a very low risk acceptance level with regard to the quality of purchased products. The quality of the feed supplied as well as feed safety are crucial in providing a good service to customers.

Climate risk: Low or lower river levels can, in a number of countries, disrupt the supply of raw materials to ForFarmers' mills. This can negatively impact ForFarmers' inbound logistics costs in those countries where mills are primarily supplied by water (mainly in the Netherlands but also in part in Germany and Belgium). It

is not always possible to pass on these extra costs in the feed prices. The risk of lower water levels and the inventory positions are monitored by the Purchasing Logistics department.

**Feed fraud:** In producing feed ForFarmers is dependent on the quality and provenance of the raw materials that are processed in the feed. There is a risk that the raw materials purchased fail to comply with the legal requirements or the quality description on the basis of which they were purchased. Processing such raw materials in feed could result in a feed safety risk. The risk of feed fraud and the measures taken to mitigate against this come on top of the risks that ForFarmers may face as a result of potential contamination of products or cross-contamination of raw materials during the production process.

### **Risk appetite in respect of financial objectives**

ForFarmers has a very low to low risk acceptance level with regard to risks that may have a considerable impact on the financial results and the reliability of ForFarmers' financial or other information.

ForFarmers hedges currency positions relating to raw materials or other purchases for operational activities. Currency risks relating to assets outside the eurozone are partially hedged through financing in the local currency. Currency risks relating to the annual result and undistributed dividends are not hedged.

ForFarmers is partly funded by means of interest-bearing debt, which has an inherent interest rate risk.

Developments on the interest and currency markets are monitored closely and any risks are hedged using swaps and other financial instruments where necessary.

Furthermore interest rate levels may affect the share of the pension contribution payable by ForFarmers for members of pension schemes. ForFarmers maintains robust equity and liquidity positions to ensure it is always able to meet its financial obligations.

### **Compliance**

ForFarmers has a very low risk acceptance level with regard to risks relating to compliance with legislation and regulations. All ForFarmers employees must be familiar with the Code of Conduct and be aware of its implications. New employees are issued with a copy of the Code of Conduct in their own language and are tested on how to

apply it using case studies. They are also required to sign the Code of Conduct. The Code of Conduct is regularly discussed and highlighted within the company.

ForFarmers has a zero-tolerance policy with regard to breaches of certain sections of the ForFarmers Code of Conduct. Both the Code of Conduct and the Whistle-blower Policy act as control measures for combating bribery and corruption. In addition, ForFarmers uses the [Sedex supplier code of conduct](#), which sets out ethical business standards aimed at preventing bribery, corruption and fraudulent business practices. ForFarmers wants to annually increase the percentage of (raw material) suppliers with which the company does business and which have already endorsed the Sedex code.

## **Emerging and potential future risks**

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

**Climate risks:** Potential further warming of the earth could have damaging economic and social consequences. Extreme weather events may impact inbound logistics costs (in view of transportation by water), the volatility of raw material prices (and the ability to pass fluctuations on to customers in full or in a timely manner), the amount of food animals consume (animals eat little or not at all in very high temperatures) and the quantity and quality of grass (which may impact demand for feed). It is difficult to estimate when and to what extent these risks could manifest themselves.

### **Environmental and other legislation and regulations and their impact on the feed industry:**

There is increasing pressure, especially in Europe, to reduce the impact of business operations on the climate and on nature. The agricultural sector in general and livestock farming in particular are under growing pressure to reduce their carbon footprint and the amount of nitrogen and phosphate emitted by animals, as well as to improve animal health and welfare. This pressure could lead to voluntary or binding measures, legislation and regulations, including a potential carbon tax, which could impact the size of a country's animal herd or the scope for livestock farmers to expand their production and other operations.

**Consumer trends:** The growing demand for meat substitutes, including plant-based 'meat' products (meat alternatives) and a possible drop in per-capita consumption of animal proteins may eventually impact animal numbers in the countries where ForFarmers is active. It is difficult to gauge how quickly these trends will unfold and in which geographical regions they will be most prevalent. That said, it would seem realistic to assume that a growing number of consumers from the more affluent countries will opt for alternative proteins.

**Brexit:** There is still uncertainty about the period for which the existing EU Member State legislation will 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 fluctuate more versus the euro. This has a currency translation 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 in the United Kingdom, 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 farmers. Whether and when a possible expansion of farm businesses will take place is therefore uncertain.

**Invoice and CEO fraud:** Criminals and fraudsters are increasingly using fake invoices and fake emails from the CEO or other Executive Board members in their attempts to get payments out of ForFarmers. The risk of fraudulent payment is minimised by means of the internal control processes and by alerting employees how to recognise and deal with such risks. Nevertheless criminals continue to use new fraudulent measures to test these controls.

The following is an overview of the main risks and control measures as established by the ForFarmers Executive Committee:

Risk	Description	Control measure
<b>Strategic objectives</b>		
Price development and availability of raw materials	Prices of raw materials may fluctuate due to external factors such as the quality and size of harvests, demand from the biofuel industry and speculative trading. In the interests of supply security ForFarmers takes forward positions and keeps inventories of raw materials, which involves a purchasing risk for ForFarmers.	ForFarmers closely monitors developments in prices and availability of raw materials. A risk management system has been implemented that outlines who is authorised to take positions, up to what limit and under what conditions agreements can be made. Authorisation limits are set at business unit level. Pre-sales contracts for supply to customers in the longer term are immediately hedged to a level of at least 85%. The procedure was reviewed and firmed up in 2019. The permitted cover ratio has been shortened.
Size of livestock herd and animal diseases	The size of livestock herds can change, e.g. due to animal diseases or legislation, including transport limitations imposed by the government. As a result, demand for compound feed and/or trade goods may fluctuate, which may impact on 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, a national or international crisis team is established to closely monitor developments and decide what actions need to be taken and which protocols should be followed. In such cases, the crisis team will maintain close contact with the relevant authorities.
Development of energy & fuel prices	Changes in energy and fuel prices have implications for ForFarmers' production and transport costs. Cost fluctuations cannot always be passed on to customers in full and in a timely manner, which may have an adverse impact on the result.	Developments on the energy and fuel markets are closely monitored. ForFarmers has an energy purchasing policy in place. Where necessary and depending on market circumstances financial instruments and commodity contracts can be used to hedge price risks. Compliance with the purchasing policy is monitored.
Mergers & acquisitions	Acquisitions come with inherent risks, for example with regard to due diligence, valuation, risk management, achieving synergies, management and integration. The main risk during integration following an acquisition concerns the retention of key employees and customers.	ForFarmers has an M&A team that collaborates closely with the Executive Committee members, the business unit directors and other relevant key employees. In addition there is an integration rule book setting out relevant procedures, and the synergies and integration status are reviewed periodically by the Executive and Supervisory Boards.
<b>Operational objectives</b>		
Health & Safety	ForFarmers employees are exposed to safety risks during operating activities due to the nature of the activities that take place in the factories, during transport and on farm. All employees, external transport staff and contracted staff must therefore have sufficient awareness of safety and the prevention of incidents.	Safety plans are in place for all ForFarmers sites. The number of LTIs is an important KPI which is monitored. This KPI was one of the bonus targets 2019 for the members of the Executive Committee. The Company also devotes a great deal of attention to raising safety awareness, making training available to all staff (including in the area of logistical safety), taking stock of safety aspects at all the factories, including the risk of fire and explosion, and reporting any shortcomings and measures to resolve these. Risk assessment also takes place on farm, at customers.
Feed safety	The quality of raw materials is of crucial importance to the production of safe and reliable compound feed and the delivery of Total Feed solutions. There is a risk that ForFarmers' finished products will not meet the stated requirements due to contamination of products or cross-contamination during the production process. Apart from the risk of claims and the costs of potential recalls, there is the risk of losing customers.	In the different countries ForFarmers works in various partnerships such as SecureFeed to ensure maximum feed safety. The number of feed safety incidents is a KPI which is monitored. ForFarmers subscribes to the Sedex code and requires its suppliers to do the same. Knowledge is shared in the areas of monitoring, quality control, tracking and tracing, and crisis management. In addition analyses are carried out to detect any potential contamination at an early stage so that appropriate measures can then be taken.
Climate development	Climate changes can have an effect on achieving the operational objectives. For example, the availability of raw materials could be negatively impacted, water levels in rivers could be lower which could impact inbound logistics, and climate driven rules and regulations could impact our customers.	ForFarmers sources raw materials in various geographies to mitigate the impact of local climate changes. In addition, an emergency plan is in place to safeguard inbound logistics at low water levels. ForFarmers also aims for continuous innovation in feed concepts, such as lower phosphate and nitrogen levels, to reduce the impact of livestock farming on the environment. Finally, ForFarmers works with chain partners to propagate the importance of animal husbandry.
Business continuity	Operational business continuity is crucial to ForFarmers and its customers, who rely on guaranteed supplies of feed for their animals. Business continuity may be jeopardised by disruption to the inbound logistics chain, e.g. if the waterways used to transport incoming raw materials become unnavigable. Temporary disruption of production at one of ForFarmers' larger mills may also pose a risk to business continuity.	ForFarmers has disaster recovery protocols in place for events that may impact on business continuity. These stipulate who must be informed, what steps must be taken in order to minimise disruption and what follow-up steps are necessary. In addition each country has trained crisis managers to head up the relevant teams in the event of a disaster. Inspections are done regularly in the mills to determine potential risks. This is done in consultation with insurance companies for example.

Risk	Description	Control measure
<b>Operational objectives</b>		
Cyber security	Organisations are increasingly confronted with cybercrime. Failure to adequately restrict access to ICT systems for internal and external parties or the absence of effective back-up and recovery procedures may result in the disruption of business operations, unauthorised transactions or data changes, unauthorised use of information and knowledge, reduced data integrity or data loss.	ForFarmers constantly takes steps to enhance cyber security under the guidance of the group information security manager. During the past year various tests were once again conducted to raise awareness of IT risks among employees. Following the outcome of these tests further improvements were made to the relevant procedures. In addition ForFarmers has two external data centres with back-up process facilities to guarantee business continuity in an emergency.
<b>Financial objectives</b>		
Currency and interest risks	The purchase of raw materials, concluding of sales contracts and investment projects may entail currency risks. Raw materials can be purchased in a currency other than the currency in which they will be sold. Any resulting currency differences may not be able to be passed on in the selling price.	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. Compliance with the principles, which are formally set out in the purchasing risk management policy are monitored closely by the Executive Committee as part of the monthly reporting cycle.
Credit and liquidity risks contracting parties	Credit risks of customers may result in buyers being unable (or possibly no longer able) to meet their contractual obligation. This may result in the outstanding claim having to be written off or a provision having to be taken. Credit risks of suppliers may result in their failing to comply with their obligation to supply contracted raw materials. This may lead to inefficiency in the production processes or ad-hoc purchases of raw materials at higher spot prices.	ForFarmers actively reviews the financial situation of its customers. If necessary additional arrangements are made, for example regarding the provision of collateral. In addition the credit risk of larger customers is insured. Strict arrangements and order release procedures are in place with regard to the maximum outstanding amounts for each customer as well as the applicable payment terms. Furthermore a system is in place for alerting customers to overdue payments and communicating with them about these, and targets have been set for senior management to reduce the overdue payments balance on an ongoing basis. On the supplier side, ForFarmers aims to do business with counterparties who are reliable and financially healthy.
Liquidity risks	If ForFarmers is unable to meet its financial obligations this may jeopardise the continuity of its operations.	In 2019 ForFarmers entered into a multicurrency revolving facility agreement with ABN AMRO, Rabobank, HSBC, ING and KBC. The agreement has a maturity date at the end of July 2024, with an option to extend by two times one year. The facility concerns an amount of up to €300 million, plus an accordion feature for a further €150 million. The funding agreement includes bank covenants which ForFarmers must meet. ForFarmers continuously monitors the liquidity position and periodically its bank covenants. No collateral has been provided.
Pension risks	Changes in actuarial assumptions and other external developments may have a negative impact on defined benefit (DB) pension schemes, and hence on the financing of such schemes by ForFarmers. Interest rate developments may also have an impact on contributions relating to active DB and DC (defined contribution) pension schemes given that future contributions relating to these insured schemes may lead to rising pension contributions amid falling interest rate levels.	The pension schemes currently used in the Netherlands and the UK are DC schemes, which involve no risk to ForFarmers in relation to pensions already agreed. Contributions to these pension schemes are defined annually with an option to adjust the scheme in the event of a sharp rise in contributions. In the United Kingdom a DB scheme was in operation until 2006, after which it was converted into a closed scheme for which ForFarmers still bears the associated risk. The risk management model applying to the investments for the closed pension scheme in the UK is reviewed periodically and the investment policy is in the hands of a fiduciary manager. In Germany and Belgium there are DB schemes that apply to a small number of people. While the risks relating to these DB schemes cannot be mitigated they are limited in view of the small number of employees involved.

Risk	Description	Control measure
<b>Compliance</b>		
Changes in legislation and regulations	Changes in legislation and regulations at a European, national or local level may affect the activities of ForFarmers or its contracting parties. This applies for example to legislation in the area of the environment, feed and food safety and production processes.	ForFarmers closely monitors any developments in legislation and regulations that are relevant to its business and contracting parties and implements any adjustments necessary as a result of legislative changes. Compliance with legislation is assessed by means of periodic reviews and other measures.
Taxes	ForFarmers operates in five different countries, all with different tax systems. The complexity of the various tax systems and legislation means that there is a risk that ForFarmers' policy will fail to comply with all the local requirements.	ForFarmers' tax policy is based on the principle that paying tax is part and parcel of social responsibility. The Company therefore complies with legislation and regulations relating to tax and pays its taxes on time. ForFarmers monitors potential changes in legislation and regulations at both group and local level, and acts ahead of these. ForFarmers maintains an open line of communication with the tax authorities for this purpose and holds several meetings with the tax authorities in the various countries in the course of the year. ForFarmers employees are actively encouraged and trained to keep their knowledge of the legislation up-to-date.

## Control measures

In 2019 the risk procedures for taking purchasing positions were tightened in light of the adverse financial consequences suffered by ForFarmers in the first half of 2019 due to an overly long purchasing position entered into during the second half of 2018. Under the tightened procedures, factors such as customers' purchasing behaviour and the market conditions for each species and each region will weigh more heavily when setting the limits for each business unit. The main result of this is that the permitted limits for forward contracts have been reduced meaning that positions will on average be held for shorter periods. Furthermore information sharing during the regular meetings of the purchasing and commercial departments has been improved, so that there is more insight into the positions taken and future positions can be considered more carefully.

The recent fall in interest rate levels in Europe was cause for concern in the Netherlands in particular. Pension contributions in the Netherlands are determined annually based on the interest rates as at 1 December of the previous year. Given the very low interest rates in Europe in 2019 this meant allowing for a sharp increase in pension contributions in 2020. Hence, as of 1 January 2020, a new pension arrangement based on a defined contribution model has been introduced for a period of five years. This has come about with the consent of the workers' council. New financial risks can continue to occur in the Netherlands until such time as the national pension agreement has been fleshed out.

The liquidity risk remained low as a result of the new €300 million credit facility agreed on 25 June 2019 with an international banking syndicate consisting of ABN AMRO Bank, HSBC, ING, KBC and Rabobank. The facility replaces the previous financing agreement, which was also for an amount of €300 million. The current facility matures at the end of July 2024 with the possibility of extending by two times one year. There is no material change in the covenant guidelines compared to the previous financing agreement.

The risk of changing legislation and political measures manifested itself in 2019. In May the Dutch Council of State ruled that licences could no longer be granted under the Approach to Nitrogen Programme (PAS). This sparked a political debate about the reduction of nitrogen emissions, which sectors have a share in this and what

possible measures should be taken. Given the relatively large share of livestock farming in particular in the emission of nitrogen and ammonia in the Netherlands this sector is also required to contribute towards lowering emissions. The proposed measures may have a direct or indirect impact on livestock herds in the Netherlands.

Pressure on the sector is also increasing in other countries where ForFarmers operates, for example in Germany with the Düngeverordnung (manure ordinance) that sets out rules for manure processing. Subsidised or possibly even mandatory discontinuation and relocation schemes and required further investments in animal housing will eventually affect herd numbers. In addition the current uncertainty, especially in the Netherlands and to a lesser extent in Germany and Belgium, means that livestock farmers are reluctant to invest in expanding animal housing or herd numbers.

Business continuity and the disaster recovery protocols for the factories in the various countries were reviewed in 2019 and improvements have already been partially implemented. The review was prompted by the low river levels in 2018 which resulted in higher inbound logistics costs. In addition a crisis management procedure was introduced and the relevant crisis managers were given the appropriate training. Finally ForFarmers takes part in regional consultation with the relevant bodies and companies aimed at working together to find solutions in order to prevent or reduce the impact of low river levels in future.

Safety is and remains a top priority for ForFarmers. In 2019 there were 36 LTIs (2018:59). ForFarmers made further investments in safety measures at its factories and new and existing employees followed training courses aimed at changing behaviour and embedding risk awareness in their daily way of working. On-farm risks at customers were also assessed using the Farmrisk procedure with a view to increasing the safety of our drivers and sales staff.

Monitoring the consequences of animal diseases remains a topical issue. In Belgium there was an outbreak of bird flu which impacted on the poultry sector. In addition the risk of the spread of African swine fever, which has been detected among wild boars in Belgium, is being closely monitored. Although the outbreak appears to be under control, strict hygiene protocols remain in force in order to prevent the infection spreading. An outbreak of the same



disease has been detected in Poland, mainly in the eastern part of the country, where its spread is also being closely monitored, as in the case in countries where ForFarmers does not operate.

## Control and monitoring

The design and operation of the internal risk management and control systems were systematically assessed by the Executive Board, based on reports produced by the internal auditor, during the year under review. The reports were produced as part of the internal audit programme for 2019, which was approved by the Supervisory Board. The Executive Board also discussed the effectiveness of the design and operation of these systems with the Audit Committee, the Supervisory Board and the external accountant.

ForFarmers has various tools, including the Enterprise Risk Management (ERM) framework and the In-Control Framework (ICF), to control, monitor and test at least once a year the risks and associated control measures. The tests are discussed and reviewed by the Executive Board. The ICF controls are reviewed twice a year in the form of a self-assessment by the managers of the control owners, followed by a full review by the risk manager and random checks by the internal auditor. The ERM risks and control measures are reviewed and tested once a year by the risk owners in collaboration with the risk manager. Finally a [Tax Control Framework](#) (TCF) was developed in 2018 to control the risks relating to corporate income tax, VAT and wage tax. Implementation of the TCF in the Netherlands was discussed with the tax authorities in 2019 and a start was made with its implementation in the United Kingdom and Germany, with the aim of completing implementation in 2020. Implementation in Belgium and Poland will start in 2020.

In addition to these pre-defined frameworks ForFarmers' internal auditor performs his own audits (subject to the approval of the Supervisory Board) on the risks, control measures and procedures within ForFarmers.

Furthermore the external auditor performs the audits in connection with the annual financial statements.

Finally due diligence checks are carried out by various external experts, and external legal assistance is brought in to assess complex legal issues. Furthermore the managers of the ForFarmers business units sign a Letter of Representation (LOR) twice a year to declare that they comply both with local and other legislation and

regulations and the internal control rules, including the Code of Conduct. The LOR, as well as the Whistle-Blower Policy, is a means of reporting potential fraud and incidents.

## Conclusion

During 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 the way these are monitored. Further tightening and improvements were made with regard to the procedures and monitoring, particularly in relation to purchasing risks. The incidents in 2019 showed that there was room for improvement within the risk management policy process with regard to the procedures to be followed and the elimination of ambiguities.

## What went wrong in 2019

In 2019 it became clear that the risk management policy was not sufficiently clear or tight on all points.

In late 2018 ForFarmers followed the existing procedures in taking a purchasing position (in raw materials) that in hindsight turned out to be too long in a market characterised by declining raw materials prices. This resulted in a decline in gross profit and underlying EBITDA in the first half of 2019. The purchasing risk procedure has been tightened to reduce the risk of repetition. The authorised cover period has been shortened.

In the United Kingdom ForFarmers fell victim to invoice fraud involving a very small amount. The relevant procedures have since been tightened.

Early in the year there was a power outage at the ForFarmers head office due to a regional power failure in the Netherlands with a temporary impact. The servers at the data centre in Lochem also went down because the uninterruptible power supply did not work. This meant that applications and services that were running could not be shut down correctly and transferred to the external back-up data centre. In the second quarter of 2019 the Lochem data centre was migrated to a second external site. These external sites serve both as an external back-up and an external site to enable IT processes to continue to operate in the event of an emergency. Additional checks of the uninterruptible power supply have also been introduced.

The computer systems of ForFarmers in the United Kingdom were infected by a virus that entered the organisation via an email. The IT team that constantly monitors the systems spotted the virus almost immediately. They succeeded in deactivating the virus, which had already spread to the servers at various production locations, and restoring the affected servers without any damage being done.

Both on the intranet and in group meetings attention was once again focused on the dangers of suspicious emails. In addition a mandatory e-learning on cyber security was introduced for all employees.

Van Gorp Biologische Voeders was integrated into Reudink in the Netherlands and Voeders Algoet merged with ForFarmers Belgium to create a single organisation. In Poland the integration with Tasomix was completed with regard to all operational departments. Although the integration of the acquisitions in 2019 was completed successfully, retaining all the advisers and customers of the smaller companies acquired still proved to be a challenge. The integration procedures have been tightened in this respect.

During the monthly monitoring at group level it came to light that an overly large and unauthorised purchasing position in raw materials had been taken in Germany. Given that there had been no material change in raw materials prices there were no financial consequences. The applicable rules were once again communicated to the managers involved. In addition weekly monitoring has been tightened locally.

# 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 2019 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 2019 and of the state of affairs of the company and its affiliated enterprise in the 2019 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, 11 March 2020

Executive Board ForFarmers N.V.

Yoram Knoop, CEO

Arnout Traas, CFO

Adrie van der Ven, COO



# REPORT OF THE SUPERVISORY BOARD

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# Letter of the Chairman of the Supervisory Board

The agricultural sector had a lot to cope with in the past year. The discussion on the problems surrounding nitrogen in particular sparked much debate in the Netherlands. A lack of clarity in the approach to nitrogen reduction proposed by the Dutch government understandably caused great unrest among livestock farmers in 2019. It is crucial that livestock farmers are provided with future prospects and a clear long-term vision if enough support is to be created for measures. ForFarmers is working with other companies to reduce nitrogen emissions by means of feed solutions and advice. This is consistent with the Total Feed and sustainability approach of ForFarmers.

In 2019 ForFarmers had to deal with an unfavourable purchasing position, which was a major cause of the lower underlying EBITDA compared to the previous year. The Supervisory Board and the Executive Board held several extensive meetings about the measures needed to better control this risk associated with the purchasing position. The Executive Board has implemented improvements in the purchasing process, for example shortening the hedging period for key raw materials and improving the information exchange between the purchasing team and the commercial departments on the topic of purchasing positions which have already been taken and those which need to be taken.

Another key theme of the year 2019 was the integration of the four acquisitions made in 2018. All operational processes of the four acquisitions have now been integrated with those of ForFarmers. In the key growth market of Poland, Tasomix will now focus on further upscaling production at the new factory in Pionki in order to realise further growth. Volume development in the United Kingdom however is slower than anticipated which is why an impairment was required.

## Strategy

During the past year the Supervisory Board held regular discussions with the Executive Board about the progress of implementing Horizon 2020 strategy. Under the guidance of an external adviser the two boards also discussed various scenarios underlying the determination

of the strategy for the period 2020-2025, also taking the developments in the agricultural sector into account. The discussions on this topic were consistently open and constructive. We are closely involved in the creation of the strategy for 2020-2025.

Following the acquisition of Tasomix ForFarmers has been active in five countries since mid-2018. In June 2019 the Supervisory Board made a visit to Poland and spoke to parties including the local management team of Tasomix. We obtained a good impression of both the company and the Polish market. Our report describes the working visit in more detail.

We also spoke to the Executive Board about expanding strategic partnerships, particularly in the areas of production and transport. This partly arose in relation to the decision by ForFarmers not to build a factory in Germany (Wesel) and to focus on creating greater flexibility in the cost structure. During the year under review good progress was made with the implementation of the previously announced group-wide efficiency plans, especially in the United Kingdom, the Netherlands and Belgium. The plans are on schedule and are starting to generate cost savings.

Safety in the workplace was a recurring topic on the meeting agenda. There was a positive trend in terms of reducing the number of Lost Time Incidents (LTIs). We are pleased about this and will continue to support the Executive Board in taking initiatives aimed at the further promotion of safety of people at our business sites, en route and at the farms.

## Composition of the Supervisory Board and the Executive Board

Under the guidance of an external adviser we reviewed our performance in 2019. One of the conclusions of the review was that there is a very positive and constructive culture within the Supervisory Board. Internal collaboration is professional and all members of the Supervisory Board are closely involved and deliver an important contribution based on their own specific expertise. With the nomination of Annemieke den Otter to the Supervisory Board a good replacement has been found for Cees van Rijn, who will

step down (in line with the corporate governance code) at the end of the Annual General Meeting of Shareholders (AGM) of 2020 after serving two terms. We are extremely grateful to Cees for his contribution as a Supervisory Board member over the past years. His knowledge of and experience in administrative organisation and internal processes have been very valuable, for example in preparing ForFarmers for the public listing. In addition, he has made an important contribution to the remuneration committee as its chairman and his financial expertise was of great importance to the audit committee.

In 2019 Arnout Traas indicated that he would not be available for reappointment as a member of the Executive Board at the AGM of 2020. Arnout's extensive experience and financial knowledge have been of great value to both the Executive Board and the Executive Committee. During his nine years as a member of the Executive Board he has played an important role in implementing the ForFarmers strategy. We are extremely grateful to him for this and wish him well for the future.

Roeland Tjebbes has been nominated for appointment as his successor by the AGM. It is our opinion that he has a very relevant background and will be a good fit with the team of the Executive Board and the Executive Committee of ForFarmers.

## **Word of thanks**

The past financial year was a difficult one, a year in which the shareholders of ForFarmers felt the impact of the unfavourable purchasing position and employees felt the impact of the efficiency plans. And furthermore a year in which the sector came under increasing pressure. I would like to express my thanks to all employees, customers, shareholders, partners, and other stakeholders who always keep looking ahead and continue to build towards the future of ForFarmers. The year 2020 will present new challenges but above all new opportunities for ForFarmers. I am fully confident that ForFarmers will continue to make every effort to provide the best possible service to all its stakeholders.

Cees de Jong  
Chairman of the Supervisory Board of ForFarmers N.V.

# Report of the Supervisory Board

During the year under review the Supervisory Board supervised the policy of the Executive Board and the implementation of the Horizon 2020 strategy. Furthermore the Supervisory Board is closely involved with the formulation of the strategy for the period from 2020 to 2025, thereby taking into consideration factors such as the increasing political pressure on the agricultural sector with regard to its carbon footprint. On several occasions the Supervisory Board and the Executive Board discussed the impact of environmental measures on the agricultural sector in general and in the Netherlands and Germany in particular. In this context the Supervisory Board believes that ForFarmers made a good step in Poland last year in acquiring a 60% stake in Tasomix. During the past year ForFarmers also launched more new initiatives in connection with its mission 'For the Future of Farming'. These initiatives are aimed at realising efficient, sustainable and profitable business operations at its existing and potential customers and contribute to long-term value creation for all the company's stakeholders.

In June 2019 the Supervisory Board visited Tasomix, a business that is mainly active in the rapidly growing poultry sector in Poland. During the visit the Supervisory Board spoke to the local management team and various employees about the activities and position of Tasomix in the Polish animal nutrition sector. The talks focused on matters including the competitive position of Tasomix in the various sectors and the level of chain integration in the Polish market. A visit was also paid to one of the Polish supply chain partners. The Supervisory Board was informed about the integration process and was pleased to note that knowledge exchange between ForFarmers and Tasomix is proceeding successfully. At some of its meetings during the past year the Supervisory Board also discussed the other acquisitions and the integration of these, as well as the further development of the organisation. The integration processes have now been completed.

The key topics discussed with the Executive Board and other members of the Executive Committee in the year under review are set out below. To prepare topics on the agenda, these were often discussed beforehand in a meeting of one of the committees or a meeting of the

Supervisory Board at which neither the Executive Board nor the Executive Committee was present.

## Strategy

During the year under review the Supervisory Board regularly discussed the implementation and execution of the Horizon 2020 strategy and the risks associated with it. The performance of ForFarmers in the various countries was a fixed item on the agenda of every regular meeting with the Executive Board. In both May and October the Supervisory Board held an all-day meeting with the Executive Board and the Executive Committee on various strategic topics. On these occasions they examined the Horizon 2020 strategy in great detail and looked ahead at the opportunities and risks in the various markets which need to be taken into consideration in formulating the strategy for the period 2020-2025. Both meetings were also attended by the external adviser who assisted the Executive Committee in formulating the strategy for long-term value creation. This strategy will be finalised and announced on 12 May 2020. Given the increasing pressure on the agricultural sector in Northwest Europe and the resulting restrictions on growth, topics discussed by the Supervisory Board with the Executive Board and the Executive Committee included the focus on acquisitions, further opportunities for integration in the chain, broadening of the product portfolio, the competitive position, and the sustainability approach of ForFarmers. Other topics looked at included cost control, employee talent development and the impact of digitalisation, alternative sources of protein, consumer behaviour and other factors that may affect the formulation of the strategy for the coming years. The Supervisory Board believes that sustainable feed solutions will continue to play an important part in reducing societal pressure on the agricultural sector.

## Strategic partnerships

The various strategic and production partnerships entered into by ForFarmers in recent years have resulted in high-quality nutritional products being brought onto the market as well as the pooling of purchasing power and knowledge. During the year under review ForFarmers



continued to invest in expanding strategic partnerships, in particular in the areas of production and transport. After the earlier announcement about the possible construction of a mill in Germany (Wesel), multiple parties appeared to be interested in creating partnerships rather than seeing additional capacity arise in the market. Subsequently, this resulted in the decision to cancel the construction plans and to focus on creating more flexibility in the cost structure via partnerships. This involved weighing savings on production costs against a potential increase in transport costs.

## Acquisitions

Developments surrounding acquisitions were a topic of discussion at every meeting of the Supervisory Board. During the year under review ForFarmers mainly focused on finalising the integration of Tasomix, Voeders Algoet and Van Gorp Biologische Voeders. The integration of Van Gorp Biologische Voeders in the Netherlands was completed, while Voeders Algoet and ForFarmers Belgium were merged to form a single organisation. The Supervisory Board and the Executive Board discussed the challenge of retaining all of the advisers and customers when integrating smaller companies. In Poland the integration of Tasomix was completed in terms of all the operational divisions, with the focus being on further upscaling of production at the Pionki factory and realising further growth. Furthermore the Supervisory Board and the Executive Board exchanged views on topics such as potential acquisitions. The Supervisory Board believes it is important that potential takeover candidates are a good fit with the organisational culture and strategy of ForFarmers. In addition there need to be enough qualified employees available to achieve a successful integration. The basic principle underlying the acquisition strategy is that ForFarmers aims for a regional number one or number two position in order to achieve economies of scale.

## Organisation

The Supervisory Board was kept regularly informed by the Executive Board about organisational developments, in particular as regards filling senior management and other relevant positions. Following the appointment of Adrie van der Ven as a member of the Executive Board the members of the Executive Board further divided their tasks among themselves, with a primary responsibility being assigned

to each. The division of tasks and responsibilities were set down in writing by the Executive Board and approved by the Supervisory Board. At its December meeting the Supervisory Board discussed matters including talent development within the organisation and internal advancement opportunities. It is important to the Supervisory Board that ForFarmers pays attention to diversity at every level and is able to attract and retain qualified employees. In connection with the succession plan the Supervisory Board regularly discusses the management potential available at senior management level. The Supervisory Board meets senior managers on various occasions, including during the senior management meetings, which are on occasion attended by a number of Supervisory board members. In addition several senior managers hold presentations at the meetings of the Supervisory Board or its committees. During the year under review the Supervisory Board was regularly informed about the execution of the group-wide efficiency plans announced in March 2019. Five factories were closed in 2019 in connection with the plans, the execution of which is on track.

## Executive Board and Executive Committee

In June 2019 Executive Board member Arnout Traas announced that he would not be available for reappointment for a new term. The Supervisory Board is pleased that Roeland Tjebbes is available to succeed Arnout Traas. Roeland Tjebbes has extensive knowledge of and experience in finance and risk management. His background at Nutreco and his experience with regard to managing the purchasing of raw materials in particular are very valuable. In the opinion of the Supervisory Board he will be an excellent fit with the team of the Executive Board and the Executive Committee. Roeland Tjebbes will join the Executive Committee of ForFarmers with effect from 1 March 2020 to ensure a smooth handover of tasks. His nomination by the Supervisory Board for appointment to the Executive Board will be proposed to the General Meeting of Shareholders (AGM) of 24 April 2020. Upon appointment by the AGM, Roeland Tjebbes will fulfil the role of CFO.

As from 1 March 2020 the Executive Committee team comprises Yoram Knoop, Arnout Traas, Adrie van der Ven, David Fousert, Arthur van Och, Steven Read, Stijn Steendijk, Pieter Wolleswinkel and Roeland Tjebbes.

Arnout Traas will step down as a member of the Executive Board and the Executive Committee at the end of the AGM on 24 April 2020.

In 2019 as in previous years the Supervisory Board conducted performance reviews with all members of the Executive Committee, with all reviews involving two Supervisory Board members speaking to one member of the Executive Committee. In all cases the performance of the Executive Board as a whole was also discussed. The conclusions of these sessions were discussed in the plenary meeting of the Supervisory Board and then communicated back to the CEO and to each Executive Committee member concerned. The Supervisory Board is of the opinion that the Executive Committee is functioning well under the leadership of CEO Yoram Knoop. The Supervisory Board has established that none of the members of the Executive Board sits on more than two supervisory boards and none chairs the supervisory board of another legal entity or company as referred to in article 2:132a of the Dutch Civil Code. The Supervisory Board is not aware of any potentially significant conflicts of interest between any member of the Executive Board and the Company.

## Safety and employees

At each of its meetings the Supervisory Board was informed by the Executive Board about developments regarding safety procedures and reducing the number of lost time incidents (LTIs). The number of LTIs fell in 2019 compared to the previous year thanks to safer working practices. The Supervisory Board is pleased with this development and will continue to support initiatives aimed at further improving safety within and outside the organisation.

In 2016 ForFarmers conducted an employee engagement survey. As a result of this survey actions were formulated and their progress assessed in 2017. The Executive Board formulated improvement measures in terms of the translation of the strategy to the workplace, workload, attracting and retaining talent, career opportunities, and giving and receiving feedback. These measures have now largely been implemented. The Executive Board has agreed with the Supervisory Board that a new employee engagement survey will be conducted in 2020.

The Supervisory Board will continue to encourage ForFarmers' efforts to improve the gender balance within the organisation.

## Works Council

The two-tier board structure was established in 2014 at the level of ForFarmers Corporate Services B.V. (the holding of the Dutch ForFarmers companies). The supervisory board of ForFarmers Corporate Services B.V. consists of three members, including the CEO and CFO of ForFarmers. The other member of the supervisory board of ForFarmers Corporate Services B.V. is Hajé Nordbeck, who was appointed at the recommendation of the Dutch Works Council. ForFarmers N.V. has a European Works Council, which met once during the year under review. This meeting was not attended by the members of the Supervisory Board because no request for consultation was made by the ForFarmers European Works Council, as specified in the regulations of the Supervisory Board. During the year under review the chairman of the Supervisory Board held an introductory meeting with the chairman of the Dutch Works Council.

## Management conferences

ForFarmers held conferences for senior management in May and November. The meetings focused on topics including the progress and implementation of the Horizon 2020 strategy. Looking ahead, they also called for input from senior management in determining the strategy for the period 2020-2025. Several members of the Supervisory Board attended the meeting in May.

## Financial reporting

The Executive Board expanded on the internal financial reporting during the meetings of the Supervisory Board, taking a closer look at the business performance and market developments, strategic and financial developments and risks, as well as the performance compared to the budget and the previous year, both for the Group as a whole and the individual units. The Supervisory Board approved the 2018 financial statements and reviewed the 2019 half-yearly report and the trading updates. The work schedule of the internal auditor was also approved. Other topics discussed included the dividend policy and the dividend proposal for 2018, corporate governance and the financial reporting process of ForFarmers. The Supervisory Board discussed the findings of the Management Letter from the external auditor with the Executive Board. In addition the Supervisory Board met with the auditor outside the

presence of the Executive Board. The findings of the external auditor are set out in the report of the Audit Committee. The Supervisory Board approved both the new financing/refinancing facility and the budget for 2020.

The Supervisory Board also discussed the effectiveness of the design and operation of the internal risk management and control systems, which were assessed by the Executive Board during the year under review. The findings, recommendations and measures arising from this assessment were discussed with the Supervisory Board. Extensive attention was paid to the purchasing policy relating to raw materials. Other topics discussed included shortening the hedging period for key raw materials (including the 'value at risk'), the determination of the risk profile, the assessment of the available information on price developments on both the local and the global markets for raw materials and the effectiveness of the central purchasing organisation. At each of its meetings the Supervisory Board was informed about the implementation of the changes to the purchasing processes. The Supervisory Board endorses and supports the internal risk management system as described in the Risk Management section. The Supervisory Board also supervised the activities of the internal auditor.

The Supervisory Board discussed the 2019 financial statements with the Executive Board and the external auditor KPMG Accountants N.V. (KPMG) and approved them at its meeting of 11 March 2020. KPMG issued an unqualified audit opinion and will expand on this at the AGM. The financial statements as well as the dividend proposal for 2019 will be submitted for adoption by the AGM on 24 April 2020.

## Governance and culture

Partly in view of the Dutch Corporate Governance Code 2016 (the Code), the Supervisory Board discussed ForFarmers' corporate governance with the Executive Board, with a special focus on a culture which is focused on long-term value creation. The core values that contribute to this culture, i.e. ambition, sustainability and partnership, are crucial to the positioning and success of ForFarmers. The Executive Board leads by example in implementing the core values and standards in the organisation. The Supervisory Board will continue to support further initiatives by the Executive Board to place a strong focus on safety when investing in mills.

ForFarmers subscribes to most of the best practice provisions of the Code. The chapter on Corporate Governance sets out which provisions ForFarmers deviates from and why.

## Sustainability

The Executive Board keeps the Supervisory Board updated on the discussions with the Sustainability Advisory Board. ForFarmers constantly develops initiatives aimed at improving the sustainability KPIs. We report on these in the chapter Our contribution to a sustainable livestock industry. During the year under review the Supervisory Board also held discussions with the Executive Board on the further formatting of the annual report so as to comply with the requirement to disclose non-financial information and to take further steps in terms of Integrated Reporting. The external auditor provided an assurance report on the sustainability KPIs.

## Compliance and integrity

The Supervisory Board views the [Code of Conduct](#) as a means of promoting integrity. The overview of incident reports and how these are followed up is discussed periodically with the Audit Committee and the Supervisory Board. New employees receive a copy of the Code of Conduct and follow an e-learning module. The Supervisory Board supports the initiatives of the Executive Board to encourage a culture of compliance and integrity.

## Meetings, attendance and key topics

The Supervisory Board met seven times in regular meetings in 2019, always in the presence of the Executive Board. The members of the Executive Committee were present at the meetings of the Supervisory Board insofar as the topics related to the strategy and/or the budget. Furthermore at the request of the Supervisory Board presentations were also given during its meetings by members of the Executive Committee and other employees about topics for which they hold specific responsibility. The Supervisory Board usually met ahead of the regular meetings in order to prepare the meetings. During the year under review five teleconferences were held. Three of these concerned the approval of the financial statements on the eve of their publication and the review of the trading updates of May and November 2019. The other teleconferences concerned

the decision to nominate Roeland Tjebbes as a member of the Executive Board and Annemieke den Otter as a member of the Supervisory Board, respectively.

In addition the Supervisory Board met twice outside the presence of (representatives of) the Executive Board. Items discussed on these occasions included the structure of the internal organisation, the working practices and remuneration (including the variable component) of the Executive Board and the other members of the Executive Committee, the functioning of both the Executive Committee as a team and of the individual members as well as any conclusions to be drawn from this, and the succession plan for members of the Executive and Supervisory Boards.

The Supervisory Board also discussed its own performance, the performance of its individual committees and that of the individual members, and any conclusions to be drawn from this. The Supervisory Board was assisted by an external expert during this process. Finally, the respective members met in the three committees of the Supervisory Board, with the committees reporting on their meetings and findings to the Supervisory Board.

The attendance of each Supervisory Board member at the seven regular meetings of the Supervisory Board as well as the regular meetings of the key committees is shown in the table below.

Meeting	Cees de Jong	Sandra Addink-Berendsen	Roger Gerritzen	Vincent Hulshof	Cees van Rijn	Erwin Wunnekink
SB	7/7	7/7	6/7	7/7	7/7	6/7
AC		5/5	5/5		5/5	
RC	4/4	4/4			4/4	
S&AC	3/3			3/3		3/3

*Explanation of abbreviations: AC = Audit Committee, RC = Remuneration Committee, S&AC= Selection and Appointment Committee*

Where a member of the Supervisory Board was unable to attend a meeting the agenda items were discussed beforehand by the member concerned and the Chairman of the Supervisory Board.

Other subjects that were discussed in the Supervisory Board meetings included the preparation and evaluation of the AGM held by ForFarmers on 26 April 2019 and the employee participation plans for 2019. Outside of the meetings the Chairman maintained regular contact with the other members of the Supervisory Board and the Executive Board on various topics. The Chairman also maintained contact with the chairman of the executive board of Coöperatie FromFarmers U.A. (the 'Cooperative') and attended one meeting of the Cooperative's membership council. The Cooperative holds the priority share in ForFarmers.

## Self-assessment and composition

Once every three years the Supervisory Board reviews its performance with an external advisor. Given that the last assessment under the guidance of an external advisor had taken place in the fourth quarter of 2016, in 2019 the Supervisory Board once again conducted the assessment

with an external advisor, discussing the performance of the Supervisory Board as a whole, of the individual members and of the individual committees. Items discussed included content-related aspects, interaction between Supervisory Board members and with the Executive Board, lessons to be learned from matters that arose in practice, and the desired profile, composition, skills and expertise of the Supervisory Board. The assessments of individual Supervisory Board members were conducted in one-on-one sessions. The Supervisory Board concluded that it performs well, both as a whole and as regards its individual members. Furthermore the Supervisory Board assessed its meetings in the past year and discussed the development and strategy of the company and the role of the Supervisory Board in this. The conclusions of the self-assessment have been used to further improve the way the Supervisory Board works. One of these improvements concerns evaluation and feedback on a more regular basis. The Supervisory Board has reserved extra space for this on the agenda for 2020.

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 Supervisory Board remained unchanged during the year under review. The diversity policy and its execution during the year under review is set out in further detail in the 2019 [Corporate Governance statement](#).

With the nomination of Annemieke den Otter for appointment to the Supervisory Board to fill the vacancy that will arise as a result of the resignation of Cees van Rijn at the end of the AGM of 2020 the Supervisory Board will continue to consist of six members. Annemieke den Otter has broad experience in the field of (corporate) finance and IT, as well as contributing relevant knowledge of and affinity with HR. With her appointment the Supervisory Board will meet its gender diversity target.

## Education

In connection with the continuous professional development of the entire Supervisory Board various members of the Board follow relevant courses with various organisations. The Supervisory Board together with the Executive Board attended a general presentation on business strategy, examining aspects such as the characteristics of a good strategy and the insights and experiences of other companies. Furthermore all the members of the Audit Committee attended the seminar organised by the Netherlands Authority for the Financial Markets (AFM) on 3 July 2019 with workshops on digitalisation, sustainability and audit and reporting supervision.

## In conclusion

The past year was not an easy one for ForFarmers. This was because of events including the unfavourable purchasing position in the first half of the year, the political and social pressure on the sector (which was manifested most clearly in the problems surrounding nitrogen in the Netherlands) and the closure of five factories in line with the efficiency plans. Despite this ForFarmers – under the leadership of the Executive Committee and other managers and thanks to the efforts, knowledge and dedication of all the employees – continued to take initiatives aimed at realising efficient, sustainable and profitable business operations for customers and which contribute to long-term value creation for all our stakeholders. We would like to thank

the Executive Committee, the employees and the works councils for the efforts they have made during the past year. We also thank our other stakeholders – including our customers and shareholders – for the trust placed in us.

Lochem, 11 March 2020

The Supervisory Board

# Remuneration Report

This remuneration report by the Supervisory Board contains an overview of the implementation of the [remuneration policy](#) during the 2019 financial year. The remuneration policy was adopted by the Annual General Meeting of Shareholders (AGM) of 26 April 2017.

## Remuneration in 2019

Once every three years the Supervisory Board has the remuneration package of the Executive Board checked by an external adviser to ascertain that the package complies with the underlying principles of the remuneration policy. In the intervening years the fixed remuneration is indexed based on the (forecast) inflation for the coming year. In 2017 an external adviser compared the remuneration package of the Executive Board against that of a number of companies of a comparable scale, complexity and results: the 'peer group'. The peer group is made up of companies that were ranked 15 to 25 in the AMX index (mid-cap index) and 1 to 10 in the AScX index (small-cap index) of Euronext Amsterdam in the last quarter of 2016. The results of the comparison were used to determine the direction of a potential or actual adjustment of the fixed remuneration. Any adjustment is at the sole discretion of the Supervisory Board. The comparison of the remuneration with that of the peer group is based on the total direct remuneration (fixed salary, short and long-term variable remuneration) of the members of the Executive Board.

In preparing the remuneration policy and determining the remuneration of individual members of the Executive Board, the Supervisory Board analysed the aspects as referred to in best practice provision 3.1.2 of the Dutch Corporate Governance Code (the 'Code') based on a proposal by the Remuneration Committee. In formulating the proposal for the remuneration of the members of the Executive Board, the Remuneration Committee took note of the views of the individual Executive Board members regarding the level and structure of their remuneration.

## Annual salary of members of the Executive Board

The fixed salary of Adrie van der Ven (COO) was announced during the year under review prior to his nomination for

appointment to the Executive Board. The fixed salaries of Yoram Knoop (CEO) and Arnout Traas (CFO) were indexed as at 1 January 2019. The Supervisory Board based the indexation on an estimate of the predicted inflation trend and the range of the salary relative to the results of the comparison with the peer group. The percentages used and the salaries for the respective Executive Board members were as follows in 2019:

In euro	Per year	Increased <sup>(1)</sup>
Yoram Knoop	548,375	2.5%
Arnout Traas	383,918	2.5%
Adrie van der Ven <sup>(2)</sup>	357,259	N/a

(1) Increased as per 1 January 2019 versus 2018.  
(2) As at the date of the AGM; 26 April 2019.

## Variable remuneration of members of the Executive Board

The short-term targets for 2019 and the long-term targets for 2017-2019 agreed in advance by the Supervisory Board and the Executive Board contribute to the implementation of the strategic agenda, the long-term interests and the sustainability of ForFarmers, with a responsible balance struck between the short-term and long-term focus. The Supervisory Board determined the amount of the actual short-term (2019) and long-term (2017-2019) variable remuneration based on the advice of the Remuneration Committee and using the following method.

### Score for financial targets

Performance	Variable remuneration
< 90% of the target	No variable remuneration for that target
90% - 110% of the target	Proportional variable remuneration for that target
≥ 110% of the target	Maximum variable remuneration for that target

A range of 80-120% (rather than 90-110%) applies to the long-term target for the return on average capital employed (ROACE). The minimum, targeted and maximum achievement levels were determined prior to setting the qualitative targets. The variable remuneration was awarded on a pro-rata basis for performance scores

between the minimum and maximum achievement levels. Where the minimum performance level was not achieved, no variable remuneration was paid.

### Short-term variable remuneration of members of the Executive Board

The targets which determined the 2019 short-term variable remuneration for the CEO and CFO were 60% financial and 40% qualitative; for the COO the percentages were 70% and 30%, respectively.

At the beginning of 2020 the Supervisory Board assessed the achievement of the predetermined targets for each individual member of the Executive Board in order to establish the short-term variable remuneration for 2019.

The table and explanatory notes below show the various performance criteria as well as the results for each Executive Board member, including both the target percentage and the percentage of the fixed salary actually achieved.

#### Information on 2019 short-term performance<sup>(1)</sup>

Performance criteria	Yoram Knoop (CEO) Target 60% Max 72%		Arnout Traas (CFO) Target 40% Max 48%		Adrie van der Ven (current COO) <sup>(3)</sup> Target 40% Max 48%		Jan Potijk (former COO) <sup>(3)</sup> Target 40% Max 48%	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Underlying net profit <sup>(2)</sup>	36%	0%	24%	0%	12%	0.0%	12%	0.0%
Underlying operating profit cluster					16%	0.0%	16%	0.0%
Implementation of safety policy	6%	7.2%						
Operational effectiveness	6%	3.0%			8%	5.2%		
Implementation of strategy	6%	4.8%						
M&A policy / partnerships	6%	3.0%	4%	2.0%			10%	5.8%
Credit control			4%	4.8%	2%	2.4%		
Team development			4%	2.0%	2%	2.4%	2%	2.9%
Specific finance projects			4%	4.0%				
<b>Total short-term '19</b>	<b>60%</b>	<b>18.0%</b>	<b>40%</b>	<b>12.8%</b>	<b>40%</b>	<b>10.0%</b>	<b>40%</b>	<b>8.6%</b>

<sup>(1)</sup> Percentages in relation to the applicable fixed salary.

<sup>(2)</sup> Please refer to Note 17 of the financial statements concerning Alternative Performance Measures (APMs).

<sup>(3)</sup> The percentages concern for the current COO the period as from 26 April 2019 and for the former COO up to and including 26 April 2019.

### Long-term variable remuneration of members of the Executive Board

The (shared) targets which determined the long-term variable remuneration for the Executive Board were 60% financial and 40% qualitative. The long-term variable remuneration was determined over a three-year period, namely 2017-2019.

The achievement of the targets set at the beginning of 2017 for the long-term variable remuneration for 2017-2019 was also assessed by the Supervisory Board at the beginning of 2020. The table and explanatory notes below show the various performance criteria as well as the results for each Executive Board member, including both the target percentage and the percentage of the fixed annual salary actually achieved.

## Information on 2017-2019 long-term performance<sup>(1)</sup>

Performance criteria	Yoram Knoop (CEO)		Arnout Traas (CFO)		Adrie van der Ven (current COO) <sup>(5)</sup>		Jan Potijk (former COO) <sup>(5)</sup>	
	Target 60% Max 72%		Target 40% Max 48%		Target 40% Max 48%		Target 40% Max 48%	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Development of profit after tax <sup>(2)</sup>	12%	0.5%	8%	0.3%	8%	0.3%	8%	0.3%
Development of total shareholder return (TSR) <sup>(3)</sup>	12%	0.0%	8%	0.0%	8%	0.0%	8%	0.0%
Return on average capital employed (ROACE) <sup>(4)</sup>	12%	14.9%	8%	9.9%	8%	9.9%	8%	9.9%
Implementation of sustainability policy	6%	6.5%	4%	4.3%	4%	4.3%	4%	4.3%
Implementation of strategy	12%	9.5%	8%	6.3%	8%	6.3%	8%	6.3%
Employee satisfaction	6%	6.5%	4%	4.3%	4%	4.3%	4%	4.3%
<b>Total long-term '19</b>	<b>60%</b>	<b>37.9%</b>	<b>40%</b>	<b>25.1%</b>	<b>40%</b>	<b>25.1%</b>	<b>40%</b>	<b>25.1%</b>

(1) Percentages in relation to the applicable fixed salary.

(2) Please refer to Note 17 of the financial statements concerning Alternative Performance Measures (APMs).

(3) For the current COO as from 26 April 2019 and for the former COO up to and including 26 April 2019.

(4) Return on Average Capital Employed (ROACE)

(5) The percentages concern for the current COO the period as from 26 April 2019 and for the former COO up to and including 26 April 2019.

The financial targets for the long-term variable remuneration for 2018-2020 and 2019-2021 are the same as for 2017-2019. The qualitative targets for 2018-2020 and for 2019-2021 relate to the yet-to-be-finalised strategy for the period up to 2025, M&A and sustainability.

For the targets for Total Shareholder Return (TSR) the Supervisory Board established in advance which companies are part of the peer group. This was based on the ten companies ranked 15 to 25 in the AMX index (mid-cap index) as at 1 October of the year preceding the period for the long-term target and the ten companies ranked 1 to 10 in the AScX index (small-cap index) of Euronext Amsterdam as at that date. The variable remuneration percentage awarded based on TSR is determined by the position held 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

In the period 2017-2019 ForFarmers was in position 15 according to this scale.

## Participation in employee participation plan

A number of current and former members of the Executive Board used (part of) their short-term variable remuneration to participate in the employee participation plan for senior management. Yoram Knoop participated with 17,361 depositary receipts. Arnout Traas and Adrie van der Ven did not participate. Furthermore Jan Potijk participated with 33,311 depositary receipts. Depositary receipts obtained under this scheme in 2019 are subject to a five-year lock-up period. A discount of 20% was given on the 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 Shareholders of 26 April 2017.

As at 31 December 2019 the members of the Executive Board held the following shares or depositary receipts:



## Depository receipts/ Shares held by the Executive Board

	Depository receipts in lock-up for 5 years with release in 2022	Depository receipts in lock-up for 5 years with release in 2023	Depository receipts in lock-up for 5 years with release in 2024	Depository receipts/Shares (not in lock-up)	Total
Yoram Knoop	61,034	20,541	17,361	222,967	321,903
Arnout Traas	9,094	-	-	100,235	109,329
Adrie van der Ven	22,171	-	-	-	22,171
Jan Potijk <sup>(1)</sup>	26,048	19,965	33,311	-	

*(1) Depository receipts subject to lock-up due to participation in employee participation plans during period of employment at ForFarmers up to and including 26 April 2019. The Company does not report on the number of depository receipts/shares not subject to lock-up or the total.*

The remuneration policy includes a target relating to the ownership of ForFarmers shares by members of the Executive Board. The members aim to hold shares and depository receipts of shares in ForFarmers for an amount equal to at least two times their gross annual fixed salary. At present this target is met by Yoram Knoop but not by Arnout Traas (due to share price development) and Adrie van der Ven (appointed as a member of the Executive Board from 26 April 2019). Insofar as members of the Executive Board have not used an amount equal to at least two times their fixed gross annual salary to purchase (depository receipts of) shares in ForFarmers, they shall aim to achieve this within a period of four years by taking part in the employee participation plan.

In accordance with the remuneration policy ForFarmers paid no remuneration in the form of options, shares or depository receipts to members of the Executive Board and/or the Executive Committee. The remuneration of the members of the Executive Board is not affected by a change of control in the Company. No loans were granted to members of the Executive Board.

## Total remuneration of members of the Executive Board

The following table provides an overview of the total remuneration of members of the Executive Board, including the short-term variable remuneration for 2019 and the long-term variable remuneration for 2017-2019.

### Executive Board remuneration in 2019

In euro	Fixed remuneration		Variable remuneration				Total remuneration	Fixed/variable ratio
	Salary	Other benefits <sup>(1)</sup>	Short term (1 year) <sup>(3)</sup>	Long term (3 years) <sup>(3)</sup>	Special payments <sup>(2)</sup>	Pension contributions		
<b>Yoram Knoop (CEO)</b>								
2019	548,375	45,965	98,708	170,497	6,250	109,675	979,470	72%-28%
2018	535,000	58,299	248,454	306,705	12,038	107,000	1,267,496	55%-45%
<b>Arnout Traas (CFO)</b>								
2019	383,918	69,193	49,203	92,713	-	15,018	610,045	77%-23%
2018	374,554	76,792	112,923	161,785	-	13,483	739,537	63%-37%
<b>Adrie van der Ven (COO) as from 26 April 2019<sup>(4)</sup></b>								
2019	234,521	49,911	23,415	18,259	-	10,012	336,118	88%-12%
<b>Jan Potijk up to and including 26 April 2019<sup>(4)</sup></b>								
2019	130,219	31,204	11,251	96,534	11,990	4,892	286,090	58%-42%
2018	389,992	89,493	99,401	171,435	11,700	13,483	775,504	64%-36%

*(1) Concerns employer contributions social securities, use of company cars expenses and pension compensation own arrangement.*

*(2) Concerns 20% discount due to participation in employee participation plan.*

*(3) The 2019 short- and 2017-2019 long-term variable remuneration will be payable after the adoption of the Annual Accounts 2019.*

*(4) The amounts relate to period for the current COO the period as from 26 April 2019 and for the former COO up to and including 26 April 2019.*

The total remuneration amount is consistent with the remuneration policy and contributes to the (long-term) interests of customers, employees, shareholders and other stakeholders of ForFarmers. The implementation of the remuneration policy reflected the objective to create long-term value by making a significant contribution to more efficient and sustainable production of meat, eggs and dairy produce ('For the Future of Farming'), partly in view of the social importance in this context.

During the year under review the Supervisory Board saw no reason to use its special powers to adjust or claw back any variable or long-term remuneration awarded. No severance payments or other special payments were made to any current or former members of the Executive Board during the year under review.

### Guaranteed variable remuneration

No guaranteed variable remuneration was paid to the Executive Board in the 2019 financial year.

### Compensation for contracts relating to previous jobs

No remuneration was paid to any member of the Executive Board in the 2019 financial year in connection with compensation for contracts relating to previous jobs.

### Pay ratios

In assessing the amount and structure of the remuneration of the Executive Board the Supervisory Board also considered the pay ratios and other conditions of employment within the Company. The pay ratios at ForFarmers are based on total direct remuneration, i.e. the fixed salary and short-term and long-term variable remuneration of all ForFarmers employees. Given the countries where ForFarmers currently operates and other factors this provides a relatively uniform and representative peer group. This basis will be reassessed each year. The development of the pay ratios is shown in the table regarding the performance and remuneration over five financial years.

### Performance and remuneration over five financial years

The following tables show the annual change in remuneration over at least five financial years, the development of the results of ForFarmers and the average remuneration of ForFarmers employees.

#### Total Executive Board remuneration

In thousands of euro	2015	2016	2017	2018	2019
CEO	1,032	1,290	1,383	1,267	979
CFO	669	753	808	740	610
COO (current) as from 26 April 2019					336
COO (former) up to and including 26 April 2019	724	806	836	776	286

#### Annual change total Executive Board remuneration

In percentage	2015	2016	2017	2018	2019
CEO <sup>(1)</sup>		25.0%	7.2%	-8.4%	-23.0%
CFO		12.6%	7.3%	-8.5%	-18.0%
COO (current) as from 26 April 2019 <sup>(2)</sup>					
COO (former) up to and including 26 April 2019 <sup>(2)</sup>		11.3%	3.7%	-7.2%	

<sup>(1)</sup> In 2016 the first payment of the long-term variable remuneration was made to the current CEO.

<sup>(2)</sup> Not applicable for 2019.

## Annual change fixed basis Executive Board remuneration

In percentage	2015	2016	2017	2018	2019
CEO <sup>(1)</sup>		1.0%	0.4%	18.8%	2.5%
CFO		4.0%	3.5%	2.0%	2.5%
COO (current) as from 26 April 2019 <sup>(2)</sup>					
COO (former) up to and including 26 April 2019		19.0%	1.7%	2.0%	2.5%

(1) The fixed short-term bonus amounting €100,000 a year, which was received by the CEO in the period 2014-2017, was ceased as of 1 January 2018 and partly included in the fixed remuneration as of 2018.

(2) Not applicable for 2019.

## Performance ForFarmers

In thousands of euro (unless indicated otherwise)	2015	2016	2017	2018	2019
Underlying EBITDA <sup>(1)</sup>	90,391	93,607	101,446	100,052	88,520
Change in % year-on-year		3.6%	8.4%	-1.4%	-11.5%
Underlying profit <sup>(1)</sup>	49,329	51,431	60,136	57,629	36,432
Change in % year-on-year		4.3%	16.9%	-4.2%	-36.8%
Average ForFarmers employees remuneration <sup>(2)</sup>	53,070	51,746	52,161	50,310	50,084
Change in % year-on-year		-2.5%	0.8%	-3.5%	-0.4%
Remuneration CEO/ average remuneration ratio	17.2	21.8	22.9	22.0	16.5

(1) Please refer to Note 17 of the financial statements concerning Alternative Performance Measures (APMs).

(2) Concerns the average total direct remuneration of all ForFarmers employees (excluding Executive CEO). The amount has been determined on the basis of the average number of FTEs in the applicable year. For the ratio the amount is offset against the fixed salary and variable remuneration of the CEO (as included in the table presenting total remuneration of the members of the Executive Board).

## Recharging of remuneration costs to subsidiaries/other companies

During the financial year part of the remuneration costs for each member of the Executive Board were recharged to subsidiaries or other companies (of which ForFarmers consolidates the financial data) in accordance with the overhead cost model.

## Remuneration of members of the Supervisory Board

In line with what was adopted by the AGM of 26 April 2017 the annual remuneration of the members of the Supervisory Board equalled €60,000 for the chairman, €46,000 for the vice-chairman and €43,000 for the other

members of the Supervisory Board, with additional payments of €10,000 for the chairman of the Audit Committee, €7,500 for the chairmen of the other committees, €7,000 for the Supervisory Board member who is a member (not the chairman) of the Audit Committee and €6,000 for the Supervisory Board member who is a member (not the chairman) of either of the other committees established by the Supervisory Board. The amounts stated are gross amounts. Each member of the Supervisory Board receives a fixed annual expense allowance of €500. In 2019 the following remuneration payments were made to members of the Supervisory Board:

### Supervisory Board remuneration in 2019

	Supervisory Board	Commissions	Other compensation <sup>(1)</sup>	Total
Cees de Jong	60,000	12,000	5,365	77,365
Sandra Addink-Berendsen	46,000	16,000	1,407	63,407
Roger Gerritzen	43,000	7,000	619	50,619
Vincent Hulshof	43,000	6,000	1,021	50,021
Cees van Rijn	43,000	14,500	5,176	62,676
Erwin Wunnekink	43,000	7,500	1,317	51,817

(1) Relates to reimbursement for travel and fixed expenses

## Total Supervisory Board remuneration over 5 years

In thousands of euro	2015	2016	2017	2018	2019
Chairman	62	63	65	63	77
Vice-Chairman <sup>(2)</sup>	41	42	57	60	63
Other members <sup>(3)</sup>	41	41	54	54	54

*(1) Concerns the remuneration of the current Chairman as of 26 April 2018 and for the former Chairman up to and including that date.*

*(2) Concerns the remuneration of the current Vice-Chairman as of 26 April 2017 and for the former Vice-Chairman up to and including that date.*

*(3) Concerns the average remuneration of the other Supervisory Board members.*

During the year under review the Supervisory Board made no additional remuneration payments to members of the Supervisory Board in connection with the performance of extra tasks.

As at 31 December 2019 the members of the Supervisory Board held the following shares or depositary receipts in ForFarmers N.V. and/or a balance in the participation account<sup>1</sup> of Coöperatie FromFarmers U.A. ('the Cooperative'):

	Depository receipts/Shares	Participation accounts <sup>(1)</sup>	Total
Cees de Jong	-	-	-
Sandra Addink-Berendsen	9,640	12,294	21,934
Roger Gerritzen	-	-	-
Vincent Hulshof	-	8,640	8,640
Cees van Rijn	-	-	-
Erwin Wunnekink	-	-	-

*(1) The balance on the participation account can solely be held by members of FromFarmers and can be converted into depositary receipts or shares of ForFarmers N.V.*

The members of the Supervisory Board with depositary receipts/shares and/or participation accounts are also members of FromFarmers and have obtained their depositary receipts/shares and/or participation accounts by participating in the Equity on Name programme offered by FromFarmers in the period 2007-2017.

ForFarmers allocated no options, depositary receipts or shares to members of the Supervisory Board. The remuneration of the members of the Supervisory Board is not dependent on the results of ForFarmers or affected by a change of control in the Company. No loans were provided to members of the Supervisory Board.

## Advisory vote of the General Meeting of Shareholders

Pursuant to article 2:135 b paragraph 2 of the Dutch Civil Code the remuneration report will be submitted to the AGM of 24 April 2020 for an advisory vote. The remuneration report for the 2020 financial year will outline how this vote was taken into account.

Lochem, 11 March 2020

The Supervisory Board

*(1). See note 38 of the financial statements 2019*



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# CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated statement of financial position

In thousands of euro (before profit appropriation)	Note	31 December 2019	31 December 2018
<b>Assets</b>			
Property, plant and equipment	18	267,374	261,555
Right-of-use asset	19	23,984	-
Intangible assets and goodwill	20	139,771	168,023
Investment property	21	1,070	643
Trade and other receivables	23	10,462	13,690
Equity-accounted investees	22	27,206	25,392
Deferred tax assets	16	2,532	2,099
<b>Non-current assets</b>		<b>472,399</b>	<b>471,402</b>
Inventories	24	90,016	93,555
Biological assets	25	5,931	4,314
Trade and other receivables	23	228,780	250,618
Current tax assets	16	3,860	2,072
Cash and cash equivalents	26	62,761	51,756
Assets held for sale	27	1,737	-
<b>Current assets</b>		<b>393,085</b>	<b>402,315</b>
<b>Total assets</b>		<b>865,484</b>	<b>873,717</b>
<b>Equity</b>			
Share capital		1,063	1,063
Share premium		143,554	143,554
Treasury share reserve		-86	-61
Translation reserve		-1,531	-6,653
Hedging reserve		-479	-896
Other reserves and retained earnings		252,995	239,990
Unappropriated result		17,705	58,590
<b>Equity attributable to shareholders of the Company</b>	28	<b>413,221</b>	<b>435,587</b>
<b>Non-controlling interests</b>	35	<b>5,132</b>	<b>5,166</b>
<b>Total equity</b>		<b>418,353</b>	<b>440,753</b>
<b>Liabilities</b>			
Loans and borrowings	30	22,367	52,354
Lease liabilities		19,368	186
Employee benefits	15	29,852	33,496
Provisions	31	3,015	2,024
Trade and other payables	32	26,664	41,258
Deferred tax liabilities	16	13,873	13,174
<b>Non-current liabilities</b>		<b>115,139</b>	<b>142,492</b>
Bank overdrafts	26	47,402	13,307
Loans and borrowings	30	-	2,563
Lease liabilities		4,734	400
Provisions	31	2,275	1,372
Trade and other payables	32	276,556	267,695
Current tax liabilities	16	1,025	5,135
<b>Current liabilities</b>		<b>331,992</b>	<b>290,472</b>
<b>Total liabilities</b>		<b>447,131</b>	<b>432,964</b>
<b>Total equity and liabilities</b>		<b>865,484</b>	<b>873,717</b>

The notes 1 to 42 are an integral part of these consolidated financial statements.



# Consolidated statement of profit or loss

In thousands of euro	Note	2019	2018
Revenue	8	2,463,061	2,404,663
Cost of raw materials and consumables	9	-2,022,397	-1,961,255
<b>Gross profit</b>		<b>440,664</b>	<b>443,408</b>
Other operating income	10	1,623	5,408
<b>Operating income</b>		<b>442,287</b>	<b>448,816</b>
Employee benefit expenses	15	-166,601	-158,573
Depreciation, amortisation and impairment	18, 19, 20	-71,001	-27,988
Net (reversal of) impairment loss on trade receivables	33	1,264	1,050
Other operating expenses	11	-191,770	-187,373
<b>Operating expenses</b>	11	<b>-428,108</b>	<b>-372,884</b>
<b>Operating profit</b>		<b>14,179</b>	<b>75,932</b>
Net finance result	6, 12, 17	10,663	-4,385
Share of profit of equity-accounted investees, net of tax	22	2,773	2,907
<b>Profit before tax</b>		<b>27,615</b>	<b>74,454</b>
Income tax expense	16	-9,620	-15,224
<b>Profit for the year</b>		<b>17,995</b>	<b>59,230</b>
<b>Profit attributable to:</b>			
<b>Shareholders of the Company</b>		<b>17,705</b>	<b>58,590</b>
Non-controlling interests	35	290	640
<b>Profit for the year</b>		<b>17,995</b>	<b>59,230</b>
<b>Earnings per share in euro<sup>(1)</sup></b>			
Basic earnings per share	13	0.18	0.58
Diluted earnings per share	13	0.18	0.58

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

The notes 1 to 42 are an integral part of these consolidated financial statements.

# Consolidated statement of comprehensive income

In thousands of euro	Note	2019	2018
<b>Profit for the year</b>		<b>17,995</b>	<b>59,230</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	-342	12,000
Equity-accounted investees - share of other comprehensive income	16 , 22 , 28	-26	-13
Related tax		334	-2,134
		<b>-34</b>	<b>9,853</b>
<b>Items that are or may be reclassified to profit or loss</b>			
Foreign operations - foreign currency translation differences	16	5,906	-1,128
Cash flow hedges - effective portion of changes in fair value	16	531	-417
Cash flow hedges - reclassified to statement of profit or loss / statement of financial position	16	-	-754
Related tax		-898	442
		<b>5,539</b>	<b>-1,857</b>
<b>Other comprehensive income, net of tax</b>		<b>5,505</b>	<b>7,996</b>
<b>Total comprehensive income</b>		<b>23,500</b>	<b>67,226</b>
<b>Total comprehensive income attributable to:</b>			
<b>Shareholders of the Company</b>		<b>23,210</b>	<b>66,586</b>
Non-controlling interests	35	290	640
<b>Total comprehensive income</b>		<b>23,500</b>	<b>67,226</b>

The notes 1 to 42 are an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity

2019

In thousands of euro	Note	Attributable to shareholders of the Company							Total	Non-controlling interest	Total equity
		Share Capital	Share premium	Treasury share reserve	Translation reserve	Hedging reserve	Other reserves and retained earnings	Unappropriated result			
<b>Balance as at 1 January 2019</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>
Addition from unappropriated result		-	-	-	-	-	58,590	-58,590	-	-	-
<b>Total comprehensive income</b>											
Profit		-	-	-	-	-	-	17,705	17,705	290	17,995
Other comprehensive income	16, 28	-	-	-	5,122	417	-34	-	5,505	-	5,505
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>5,122</b>	<b>417</b>	<b>-34</b>	<b>17,705</b>	<b>23,210</b>	<b>290</b>	<b>23,500</b>
<b>Transactions with shareholders of the Company, recognised directly in equity</b>											
Contributions and distributions											
Dividends	28	-	-	-	-	-	-30,051	-	-30,051	-401	-30,452
Purchase of own shares	28	-	-	-25	-	-	-15,481	-	-15,506	-	-15,506
Equity-settled share-based payments		-	-	-	-	-	-19	-	-19	-	-19
Tax movements directly in equity		-	-	-	-	-	-	-	-	77	77
<b>Total transactions with shareholders of the Company</b>		<b>-</b>	<b>-</b>	<b>-25</b>	<b>-</b>	<b>-</b>	<b>-45,551</b>	<b>-</b>	<b>-45,576</b>	<b>-324</b>	<b>-45,900</b>
Balance as at 31 December 2019		1,063	143,554	-86	-1,531	-479	252,995	17,705	413,221	5,132	418,353

2018

In thousands of euro	Note	Attributable to shareholders of the Company							Total	Non-controlling interest	Total equity
		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>-</b>	<b>207,878</b>	<b>58,554</b>	<b>405,302</b>	<b>4,629</b>	<b>409,931</b>
IFRS 9 adjustment		-	-	-	-	-	-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>-</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, 28	-	-	-	-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	28	-	-	-	-	-	-30,053	-	-30,053	-400	-30,453
Purchase of own shares	28	-	-	-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>
Balance as at 31 December 2018		1,063	143,554	-61	-6,653	-896	239,990	58,590	435,587	5,166	440,753

The notes 1 to 42 are an integral part of these consolidated financial statements.

# Consolidated statement of cash flows

In thousands of euro	Note	2019	2018
<b>Cash flows from operating activities</b>			
Profit for the year		17,995	59,230
Adjustments for:			
Depreciation	18, 19	31,601	21,638
Amortisation	20	8,661	6,917
Net (reversal of) impairment loss	18	30,739	-567
Change in fair value of biological assets (unrealised)	25	-33	-13
Net (reversal of) impairment loss on trade receivables	33	-1,264	-1,050
Net finance result	12	-10,663	4,385
Share of profit of equity-accounted investees, net of tax	22	-2,773	-2,907
Gain on sale of property, plant and equipment / investment property	10	-1,251	-520
Gain on sale of participating interests	10	-	-411
Gain on sale of assets held for sale	7	-	-4,509
Equity-settled share-based payment expenses	15	413	316
Expenses related to post-employment defined benefit plans	15	1,027	1,649
Expenses related to long term incentive plans	15	995	1,217
Income tax expense		9,620	15,224
		<b>85,067</b>	<b>100,599</b>
Changes in:			
Inventories & biological assets		1,922	-14,328
Trade and other receivables		25,287	-625
Trade and other payables		7,811	22,781
Provisions and employee benefits		-4,997	-4,503
<b>Cash generated from operating activities</b>		<b>115,090</b>	<b>103,924</b>
Interest paid		-2,011	-1,334
Income taxes paid		-16,933	-20,495
<b>Net cash from operating activities</b>		<b>96,146</b>	<b>82,095</b>
<b>Cash flows from investing activities</b>			
Interest received		1,035	1,426
Dividends received from equity-accounted investees	22	1,593	2,124
Proceeds from sale of property, plant and equipment / investment property		2,024	2,238
Proceeds from sale of participating interests, net of cash disposed		-	411
Proceeds from sale of assets held for sale	7	-	5,650
Acquisition of subsidiaries, net of cash acquired	6	-2,717	-81,046
Acquisition of property, plant and equipment	18	-35,200	-43,226
Acquisition of intangible assets	20	-1,688	-820
Payments of settlement of derivatives		-	-754
<b>Net cash used in investing activities</b>		<b>-34,953</b>	<b>-113,997</b>
<b>Cash flows from financing activities</b>			
Purchase of own shares	30	-15,506	-5,879
Proceeds from sale of treasury shares relating to employee participation plan	30	1,339	1,503
Repurchase of treasury shares relating to employee participation plan	30	-1,805	-2,192
Lease payments		-6,260	-1,115
Proceeds from borrowings	30	45,000	1,608
Repayment of borrowings	30	-77,128	-5,928
Transaction costs related to borrowings		-1,135	-
Payments of settlement of derivatives	30	-115	-81
Dividend paid	28, 30	-29,408	-29,477
<b>Net cash used in financing activities</b>		<b>-85,018</b>	<b>-41,561</b>
<b>Net increase/decrease in cash and cash equivalents</b>		<b>-23,825</b>	<b>-73,463</b>
Cash and cash equivalents at 1 January <sup>(1)</sup>		38,449	111,607
Effect of movements in exchange rates on cash held		735	305
<b>Cash and cash equivalents as at 31 December<sup>(1)</sup></b>	26	<b>15,359</b>	<b>38,449</b>

(1) Net of bank overdrafts

The notes 1 to 42 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 financial statements for the financial year ended 31 December 2019 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 2019, the capital interest and voting rights in the Company is distributed as follows:

	31 December 2019		31 December 2018	
	Capital interest	Voting rights	Capital interest	Voting rights
<b>Held by ForFarmers</b>	<b>8.07%</b>		<b>5.73%</b>	
Shares Coöperatie FromFarmers U.A. (Direct)	17.41%	18.94%	17.41%	18.47%
Participation accounts of members (Indirect)	26.63%	28.97%	28.35%	30.08%
<b>Coöperatie FromFarmers U.A.</b>	<b>44.04%</b>	<b>47.91%</b>	<b>45.76%</b>	<b>48.54%</b>
Depository receipts of members	5.31%	5.78%	4.78%	5.07%
Depository receipts in lock-up	0.72%	0.79%	0.92%	0.98%
Depository receipts other holders <sup>(1)</sup>	1.47%	1.60%	1.23%	1.30%
<b>Shares Stichting Beheer- en Administratiekantoor ForFarmers</b>	<b>7.50%</b>	<b>8.16%</b>	<b>6.93%</b>	<b>7.35%</b>
Shareholders (external)	40.39%	43.93%	41.58%	44.10%
<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 11 March 2020. The Group's financial statements will be subject to adoption by the Annual General Meeting of Shareholders on 24 April 2020.

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

#### Changes in accounting policies in 2019

##### IFRS 16 Leases

IFRS 16 is effective as of 1 January 2019 and the Group has applied this standard for the first time in these financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets, and lease liabilities representing its obligation to make lease payments.

The Group has applied IFRS 16 using the modified retrospective approach and based on the selected transition method no adjustment to equity has been recorded. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

#### *Definition of a lease*

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

#### *As a lessee*

The Group leases amongst others land, buildings, factory facilities, company cars and trucks.

As a lessee, the Group previously classified leases mainly as operating leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases (less than 12 months and without a purchase option) and leases for which the underlying asset is of low-value (a value below €5 thousand). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents right-of-use assets and lease liabilities as separate lines in the statement of financial position.

#### *Significant accounting policies*

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability (see below for the remeasurements of the lease liability).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate for the specific asset category and specific lease term as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts that include renewal and cancellation options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

#### *Transition*

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group leases a number of trucks, trailers (both in the United Kingdom) and company cars (Poland), which were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

#### *Impact on transition*

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities of €25.0 million.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 3.1%. For a number of specific long term land and factory facilities a rate between 3.5% and 6.1% has been applied depending on the lease term. A reconciliation between the commitments from operating lease at 31 December 2018 and the lease liability at 1 January 2019 is included below:

In thousands of euro

<b>Operating lease commitments at 31 December 2018</b>	<b>33,106</b>
Recognition exemptions (low value and short term)	884
<b>Operating lease commitments 31 December 2018 excluding exemptions</b>	<b>32,222</b>
Discounted using the incremental borrowing rate	22,172
Discounted extension options reasonable certain to be exercised	2,815
<b>Additional IFRS 16 lease liabilities</b>	<b>24,987</b>
Financial lease liabilities recognised at 31 December 2018	586
<b>Lease liabilities 1 January 2019</b>	<b>25,573</b>

#### *Impacts for the period*

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognized €23.5 million of right-of-use assets (refer to Note 19) and €23.9 million of lease liabilities (refer to Note 33) as at 31 December 2019.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During 2019, the Group recognized €5.2 million of depreciation charges and €0.9 million of interest costs from these leases instead of €5.8 million operating lease expense. The application of IFRS 16 therefore resulted in an increase in EBITDA of €5.8 million.

#### *Other standards*

A number of changes to existing standards (amendments to IFRS 9 financial instruments, IAS 28 equity accounted investees and IAS 19 employee benefits) and interpretations (IFRS 23 uncertain tax positions) are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

For explanatory notes on the standards issued but not yet effective reference is made to Note 42.

## **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 40 and 41.

### 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
2017	£ 0.8872	-
2018	£ 0.8945	zł 4.3014
2019	£ 0.8508	zł 4.2568
Average rate	€ 1.00	€ 1.00
2018	£ 0.8847	zł 4.3013
2019	£ 0.8778	zł 4.2976

### 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 18 and 20);
- expected lease term and discount rate of right-of-use assets (Note 19);
- impairment test: key assumptions underlying recoverable amounts (Note 20);
- valuation of trade and other receivables (Note 23);
- recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources relating to provisions (Note 31); and
- measurement of put option liabilities and contingent considerations as a result of business combinations (Note 32).

#### 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)
- Property, plant and equipment and investment property (Notes 18 and 21)
- Intangible assets, excluding goodwill (Note 20)
- Inventories (Note 24)
- Biological assets (Note 25)
- Derivatives (Note 33)
- Financial instruments, other than derivatives (Note 33)

# Results for the year

## 5. Operating segments

### A. Basis for segmentation

The Group has the following three strategic clusters, which are its reportable segments:

- The Netherlands / Belgium
- Germany / Poland
- United Kingdom

Each country is a separate operating segment, but can be aggregated into reportable segments depending on similarity of economic, market and competition 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. Compared to 2018 Belgium has shifted from the reportable segment Germany / Belgium / Poland to the segment the Netherlands. The acquisition of Voeders Algoet in 2018 made ForFarmers the second-largest feed company in Belgium in 2019. Consequently, the market position of ForFarmers in Belgium and in the Netherlands have become more similar. The market positions of ForFarmers in Germany and in Poland are similar in that they both are the fourth largest players in the feed market. The comparative information has been adjusted to this new presentation.

The Group's products include, amongst other things, compound feed and blends, feed for young animals and specialities, raw materials and coproducts, seeds and fertilisers. Core activities are production and delivery of feed, logistics and providing Total Feed solutions based on nutritional expertise.

The Group's Executive Committee reviews internal management reports of each reportable segment on a monthly basis, and its members are considered as the chief operating decision making body.

### B. Information about reportable segments

Information related to each reportable segment is set out on the next page.

The column Group / eliminations represents and includes amounts as a result of Group activities and eliminations in the context of the consolidation. 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.

The Group is not reliant on any individual major customers.

### 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	2019	2018
<b>Segment operating profit</b>		<b>14,179</b>	<b>75,932</b>
Net finance result	12	10,663	-4,385
Share of profit of equity-accounted investees, net of tax	22	2,773	2,907
<b>Profit before tax</b>		<b>27,615</b>	<b>74,454</b>

## Reportable segments

2019

In thousands of euro	The Netherlands / Belgium	Germany / Poland	United Kingdom	Group / eliminations	Consolidated
Compound feed revenues	1,002,341	503,585	498,396	-	2,004,322
Other revenue	236,301	78,126	144,312	-	458,739
<b>External revenues</b>	<b>1,238,642</b>	<b>581,711</b>	<b>642,708</b>	<b>-</b>	<b>2,463,061</b>
Inter-segment revenues	36,797	837	-	-37,634	-
<b>Revenue</b>	<b>1,275,439</b>	<b>582,548</b>	<b>642,708</b>	<b>-37,634</b>	<b>2,463,061</b>
<b>Gross profit</b>	<b>240,496</b>	<b>76,392</b>	<b>122,924</b>	<b>852</b>	<b>440,664</b>
Other operating income	456	186	86	895	1,623
Operating expenses	-192,912	-72,136	-145,938	-17,122	-428,108
<b>Operating profit</b>	<b>48,040</b>	<b>4,442</b>	<b>-22,928</b>	<b>-15,375</b>	<b>14,179</b>
Depreciation, amortisation and impairment	16,006	9,324	40,391	5,280	71,001
<b>EBITDA</b>	<b>64,046</b>	<b>13,766</b>	<b>17,463</b>	<b>-10,095</b>	<b>85,180</b>
Property, plant and equipment	113,297	58,236	91,067	4,774	267,374
Right-of-use asset	4,574	8,496	8,666	2,248	23,984
Intangible assets and goodwill	61,920	57,317	16,686	3,848	139,771
Equity-accounted investees	-	27,206	-	-	27,206
Other non-current assets	4,114	8,251	693	1,006	14,064
<b>Non-current assets</b>	<b>183,905</b>	<b>159,506</b>	<b>117,112</b>	<b>11,876</b>	<b>472,399</b>
<b>Current assets</b>	<b>206,400</b>	<b>155,535</b>	<b>106,062</b>	<b>-74,912</b>	<b>393,085</b>
<b>Total assets</b>	<b>390,305</b>	<b>315,041</b>	<b>223,174</b>	<b>-63,036</b>	<b>865,484</b>
Equity	-162,312	-84,700	-30,471	-140,870	-418,353
Liabilities	-227,993	-230,341	-192,703	203,906	-447,131
<b>Total equity and liabilities</b>	<b>-390,305</b>	<b>-315,041</b>	<b>-223,174</b>	<b>63,036</b>	<b>-865,484</b>
Working capital	-24,833	48,876	26,316	-1,665	48,694
Capital expenditure <sup>(1)</sup>	16,658	7,161	10,684	4,078	38,581

2018

In thousands of euro	The Netherlands / Belgium	Germany / Poland	United Kingdom	Group / eliminations	Consolidated
Compound feed	1,036,236	418,126	511,439	-	1,965,801
Other revenue	207,735	80,335	150,792	-	438,862
<b>External revenues</b>	<b>1,243,971</b>	<b>498,461</b>	<b>662,231</b>	<b>-</b>	<b>2,404,663</b>
Inter-segment revenues	41,003	609	-	-41,612	-
<b>Revenue</b>	<b>1,284,974</b>	<b>499,070</b>	<b>662,231</b>	<b>-41,612</b>	<b>2,404,663</b>
<b>Gross profit</b>	<b>250,556</b>	<b>64,691</b>	<b>127,478</b>	<b>683</b>	<b>443,408</b>
Other operating income	4,932	32	443	1	5,408
Operating expenses	-181,280	-55,905	-120,292	-15,407	-372,884
<b>Operating profit</b>	<b>74,208</b>	<b>8,818</b>	<b>7,629</b>	<b>-14,723</b>	<b>75,932</b>
Depreciation, amortisation and impairment	7,936	5,123	12,214	2,715	27,988
<b>EBITDA</b>	<b>82,144</b>	<b>13,941</b>	<b>19,843</b>	<b>-12,008</b>	<b>103,920</b>
Property, plant and equipment	109,903	57,522	89,174	4,956	261,555
Intangible assets and goodwill	64,065	59,296	40,466	4,196	168,023
Equity-accounted investees	-	25,392	-	-	25,392
Other non-current assets	2,552	10,522	107	3,251	16,432
<b>Non-current assets</b>	<b>176,520</b>	<b>152,732</b>	<b>129,747</b>	<b>12,403</b>	<b>471,402</b>
<b>Current assets</b>	<b>189,386</b>	<b>147,923</b>	<b>121,072</b>	<b>-56,066</b>	<b>402,315</b>
<b>Total assets</b>	<b>365,906</b>	<b>300,655</b>	<b>250,819</b>	<b>-43,663</b>	<b>873,717</b>
Equity	-158,213	-66,440	-51,081	-165,019	-440,753
Liabilities	-207,693	-234,215	-199,738	208,682	-432,964
<b>Total equity and liabilities</b>	<b>-365,906</b>	<b>-300,655</b>	<b>-250,819</b>	<b>43,663</b>	<b>-873,717</b>
Working capital	-1,053	53,148	33,215	-9,017	76,293
Capital expenditure <sup>(1)</sup>	20,083	5,900	17,017	2,892	45,892

(1) Additions to intangible assets and property, plant and equipment

## 6. Business combinations

### Acquisitions completed in 2019

On 31 May 2019 ForFarmers acquired a local ruminant business in the United Kingdom. The purchase consideration amounts to €1.2 million of which €0.3 million is a contingent consideration. The provisional fair values of the acquired assets has been determined at €1.2 million, which results in a goodwill of nil. This acquisition does not have a material impact on the Group in the context of the disclosure requirements of IFRS 3 (Business Combinations).

### Developments 2019

#### 2018 acquisitions

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	2-7-2018	3-9-2018	1-10-2018	2-10-2018	
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 fair values of the identifiable assets and liabilities of the acquired businesses have not material changed and have become final in 2019:

In thousands of euro	Tasomix	Maatman	Algoet	Van Gorp	Total
Acquisition date	2-7-2018	3-9-2018	1-10-2018	2-10-2018	
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	3,767	2,323	23,514
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>6,464</b>	<b>3,062</b>	<b>48,741</b>
<b>Total identifiable net assets at fair value</b>	<b>57,270</b>	<b>6,639</b>	<b>10,058</b>	<b>4,933</b>	<b>78,900</b>
Goodwill arising on acquisition	34,680	1,637	5,481	4,204	46,002
<b>Purchase consideration</b>	<b>91,950</b>	<b>8,276</b>	<b>15,539</b>	<b>9,137</b>	<b>124,902</b>

### **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. At acquisition date Tasomix operated two complete in use production facilities (in Biskupice and Kaboro) with a joint capacity of approximately 450,000 tonnes. In addition, a new facility in Pionki, southwest to Warsaw, was built. This new mill, with a capacity of 350,000 tonnes, started production in the third quarter of 2018. At the end of 2019 above 40% of the total capacity of the mill in Pionki is used.

On 2 July 2018 ForFarmers paid PLN 242 million (at acquisition date €55.1 million) in cash and received 60% of the shares. A second payment (contingent consideration) for this transaction (i.e. the 60% stake in Tasomix) will be made in 2021. The amount fully depends on in the agreement specified operational targets, including EBITDA, to be delivered by the new feed mill in Pionki during 2019 and 2020. The contingent consideration is measured at fair value. The contingent consideration amounted to €6,893 thousand at the date of acquisition (2 July 2018). At 31 December 2018 the contingent consideration amounted to €7,428 thousand. The results of the Pionki mill are behind the specified operational targets, especially a higher working capital and lower EBITDA growth as assumed in 2018. As at 31 December 2019 the expected contingent consideration is estimated at zero and as a result it has been released in the net financing result in the income statement in 2019, refer to Note 12, 17 and 32. This release is not included in the underlying result.

Furthermore, 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 2019 the put option liability has decreased to €26,665 thousand (31 December €32,279 thousand), see Note 32. The decrease of this liability mainly relates to the earlier mentioned expected delay in realizing the operational targets and additional costs to strengthen the organisation and to implement the plans (a release of €9,805 thousand), partly compensated by the discounting

effect of €3,909 thousand (which has been recognised as net finance result in the income statement) and a foreign currency translation impact (€282 thousand included in other comprehensive income). The net release of €5.896 thousand has been recorded in the income statement as a non-operational finance result (refer to Note 12 and 17).

ForFarmers keeps considering the fast growing agricultural market in Poland as an important pillar of growth for the future and are well positioned there with our stake in Tasomix. The focus continues to be the further enhancement of production in the Pionki mill. It is expected that the capacity utilization of the Pionki mill will further increase in 2020 and the years after.

### **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 had outsourced the feed production to third parties (of which a main part to ForFarmers).

The fair value of the contingent consideration amounted €2,030 thousand at acquisition date (3 September 2018) and which increased to €2,045 thousand as at 31 December 2018 due to the effect of discounting (see Note 32). During 2019 the contingent consideration has been settled and was largely paid.

### **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.

The fair value of the contingent consideration amounted to €1,180 thousand at acquisition date (1 October 2018) and which increased to €1,187 thousand as at 31 December 2018 due to the effect of discounting (see Note 32). As at 31 December 2019 the contingent consideration amounts to €418 thousand. The decrease is mainly due to not fully realizing the operational targets, partly offset by the fair value change due to the discounting effect. The net release of €769 thousand has been recorded in the

income statement as a non-operational finance result (refer to Note 12 and 17).

### Van Gorp (Netherlands)

On 2 October 2018 ForFarmers' subsidiary Reudink B.V. signed an agreement in which Van Gorp Schalkwijk B.V. ('Van Gorp Bio') has been acquired. Van Gorp Bio is a feed company focussed on the production of organic compound feed, predominantly to customers in the Netherlands and Belgium.

The fair value of the contingent consideration amounted to €339 thousand at acquisition date (2 October 2018) and increased to €341 thousand as at 31 December 2018 due to the effect of discounting (see Note 32). During 2019 an amount of €75 thousand has been settled and the remaining contingent consideration has been released at 31 December 2019. The release is mainly due to not fully realizing the operational targets. The release of €266 thousand has been recorded in the income statement as a non-operational finance result (refer to Note 12 and 17).

### Previous acquisitions

Vleuten-Steijn is consolidated in the results of ForFarmers as from 1 October 2016. The contingent consideration as of 31 December 2019 amounts to €8,673 thousand and includes an increase of €887 thousand as a result of the final settlement, as trade receivables balances were taken over. The release of the related allowance for impairment of €1,050 thousand as well as the increase of the contingent consideration are not included in the underlying result. The contingent consideration has been settled during January 2020.

### Acquisition related cash flows

In 2019, the cash flows related to acquisition were €2.7 million (2018: €81.0 million), consisting of €0.9 million for acquisitions completed in 2019 and €1.8 million for settlements of contingent considerations.

### Measurement of fair values

The table below provides an overview of valuation techniques regarding the fair values of the identifiable assets and liabilities of the acquired businesses.

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 2019

There were no disposals during 2019.

### 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.

## 8. Revenue

The geographic distribution of the revenue is as follows:

In thousands of euro	2019	2018
The Netherlands	942,031	960,950
Germany	539,753	537,938
Belgium	170,397	162,229
Poland	149,467	64,142
United Kingdom	642,543	661,988
Other EU countries	18,345	17,034
Other countries outside the EU	525	382
<b>Total</b>	<b>2,463,061</b>	<b>2,404,663</b>

The distribution of the revenue per category is as follows:

In thousands of euro	2019	2018
Compound feed	2,004,322	1,965,801
Other revenue	458,739	438,862
<b>Total</b>	<b>2,463,061</b>	<b>2,404,663</b>

The increase of the revenue by €58.4 million includes a positive currency impact of €5.4 million.

Furthermore, the net effect of acquisitions and disposals results in a positive effect on revenue of €112.0 million, mainly in compound feed. This results in a like-for-like decrease of €59.0 million. This like-for-like decrease is a result of lower volume.

The other revenue mainly relates to the sale of single, moist and liquid feed, other trading products, and services. The increase of €19.9 million is the result of higher volumes.

## 9. Cost of raw materials and consumables

The increase in the cost of raw materials and consumables by €61.1 million includes a negative currency impact of €4.4 million (mainly British pound). Furthermore, the net effect of acquisitions and disposals results in an increase of €94.9 million. This results in a like-for-like decrease of €38.2 million. This decrease is mainly due lower volume.

In 2019 an amount of €30 thousand (2018: €30 thousand) has been provided for as obsolete inventories. The costs of this allowance are included in the cost of raw materials and consumables.

## 10. Other operating income

2019

Other operating income 2019 mainly relates to the divestment of property in the Netherlands (€0.9 million).

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.

## 11. Operating expenses

The increase of the operating expenses amounts to €55.2 million, and contains an increase of €0.4 million caused by a currency impact. The net effect of acquisitions and divestments amounts to €16.4 million. The like-for-like increase of the operating expenses was €38.4 million. Among others due to incidental items amounting to €35.0 million (refer to Note 17).

### A. Other operating expenses

In thousands of euro	2019	2018
Energy costs	29,616	28,817
Transport costs	72,509	71,551
Maintenance costs	28,318	25,529
Sales expenses	7,278	8,090
Other	54,049	53,386
<b>Total</b>	<b>191,770</b>	<b>187,373</b>

The other operating expenses increased by €4.4 million, including an increase of €0.4 million caused by a currency impact and an increase of €7.6 million caused by the net effect of acquisitions and divestments. On the contrary, the application of IFRS 16 resulted in a decrease of €5.8 million, as depreciation and interest costs are recognized instead of operating lease expenses (see Note 2). Excluding IFRS 16, the like-for-like increase therefore amounts to €2.2 million, which is mainly the result of incidental items.

The other expenses include costs of temporary personnel and IT licences, together approximately 35% of the total (2018: 37% of the total).

## B. Research and development expenses

In 2019 the Group incurred an amount of €6.0 million (2018: €5.7 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>2019</b>			
Audit of the financial statements	590	470	1,060
Other audit engagements	74	10	84
Tax-related advisory services	-	-	-
Other non-audit services	-	-	-
<b>Total</b>	<b>664</b>	<b>480</b>	<b>1,144</b>
<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>

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.

## 12. Net finance result

In thousands of euro	Note	2019	2018
Interest income		1,181	1,096
Interest expenses		-1,803	-1,020
Other financial expenses		-737	-1,129
<b>Net interest on loans<sup>1</sup></b>		<b>-1,359</b>	<b>-1,053</b>
Foreign exchange income (expense)		140	43
Pension interest expenses	15	-597	-924
Interest on lease liabilities		-955	-17
Change in fair value instruments		44	-118
<b>Net other finance result</b>		<b>-1,368</b>	<b>-1,016</b>
<b>Underlying net finance result</b>		<b>-2,727</b>	<b>-2,069</b>
Change in fair value contingent considerations	6, 32	7,494	-524
Change in fair value put option liability	6, 32	5,896	-1,792
<b>Net non-operational finance result</b>		<b>13,390</b>	<b>-2,316</b>
<b>Net finance result recognised in profit or loss</b>		<b>10,663</b>	<b>-4,385</b>

(1) Included in interest coverage ratio calculation, refer to Note 29

Net finance result amounts to €10.7 million positive (2018: €4.4 million negative) and includes, among others, a non-operational finance result of €13.4 million positive (2018: €2.3 million negative).

Non-operational finance result includes a €18.1 million remeasurement (gain) on the earn-outs for the acquisitions (€8.3 million) and the put option liability for Poland (€9.8 million). In addition, the regular annual interest accrual of these earn-outs (€0.8 million) and the put option liability (€3.9 million) resulted in a loss of €4.7 million (refer to Note 6 and 17).



The interest income mainly comprises interest received on long-term outstanding receivables (loans).

The interest expenses mainly comprise interest paid on bank loans and other financing liabilities.

The other financial expenses include amortisation of €0.3 million (2018: €0.4 million) which relates to capitalized cost in relation to the financing arrangement, as further disclosed in Note 30.

A gain was recognised on foreign currency transactions, which were settled in 2019 and translation of monetary items (2018: also a gain).

## 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	2019	2018
Profit for the year, attributable to the shareholders of the Company	17,705	58,590

#### Weighted-average number of shares

		2019	2018
Shares in issue at 1 January	28	106,261,041	106,261,041
Effect of treasury shares held (weighted-average during the year)		-6,847,384	-6,018,337
<b>Weighted average number of shares</b>		<b>99,413,657</b>	<b>100,242,704</b>

#### Basic earnings per share

In euro	2019	2018
Basic earnings per share	0.18	0.58

The decrease of the basic earnings per share is caused by the lower results.

### 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 2019 and 2018. See Note 28 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 17.9% (2018: 19.1%) 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 2019*

On 26 April 2019, 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 2018.

During 2019, 27 employees (of which 5 foreign employees) participated in the participation plan for the Executive Committee and senior management and 209 employees (of which 35 foreign employees) participated in the participation plan for other employees.

The number of depositary receipts granted with respect to the 2019 participations plans were as follows:

In numbers	The Netherlands	Foreign countries
Executive Committee and senior management	123,652	12,679
Other employees	92,218	15,394

In 2019, 321 granted depositary receipts were cancelled as a result of leavers.

#### *Participation plans 2018 and 2017*

In 2018 and 2017 the Group offered two 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 2016, except for the lock-up period of the depositary receipts for the Executive Committee and senior management which has been extended to 5 years compared to 3 years for the 2016 Executive Committee and senior management plan.

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 2019, 98 (2018: no) granted depositary receipts were cancelled as a result of leavers.

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 2019, 905 (2018: no) 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. The allocated depositary receipts are at inception of the plan conditional granted.
- 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 2016*

The participation plans 2016 were completed during 2019.

## **B. Measurement of fair values**

### *Participation plans 2019*

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 2019 and amounted to €7.20 per share.

### *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.

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 €366 thousand (2018: €472 thousand) of which €229 thousand was classified as current (2018: €307 thousand). The cumulative share-based payment reserve relating to the Foreign participation plan amounts to €92 thousand (2018: €111 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 2019	31 December 2018
Liability for net defined benefit obligations	15B	25,434	28,683
Liability for other long-term service plans	15E	4,418	4,813
<b>Total</b>		<b>29,852</b>	<b>33,496</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 reportable segment.

#### *The Netherlands / Belgium*

In the Netherlands the employees of different subsidiaries were covered by two post-employment plans up to 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 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 post-employment plan, the Group has also agreed on a defined contribution plan for employees with a salary above €55,927 (2019). An insurance company will be administering the obligations under both plans as of 1 January 2016.

From 2020 onwards the collective defined contribution plan has been changed to an individual defined contribution plan, which will be administered by an insurance company.

The net liability related to the defined benefit plans in the Netherlands per 31 December 2019 amounts to €16,033 thousand (31 December 2018: €12,653 thousand).

The increase in this liability is mainly caused by the decrease in the interest rate, whereby the change in the financial assumptions was recognized in other comprehensive income.

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 2019 amounts to €423 thousand (31 December 2018: €124 thousand).

#### *Germany / 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 2019 amounts to €4,926 thousand (31 December 2018: €4,817 thousand).

The Polish subsidiaries do not have a pension plan. In accordance with local regulations the employees receive a 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 1, 2006, an other 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 2019 amounts to €4,052 thousand (31 December 2018: €11,089 thousand). The decrease of this liability is mainly caused by the realized investment returns, partly off set by the decrease in the interest rate.

## 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.

### 2019

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	257,320	-233,454	23,866	4,817	28,683
<b>Included in profit or loss</b>					
Current service cost	371	-	371	8	379
Past service cost	-	-	-	-	-
Administrative expenses	-	648	648	-	648
Interest cost (income)	6,990	-6,477	513	84	597
	<b>7,361</b>	<b>-5,829</b>	<b>1,532</b>	<b>92</b>	<b>1,624</b>
<b>Included in Other Comprehensive Income</b>					
Actuarial loss (gain) arising from:					
demographic assumptions	-905	-	-905	-	-905
financial assumptions	33,439	-	33,439	396	33,835
experience adjustment	-3,677	-	-3,677	-94	-3,771
Return on plan assets excluding interest income	-	-28,817	-28,817	-	-28,817
<b>Remeasurement loss (gain)</b>	<b>28,857</b>	<b>-28,817</b>	<b>40</b>	<b>302</b>	<b>342</b>
Effect of movements in exchange rates	9,029	-8,694	335	-	335
	<b>37,886</b>	<b>-37,511</b>	<b>375</b>	<b>302</b>	<b>677</b>
<b>Other</b>					
Employer contributions (to plan assets)	-	-5,265	-5,265	-	-5,265
Employer direct benefit payments	-	-	-	-285	-285
Benefits paid from plan assets	-8,632	8,632	-	-	-
	<b>-8,632</b>	<b>3,367</b>	<b>-5,265</b>	<b>-285</b>	<b>-5,550</b>
<b>Balance as at 31 December</b>	<b>293,935</b>	<b>-273,427</b>	<b>20,508</b>	<b>4,926</b>	<b>25,434</b>

## 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>

The remeasurement loss (actuarial loss/gain and return on plan assets) of €0.3 million (2018: gain €12.0 million) after tax amounted to €16 thousand (2018: gain €9,864 thousand), see Note 16B. The change in the actuarial 'remeasurement result', compared to 2018, is mainly due to a decrease in the discount rate in 2019 (in 2018, there was an increase in the discount rate), partly offset by the return on 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 during 2018 in incidental past service costs of €904 thousand, which is recorded in the income statement in 2018, refer to Note 17.

### 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 2019	31 December 2018
Shares	66,608	53,603
Real estate	1,775	224
Bonds	115,247	103,579
Cash and other assets	1,087	490
Other (insurance contracts)	88,710	75,558
<b>Total</b>	<b>273,427</b>	<b>233,454</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

### Weighted-average assumptions to determine defined benefit obligations

	2019	2018
Discount rate	1.01% - 2.10%	1.65% - 2.95%
Future salary growth <sup>(1)</sup>	-	-
Future pension growth	1.50% - 1.95%	1.50% - 2.15%
Inflation	1.50% - 2.65%	1.50% - 2.10%
Salary increase <sup>(2)</sup>	2.75%	2.75%

### Weighted-average assumptions to determine defined benefit cost

	2019	2018
Discount rate	1.47% - 2.95%	1.50% - 2.55%
Future salary growth <sup>(1)</sup>	-	-
Future pension growth	1.50% - 2.15%	1.50% - 2.95%
Inflation	1.50% - 3.10%	1.50% - 3.10%
Salary increase <sup>(2)</sup>	2.75%	2.75%

(1) Not applicable

(2) Only applicable for Belgium

Assumptions regarding future mortality have been based on published statistics and mortality tables:

- The Netherlands (funded plans): AG2018 (2018: ditto)
- Germany (unfunded plans): RT Heubeck 2018G (2018: ditto)
- Belgium (funded plans): MR/FR-5 (2018: ditto)
- UK (funded plans): CMI Mortality Projects Model 'CMI\_2018' (2018: 'CMI\_2017')

The current longevity underlying the values of the defined benefit obligation at the reporting date were as follows (expressed as weighted averages):

	2019	2018
<b>Longevity at age 65 for current pensioners</b>		
Males	21.2	21.2
Females	23.6	23.4
<b>Longevity at age 65 for current members aged 40</b>		
Males	23.2	23.2
Females	25.5	25.4

As at 31 December 2019, the weighted-average duration of the defined benefit obligation was 17.3 years (31 December 2018: 18.3 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 €299 million (31 December 2018: €262 million) by the amounts shown below:

	31 December 2019	31 December 2018
In thousands of euro		
Decrease of 0.25% to discount rate	13,239	11,556
Increase of 0.25% to discount rate	-12,519	-10,910
Decrease of 0.25% to inflation	-7,276	-6,544
Increase of 0.25% to inflation	7,616	6,855
Increase of 1 year to life expectancy	9,731	7,188

### Employer contributions

The Group expects to pay €5.8 million in contributions to its defined benefit plans in 2020 (for 2019 an amount of €5.3 million was expected). The increase is the result of agreements regarding the financing of the pension plans in the United Kingdom.

## 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.

## F. Employee benefit expenses

In thousands of euro	Note	2019	2018
Wages and salaries		135,554	128,415
Social security contributions		18,793	17,608
Post-employment expenses		10,846	11,017
Expenses related to other long-term service plans		995	1,217
Equity-settled share-based payments	14	413	316
<b>Total</b>		<b>166,601</b>	<b>158,573</b>

The employee benefit expenses increased by €8.0 million, and includes an increase of €0.4 million due to a currency effect and an increase of €4.2 million due to the net effect of acquisitions and divestments. As a result the like-for-like increase amounts to €3.4 million. This net increase consist of incidentals of €5.1 million (refer to Note 17), an average salary increase and a decrease in the number of employees.

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.

In thousands of euro	Note	2019	2018
Current service costs	15B	379	336
Past service cost	15A, B	-	904
Administrative expenses	15B	648	409
<b>Expenses related to post-employment defined benefit plans</b>		<b>1,027</b>	<b>1,649</b>
Contributions to defined contribution plans		9,819	9,368
<b>Post-employment expenses</b>		<b>10,846</b>	<b>11,017</b>

The interest charges related to the defined benefit plans amounting to €597 thousand (2018: €924 thousand) are recognised in the net finance result, refer to Note 12.

Refer to Note 15A for further details on the post-employment plans.

## Number of employees per staff category 2019

Converted to full-time equivalents	The Netherlands	Foreign countries	Total
Supply chain	377	1,023	1,400
Support and management	410	499	909
Other	142	119	261
<b>Balance as at 31 December</b>	<b>929</b>	<b>1,641</b>	<b>2,570</b>

## Number of employees per staff category 2018

Converted to full-time equivalents	The Netherlands	Foreign countries	Total
Supply chain	398	1,090	1,488
Support and management	411	508	919
Other	130	117	247
<b>Balance as at 31 December</b>	<b>939</b>	<b>1,715</b>	<b>2,654</b>

## Movement number of employees

Converted to full-time equivalents	2019	2018
At 1 January	2,654	2,325
Acquisitions	8	264
Divestments	-	-14
Joiners	419	462
Leavers	-511	-383
<b>Balance as at 31 December</b>	<b>2,570</b>	<b>2,654</b>

The decrease by 84 full-time equivalents is mainly caused by the closure of locations. Due to the closures production is allocated to other locations, resulting in joiners at these locations. (in 2018: increase by 329; mainly caused by acquisitions, to a large extent Tasomix (Poland), and strenghtening of the organisation). Excluding Poland and the acquisition in the United Kingdom the number full-time equivalents would be decreased with 123.



# Income taxes

## 16. Income taxes

### A. Amounts recognised in statement of profit or loss

In thousands of euro	Note	2019	2018
<b>Current tax expense</b>			
Current year		10,915	17,981
Changes prior years		-1,265	-2,248
<b>Total</b>		<b>9,650</b>	<b>15,733</b>
<b>Deferred tax expense</b>			
Deferred tax current year		281	1,544
Changes in tax rate	16C	168	-1,190
(De)recognition of deferred tax assets	16E	-1,592	-807
Changes in estimates related to prior years		1,113	-56
<b>Total</b>	16D	<b>-30</b>	<b>-509</b>
<b>Total tax expenses</b>		<b>9,620</b>	<b>15,224</b>

The prior year adjustments in 2019 mainly relate to the final submitted corporation tax assessments for prior years in several countries (net impact €152 thousand, refer to Note 16C) and is mainly the result of a transfer from current tax to deferred tax in the Netherlands.

The total tax expense excludes the Group's share of tax expense of the equity-accounted investees of €651 thousand (2018: €662 thousand), which is 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	2019			2018		
	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	-342	326	-16	12,000	-2,136	9,864
Equity-accounted investees - share of other comprehensive income	-26	8	-18	-13	2	-11
<b>Items that are or may be reclassified subsequently to profit or loss</b>						
Foreign operations – foreign currency translation differences	5,906	-784	5,122	-1,128	167	-961
Cash flow hedges - effective portion of changes in fair value	531	-114	417	-417	87	-330
Cash flow hedges - reclassified to statement of profit or loss / statement of financial position	-	-	-	-754	188	-566
<b>Total</b>	<b>6,069</b>	<b>-564</b>	<b>5,505</b>	<b>9,688</b>	<b>-1,692</b>	<b>7,996</b>
Current tax benefit (expense)		-744			355	
Deferred tax benefit (expense)		180			-2,047	
<b>Total</b>		<b>-564</b>			<b>-1,692</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, the foreign exchange differences on the loans in the United Kingdom 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 negative amount of €784 thousand in 2019 (2018: €167 thousand positive).

### C. Reconciliation of effective tax rate

In thousands of euro	Note	2019		2018	
<b>Profit before tax</b>			<b>27,615</b>		<b>74,454</b>
Less share of profit of equity-accounted investees, net of tax			-2,773		-2,907
Profit before tax excluded the share of profit of equity-accounted investees, net of tax			24,842		71,547
Income tax using the Dutch domestic tax rate		25.0%	6,211	25.0%	17,887
Effect of tax rates in foreign jurisdictions		5.8%	1,445	0.4%	301
Change in tax rate		0.7%	168	-1.7%	-1,190
<b>Tax effect of:</b>					
Non-deductible expenses/ non-taxable income		16.7%	4,173	2.8%	1,998
Tax incentives		-2.5%	-633	-0.9%	-661
(De)recognition of deferred tax assets	16E	-6.4%	-1,592	-1.1%	-807
Prior year adjustments	16A	-0.6%	-152	-3.2%	-2,304
<b>Total</b>		<b>38.7%</b>	<b>9,620</b>	<b>21.3%</b>	<b>15,224</b>

#### 2019

The change in tax rate 2019 (€0.2 million impact) mainly relates to the in 2019 enacted updated tax rates in the Netherlands and the United Kingdom. The non-deductible expenses and non-taxable income mainly relates to the impairment of the goodwill with respect to the activities in the United Kingdom of €25.6 million and the changes (gains) in the fair value of the contingent considerations and the put option liability (refer to Note 6 and 17). The recognition of deferred tax assets (€1.6 million) relates to the utilization of unrecognised tax losses in the United Kingdom (refer to Note 16E).

Refer to Note 17 for the underlying effective rate, which is adjusted for incidental items.

#### 2018

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

2019

Balance at 31 December

In thousands of euro	Net balance at 31 December 2018	IFRS 16 adjustment	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	-13,564	-	-13,564	-649	-	-	12	-14,201	1,364	-15,565
Right-of-use asset	-	-6,450	-6,450	1,147	-	-	-182	-5,485	-	-5,485
Intangible assets	-9,281	-	-9,281	1,514	-	-231	-121	-8,119	232	-8,351
Inventory and biological assets	-25	-	-25	-13	-	-	-	-38	14	-52
Receivables and other assets	-283	-	-283	-74	-40	-	108	-289	283	-572
Derivatives	94	-	94	-9	-114	-	-	-29	-	-29
Employee benefits	6,473	-	6,473	-1,145	334	-	96	5,758	5,760	-2
Lease liabilities	30	6,450	6,480	-752	-	-	-207	5,521	5,521	-
Other non-current provisions and liabilities	-313	-	-313	126	-	-	236	49	49	-
Other liabilities	4,507	-	4,507	-400	-	-	-187	3,920	4,385	-465
Tax losses and tax credits	1,287	-	1,287	285	-	-	-	1,572	1,672	-100
Offsetting	-	-	-	-	-	-	-	-	-16,748	16,748
<b>Deferred tax assets (liabilities)</b>	<b>-11,075</b>	<b>-</b>	<b>-11,075</b>	<b>30</b>	<b>180</b>	<b>-231</b>	<b>-245</b>	<b>-11,341</b>	<b>2,532</b>	<b>-13,873</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

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
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.

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

Deferred tax assets have not been recognised in respect of tax losses incurred on the sale of real estate in the United Kingdom. These tax losses can only be utilised against a future tax gain on the sale of specific assets, such as real estate, the recovery of the deferred tax asset is therefore highly uncertain and as such not recognised. As a result of the settlement of non-operational entities an unrecognised tax loss was utilised in 2019 of €1.6 million. At the contrary, the finalisation of the corporation tax assessments for prior years resulted in additional unrecognised tax losses, with a tax effect of €0.9 million. As at 31 December 2019, the unrecognised losses therefore amount to €4.2 million (31 December 2018: €8.4 million), with a tax effect of €0.7 million (31 December 2018: €1.5 million).

## 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 (ForFarmers N.V.). 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.

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

	2019	2018
<b>Tax rates</b>		
The Netherlands	25.00%	25.00%
Germany (average)	27.99%	27.87%
Belgium	29.58%	29.58%
Poland	19.00%	19.00%
United Kingdom	19.00%	19.00%

## Effective tax rate

	2019	2018
<b>Effective tax rate</b>		
The Netherlands	18.75%	20.91%
Germany	33.60%	20.13%
Belgium	26.40%	30.97%
Poland	17.39%	4.19%
United Kingdom	2.09%	17.82%

The above-mentioned effective tax rates deviate from the statutory tax rates mainly due to the impact of the following items:

### Netherlands

The effective tax rate in 2019 is lower than the statutory tax rate, in particular due to the non-taxable income and innovation box benefits. The non-taxable income mainly relates to the changes in the fair value of the contingent considerations and the put option liability.

Based on the enacted Dutch tax law, the Dutch corporate income tax rates will decrease from 25% to 21,7% per January 1, 2021, where previously a decrease to 20,5% was expected. All deferred tax calculations are updated based on these new deferred tax rates. This adjustment has a negative impact on our Dutch deferred tax position.

### Germany

The effective tax rate in 2019 is higher than the statutory tax rate due to the finalisation of the corporation tax assessments for prior years.

In 2018, the effective tax rate was lower due to recognition of deferred tax assets relating to the net operating losses.

### *Belgium*

The effective tax rate in 2019 is lower than the statutory tax rate due to the non-taxable income. In particular as a result of the change in fair value of the contingent considerations.

### *Poland*

The effective tax rate in 2019 is lower than the statutory tax rate due to the finalisation of the corporation tax assessments for prior years.

In 2018, the effective tax rate was lower due to the to usage of subsidies for regional investments in relation to a lower taxable result.

### *UK*

The effective tax rate in 2019 is lower than the statutory tax rate due to the combination of a negative result and non-deductible expenses (including impairment of the goodwill, refer to Note 20), partly compensated by the utilization of unrecognised tax losses (refer to Note 16E).

## **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 €651 thousand (2018: €662 thousand).

Trade taxes ('Gewerbsteuer') applicable to HaBeMa are borne by the entity itself.

# Alternative Performance Measures

## 17. Alternative performance measures

The Executive Committee has defined 'underlying metrics' as performance measures. These metrics exclude the impact of incidental factors from the IFRS values. The Executive Committee believes these underlying measures 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 operating expenses, EBITDA, EBIT and profit attributable to Shareholders of the Company.

Four types of adjustments are distinguished:

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

The Group's definition of underlying metrics may not be comparable with similarly titled performance measures and disclosures by other companies.

2019

In thousands of euro	IFRS	Impairments	Business Combinations and Divestments	Restructuring	Other	Total APM items	Underlying excluding APM items
EBITDA <sup>(1,2)</sup>	85,180		1,993	-5,069	-264	-3,340	88,520
EBIT	14,179	-30,714	1,993	-5,079	-264	-34,064	48,243
Net finance result			13,390			13,390	
Tax effect		1,320	-466	1,003	90	1,947	
Profit attributable to Shareholders of the Company	17,705	-29,394	14,917	-4,076	-174	-18,727	36,432
Earnings per share in euro <sup>(3)</sup>	0.18	-0.30	0.15	-0.04	-	-0.19	0.37

2018

In thousands of euro	IFRS	Impairments	Business Combinations and Divestments	Restructuring	Other	Total APM items	Underlying excluding APM items
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
Net finance result			-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

(1) EBITDA is operating profit before depreciation, amortization and impairments.

(2) See Note 2 for the effect of the application of IFRS 16.

(3) Earnings per share attributable to Shareholders of the Company.

The 2019 Alternative Performance Measures (APM) items before tax comprise:

- i. Impairments: €30.7 million as a result of the impairment of the goodwill with respect to the activities in the United Kingdom (amounting to €25.6 million, see Note 20), the closure of a feed mill in the United Kingdom and a feed mill in the Netherlands and the decision to cease the development of a new feed mill in Germany (€5.2 million in total).
- ii. Business Combinations and Divestments: €0.9 million incidental gain on divestment of property in the Netherlands and of parts of the closed mills in the United Kingdom. A €13.4 million finance result due to the unwinding of interest of the contingent considerations (€0.8 million) and the put option liability (€3.9 million) and €18.1 million remeasurement (gain) as a result of the remeasurement of the contingent considerations (€8.3 million) and the put option liability (€9.8 million) of acquisitions, in particularly Tasomix. As part of the acquisition of the 60% stake of Tasomix a contingent consideration was agreed based on the expected results of Pionki in 2019 and 2020. The development of the results however is such that it is expected that the original contingent consideration will not be fulfilled, which resulted in a release of the liability. Due to a lower growth expectation for the medium term and a limited higher cost level the current expectation is that the option can be executed at a lower amount in the future. This resulted in a remeasurement (gain) of €9.8 million. As a result of the final settlement of the Vleuten Steijn contingent consideration a €1.1 million gain, as trade receivables balances were taken by the former shareholders and which causes a remeasurement (loss) of €0.9 million for the increase of the contingent consideration.
- iii. Restructuring: €5.1 million as a result of the closure of two feed mills in the United Kingdom, and the closure of two feed mills in the Netherlands, and restructuring costs of the projects in various countries related to the announced costs efficiency program.
- iv. Other: €0.3 million other operating costs related to the decision to cease development of the new mill in Germany.

The 2018 Alternative Performance Measures (APM) items before tax comprise:

- i. Impairments: €0.6 million for the reversal of a past impairment in 2014 in the Netherlands, which was reopened to produce non-genetically modified (non-GMO) feed.
- ii. Business Combinations and Divestments: €4.9 million incidental gain on the divestment of the arable activities in the Netherlands, a subsequent payment regarding the disposal in the United Kingdom, and €2.3 million accrual (loss) regarding the earn-outs and put option liability of acquisitions.
- iii. Restructuring: €0.1 million restructuring costs of a sales office in the United Kingdom.
- iv. Other: €0.9 million 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).

Considering the APM items the underlying effective tax rate 2019 would be 25.4% (2018: 20.3%). The in December 2018 announced tax reduction in the Netherlands led to a tax relief in 2018. In 2019, however, it was decided to reduce the tax rates less than anticipated and to postpone the reduction. This resulted in an increase of the effective tax rate in 2019. Besides, in 2018, the effective tax rate was lower due to an one-off recognition of deferred tax assets relating to the net operating losses.

# Assets

## 18. Property, plant and equipment

### A. Reconciliation of carrying amount

In thousands of euro	Note	Land & Buildings	Plant & Machinery	Other operating assets	Assets under construction	Total
<b>Cost</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
Additions		3,546	10,357	4,387	26,782	45,072
Reclassification		10,428	7,633	9,397	-27,458	-
Reclassification to intangible assets	20	-	-	-	-521	-521
Reclassification from investment property	21	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>
Balance as at 31 December 2018		206,988	216,605	79,708	16,717	520,018
Reclassification to right-of-use asset (IFRS 16)	19	-	-	-1,024	-	-1,024
<b>Balance as at 1 January 2019</b>		<b>206,988</b>	<b>216,605</b>	<b>78,684</b>	<b>16,717</b>	<b>518,994</b>
Acquisitions through business combinations		-	-	83	-	83
Additions		3,033	11,024	3,586	19,294	36,937
Reclassification		5,610	15,210	7,107	-27,927	-
Reclassification to intangible assets	20	-	-	-	-1,148	-1,148
Reclassification to investment property	21	-687	-	-	-	-687
Reclassification to assets held for sale	27	-3,492	-2,095	-598	-	-6,185
Reclassification from right-of-use asset	19	-	-	535	-	535
Disposals		-955	-3,484	-3,641	-	-8,080
Other movement		-	-	-	-	-
Effect of movements in exchange rates		2,539	2,349	2,079	202	7,169
<b>Balance as at 31 December 2019</b>		<b>213,036</b>	<b>239,609</b>	<b>87,835</b>	<b>7,138</b>	<b>547,618</b>
<b>Accumulated depreciation and impairment losses</b>						
Balance as at 1 January 2018		-83,103	-123,246	-31,633	-	-237,982
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	20	-	-	-2	-	-2
Reclassification from investment property	21	-	-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>
Balance as at 31 December 2018		-87,973	-129,257	-41,233	-	-258,463
Reclassification to right-of-use asset (IFRS 16)	19	-	-	77	-	77
<b>Balance as at 1 January 2019</b>		<b>-87,973</b>	<b>-129,257</b>	<b>-41,156</b>	<b>-</b>	<b>-258,386</b>
Depreciation		-5,679	-11,905	-8,571	-	-26,155
(Reversal of) impairment losses on plant and equipment		-1,913	-2,910	-330	-	-5,153
Reclassification		-153	139	14	-	-
Reclassification to investment property	21	260	-	-	-	260
Reclassification to assets held for sale	27	2,143	2,095	246	-	4,484
Reclassification from right-of-use asset	19	-	-	-163	-	-163
Disposals		913	3,417	2,860	-	7,190
Other movement		-	-	-	-	-
Effect of movements in exchange rates		-596	-587	-1,138	-	-2,321
<b>Balance as at 31 December 2019</b>		<b>-92,998</b>	<b>-139,008</b>	<b>-48,238</b>	<b>-</b>	<b>-280,244</b>
<b>Carrying amounts</b>						
At 1 January 2018		91,893	64,792	32,146	17,073	205,904
At 31 December 2018		119,015	87,348	38,475	16,717	261,555
At 31 December 2019		120,038	100,601	39,597	7,138	267,374



The acquisitions through business combinations in 2019 consist of the tangible assets of the acquisition in the United Kingdom.

The investments in 2019 consist of expenditures to maintain and enhance the performance and efficiency of the production facilities (€27.8 million), investments in trucks (€5.1 million), investments in IT (€2.6 million) and other individual smaller investments.

The reclassification to right-of-use assets relates to the transition to IFRS 16 and consists of assets previously recognised as financial lease.

The reclassification from right-of-use assets relates to lease contracts where the purchase option has been exercised.

The reclassifications to investment property and assets held for sale relate to assets in the Netherlands, Belgium and the United Kingdom which are not used anymore in the ordinary course of business (see also Note 21 and Note 27).

Furthermore, items are reclassified between tangible and intangible assets.

Of the 2019 additions of €36.9 million (2018: €45.1 million) an amount of €33.4 million (2018: €41.7 million) has been paid at year end.

## **B. Impairment loss**

The impairment loss of €5.2 million in 2019 relates to the decisions to close a feed mill in the United Kingdom (€1.7 million), to close a feed mill in the Netherlands (€3.1 million) and to cease the development of the planned new feed mill in Germany (€0.4 million).

There were no indications in 2018 for an impairment of property, plant and equipment.

## 19. Right-of-use assets

### A. Reconciliation of carrying amount

In thousands of euro	Note	Land & Buildings	Plant & Machinery	Other operating assets	Total
<b>Cost</b>					
Balance as at 31 December 2018		-	-	-	-
Transition to IFRS 16	2	16,497	123	8,367	24,987
Reclassification from property, plant and equipment (IFRS 16)	18	-	-	1,024	1,024
<b>Balance as at 1 January 2019</b>		<b>16,497</b>	<b>123</b>	<b>9,391</b>	<b>26,011</b>
New lease contracts		119	18	3,739	3,876
Lease contracts ended		-1	-1	-214	-216
Reclassification to tangible assets	18	-	-	-535	-535
Remeasurement		-454	-	46	-408
Effect of movements in exchange rates		360	2	168	530
<b>Balance as at 31 December 2019</b>		<b>16,521</b>	<b>142</b>	<b>12,595</b>	<b>29,258</b>

### Accumulated depreciation and impairment losses

Balance as at 31 December 2018		-	-	-	-
Reclassification from property, plant and equipment (IFRS 16)	18	-	-	-77	-77
<b>Balance as at 1 January 2019</b>		<b>-</b>	<b>-</b>	<b>-77</b>	<b>-77</b>
Depreciation		-1,277	-42	-4,127	-5,446
Lease contracts ended		1	1	143	145
Reclassification to tangible assets	18	-	-	163	163
Effect of movements in exchange rates		-13	-1	-45	-59
<b>Balance as at 31 December 2019</b>		<b>-1,289</b>	<b>-42</b>	<b>-3,943</b>	<b>-5,274</b>

### Carrying amounts

At 1 January 2019		16,497	123	9,314	25,934
At 31 December 2019		15,232	100	8,652	23,984

The reclassification from property, plant and equipment relates to the transition to IFRS 16 and consists of assets previously recognised as financial lease. Based on a purchase option in these contracts the expected remaining useful life is longer than the lease term, which results at transition date in an asset value (€947 thousand) above the value of the lease liability (€586 thousand), refer to Note 2 for the lease liability on transition date.

The new lease contracts mainly relate to new lease cars in the Netherlands and the United Kingdom. The remeasurement of €408 thousand relates to a change in the (expected) lease terms of lease contracts of a production locations in the United Kingdom and Germany.

The reclassification to property, plant and equipment relates to lease contracts where the purchase option has been exercised.

### B. Estimates and judgements

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise all extension options, would result in an increase in the right-of-use asset and lease liability of €1.8 million, which represents the present value as of 31 December 2019.

Furthermore the right-of-use asset is initially measured at cost, which mainly comprise the initial amount of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate for the specific asset category and specific lease term as the discount rate. To determine the incremental borrowing rate, the Group uses a build-up approach that starts with a risk-free interest rate, adjusted for a company specific credit risk and adjustments specific to the lease (e.g. duration, country, currency, security/nature of the asset).

## C. Expenses recognised in profit or loss

In thousands of euro	2019 <sup>(1)</sup>
<b>Expenses relating to</b>	
short-term leases	1,949
low-value assets, excluding short-term leases of low-value assets	37
variable lease payments	12,130
<b>Total</b>	<b>14,116</b>

*(1) IFRS 16 is effective as of 1 January 2019, as a result there are no comparative figures.*

The group does not apply IFRS 16 to short-term leases (less than 12 months and without a purchase option) and to leases of low-value assets (a value below €5 thousand). The expenses of these leases are, like variable lease expenses, recognised in profit or loss.

The short term leases mainly consist of company cars with a remaining lease term less than 12 months at 1 January 2019 (transition date to IFRS 16). The variable lease payments relate to the lease payments of trucks and third party production.

## D. Impairment loss

There were no indications in 2019 for an impairment of right of use assets.

## 20. Intangible assets and goodwill

### A. Reconciliation of carrying amount

In thousands of euro	Note	Goodwill	Customer relations	Trade and brand names	Software	Intangible assets under construction	Total
<b>Cost</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	18	-	-	-	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>
Balance as at 1 January 2019		110,311	70,574	2,707	12,823	433	196,848
Acquisitions through business combinations		44	1,317	-	-	-	1,361
Additions		-	-	-	453	1,191	1,644
Reclass from property, plant and equipment	18	-	-	-	1,148	-	1,148
Disposals		-	-	-	-437	-85	-522
Effect of movements in exchange rates		1,562	1,810	19	433	2	3,826
<b>Balance as at 31 December 2019</b>		<b>111,917</b>	<b>73,701</b>	<b>2,726</b>	<b>14,420</b>	<b>1,541</b>	<b>204,305</b>
<b>Accumulated amortisation and impairment losses</b>							
Balance as at 1 January 2018		-	-12,972	-869	-8,358	-	-22,199
Amortisation		-	-5,138	-199	-1,580	-	-6,917
Reclass from property, plant and equipment	18	-	-	-	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>
Balance as at 1 January 2019		-	-17,992	-1,068	-9,765	-	-28,825
Amortisation		-	-7,011	-399	-1,251	-	-8,661
(Reversal of) impairment losses on intangible assets		-25,561	-	-	-25	-	-25,586
Reclass from property, plant and equipment	18	-	-	-	-	-	-
Disposals		-	-	-	518	-	518
Effect of movements in exchange rates		-749	-810	-6	-415	-	-1,980
<b>Balance as at 31 December 2019</b>		<b>-26,310</b>	<b>-25,813</b>	<b>-1,473</b>	<b>-10,938</b>	<b>-</b>	<b>-64,534</b>
<b>Carrying amounts</b>							
At 1 January 2018		63,929	28,683	-	3,617	-	96,229
At 31 December 2018		110,311	52,582	1,639	3,058	433	168,023
At 31 December 2019		85,607	47,888	1,253	3,482	1,541	139,771

The addition to goodwill of €44 thousand relates to an adjustment of the purchase price allocation of Voeders Algoet. The acquisitions through business combinations in 2019 consist of the client relationships of the acquisition in the United Kingdom (2018: total of €76.7 million acquired intangible assets and goodwill relating to the acquisition of Maatman, Van Gorp (both the Netherlands), Algoet (Belgium) and Tasomix (Poland), see Note 6.

The reclassification from property, plant and equipment relates to software under construction which was incorrectly classified, see also Note 18.

## B. Amortisation

The amortisation of customer relations, trademarks and software of €8,661 thousand (2018: €6,917 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 tests for each cash generating unit the goodwill on impairment. As a result of the adjusted reportable segments (refer to Note 5) the cash generating units have been changed compared to 2018. The significant cash generating units are the countries in which ForFarmers operates.

Goodwill is allocated to the cash generating units as follows:

In thousands of euro	31 December 2019	31 December 2018
The Netherlands	35,880	35,880
Belgium	5,760	5,716
Germany	3,738	3,738
Poland	35,665	35,295
United Kingdom	-	25,118
Other	4,564	4,564
<b>Total</b>	<b>85,607</b>	<b>110,311</b>

The change of goodwill relating to Poland is caused by a change of the foreign exchange rate.

### Result of the goodwill impairment test 2019

The goodwill impairment test 2019 shows that the recoverable amounts exceed the carrying amounts sufficiently for the cash generating units the Netherlands,

Belgium and Poland. Therefore there is no need for an impairment with respect to these cash generating units.

As part of the goodwill impairment test, management has estimated the possible impact of the potential nitrogen- and PFAS measures and the warm restructuring of pig farming on the results in the Netherlands. Actual impact of these measures may differ from these estimates. However, as the recoverable amount exceeds the carrying amount significantly an impairment is not a realistic scenario.

In the finalisation of the goodwill impairment test for the cash generation unit Poland the same assumptions have been taking into account as for the determination of the release of the earn-out due to the expectation that the operational targets in 2019 and 2020 will not be realised and the remeasurement of the put option liability due to the anticipated slower medium-term growth in Poland. Accordingly, the expected CAGR for Total Feed volumes in the five-year forecasting period have been adjusted downwards. However, also after the adjustments the recoverable amount exceeds the carrying amount and a reasonable adjustment of the management assumptions will not result in a recoverable amount lower than the carrying amount of the cash generating unit. The developments in Poland are closely monitored.

### The United Kingdom

Our growth rates with respect to the activities of the United Kingdom been revised downwards, despite that the outlines of 'Brexit' are becoming clearer. It appears that farmers continue to be reluctant at present to invest in expansion of their herds. In addition volumes are expected to grow at a slower pace because of a possible decline in meat consumption per capita. The terminal value growth rate has been adjusted from 1.38% in 2018 to 0.95% and the expected CAGR for Total Feed volumes in the five-year forecasting period has been adjusted from 3.6% in 2018 to 1.6%. This has resulted in an impairment of the goodwill of the activities in the United Kingdom. The terminal value growth rate of the United Kingdom was in recent years higher than on the Continent, especially due to the growth potential for local farmers, as the selfsufficiency ratio in a number of sectors is lower than 100%. The growth rate is now more consistent with those on the Continent.

Most recent management-information and projections have shown that the recoverable amount for the cash generating unit the United Kingdom (amounting €139.6 million, based on the value in use) will not exceed its carrying amount. Therefore, an impairment of €25.6 million is required, which will impair the carrying amount of goodwill in the United Kingdom to zero. The increase of the goodwill relating to the United Kingdom compared to 2018 (€25.1 million) was the result of a change in the foreign exchange rate.

### Germany

The adjustment of the terminal value growth rate to 0.75% (2018: 1.05%) and the expected CAGR for the Total Feed volumes to 1.9% (2018: 5.9%) results, for the cash generating unit Germany, in a reduction of the difference between the recoverable amount and carrying amount to €4.7 million (2018: €40.6 million). The growth rates have been adjusted downwards as it is expected that ultimately price pressure in the feed markets will increase, especially in the pig sector, as it seems that growth possibilities in this sector will be more limited due to (possible) stringent environmental legislation. In addition, it is uncertain how demand for alternative animal proteins (including meat alternatives) will grow. The increased risk of the impact of animal diseases, especially in the poultry- and pig sector, may also limit long-term growth possibilities.

A reasonable adjustment of the management assumptions could result in a recoverable amount lower than the carrying amount of the cash generating unit.

The table below shows the key-assumptions used in the goodwill impairment test 2019 regarding the activities of Germany and the changes of the assumptions which could result in a recoverable amount equal to the carrying amount of the cash generating unit.

### Germany

In percentage	Discount rate pre-tax	Terminal value growth rate	Expected volume CAGR <sup>(1)</sup>
Assumptions used	9.74%	0.75%	1.90%
Change	0.70%	-1.65%	-0.30%
<b>Recoverable amount equals carrying amount</b>	<b>10.44%</b>	<b>-0.90%</b>	<b>1.60%</b>

*(1) Concerns the expected Total Feed volume CAGR in the five-year forecasting period.*

### Result of the goodwill impairment test 2018

The goodwill impairment test 2018 showed that the recoverable amounts exceeded the carrying amounts of all cash generating units. Therefore, an impairment was not required.

However, a reasonable change in the management assumptions used in the goodwill impairment test regarding the activities of the United Kingdom could have resulted in a recoverable amount below the carrying amount of the cash generating unit.

The table below shows the key-assumptions used in the goodwill impairment test 2018 regarding the activities of the United Kingdom and the changes of the assumptions which could result in a recoverable amount equal to the carrying amount of the cash generating unit.

### United Kingdom

In percentage	Discount rate pre-tax	Terminal value growth rate	Expected volume CAGR <sup>(1)</sup>
Assumptions used	9.06%	1.38%	3.60%
Change	1.35%	-1.80%	-0.70%
<b>Recoverable amount equals carrying amount</b>	<b>10.41%</b>	<b>-0.42%</b>	<b>2.90%</b>

*(1) Concerns the expected Total Feed volume CAGR in the five-year forecasting period.*

### Information about the net realisable value including the key assumptions

For each cash generating unit, the goodwill is tested annually for impairment in the third quarter. Moreover, for each publication (annual report and half-year figures) it is assessed whether there is a trigger for goodwill impairment. This comprises, among others, assessments of most recent market developments, financial results and management projections.

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 calculation of the value in use per cash generating unit in 2019 were as follows.

In percentage	The Netherlands	Belgium	Germany	Poland	United Kingdom
Discount rate pre-tax	8.69%	10.16%	9.74%	10.77%	8.99%
Terminal value growth rate	0.75%	0.75%	0.75%	1.75%	0.95%
Expected Total Feed volume CAGR in the five-year forecasting period	0.80%	1.20%	1.90%	10.20%	1.60%

The key-assumptions used in the calculation of the of value in use per cash generating unit in 2018 were as follows.

In percentage	The Netherlands	Belgium	Germany	Poland	United Kingdom
Discount rate pre-tax	9.01%	9.85%	9.70%	10.96%	9.06%
Terminal value growth rate	1.05%	1.05%	1.05%	1.93%	1.38%
Expected Total Feed volume CAGR in the five-year forecasting period	3.20%	4.50%	5.90%	14.20%	3.60%

The value in use of the cash generating units is determined based on the budget 2019 (2018: budget 2018) and the 5 year plan. The growth rate used for the period after 2024 is equal to the terminal value growth rate.

The key-assumptions in the projections are the expected CAGR for Total Feed volume development and the average underlying EBITDA/Gross profit margin (conversion rate), both directly derived from the budget and the 5 year plans. The assumptions are based on past experience, analyses of the market developments and management projections. In particular due to uncertainties among farmers concerning their future prospects due to (possible) stringent environmental legislations, the possible impact of demand for alternative animal proteins (including meat alternatives) and the increased risk of animal diseases in the poultry- and pig sector the terminal value growth rates and the expected CAGR for Total Feed volumes for all cash generating units have been adjusted downwards.

To estimate the forecasted gross profit, an assessment has primarily been made on margin development, and not on sales price development. The commodity price development is hard to predict and, in general, these changes are passed on to customers. In determining the developments in the expenses the volume, inflation and cost savings are considered.

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.

## **(ii) Impairment on intangible assets other than goodwill**

The Group recognised no material impairment on other intangible assets in 2019 and 2018.

## 21. Investment property

### A. Reconciliation of carrying amount

In thousands of euro	2019	2018
<b>Balance at 1 January</b>	<b>643</b>	<b>830</b>
Reclassification to/from tangible fixed assets	427	-187
<b>Balance as at 31 December</b>	<b>1,070</b>	<b>643</b>
Cost	1,358	1,717
Accumulated depreciation	-288	-1,074
<b>Carrying amounts at 31 December</b>	<b>1,070</b>	<b>643</b>

Investment property comprises a number of industrial properties that are no longer in use for the Group's feed activities and which the Group intends to sell.

The reclassification from tangible fixed assets in 2019 relates to a feed mill in the Netherlands and a feed mill in Belgium, both no longer in use for the Group's feed activities. Furthermore, in 2019 property in the Netherlands has been divested, which resulted in an incidental gain of €0.9 million (see also Note 10 and 17). The bookvalue of these assets was nil.

The reclassification to tangible fixed assets in 2018 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 €2.3 million (31 December 2018: €0.7 million) and has been categorised as a Level 3 fair value based on the information derived from market transactions. The increase in the fair value is due to the reclassification from tangible fixed assets in 2019.

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.



## 22. Equity-accounted investees

The table below shows the amount of equity-accounted investees:

In thousands of euro	2019	2018
Interest in joint venture	27,206	25,392

The table below shows share of profit of equity-accounted investees, net of tax:

In thousands of euro	2019	2018
Joint venture	2,773	2,847
Settlement subsidiary	-	60
	<b>2,773</b>	<b>2,907</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 €651 thousand (2018: €662 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.

The non-current assets, non-current loans and borrowings, depreciation and amortisation and net finance costs all increased due to the application of IFRS 16. On 1 January 2019 right-of-use assets and lease liabilities of €10.7 million are recorded.

In thousands of euro	31 December 2019	31 December 2018
Percentage ownership of shares interest	50%	50%
<b>Non-current assets</b>	<b>56,255</b>	<b>48,299</b>
Cash and cash equivalents	71	103
Other current assets	32,141	31,763
<b>Current assets</b>	<b>32,212</b>	<b>31,866</b>
Loans and borrowings	-10,748	-3,629
Other non-current liabilities	-10,090	-9,191
<b>Non-current liabilities</b>	<b>-20,838</b>	<b>-12,820</b>
Loans and borrowings	-8,212	-11,683
Other current liabilities	-5,005	-4,878
<b>Current liabilities</b>	<b>-13,217</b>	<b>-16,561</b>
<b>Net assets (100%)</b>	<b>54,412</b>	<b>50,784</b>
Group's share of net assets (50%)	27,206	25,392
<b>Carrying amount of interest in joint venture</b>	<b>27,206</b>	<b>25,392</b>

In thousands of euro	Note	31 December 2019	31 December 2018
Revenue		190,972	165,327
Depreciation and amortisation		-6,069	-4,285
Net finance result		-965	-322
Income tax expense		-1,383	-1,367
Profit (100%)		6,848	7,018
Other comprehensive income (100%)		-36	-22
<b>Profit and total comprehensive income (100%)</b>		<b>6,812</b>	<b>6,996</b>
Profit (50%)		3,424	3,509
Group's share of tax expense of equity-accounted investee	16A	-651	-662
<b>Group's share of profit, net of tax</b>		<b>2,773</b>	<b>2,847</b>
Other comprehensive income, net of tax (50%)	16B	-18	-11
<b>Group's share of profit and total comprehensive income, net of tax</b>		<b>2,755</b>	<b>2,836</b>
<b>Dividends received by the Group</b>		<b>1,593</b>	<b>2,124</b>

## 23. Trade and other receivables

In thousands of euro	Note	31 December 2019	31 December 2018
Trade receivables		184,691	217,621
Related party receivables	38	8,948	5,853
Loans to employees		280	266
Other investments		28	28
Derivatives	33	114	-
Taxes (other than income taxes) and social securities		11,137	9,598
Prepayments		4,524	2,825
Other receivables and accrued income		29,520	28,117
<b>Total</b>		<b>239,242</b>	<b>264,308</b>
Non-current		10,462	13,690
Current		228,780	250,618
<b>Total</b>		<b>239,242</b>	<b>264,308</b>

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. If possible, securities were provided in the form of feed equivalents, participation accounts and real estate.
- 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 as part of the participation plans. The policy is, in principle, not to provide loans 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 33.

## 24. Inventories

In thousands of euro	31 December 2019	31 December 2018
Raw materials	70,717	72,646
Finished products	10,525	11,282
Other inventories	8,774	9,627
<b>Total</b>	<b>90,016</b>	<b>93,555</b>

The decrease in inventories is mainly caused by the decrease in the 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 decrease of other inventories is also mainly due to the decrease in the raw material prices.

In 2019, an amount of €30 thousand was added to the provision of inventories (2018: €30 thousand).

For important purchase commitments reference is made to the explanation of the commitments and contingencies under Note 37.

## 25. Biological Assets

### A. Reconciliation of carrying amount

In thousands of euro	2019	2018
Balance at 1 January	4,314	4,714
Purchases of poultry livestock, feed and nurture	31,129	28,654
Sales of poultry livestock	-30,947	-30,366
Change in fair value	1,435	1,312
<b>Balance as at 31 December</b>	<b>5,931</b>	<b>4,314</b>

As at balance sheet date the poultry livestock comprises of 998,820 animals (2018: 902,756 animals) with a value of € 5.9 million (2018: €4.3 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	2019	2018
<b>Amounts recognised in statement of profit or loss</b>		
Change in fair value (realised)	1,402	1,299
Change in fair value (unrealised)	33	13
<b>Total</b>	<b>1,435</b>	<b>1,312</b>

#### Amounts recognised in statement of financial position

Change in fair value (unrealised)	230	198
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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 (7.0%)	<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.

## 26. 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 increase in bank overdrafts is mainly caused by a larger share of short-term financing within the facility (see Note 30).

In thousands of euro	31 December 2019	31 December 2018
Deposits	4,647	611
Current bank accounts	58,114	51,145
<b>Cash and cash equivalents in the statement of financial position</b>	<b>62,761</b>	<b>51,756</b>
Bank overdrafts	-47,402	-13,307
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>15,359</b>	<b>38,449</b>

## 27. Assets held for sale

### Reconciliation of carrying amount

In thousands of euro	2019	2018
<b>Balance at 1 January</b>	-	<b>1,737</b>
Acquisitions through business combinations	-	187
Reclassification from property, plant and equipment	1,701	-
Disposals	-	-1,924
Currency translation adjustment	36	-
<b>Balance as at 31 December</b>	<b>1,737</b>	-

The assets of two feed mills in the United Kingdom and one feed mill in the Netherlands are reclassified from property, plant and equipment to assets held for sale. Efforts to sell the assets have started and a sale is expected in 2020.

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, in 2018 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. This site has been sold in 2019 resulting in a gain of €0.9 million.

# Equity and liabilities

## 28. Equity

### A. Share capital and share premium

In thousands of euro	Ordinary shares (number)		Amount	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
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 2019, 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 2019, the Annual General Meeting of Shareholders authorised the Executive Board - upon approval of the Supervisory Board - to acquire ForFarmers own shares (irrespective of the type) up to a maximum of 10% of the issued share capital of ForFarmers (determined at the time of the General Meeting). Based on this approval, ForFarmers started, as of 3 May 2019, to repurchase during a period of at most 18 months (the period for which authorisation has been given) its own shares for (a) an amount of €30 million and (b) for the implementation of employee participation plans in 2019. In 2019 ForFarmers repurchased 2,734,250 shares (2018: 802,291 ) for a total amount of €17.3 million (2018: €8.1 million) (including purchasing costs).

From the total number of repurchased shares 253,249 (2018: 179,579) at an amount of €1.8 million (2018: €1.8 million) have been certified for employee participation plans, bringing the balance of repurchased shares to €75.5 million (2018: €60.0 million) (including purchasing costs).

#### (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 2020, could exercise the voting right for 47.9% 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 (8.2%), which would give Coöperatie FromFarmers U.A. 56.1% 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:

- moving the Company's head office outside the east of the Netherlands (Gelderland and Overijssel);
- 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;

- 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;
- changes to the Company's articles of association;
- 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 2,734,250 of its shares as part of the share buy-back programme and in relation to the employee participation plans. At 31 December 2019, the Group held 8,573,005 of the Company's shares.

In 2018 the Company purchased 802,291 of its shares as part of the share buy-back programme and in relation to the employee participation plans. At 31 December 2018, the Group held 6,092,004 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	
	2019	2018	2019	2018
Balance at 1 January	6,092,004	5,469,292	61	55
Repurchase Employee participation plan	251,852	186,502	3	2
Re-issuance Employee participation plan	-253,249	-179,579	-3	-2
Share buyback	2,482,398	615,789	25	6
<b>Balance as at 31 December</b>	<b>8,573,005</b>	<b>6,092,004</b>	<b>86</b>	<b>61</b>

### (ii) Translation reserve

The translation reserve comprises all foreign currency differences arising from the activities of foreign subsidiaries. The increase in this reserve as at 31 December 2019 is caused by the revaluation of the pound sterling as well as 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 relates to the result on derivatives for the acquisition of Tasomix and fuel hedges.

### (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 49 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	2019	2018
€0.30 per qualifying ordinary share (2018: €0.30)	30,051	30,053
	<b>30,051</b>	<b>30,053</b>

The dividend is based on the total number of shares issued at year end of 97.7 million (2018: 100.2 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 2019). As a result the total dividend paid in 2019 amounts to €29.4 million (including €0.4 million dividend to the minority shareholder of ForFarmers Thesing Mischfutter GmbH & Co. KG). The treasury shares are not entitled to dividend.

After the respective reporting date, the following dividends were proposed by the Executive Committee. The dividend is payable on 8 May 2020. The dividends have not been recognised as liabilities and there are no tax consequences.

### Proposed over the year

In thousands of euro	Note	2019	2018
€0.28 per qualifying ordinary share (2018: total dividend of €0.30)	49	27,353	30,051
		<b>27,353</b>	<b>30,051</b>

The total dividend of €27,353 thousand consist of a dividend of €18,216 thousand and a special dividend of €9,137 thousand.

The total dividend in 2018 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

Attributable to shareholders of the Company

In thousands of euro	Note	Translation reserve	Hedging reserve	Other reserves and retained earnings	Total	Non-controlling interest	Total OCI
<b>2019</b>							
Remeasurement of defined benefit liabilities	15B , 16B	-	-	-16	-16	-	-16
Foreign operations – foreign currency translation differences	16B	5,122	-	-	5,122	-	5,122
Cash flow hedges - effective portion of changes in fair value	16B	-	417	-	417	-	417
Cash flow hedges - reclassified to statement of profit or loss / statement of financial position	16B	-	-	-	-	-	-
Equity-accounted investees - share of other comprehensive income	16B	-	-	-18	-18	-	-18
<b>Total</b>		<b>5,122</b>	<b>417</b>	<b>-34</b>	<b>5,505</b>	<b>-</b>	<b>5,505</b>
<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>

## 29. 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 2019 was €547.0 million (2018: €434.5 million) and the EBITDA ROACE was 16.2% (2018: 23.0%). This ratio is calculated for all clusters and increases the comparability of the clusters. The EBIT ROACE was 8.8% (2018: 16.4%).

### 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 30. ForFarmers' net debt to normalised EBITDA ratio at 31 December 2019 and 31 December 2018 was as included in the table below.

The long term target is lower than the maximum allowed ratios in the credit facility, see Note 30. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current period.

In thousands of euro	Note	2019	2018
Loans and borrowings	30	22,367	54,917
Lease liabilities		24,102	586
Bank overdrafts	26	47,402	13,307
Less: cash and cash equivalents	26	-62,761	-51,756
<b>Net debt</b>		<b>31,110</b>	<b>17,054</b>
Excluding IFRS 16 lease liabilities as per financing agreement		-24,102	-
<b>Net debts as per financing agreement</b>		<b>7,008</b>	<b>17,054</b>
Operating profit before depreciation, amortisation and impairment (EBITDA)		85,180	103,920
Excluding impact IFRS 16 as per financing agreement	2	-5,818	-
Other adjustments as per financing agreement		185	7,137
<b>Normalised EBITDA</b>		<b>79,547</b>	<b>111,057</b>
Leverage ratio (net debt to normalised EBITDA ratio)		0.09	0.15
Interest coverage ratio (normalised EBITDA to net financing interest expense on loans)		58.53	105.47

### Share buy-back programme own shares

The total number of shares that has been repurchased based on the share buy-back programme is 2,482,398 shares (excluding shares for the share-based payment arrangements) , for a total amount of €15.5 million, reference is made to Note 28A for more information.

## 30. Loans and borrowings

In thousands of euro	Note	31 December 2019	31 December 2018
Unsecured bank loans		19,287	39,083
Secured bank loans	30C	-	10,220
Loans from related parties		3,080	3,051
<b>Total non-current</b>		<b>22,367</b>	<b>52,354</b>
Unsecured bank loans		-	131
Secured bank loans	30C	-	2,432
<b>Total current</b>		<b>-</b>	<b>2,563</b>

The financing arrangement has no short term repayment obligations as at 31 December 2019 (31 December 2018: €2,563 thousand). For information regarding the financing, please refer to Note 30B.

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 2019	Carrying amount 31 December 2019	Face value 31 December 2018	Carrying amount 31 December 2018
Unsecured bank loan (floating rate)	EUR	EURIBOR + 0,55%	2024	20,000	19,287	-	-
Unsecured bank loan (floating rate)	GBP			-	-	39,456	39,214
Secured bank loan (floating rate) <sup>1</sup>	PLN			-	-	12,286	12,285
Secured bank loan (floating rate) <sup>1</sup>	EUR			-	-	367	367
Loans from related parties	PLN	3,8%	2021	3,080	3,080	3,051	3,051
<b>Total interest-bearing liabilities</b>				<b>23,080</b>	<b>22,367</b>	<b>55,160</b>	<b>54,917</b>

(1) The local secured bank loans are settled during 2019 with the new facility

### B. Unsecured bank loans

#### (i) Refinancing

On 25 June 2019 ForFarmers signed a new €300 million credit facility (multi-currency revolving facility) with an international syndicate of banks. This facility replaces the previous facility, which was also €300 million. The previous credit facility was signed in 2014 and would mature on 31 January 2020. The new facility expires on 25 July 2024 and includes two one-year extension options. The facility is provided by an international syndicate of banks, consisting of ABN AMRO, HSBC, ING, KBC and Rabobank.

A total nominal amount of €20.0 million (31 December 2018: €35.0 million (€39.1 million) of the old facility) of this new facility was used as at 31 December 2019. The applicable interest is based on Euribor and/or Libor or Wibor (depending on the currency in which the facility is drawn) plus a margin between 0.5% and 1.55% (2018: between 0.7% and 1.6%). The margin depends on the leverage ratio; on the basis of the 2019 ratio the Euro funding amounts to 0.55% (2018: 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 3.5.
- Interest coverage ratio, that is determined by normalised EBITDA divided by net finance expense and shall not be below 4.0.

Net debt means the total amount of all debts to credit institutions and other financial institutions (excluding financial lease commitments) less cash and cash equivalents.

EBITDA means operating profit (EBIT) after adding back amortisation and depreciation of assets and IFRS 16 impact correction.

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.
- excluding exceptional items like restructuring, disposals, revaluations, (reversal of) impairments and disposals of assets associated with discontinued operations provided that the aggregated amount of such costs does not exceed 10% of EBITDA.
- including cost savings and synergies the Group reasonably expects to be achievable in the 18 months following as a result of any acquisition, restructuring, reorganisation or other similar initiative provided that these costs do not exceed 15% of EBITDA. When the costs exceed 7.5% of EBITDA the costs should be certified by an independent third party expert.

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 2019 the leverage ratio and the interest coverage ratio are positive in accordance with the applicable accounting standards. Herewith ForFarmers fully complies with the terms and conditions of the covenants as per 31 December 2019 (2018: ditto).

### *(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 €0.9 million is used (2018: €1.8 million).

## **C. Secured bank loans**

### *2019*

The local secured bank loans relating to the entities Voeders Algoet (Belgium) and Tasomix (Poland), which were acquired in 2018, were settled during 2019 with the new facility mentioned before.

### *2018*

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 were provided 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.

### *Other secured liabilities*

Lease liabilities are effectively also secured as the rights to the leased assets revert to the lessor in event of default.

## D. Reconciliation of movements of liabilities to cash flows arising from financing activities

In thousands of euro	Note	Other loans and borrowings	Lease liabilities	Reserves	Other reserves and retained earnings	Unappropriated result	Non-controlling interest	Total
Balance at 31 December 2018		54,917	586	-7,610	239,990	58,590	5,166	
Additional IFRS 16 lease liabilities		-	24,987	-	-	-	-	
<b>Balance at 1 January 2019</b>		<b>54,917</b>	<b>25,573</b>	<b>-7,610</b>	<b>239,990</b>	<b>58,590</b>	<b>5,166</b>	
<b>Changes from financing cash flows</b>								
Purchase of own shares	30	-	-	-25	-15,481	-	-	-15,506
Proceeds from sale of treasury shares relating to employee participation plan	30	-	-	-	1,339	-	-	1,339
Repurchase of treasury shares relating to employee participation plan	30	-	-	-	-1,805	-	-	-1,805
Lease payments		-	-6,260	-	-	-	-	-6,260
Proceeds from borrowings	30	45,000	-	-	-	-	-	45,000
Redemption bank loan	30	-77,128	-	-	-	-	-	-77,128
Transaction costs related to borrowings		-1,135	-	-	-	-	-	-1,135
Payments of settlement of derivatives	30	-	-	-115	-	-	-	-115
Dividend paid	28, 30	-	-	-	-29,007	-	-401	-29,408
<b>Total changes from financing cash flows</b>		<b>-33,263</b>	<b>-6,260</b>	<b>-140</b>	<b>-44,954</b>	<b>-</b>	<b>-401</b>	<b>-85,018</b>
Acquisition of subsidiary		-	-	-	-	-	-	
Changes in fair value		385	-470	-	-	-	-	
Effect of movements in exchange rates		19	474	-	-	-	-	
Other changes <sup>1</sup>		309	4,785	5,654	57,959	-40,885	367	
<b>Balance as at 31 December 2019</b>		<b>22,367</b>	<b>24,102</b>	<b>-2,096</b>	<b>252,995</b>	<b>17,705</b>	<b>5,132</b>	
<b>Balance as at 31 December 2018</b>								
In thousands of euro	Note	Other loans and borrowings	Lease liabilities	Reserves	Other reserves and retained earnings	Unappropriated 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>								
Purchase of own shares	30	-	-	-6	-5,873	-	-	-5,879
Proceeds from sale of treasury shares relating to employee participation plan	30	-	-	-	1,503	-	-	1,503
Repurchase of treasury shares relating to employee participation plan	30	-	-	-	-2,192	-	-	-2,192
Lease payments		-	-1,115	-	-	-	-	-1,115
Proceeds from borrowings	30	1,608	-	-	-	-	-	1,608
Redemption bank loan	30	-5,928	-	-	-	-	-	-5,928
Payments of settlement of derivatives	30	-	-	-	-81	-	-	-81
Dividend paid	28, 30	-	-	-	-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>
Acquisition of subsidiary		14,468	1,439	-	-	-	-	
Changes in fair value		460	-	-	-	-	-	
Effect of movements in exchange rates		-120	30	-	-	-	-	
Other changes <sup>1</sup>		-	125	-1,857	67,929	36	937	
<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>	

(1) Other changes includes among others non-cash movements and equity-related changes

## 31. Provisions

2019

In thousands of euro	Soil decontamination	Demolition costs	Restructuring	Onerous contracts	Other	Total
Balance at 1 January 2019	784	205	204	661	1,542	3,396
Acquisitions through business combinations	-	-	-	-	-	-
Provisions made during the year	-	969	3,679	609	724	5,981
Provisions released during the year	-18	-	-367	-106	-233	-724
Provisions used during the year	-	-	-2,008	-793	-566	-3,367
Effect of discounting	7	-	-	-	8	15
Other movement	-	-	-100	-	-	-100
Translation difference	1	31	43	-	14	89
<b>Balance as at 31 December 2019</b>	<b>774</b>	<b>1,205</b>	<b>1,451</b>	<b>371</b>	<b>1,489</b>	<b>5,290</b>
Non-current	774	1,172	-	-	1,069	3,015
Current	-	33	1,451	371	420	2,275
<b>Balance as at 31 December 2019</b>	<b>774</b>	<b>1,205</b>	<b>1,451</b>	<b>371</b>	<b>1,489</b>	<b>5,290</b>

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>

### 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.

### B. Demolition costs

The provisions made during the year mainly relate to assets in use, which should be removed at the end of the useful lifetime.

A provision for demolition costs was recognised in prior years resulting from the closure of a site in the Netherlands. The non-current provision for demolition costs recognized in previous years relates to assets in use and will be utilized at the end of the useful lifetime of these assets.

### C. Restructuring

The changes in the restructuring provisions is mainly due to the result of the closing of certain feed mills and the announced efficiency programme.

### D. Onerous contracts

The provisions made during the year and the usage of the provision onerous contracts mainly relates to a number of loss-making forward sales contracts.

### 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 37 regarding contingencies).

## 32. Trade and other payables

		31 December 2019	31 December 2018
In thousands of euro			
Trade payables due to related parties	38	2,520	2,847
Other trade payables		210,759	198,935
Accrued expenses		44,394	49,014
Taxes (other than income taxes) and social securities		9,127	6,206
Contingent considerations	6	9,755	19,211
Derivatives	33	-	461
Put option liability	6	26,665	32,279
<b>Total</b>		<b>303,220</b>	<b>308,953</b>
Non-current		26,664	41,258
Current		276,556	267,695
<b>Total</b>		<b>303,220</b>	<b>308,953</b>

The decrease of the contingent consideration mainly relates to the settled contingent consideration regarding Maatman and Van Gorp and the released considerations. 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%. The decrease of this liability is the result of the expected realisation of operational targets. For more information, regarding the contingent considerations and the put option liability, refer to Note 6 and 17.

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 33C.



# Financial instruments

## 33. 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 2019

In thousands of euro	Note	Carrying amount			Fair value				
		Mandatory at FVTPL - others <sup>(1)</sup>	Fair value - hedging instruments	Amortized costs	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>									
Fuel swaps used for hedging (derivatives)	23	-	114	-	114	-	114	-	114
		-	114	-	114	-	114	-	114
<b>Financial assets not measured at fair value</b>									
Equity securities (other investments)	23	-	-	28	28	-	-	-	-
Trade and other receivables <sup>(2)</sup>	23	-	-	239,100	239,100	-	-	-	-
Cash and cash equivalents	26	-	-	62,761	62,761	-	-	-	-
		-	-	301,889	301,889	-	-	-	-
<b>Financial liabilities measured at fair value</b>									
Contingent consideration	33	-9,755	-	-	-9,755	-	-	-9,755	-9,755
Put option liability	33	-26,665	-	-	-26,665	-	-	-26,665	-26,665
Forward exchange contracts used for hedging (derivatives)	33	-	-	-	-	-	-	-	-
Fuel swaps used for hedging (derivatives)	33	-	-	-	-	-	-	-	-
		-36,420	-	-	-36,420	-	-	-36,420	-36,420
<b>Financial liabilities not measured at fair value</b>									
Bank overdrafts	26	-	-	-47,402	-47,402	-	-	-	-
Loans and borrowings	30	-	-	-19,286	-19,286	-	-	-	-
Lease liabilities		-	-	-24,102	-24,102	-	-	-	-
Trade and other payables <sup>(3)</sup>	32	-	-	-266,800	-266,800	-	-	-	-
		-	-	-357,590	-357,590	-	-	-	-

(1) Fair value through profit and loss

(2) Excluding derivatives and other investments

(3) Excluding contingent considerations and the put option liability

31 December 2018

In thousands of euro	Note	Carrying amount			Fair value				
		Mandatory at FVTPL - others <sup>(1)</sup>	Fair value - hedging instruments	Amortized costs	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>									
Fuel swaps used for hedging (derivatives)	23	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
<b>Financial assets not measured at fair value</b>									
Equity securities (other investments)	23	-	-	28	28	-	-	-	-
Trade and other receivables <sup>(2)</sup>	23	-	-	264,280	264,280	-	-	-	-
Cash and cash equivalents	26	-	-	51,756	51,756	-	-	-	-
		-	-	<b>316,064</b>	<b>316,064</b>	-	-	-	-
<b>Financial liabilities measured at fair value</b>									
Contingent consideration	33	-19,211	-	-	-19,211	-	-	-19,211	-19,211
Put option liability	33	-32,279	-	-	-32,279	-	-	-32,279	-32,279
Forward exchange contracts used for hedging (derivatives)	33	-	-36	-	-36	-	-36	-	-36
Fuel swaps used for hedging (derivatives)	33	-	-425	-	-425	-	-425	-	-425
		<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	26	-	-	-13,307	-13,307	-	-	-	-
Loans and borrowings	30	-	-	-51,866	-51,866	-	-	-	-
Lease liabilities		-	-	-586	-586	-	-	-	-
Trade and other payables <sup>(3)</sup>	32	-	-	-257,002	-257,002	-	-	-	-
		-	-	<b>-322,761</b>	<b>-322,761</b>	-	-	-	-

(1) Fair value through profit and loss

(2) Excluding derivatives and other investments

(3) Excluding contingent considerations and the put option liability

## 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 and put option liability	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 / EBITDA developments, the anticipated net debt position, 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 / EBITDA growth rate.</li> <li>• Forecast receipts gross trade receivables.</li> <li>• Forecast net debt position.</li> <li>• Risk-adjusted discount rate.</li> </ul> <p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>• the annual sales volume / EBITDA growth rate were higher (lower).</li> <li>• the receipts of the gross trade receivables vary positive (negative) from the standard payment terms.</li> <li>• the actual net debt position varies positive (negative) from anticipated position.</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 2019 individual responsible for more than 2.5% (2018: 2.7%) of the turnover). For a further explanation of the trade and other receivables reference is made to Note 23.

At 31 December 2019, the allowance for impairment in relation to trade and other receivables was as follows:

In thousands of euro	31 December 2019	31 December 2018
Gross trade and other receivables	254,870	281,217
Allowance for impairment in respect of trade and other receivables	-15,628	-16,909
<b>Total</b>	<b>239,242</b>	<b>264,308</b>
Non-Current (including loans)	10,462	13,690
Current	228,780	250,618
<b>Total</b>	<b>239,242</b>	<b>264,308</b>

At 31 December 2019, the ageing of trade and other receivables was as follows:

In thousands of euro	Not impaired accounts	Impaired accounts	Total
Not due	209,500	4,223	213,723
Past due < 30 days	15,513	1,617	17,130
Past due 31 - 60 days	3,653	1,279	4,932
Past due 61 - 90 days	1,052	972	2,024
Past due > 90 days	3,114	13,947	17,061
<b>Gross amount</b>	<b>232,832</b>	<b>22,038</b>	<b>254,870</b>
Allowance for impairment	-	-15,628	-15,628
<b>Total</b>	<b>232,832</b>	<b>6,410</b>	<b>239,242</b>
Overdue receivables	10.0%	80.8%	16.1%

The percentage overdue receivables (total of 16.1%) decreased, among others due to the integration of Groupwide credit control at acquired entities.

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>
Allowance for 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 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 includes a release of €1.1 million as a result of the final settlement of the Vleuten Steijn earn-out, as trade receivables balances were taken over. This release is not included in the underlying result (refer to Note 6 and 17). The movement during the year was as follows:

In thousands of euro	2019	2018
Balance at 1 January	16,909	17,811
Write-offs during the year	-1,030	-2,649
Releases during the year	-4,851	-3,620
Addition during the year	3,587	5,368
Other movement <sup>(1)</sup>	917	-
Translation difference	96	-1
<b>Balance as at 31 December</b>	<b>15,628</b>	<b>16,909</b>
Non-current	4,172	4,862
Current	11,456	12,047
<b>Balance as at 31 December</b>	<b>15,628</b>	<b>16,909</b>

(1) The other movement concerns a change in presentation with regard to trade receivables relating to prior year acquisitions.

#### 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, bank guarantees, guarantees to Insurance companies in the United Kingdom and guarantees to suppliers of the mill in Pionki (Poland). Refer to Note 37 for more information 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 30.

#### 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 2019 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, 32	9,755	9,755	9,755	-	-	-
Put option liability	6, 32	26,665	50,220	-	-	-	50,220
Bank overdrafts	26	47,402	47,402	47,402	-	-	-
Bank loans	30	19,286	20,000	-	-	20,000	-
Lease liabilities		24,102	37,655	5,618	4,220	6,940	20,877
Trade payables and other payables <sup>(1)</sup>	32	264,280	266,592	265,964	628	-	-
		<b>391,490</b>	<b>431,624</b>	<b>328,739</b>	<b>4,848</b>	<b>26,940</b>	<b>71,097</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 2019 amounting to €62,761 thousand.

### 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, 32	19,211	21,650	10,218	1,550	9,882	-
Put option liability	6, 32	32,279	67,820	-	-	-	67,820
Bank overdrafts	26	13,307	13,307	13,307	-	-	-
Bank loans	30	51,866	52,108	2,563	40,652	5,736	3,157
Lease liabilities		586	640	427	136	77	-
Trade payables and other payables <sup>1</sup>	32	254,155	254,155	254,155	-	-	-
		<b>371,404</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.

As disclosed in Note 29, 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 30.

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. 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 no forward currency contracts to hedge foreign currency exposure at 31 December 2019 (31 December 2018: does have 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 2019			31 December 2018		
	€	£	zł	€	£	zł
Trade and other receivables	120,290	74,645	132,882	136,670	86,785	131,700
Cash and cash equivalents less bank overdrafts	55,460	-20,502	-68,119	25,369	10,099	-3,329
Unsecured bank loans	-19,286	-	-	-160	-34,973	-566
Secured bank loans	-	-	-	-367	-	-52,845
Loans from related parties	-	-	-13,112	-	40	-13,125
Lease liabilities	-14,973	-7,466	-1,503	-361	-64	-2,211
Trade and other payables	-194,587	-62,105	-151,709	-184,166	-68,711	-206,344
<b>Net statement of financial position exposure</b>	<b>-53,096</b>	<b>-15,428</b>	<b>-101,561</b>	<b>-23,015</b>	<b>-6,824</b>	<b>-146,720</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		
	2019	2018	31 December 2019	31 December 2018	31 december 2017
£	0.8778	0.8847	0.8508	0.8945	0.8872
zł	4.2976	4.3013	4.2568	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 2019	31 December 2018
<b>Fixed-rate instruments</b>		
Financial assets	10,434	13,662
<b>Variable rate instruments</b>		
Financial liabilities	19,286	51,866

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 2019</b>				
Variable-rate instruments	-96	96	-63	63
<b>31 December 2018</b>				
Variable-rate instruments	-247	247	-196	196

### 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 by example for inbound logistics due to low water levels and costs as a result of the unfavourable purchasing position 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. Therefore, for the purchasing of energy, the Group has determined a purchasing policy. Part of this policy is to 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 2019 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 will expire at different moments in 2020, with the corresponding cash settlement also taking place during different moments in 2020.

#### 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	2019	Expected cash flows				2018	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										
Liabilities	-	-	-	-	-	-36	-36	-36	-	-
Fuel swaps used for hedging										
Assets	114	114	114	-	-	-	-	-	-	-
Liabilities	-	-	-	-	-	-425	-425	-266	-159	-
	<b>114</b>	<b>114</b>	<b>114</b>	-	-	<b>-461</b>	<b>-461</b>	<b>-302</b>	<b>-159</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	2019	Expected impact				2018	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										
Liabilities	-	-	-	-	-	-36	-36	-36	-	-
Fuel swaps used for hedging										
Assets	114	114	114	-	-	-	-	-	-	-
Liabilities	-	-	-	-	-	-425	-425	-266	-159	-
	<b>114</b>	<b>114</b>	<b>114</b>	-	-	<b>-461</b>	<b>-461</b>	<b>-302</b>	<b>-159</b>	-

# Group composition

## 34. 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%
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%
<b>Poland</b>		
Tasomix Sp. z o.o. <sup>(4)</sup>	Biskupice Ołoboczne	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 2019.

<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 22.

<sup>(4)</sup> Is consolidated for 100% because at any time (after 2021) the remaining 40% can be purchased at the specified conditions.

## 35. 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.

The non-current assets, non-current loans and borrowings and cash flow from financing activities all increased due to the application of IFRS 16. On 1 January 2019 right-of-use assets and lease liabilities of €6.3 million are recorded.

31 December 2019

	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>174</b>	<b>11,331</b>	<b>11,505</b>
Cash and cash equivalents	5	3,088	3,093
Other current assets	34	13,634	13,668
<b>Current assets</b>	<b>39</b>	<b>16,722</b>	<b>16,761</b>
Loans and borrowings	-	-6,313	-6,313
Other non-current liabilities	-	-2,182	-2,182
<b>Non-current liabilities</b>	<b>-</b>	<b>-8,495</b>	<b>-8,495</b>
Loans and borrowings	-	-348	-348
Other current liabilities	-5	-6,588	-6,593
<b>Current liabilities</b>	<b>-5</b>	<b>-6,936</b>	<b>-6,941</b>
<b>Net assets</b>	<b>208</b>	<b>12,622</b>	<b>12,830</b>
<b>Carrying amount of NCI</b>	<b>83</b>	<b>5,049</b>	<b>5,132</b>
Revenue	-	75,756	75,756
Profit attributable to shareholders of the Company	-3	728	725
OCI	-	-	-
<b>Total comprehensive income</b>	<b>-3</b>	<b>728</b>	<b>725</b>
Profit allocated to NCI	-1	291	290
OCI allocated to NCI	-	-	-

2019

	ForFarmers Thesing Mischfutter GmbH	ForFarmers Thesing Mischfutter GmbH & Co KG	Total
In thousands of euro			
Cash flows from operating activities	-	4,150	4,150
Cash flows from investing activities	-	-933	-933
Cash flows from financing activities	-	-1,594	-1,594
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-</b>	<b>1,623</b>	<b>1,623</b>

The change in cash flows from operating activities compared to previous year is driven by changes in the working capital.

31 December 2018

	ForFarmers Thesing Mischfutter GmbH	ForFarmers Thesing Mischfutter GmbH & Co KG	40%	40%	Total
Percentage non-controlling interest			40%	40%	
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>

# Other disclosures

## 36. Operating leases (2018)

Refer to Note 19 for more information on lease contracts under IFRS 16 (applied since 2019).

### Leases as lessee (2018 under IAS 17)

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 are as follows:

In thousands of euro	31 December 2018
Less than 1 year	5,866
Between 1 and 5 years	10,152
More than 5 years	17,088
<b>Total</b>	<b>33,106</b>

For the lease payments an amount of €8,068 thousand was recognised in 2018 in profit or loss as part of the other operating expenses.

## 37. 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 2019

In thousands of euro	< 1 year	1 - 5 years	> 5 years	Total
Purchase commitments raw materials	444,611	5,714	-	450,325
Purchase commitments energy (gas/electricity)	5,329	-	-	5,329
Purchase commitments property, plant and equipment	7,165	-	-	7,165
Purchase commitments other	4,207	429	-	4,636
<b>Total</b>	<b>461,312</b>	<b>6,143</b>	<b>-</b>	<b>467,455</b>

## 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>

The review of the purchase policy for raw materials resulted in a shorter allowed time horizon for purchase commitments. Combined with lower raw material prices, this resulted in a decrease of the purchase commitment of raw materials as at 31 December 2019 (€450.3 million) compared to a year before (31 December 2018: €611.2 million). The purchase commitments of raw materials are partly relating to existing sales contracts.

The other purchase commitments mainly relate to IT licenses.

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., FF Logistics B.V., PoultryPlus B.V. and Reudink B.V.

For the credit facilities reference is made to Note 30.

## 38. Related parties

Beside the subsidiaries that operate within the Group (refer to the overview "List of main subsidiaries", Note 34) 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 2019 and 2018 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 (2018: 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 7.5% (31 December 2018: 6.9%) of the shares in ForFarmers N.V. as per 31 December 2019 and has issued depository receipts in exchange for these shares. Coöperatie FromFarmers U.A. (hereinafter: de coöperatie) has a direct stake of 17.4% (2018: 17.4%), and an indirect stake of 26.6% (2018: 28.4%) of the ordinary shares of ForFarmers, and one priority share as per the aforementioned date. Depository receipts are held by members of the Coöperatie, employees of ForFarmers or others. Members of the Coöperatie and employees of ForFarmers who own depository receipts have the right to request their voting rights from Stichting Beheer.

Other depository 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. Furthermore, ForFarmers provides certain support functions (e.g. administrative) for the Coöperatie.

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	2019	2018
Interest income	1	4
Interest expenses	-	4
Receivable from	96	66
Payable to	-	-

## 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 €4.8 million (2018: €5.4 million), which can be broken down as follows:

In thousands of euro	2019	2018
Salary costs <sup>(1)</sup>	2,909	2,588
Performance bonus (short-term) <sup>(2)</sup>	374	811
Other compensation <sup>(3)</sup>	362	407
Post-employment benefits	330	278
<b>Short-term employee benefits</b>	<b>3,975</b>	<b>4,084</b>
Performance bonus (long-term) <sup>(4)</sup>	609	1,116
Participation plan <sup>(5)</sup>	187	238
<b>Long-term employee benefits</b>	<b>796</b>	<b>1,354</b>
<b>Total<sup>(6)</sup></b>	<b>4,771</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.

(6) Concerns the total costs for the remuneration for the Executive Committee in the financial year. Refer to the remuneration report in the Annual Report for the individual disclosure regarding the remuneration for the members of the Management Board.

The following table includes the ownership for the Executive Committee of the (depositary receipts for) shares at year end.

In numbers	2019	2018
(Depositary receipts of) shares	590,876	1,134,808

## 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 €354 thousand (2018: €339 thousand), which can be broken down as follows.

In thousands of euro	2019	2018
Attendance fees	278	278
Commission fees	63	54
Other compensation <sup>(1)</sup>	13	7
<b>Total<sup>(2)</sup></b>	<b>354</b>	<b>339</b>

(1) Relates to reimbursement for travel and fixed expenses

(2) Concerns the total costs for the remuneration for the Supervisory Board in the financial year. Refer to the remuneration report in the Annual Report for the individual disclosure regarding the remuneration for the members of the Supervisory Board.

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	2019	2018
Sales to	479	465
Purchases from	-	703

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 2019	31 December 2018
Amounts owed by	26	36
Amounts owed to	-	-

The following table includes the ownership of the (depositary receipts of) shares and the number of participation accounts issued by the cooperative and which can be converted into depositary receipts.

In numbers	2019	2018
Depositary receipts/ shares <sup>(1)</sup>	9,640	9,640
Participation accounts <sup>(1,2)</sup>	20,934	20,934
<b>Total</b>	<b>30,574</b>	<b>30,574</b>

(1) The members of the Supervisory Board with depositary receipts/ shares and/or participation accounts are also members of ForFarmers and received these through participation in the 'Equity on Name' (EON) registration process which ran in the period 2007 - 2017.

(2) The balance on the participation account can be converted into depositary 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.

## 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	2019	2018
Sales to	1,924	1,612
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 2019	31 December 2018
Amounts owed by	40	20
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	2019	2018
Sales to	-	10
Purchases from	52,688	46,426

The following table provides the total balances with the joint venture HaBeMa:

In thousands of euro	31 December 2019	31 December 2018
Amounts owed by	-	-
Amounts owed to	2,520	2,847

## F. Other

The following table provides the total amount of transactions that have been entered into with parties related to the minority shareholders of Tasomix (Poland):

In thousands of euro	2019	2018
Sales to	16,984	3,736
Purchases from	225	326

The following table provides the total balances (excluding the contingent consideration and put option liability, see Note 6) with the minority shareholders of Tasomix (Poland):

In thousands of euro	31 December 2019	31 December 2018
Amounts owed by	8,786	5,730
Amounts owed to	3,080	3,051

## 39. Events after the reporting period

There are no material subsequent events after balance sheet date.



# Accounting policies

## 40. 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.

## 41. 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 2019. 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 (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.

### 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.

## Derivative financial instruments and hedge accounting

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.

### 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

### *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-impaired 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.

#### *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.

### 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.

After initial recognition, investment properties are measured at cost, as applied for Property, plant and equipment, including the depreciation method and estimated useful lives.

## 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

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.

#### Rendering of services

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.

#### 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

#### Leases

The Group has applied IFRS 16 using the modified retrospective approach and based on the selected transition method no adjustment to equity has been recorded. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and IFRIC 4. The details of accounting policies under IFRS 16 (2019) and IAS 17/IFRIC 4 (2018) are disclosed separately.

#### Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into or changed, on or after 1 January 2019.

#### *As a lessee*

At commencement or on modification of a contract that contains a lease component, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability (see below for the remeasurement of the lease liability).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property and lease liabilities as separate lines in the statement of financial position.

#### *Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (a value below €5 thousand) and short-term leases (less than 12 months and without a purchase option). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### *Policy applicable before 1 January 2019*

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset.

An arrangement conveyed the right to use the asset if one of the following was met:

- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

#### *As a lessee*

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

### **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/Belgium
- Germany/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.

## 42. Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 2019, 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 amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements. The Group intends to adopt these standards and interpretations when they become effective.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3 business combinations).
- Definition of Material (Amendments to IAS 1 presentation of financial statements and IAS 8 operating segments).
- IFRS 17 Insurance Contracts.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 consolidated financial statements and IAS 28 Investments in Associates and Joint Ventures).
- Interest Rate Benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7 all related to financial instruments).

### 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 2019	31 December 2018
<b>Assets</b>			
Other receivables		136	165
Equity-accounted investees	45	385,932	363,447
Deferred tax assets		-	86
<b>Non-current assets</b>		<b>386,068</b>	<b>363,698</b>
Other receivables		2,590	4,329
Receivables from group companies	46	51,514	102,044
Current tax assets	48	2,483	-
Cash and cash equivalents		999	7,040
<b>Current assets</b>		<b>57,586</b>	<b>113,413</b>
<b>Total assets</b>		<b>443,654</b>	<b>477,111</b>
<b>Equity</b>			
Share capital		1,063	1,063
Share premium		143,554	143,554
Treasury share reserve		-86	-61
Legal translation reserve		-1,531	-6,653
Legal hedging reserve		-479	-896
Other legal reserves		20,368	19,188
Retained earnings		232,627	220,802
Unappropriated result		17,705	58,590
<b>Equity attributable to shareholders of the Company</b>	49	<b>413,221</b>	<b>435,587</b>
<b>Liabilities</b>			
Provisions	50	500	500
Deferred tax liabilities		11	-
<b>Non-current liabilities</b>		<b>511</b>	<b>500</b>
Bank overdrafts		4	-
Trade and other payables		118	503
Debts to group companies	46	29,800	36,601
Current tax liabilities	48	-	3,920
<b>Current liabilities</b>		<b>29,922</b>	<b>41,024</b>
<b>Total liabilities</b>		<b>30,433</b>	<b>41,524</b>
<b>Total equity and liabilities</b>		<b>443,654</b>	<b>477,111</b>

The notes 43 to 54 are an integral part of the company financial statements.

# Company statement of profit or loss

In thousands of euro	Note	2019	2018
Revenue		-	-
<b>Operating income</b>		-	-
Wages and salaries		-	-
Other operating expenses		-592	-554
<b>Operating expenses</b>		<b>-592</b>	<b>-554</b>
<b>Operating profit</b>		<b>-592</b>	<b>-554</b>
Net finance result	51	774	-1,278
<b>Profit (loss) before tax</b>		<b>182</b>	<b>-1,832</b>
Income tax expense		-27	1,116
Share of profit of equity-accounted investees, net of tax	45	17,550	59,306
<b>Profit for the year</b>		<b>17,705</b>	<b>58,590</b>

The notes 43 to 54 are an integral part of the company financial statements.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 43. General

The Company financial statements are part of the 2019 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.

## 44. 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 40 and 41 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.

## 45. Investments in subsidiaries

In thousands of euro	Note	2019	2018
<b>Carrying value at 1 January</b>		<b>363,447</b>	<b>444,435</b>
Dividend received		-	-74,000
Share in results from participating interest, net of tax		17,550	59,306
Foreign operations – foreign currency translation differences, net of tax	28D	5,122	-961
Remeasurement of defined benefit liabilities, net of tax	28D	-34	9,853
Other changes		-153	-75,186
<b>Carrying value at 31 December</b>		<b>385,932</b>	<b>363,447</b>

The other movement in 2018 mainly relates to the liquidation of a subsidiary.

## 46. Receivables from and debts to group companies

The receivables from and debt to group companies are current.

## 47. 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.

## 48. Income taxes

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.

## 49. Shareholders' equity

### Statement of changes in equity

2019

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 2019</b>		<b>1,063</b>	<b>143,554</b>	<b>-61</b>	<b>-6,653</b>	<b>-896</b>	<b>19,188</b>	<b>220,802</b>	<b>58,590</b>	<b>435,587</b>
Addition from unappropriated result		-	-	-	-	-	-	58,590	-58,590	-
<b>Total comprehensive income</b>										
Profit		-	-	-	-	-	-	-	17,705	17,705
Other comprehensive income	16, 26	-	-	-	5,122	417	-	-34	-	5,505
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>5,122</b>	<b>417</b>	<b>-</b>	<b>-34</b>	<b>17,705</b>	<b>23,210</b>
<b>Transactions with shareholders of the Company, recognised directly in equity</b>										
Contributions and distributions										
Dividends	26	-	-	-	-	-	-	-30,051	-	-30,051
Purchase of own shares	26	-	-	-25	-	-	-	-15,481	-	-15,506
Equity-settled share-based payments	15	-	-	-	-	-	-	-19	-	-19
Transfers		-	-	-	-	-	1,180	-1,180	-	-
<b>Total transactions with shareholders of the Company</b>		<b>-</b>	<b>-</b>	<b>-25</b>	<b>-</b>	<b>-</b>	<b>1,180</b>	<b>-46,731</b>	<b>-</b>	<b>-45,576</b>
Balance as at 31 December 2019		1,063	143,554	-86	-1,531	-479	20,368	232,627	17,705	413,221

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		-	-	-	-	-	-	-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

## Share capital and share premium

In thousands of euro	Ordinary shares (number)		Amount	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
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 2019, the share capital consists of 106,261,040 (31 December 2018: 106,261,040) ordinary shares and 1 (31 December 2018: 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 2019, the Annual General Meeting of Shareholders authorised the Executive Board - upon approval of the Supervisory Board - to acquire ForFarmers own shares (irrespective of the type) up to a maximum of 10% of the issued share capital of ForFarmers (determined at the time of the General Meeting). Based on this approval, ForFarmers started, as of 3 May 2019, to repurchase during a period of at most 18 months (the period for which authorisation has been given) its own shares for (a) an amount of €30 million and (b) for the implementation of employee participation plans in 2019. In 2019 ForFarmers repurchased 2,734,250 shares (2018: 802,291 ) for a total amount of €17.3 million (2018: €8.1 million) (including purchasing costs). From the total number of repurchased shares 253,249 (2018: 179,579) at an amount of €1.8 million (2018: €1.8 million) have been certified for employee participation plans, bringing the balance of repurchased shares to €75.5 million (2018: €60.0 million) (including purchasing costs).

### 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 (depository 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 2,734,250 of its shares to be able to re-issue the depository receipts in relation to the employee participation plans. At 31 December 2019, the Group held 8,573,005 of the Company's shares.

In 2018 the Company purchased 802,291 of its shares 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.

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	
	2019	2018	2019	2018
Balance at 1 January	6,092,004	5,469,292	61	55
Repurchase Employee participation plan	251,852	186,502	3	2
Re-issuance Employee participation plan	-253,249	-179,579	-3	-2
Share buyback	2,482,398	615,789	25	6
<b>Balance as at 31 December</b>	<b>8,573,005</b>	<b>6,092,004</b>	<b>86</b>	<b>61</b>

## Legal translation reserve

The legal translation reserve comprises all foreign currency differences arising from the activities of foreign subsidiaries. The increase in this reserve as at 31 December 2019 is caused by the revaluation of the pound sterling as well as 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 relates to the result on derivatives for the acquisition of Tasomix and fuel hedges.

## 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 depository 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 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	2019	per share (€)
Underlying net profit attributable to Shareholders of the Company	36,432	
Pay-out ratio of approximately 50% of the underlying net profit	18,216	0.19
Special dividend	9,137	0.09
<b>Dividend</b>	<b>27,353</b>	<b>0.28</b>

This results in a proposed dividend distribution of €0.28 per ordinary share (based on 97.7 million outstanding shares). The proposed dividend contains a dividend of €0.19 and a special dividend of €0.09. The annual accounts will be presented to the Annual General Meeting of 24 April 2020 for adoption. The dividend is payable on 8 May 2020.

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	2019	2018
€0.30 per qualifying ordinary share (2018: €0.30)	30,051	30,053
	<b>30,051</b>	<b>30,053</b>

The dividend is based on the total number of shares issued at year end of 97.7 million (2018: 100.2 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	2019	2018
€0.28 per qualifying ordinary share (2018: total dividend of €0.30)	27,353	30,051
	<b>27,353</b>	<b>30,051</b>

## 50. Provisions

In thousands of euro	Other	Total
Carrying value at 1 January 2019	500	500
Provisions made during the year	-	-
Releases	-	-
Provisions used during the year	-	-
<b>Carrying value at 31 December 2019</b>	<b>500</b>	<b>500</b>

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	-	-
<b>Carrying value at 31 December 2018</b>	<b>500</b>	<b>500</b>

For more information on the other provisions a reference is made to Note 31.



## 51. Net finance result

Net finance result amounts to €0.8 million positive (2018: €1.3 million negative) and includes, among others, interest over receivables and debt to group companies, both current.

## 52. 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, HSBC, ING, KBC, and Rabobank and is free from securities. For a further explanation a reference is made to Note 30 to the consolidated financial statements.

## 53. 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., FF Logistics B.V., PoultryPlus B.V. and Reudink B.V.

## 54. 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 38 of the explanatory notes to the consolidated financial statements. During the year under review, the average number of employees employed to the Company, converted into full-time equivalents, amounted to 6 employees (2018: 6 employees), who were all partially employed in the Netherlands.

Lochem, 11 March 2020

Executive Board ForFarmers N.V.

Yoram Knoop, CEO

Arnout Traas, CFO

Adrie van der Ven, 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 47.9% 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 56.1%. 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 2019 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 2019 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 2019 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 2019 of ForFarmers N.V. (hereafter: ForFarmers or the Company) 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 financial position as at 31 December 2019;
- 2 the following consolidated statements for 2019: the statement of profit or loss, the statements of 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 2019;
- 2 the company profit and loss account for 2019; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

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### **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 in accordance with the 'Verordening inzake de onafhankelijkheid of 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 3.0 million
- 6.2% of normalized profit before tax

##### **Group audit**

- 88% coverage of total assets with audit of complete reporting package and audit of specific items
- 86% coverage of revenue with audit of complete reporting package and audit of specific items

##### **Key audit matters**

- Valuation of goodwill
- Remeasurement of Tasomix earn-out and put option liability
- Valuation of trade receivables

##### **Opinion**

Unqualified

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### **Materiality**

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 3.0 million (2018: EUR 3.5 million). The materiality is determined with reference to a normalized profit before tax, excluding primarily adjustments for UK goodwill impairment, releases for earn-out liabilities and Tasomix put option liability and impairment and restructuring costs in relation to the closure of factories in 2019. Our materiality of EUR 3.0 million (2018: 3.5 million) represents 6.2% (2018: 4.8%) of normalized profit before tax. We consider normalized profit before tax as the most appropriate benchmark because the main stakeholders are primarily focused on the normalized 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 (2018: EUR 0.15 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 is at the head of a group of components. The financial information of this group is included in the financial statements of ForFarmers.

Our group audit is mainly focused on 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 for the group financial statements. We have considered in this respect the size and/or the risk profile of the components or operations.

We have selected 13 components where we performed procedures. For these components we have:

- performed audit procedures at group level in respect of the annual goodwill impairment test, the valuation of the earn-out liabilities and the Tasomix put option liability, IFRS 16, the Netherlands tax position which includes the valuation of deferred tax assets and performed audit of specific items for 2 components.
- made use of the work of local KPMG auditors and one non-KPMG auditor for 10 components for which an audit of the complete reporting package was performed and for 1 component for which an audit of specific items was performed. These entities are located in The Netherlands, Germany, Poland, Belgium and the United Kingdom;

The group audit team provided detailed instructions to all 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 2019 audit the group audit team has visited components in The Netherlands, UK 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, and Belgium. Telephone conferences were held and e-mail conversations were held with all 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.

For the remaining components, desktop analytical procedures are performed in order to corroborate our assessment that there are no risks of material misstatements.

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

81%  
Audit of the complete reporting package

7%  
Audit of specific items

#### Revenue

84%  
Audit of the complete reporting package

2%  
Audit of specific items

#### Audit scope in relation to fraud

In accordance with the Dutch standards on auditing we are responsible for obtaining a high (but not absolute) level of assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.

As part of our risk assessment process we have evaluated events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud ('fraud risk factors') to determine whether fraud risks are relevant to our audit. During this risk assessment we made use of our own forensic specialist.

In accordance with the auditing standard we evaluated the fraud risks that are relevant to our audit:

- fraud risk in relation to revenue recognition, specifically being the risk of (possible) fraudulent revenue recognition, especially in relation to non-routine journal entries in the revenue account both throughout the year as at year-end.

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- fraud risk in relation to management override of controls to meet targets and/or expectations (the presumed risk)

We communicated identified fraud risks within our team and remained alert to any indications of fraud throughout the audit. This included communication from the group to component audit teams of relevant fraud risks identified at group level.

Our audit procedures included an evaluation of the design and implementation of internal controls relevant to mitigate these fraud risks and supplementary substantive audit procedures.

This included inquiries of the Executive Board and local management, detailed testing of high risk journal entries and an evaluation of key estimates and judgment by the Executive Board and local management. Furthermore, in relation to the correct recognition of revenues for the period prior to the financial year-end, we carried out inspection and testing of documentation such as agreements with customers and shipping documents.

In determining the audit procedures we made use of the evaluation of Executive Board of ForFarmers in relation to fraud risk management (prevention, detection and response), including the set-up of ethical standards to create a culture of honesty.

As part of our evaluation of any instances of fraud, we inspected the incident register/whistle blowing reports and follow up by the Executive Board.

We communicated our risk assessment and audit response to the Executive Board and the Supervisory Board. Our audit procedures differ from a specific forensic fraud investigation, which often has a more in-depth character. Our procedures to address fraud risk did not result in the identification of a key audit matter

Our audit is based on the procedures described in line with applicable auditing standards and are not primarily designed to detect fraud.

#### ***Audit scope in relation to non-compliance with laws and regulations***

We have made an assessment of laws and regulations that are relevant to ForFarmers. In this assessment we made use of our own forensic specialist.

We identified laws and regulations that could reasonably be expected to have a material effect on the financial statements based on our general understanding and sector experience, through discussion with relevant the Executive Board and local management and evaluating ForFarmers' policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations within our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group audit team to component audit teams of relevant laws and regulations identified at group level. The potential effect of these laws and regulations on the financial statements varies considerably:

- ForFarmers is subject to laws and regulations that directly affect the financial statements, in particular corporate income taxation and financial reporting (including related Company



legislation). We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items; and

- ForFarmers is subject to many other laws and regulations where the consequences of non-compliance could have an indirect material effect on amounts recognized or disclosures provided in the financial statements, or both, for instance through the imposition of fines or litigation.

Based on ForFarmers' nature of operations and their geographical spread, the areas that we identified as those most likely having such an indirect effect include laws and regulations regarding product quality, environmental, data privacy, labor and safety, anti-bribery and corruption laws and regulations.

Auditing standards limit the required audit procedures to identify non-compliance with laws and regulations that have an indirect effect to inquiring of relevant management and inspection of regulatory and legal correspondence, if any. Through these procedures, we did not identify any actual or suspected non-compliance. Our procedures to address compliance with law and regulations did not result in the identification of a key audit matter

Our audit is not primarily designed to detect non-compliance with laws and regulations and that the Executive Board is responsible for such internal control as they determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error, including compliance with laws and regulations.

The more non-compliance with indirect laws and regulations (irregularities) is distant from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify such instances.

### ***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 Valuation of Tasomix earn-out liability and put option liability as key audit matter. This is considered a key audit matter as the accounting method applied is complex and it requires management judgment. The key audit matter in relation to the accounting for the Tasomix acquisition was a key audit matter for 2018, since the acquisition took place in that year.



## Valuation of goodwill

### Description

The carrying value of Goodwill as at December 31, 2019 is EUR 85.6 million.

Under EU-IFRS the Company is required to test the amount of goodwill for impairment at least annually. The impairment tests was 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.

We specifically focused on the valuation of goodwill as disclosed in note 20, for cash generating unit (CGU) UK and CGU Germany considering the impairment loss for CGU UK and limited headroom for CGU Germany as well as the valuation of goodwill in CGU Poland considering the outcome of the fair value remeasurement of the earn-out and put option liability at year-end 2019.

### Our response

We challenged the cash flow projections included in the annual goodwill impairment test and assessed the appropriateness of this and other data used by comparing them to external and historical data, such as external market growth expectations, and by analyzing sensitivities in ForFarmers' valuation model.

Our audit procedures included 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 and model used by ForFarmers.

We applied sensitivity analysis and assessed biases, challenged the overall outcome and consistency and the historical accuracy of management's estimates and retrospective review procedures. In this we specifically focused on CGU UK where the annual goodwill impairment test triggered an impairment of the goodwill, to CGU Germany where the headroom was limited and a reasonable possible change in assumptions could cause the carrying amount to exceed its recoverable amount and to CGU Poland considering the outcome of the fair value remeasurement of the earn-out and put option liability at year-end 2019.

We assessed the adequacy of the disclosures in note 20 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 20 to the financial statements to be appropriate.



## Remeasurement of Tasomix earn-out liability and put option liability

### Description

As part of the acquisition accounting for Tasomix in 2018, ForFarmers recognized a contingent consideration (earn-out liability) for EUR 6.9 million and a put option liability for the remaining 40% of the shares of Tasomix of EUR 30.0 million at acquisition date.

Under EU-IFRS the Company is required to remeasure these liabilities at fair value at each period end. The remeasurement of these liabilities was significant to our audit due to the judgements and assumptions involved which are affected by expected future market and economic developments.

The fair value remeasurement of the earn-out liability and put option liability per year-end 2019 resulted in an adjustment of the put option liability with a net effect of EUR 5.9 million (release) and a full release of the earn-out liability.

The fair value adjustments are recorded in the net finance costs in the income statement and have been disclosed in note 6, 12 and 32 of the financial statements.

### Our response

We challenged the consistent use of the model and the key parameters included in the fair value remeasurement for the earn-out liability and put option liability, by among others a retrospective review and a verification of the consistency with the data included in the annual goodwill impairment test. The key parameters identified are the expected EBITDA and net debt development, the discount rate applied and specifically for the put option liability the expected exercise date.

We assessed the adequacy of the disclosures in note 6, 12 and 32 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 disclosures in note 6, 12 and 32 to the financial statements to be appropriate.

## Valuation of trade receivables

### Description

Trade receivables (third party) of EUR 184.7 million are significant to our audit considering the valuation of trade receivables includes estimates of the Executive Board based on business characteristics, specific trade debtor risks and local facts and circumstances and it represents approximately 21.3% of the balance sheet total.

### 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, among others, by analysing



the ageing and by evaluating specific trade debtors risks and mitigating measures such as insurance, and considering local facts and circumstances.

We evaluated management assumptions in determining the provision in accordance with IFRS 9, among 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 23 and 33 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 the estimates of the Executive Board for the valuation of trade receivables to be within the reasonable range and we assessed the disclosures in note 23 and 33 to the financial statements to be appropriate.

#### **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.

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 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 information as required by Part 9 of Book 2 of the Dutch Civil Code.

#### **Report on other legal and regulatory requirements**

##### **Engagement**

We are auditor of ForFarmers since 2014. We were re-engaged by the General Meeting of Shareholders as auditor of ForFarmers on 26 April 2019 for the year 2019.

##### **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, the 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, the Executive Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The 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, 11 March 2020

KPMG Accountants N.V.

T. van der Heijden RA

Appendix:

Description of our responsibilities for the audit of the financial statements





## Appendix

### Description of our responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our 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 or non-compliance is higher than the risk resulting from error, as this 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 the Executive Board;
- concluding on the appropriateness of the 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.

We are solely responsible for the opinion and therefore responsible to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. In this respect we are also responsible for directing, supervising and performing the group audit.

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.

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# 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 2019 (hereafter: the sustainability indicators) for the year 2019 of ForFarmers N.V. (hereafter '*ForFarmers*') based in Lochem.

Based on the procedures performed, nothing has come to our attention that causes us to believe that the sustainability indicators are 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 (only for The Netherlands)
- Greenhouse gas emissions (scope 1 and 2) in kg of CO<sub>2</sub> equivalents per tonne of feed produced and in total tonnes of CO<sub>2</sub> equivalents
- % of sustainable soy bean meal and palm oil purchases
- Number of LTIs (Lost Time Incidents) per country
- Number of feed safety incidents

The sustainability indicators are disclosed in the ForFarmers Annual Report 2019 (hereafter: the annual report).

### ***Basis for our conclusion***

We performed our review 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)). This engagement is aimed to obtain limited assurance.

Our responsibilities under this standard are further described in the Auditor's responsibilities for the review of the sustainability indicators' section of our report.

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

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

KPMG Accountants N.V., registered with the trade register in the Netherlands under number 33263683, is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity.



### **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 of the sustainability indicators 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.

### **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.



### **Auditor's responsibilities for the review of the sustainability indicators**

Our responsibility 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 indicators. 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 for 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 skepticism 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 for the sustainability indicators. 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 Deventer (the Netherlands), Izegem (Belgium) and Exeter (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 information in the annual report 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, 11 March 2020

KPMG Accountants N.V.

T. van der Heijden RA

# Overview financial history

## Consolidated statement of financial position

In millions of euro	2019	2018	2017	2016	2015
Property, plant and equipment	267.4	261.6	205.9	194.7	197.7
Right-of-use asset	24.0	-	-	-	-
Intangible assets and goodwill	139.8	168.0	96.2	102.2	89.2
Other fixed assets	41.3	41.8	37.1	36.7	36.2
<b>Non-current assets</b>	<b>472.4</b>	<b>471.4</b>	<b>339.3</b>	<b>333.6</b>	<b>323.1</b>
Current assets	393.1	402.3	448.0	442.7	458.9
<b>Total assets</b>	<b>865.5</b>	<b>873.7</b>	<b>787.3</b>	<b>776.3</b>	<b>782.0</b>
Equity	413.2	435.6	405.3	424.1	402.5
Non-controlling interests	5.1	5.2	4.6	4.9	4.6
<b>Total equity</b>	<b>418.4</b>	<b>440.8</b>	<b>409.9</b>	<b>429.0</b>	<b>407.2</b>
Non-current liabilities	115.1	142.5	111.9	131.8	135.9
Current liabilities	332.0	290.5	265.5	215.5	239.0
<b>Total equity and liabilities</b>	<b>865.5</b>	<b>873.7</b>	<b>787.3</b>	<b>776.3</b>	<b>782.0</b>
Average capital employed	547.0	434.5	417.0	415.4	470.2
Net debt	7.0	17.1	-67.1	-61.5	-33.3
<b>Solvency ratio<sup>(1)</sup></b>	<b>48.3%</b>	<b>50.4%</b>	<b>52.1%</b>	<b>55.3%</b>	<b>52.1%</b>
<b>Equity as a percentage of total liabilities</b>	<b>93.6%</b>	<b>101.8%</b>	<b>108.6%</b>	<b>123.5%</b>	<b>108.6%</b>
ROACE on underlying EBITDA <sup>(2)</sup>	16.2%	23.0%	24.3%	22.5%	
ROACE on underlying EBIT <sup>(3)</sup>	8.8%	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 29 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	2019	2018	2017	2016	2015
Revenue	2,463.1	2,404.7	2,218.7	2,109.0	2,244.5
Gross profit	440.7	443.4	419.8	407.4	424.2
Operating profit	14.2	75.9	74.0	67.8	64.1
Net finance result	10.7	-4.4	-2.4	-3.5	-2.6
Profit before tax	27.6	74.5	75.5	68.1	66.2
Profit for the year	18.0	59.2	59.3	53.8	51.3
<b>Profit attributable to shareholders of the Company</b>	<b>17.7</b>	<b>58.6</b>	<b>58.6</b>	<b>53.3</b>	<b>50.7</b>
Compound feed (x million tonnes)	7.08	6.95	6.67	6.33	6.34
DML (x million tonnes)	2.71	2.78	2.57	2.61	2.45
Fertilizer (x million tonnes)	0.14	0.14	0.17	0.18	0.12
Other (x million tonnes)	0.17	0.15	0.14	0.14	0.13
<b>Volume Total Feed (x million tonnes)</b>	<b>10.10</b>	<b>10.02</b>	<b>9.55</b>	<b>9.26</b>	<b>9.04</b>
Number of employees at year-end (in fte's)	2,570	2,654	2,325	2,273	2,370
Underlying EBITDA <sup>(1)</sup>	88.5	100.1	101.4	93.6	90.4
Underlying EBITDA as % of revenue	3.6%	4.2%	4.6%	4.4%	4.0%
Underlying EBITDA as % of gross profit	20.1%	22.6%	24.2%	23.0%	21.3%
Underlying EBIT <sup>(1)</sup>	48.2	71.5	75.8	67.6	64.4
Underlying EBIT as % of revenue	2.0%	3.0%	3.4%	3.2%	2.9%
Underlying profit <sup>(1, 2)</sup>	36.4	57.6	60.1		
Underlying profit per share <sup>(1, 2)</sup>	0.37	0.58	0.58		
Dividend (€ million)	27.4	30.1	30.2	25.7	24.7
Dividend per share (€) <sup>(3)</sup>	0.28	0.30	0.30	0.24	0.23
Impact of acquisitions and divestments on revenue	4.7%	3.6%	2.9%	1.5%	2.0%
Impact of acquisitions and divestments on gross profit	3.9%	2.3%	0.9%	0.7%	2.0%
Impact of acquisitions and divestments on operating profit (EBIT)	1.2%	-3.2%	4.3%	3.0%	0.2%
Impact of acquisitions and divestments on operating profit before depreciation (EBITDA)	5.1%	0.6%	3.7%	2.6%	0.1%

<sup>(1)</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. For a reconciliation between IFRS measures and underlying measures, reference is made to Note 17 of the financial statements.

<sup>(2)</sup> Underlying profit is an APM since 2017

<sup>(3)</sup> 2019: €0.19 per ordinary share and €0.09 special dividend (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>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>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>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 depository receipts per person at a discount. A lock-up period applies to the purchased depository 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, the CEO, CFO and COO.
<b>Executive Committee</b>	ForFarmers' Executive Committee is composed of three members of the Executive Board and the other five 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>FEFAC</b>	European Feed Manufacturers' Federation.
<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>GMO</b>	A GMO is an animal, plant, or other organism whose genetic structure has been changed by genetic engineering. GMO is an abbreviation for 'genetically modified organism'.
<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</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>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>KringloopWijzer</b>	KringloopWijzer is a management tool for dairy farmers and maps the mineral cycle at a specific farm.
<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>MilkEfficient</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>Nitrogen and nitrogen crisis</b>	Nitrogen oxides and ammonia end up in the environment mainly as a result of livestock farming including manure applications in farming, and emissions from traffic and industry. The Dutch government needs to take measures to reduce emissions of these reactive forms of nitrogen, following a ruling of the Council of State in May 2019.
<b>NOVA</b>	A 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>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 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>Translac</b>	Feed concept for cows in the period around calving.
<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>Virtual chain integration</b>	Companies in a virtual (supply) chain share information across the supply chain to derive additional value e.g. provenance / traceability.
<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>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.