

**Better
Together**

2021 Annual Report

A responsible food chain for future generations





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The annual report is published in Dutch and English. The Dutch version represents the authentic text. The English version is a translation and is for convenience purposes only. All amounts in this annual report are stated in thousands of euros unless indicated otherwise.

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Global collaboration

We look back on 2021 with satisfaction. 2021 was a year in which our commercial teams in the various regions succeeded in achieving good results despite the very challenging circumstances. A year in which the COVID-19 pandemic had a huge impact on the way we worked. Although it was a difficult situation for our employees, this did not have a negative effect on the services that we provide to our customers or our organisation's performance.

Excellent results under challenging circumstances

2021 was a year in which large parts of the agricultural sector were affected by animal diseases such as swine fever and bird flu. It was also a year dominated by high transport costs and low prices for agricultural products. It was a difficult year for the livestock sector, both in the Netherlands and in other markets in which Agrifirm is active. The opposite applied in the crop sector in the Netherlands; 2021 was a good year in this sector with healthy prices for products.

The developments in the agricultural sector have a direct impact on Agrifirm's results. It was difficult for the business units in the livestock sectors worldwide. However, in spite of the challenging circumstances, they still succeeded in achieving good results. The Arable business unit recorded excellent results, as did the companies NutriControl and Welkoop. Agrifirm's organisational structure was adapted in 2021 and we continued to work on the worldwide rollout of SAP with a go-live for the Arable business unit. In short, it was a good year under very challenging market circumstances.

Greening the food supply chain

There is increasing pressure from within society and political parties to accelerate the greening of the food supply chain. We also see the importance of this and have

**Introduction
by the CEO**





based our vision and strategy for the coming years on a responsible food chain. However, such a transition cannot be achieved overnight; time and resources are needed to make this change possible. We continue to work on this in the interest of our members. Innovation plays a key role in this transition process. In our strategy for 2021-2024, we focus on six innovation areas. The initial developments show what

“Good results despite a challenging market”

a future business model can bring for farmers and Agrifirm. This turns change into an interesting opportunity rather than a threat.

COVID-19

The COVID-19 pandemic has an impact on how we operate as Agrifirm. By being flexible, coming up with new solutions, making use of new ways to stay in contact and hold meetings in person and online, as a company, we were able to continue to operate ‘as usual’ and provide the best solutions and advice to our customers. Nevertheless, the COVID-19 pandemic has had and is still having a huge impact on us as individuals. Unfortunately, Agrifirm has also lost colleagues who succumbed after contracting COVID-19, and has therefore been affected by the pandemic. Our thoughts are with their families, friends and direct colleagues.

Outlook for 2022

We expect that the challenges we faced in 2021 will continue to play an important role in 2022. Animal diseases, raw material shortages, high feed prices, and societal and political pressure are issues that we will also have to deal with in the coming year. We will face these challenges with confidence and, with our dedicated employees, we will do our utmost to provide our customers with the right knowledge and solutions. Together, we will continue to work on a responsible food chain for future generations.

To all employees, customers and members, partners and stakeholders: Thank you for your dedication and your confidence in Agrifirm. We are proud of what we have achieved in the past year in partnership with you. With a strong vision plus your knowledge and commitment, we feel confident about the challenges ahead.

On 24 February 2022, Russia launched a military offensive on Ukrainian territory. In this extremely precarious situation, the safety of our personnel is our first priority. Therefore, we have shut down the two production locations of our Ukrainian joint venture. We have also closed our office in Kyiv for this reason. Agrifirm sister companies and their employees are actively providing help to their Ukrainian colleagues. The salaries of the Ukrainian employees are still being paid at present. Of course we are trying to service our customers where possible, without jeopardising the safety of our employees.



In addition to the humanitarian aspect, we are also trying to limit the commercial damage, for example by mitigating adverse exchange rate effects and controlling debtor risks. Despite the limited possibilities for visiting our branches in Ukraine at present, we have as yet no indications that our fixed assets in Ukraine have been damaged.

Our business activities in Russia were already limited to a minimum; therefore, the offensive does not have a significant impact there.

In general, the precarious situation in Ukraine and the resulting uncertainty are expected to exert further upward pressure on commodity and energy prices.

These factors are taken into account in our risk and margin management.

Despite the seriousness of this situation, it does not have an impact on the going concern assumption of Agrifirm as a whole. The limited extent of our Ukrainian activities and the group-wide significant unused financing capacity are the key reasons for reaching this conclusion.

Dick Hordijk

CEO

Welcome to Agrifirm





Profile, mission and vision

Sustainable value on farms, in fields and for the industrial sector

Coöperatie Koninklijke Agrifirm UA (hereinafter: Agrifirm) seeks to promote a responsible food chain for future generations. We provide measurable, relevant and sustainable value on farms, in fields and for the industrial sector. Since 1892, our cooperative origin has translated into benefits for our customers and members.

Vision

The global vision that propels us is: 'A responsible food chain for future generations'.

This vision determines our organisation's essential purpose and guides our strategic choices and day-to-day decision-making. Concretely, this means that Agrifirm places the relevance and sustainability of solutions above the cooperative's short-term profitability and that it advocates this in word and deed, without losing sight of Agrifirm's commercial interests and the commercial interests of its customers and members.



Mission

Agrifirm is an agricultural cooperative that operates worldwide and has an exclusively Dutch membership base. Our mission is as follows: 'To provide measurable, relevant and sustainable value on farms, in fields and for the industrial sector'.

We do this by supporting our customers with sustainable, innovative and effective products and concepts for optimal results and by realising growth in the value of the company, which is partially distributed to our members via the cooperative profit sharing. The emphasis on innovation and our role within society is demonstrated by the recent amendment of our articles of association.

Innovative products and services

Its wide range of international activities, knowledge of the sector and innovative capacity enable Agrifirm to develop new products and services that benefit livestock farmers and growers. We do this through an international network of subsidiaries in Europe, North and South America, Asia and Africa, and a global distribution network.



Better together

Agrifirm is the premier dedicated and experienced specialist for livestock farmers and growers, supporting them with innovative products and services so that they can achieve the best results. Agrifirm's activities, products and services are optimally tailored to meet the wishes and requirements of livestock farmers and growers. The innovative portfolio is based on years of international scientific research and specific local knowledge and expertise.

If there is one thing that connects Agrifirm and its customers, it is their shared passion for agriculture. Agrifirm is proud of the farmers and business owners in the agricultural sectors. Agrifirm's employees are characterised by their professional knowledge and high level of commitment to livestock farmers and growers and are focused on continuously improving the products and services offered.

Our motto 'Better together' encapsulates this way of working. By working together, Agrifirm offers the best solutions to its customers, creating the desired impact worldwide.

We work together with:

Customers
worldwide



Scientific and supply-
chain partners



Colleagues
near and far



Governments and other
stakeholders





STAR core values

Combining the ideas, skills and knowledge of our employees worldwide accelerates the development of new concepts, products and tools. Dedicated employees who put sound knowledge into practice form the basis of Agrifirm's culture of success. In our way of working, the STAR core values take pride of place:

All Agrifirm employees are trained with the STAR culture programme to create the highest value for the company and for themselves. In addition, we train our employees to take appropriate action in the event of discrimination, corruption, and the violation of human rights.

Sharp



I set ambitious goals and achieve them.

Trustworthy



I am open, sincere, honest and consistent in the way I collaborate with others.

Ambitious



I am a winner with a focus on customers and results.

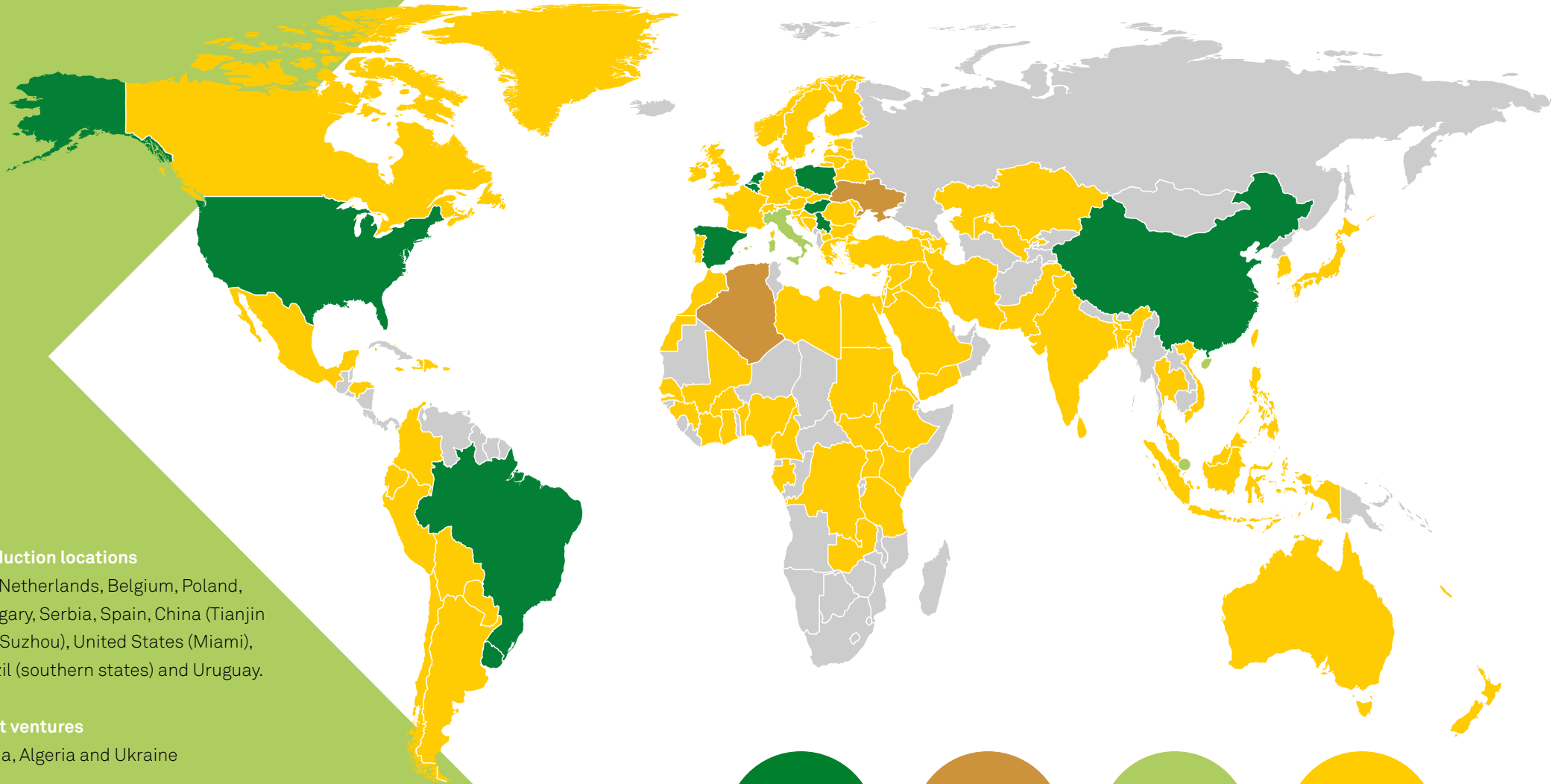
Responsible



I contribute actively to a safe working environment and a learning organisation.



Agrifirm worldwide



Production locations

The Netherlands, Belgium, Poland, Hungary, Serbia, Spain, China (Tianjin and Suzhou), United States (Miami), Brazil (southern states) and Uruguay.

Joint ventures

China, Algeria and Ukraine

Sales offices

Italy, Singapore and China (Shanghai).



Production locations



Joint ventures



Sales offices

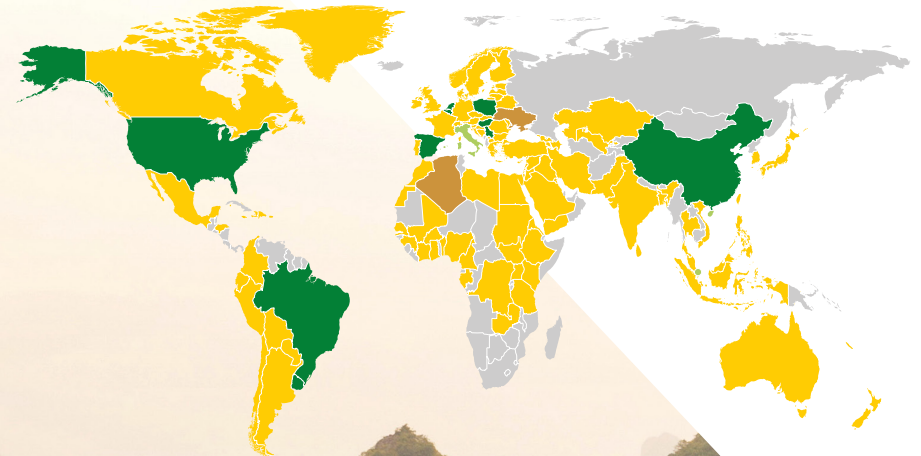


Export



Agrifirm worldwide

Cooperative Royal Agrifirm U.A. is an agricultural cooperative, with an exclusively Dutch membership base, that is active worldwide in the production and supply of products and services for feeding animals and cultivating and protecting crops.



5,931
million tonnes
sales volume

10,000
members

3,111
employees

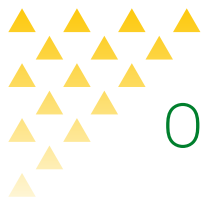
Animal feed	
Sales volume (x 1,000 tonnes)	
> Compound feed:	3,628
> Co-products:	1,163
> Premixes and concentrates:	449

Vegetable products	
Sales volume (x 1,000 tonnes)	
> Cereals, potatoes, onions and carrots:	343
> Artificial fertilisers:	348

Other	
Revenue (in € millions)	
> Crop protection products:	142.7
> Retail (e.g. Welkoop):	268.8

14
countries

- Europe
- Middle East and Africa
- Asia
- North and South America



Our international sectors



Dairy cattle

Dairy farming is not a job where you can simply switch off at the end of the day. Dairy farmers run a 24/7 business and are proud of their profession, their livestock and their farms. The well-being of their cows and their entrepreneurship largely determine their success.



Beef cattle

The demand for Dutch beef is increasing. This offers opportunities in a market that is characterised by relatively low margins. Success and business continuity require a results-driven approach to cattle farming.



Pigs

The pig farming sector is facing many changes and challenges. All of these changes and challenges demand new solutions to ensure the sector's future. Together with our members, we are working on innovations to make pig farming better, smarter and more future-oriented.



Broiler poultry

Results — that is what it is all about. Time and time again. Being jointly proud of the sector's performance and its innovative capacity within the limits set by society. Efficient and results-driven. Our team of advisers, specialists and nutritionists are driven to help customers achieve their goals.



Layer poultry

Producing in a socially responsible manner is crucial in today's market, as is optimal performance. Laying percentages, eggshell quality, egg weight, bird health and feed and water intake determine the success. Measuring and analysing ensure continuity.



Agricultural contractors

Agricultural contractors play an important role in the results of our agricultural customers. That is why we like to work together with them to provide added value in the form of knowledge, quality and service.



Our sectors in the Netherlands



Goats

The Netherlands is one of the largest producers and leading the way in goat farming. The sector is characterised by unique technology and innovation, with animal health the top priority. Agrifirm helps goat farmers optimise feed and comes up with solutions to help farms grow.



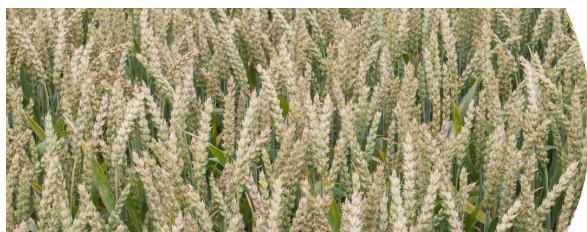
Organic farming

Organic farming is about pioneering, being bold and taking risks. It is about investigating and trying things out. Agrifirm helps farmers and growers make the switch to organic farming. We advise and support organic farmers in achieving optimum animal health and soil and crop quality.



Flower bulbs

Agrifirm provides growers with new insights and experience in the areas of cultivation techniques, crop protection and fertilising so that it can continue to support a sustainable flower bulb sector in the future. In this way, Agrifirm provides added value not only for its members but also for society as a whole.



Arable farming

The quality of the soil is important for the quality of the crop. The land contains a wealth of information. By making use of precision agriculture, we combine data with common sense. Scaling up, expansion and intensification all require that the right choices are made.



Vegetables

Open-field vegetable cultivation is a dynamic area. There are many new developments aimed at improving yields. Cultivation methods and crops must comply with many rules and regulations. Food safety is fundamental.



Fruit cultivation

The aim is to produce fruit of a constant quality with optimal yields, with the weather as an unpredictable factor. Responding to market preferences for fresh produce requires coordination of the supply chain and solutions that add value.

Our key figures





Our key figures

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

Net revenue

2,357

2020: 2,232

+ 5.60%

Group equity

505.4

2020: 484.2

+ 4.4%

Group equity

as % of balance sheet total

54.8%

2020: 56.4%

percentage points **- 1.6%**

Operating profit

as % of revenue

2.2%

2020: 2.7%

percentage points **- 0.5**

Net profit

33.9

2020: 39.8

- 14.80%

Cash flow

from operating activities

38.5

2020: 56.7

- 32%





Our key figures

Member distributions
(in € millions)

25.0

Average for 2017-2020 24.0

+4.2%

Number of employees
(in FTEs)

3,111

2020: 3,090

+ 0.7%

Responsible sourcing

(% Raw materials for animal feed purchased responsibly*)



62%

Responsible operations

(% net reduction in CO₂ emissions due to our direct and indirect energy consumption*)



-41%

2020: -40%

Responsible solutions

(% of the margin that comes from Responsible solutions)



start reporting in 2022

* See page 46 for more information.





Financial key figures

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

	2021	2020	2019	2018	2017
Revenue and profit					
Net revenue	2,357	2,232	2,058	2,087	2,118
Operating profit	51.1	60.1	25.2	53.4	56.4
<i>Operating profit as % of revenue</i>	2.2%	2.7%	1.2%	2.6%	2.7%
Financial income and expenses	-2.8	-4.8	-1.9	-1.9	-4.5
Profit before tax	48.3	55.3	23.4	51.5	51.9
Profit/loss from participating interests	-0.2	0.3	0.3	0.2	0.1
Net profit	33.9	39.8	17.2	44.0	38.4
Net assets					
Fixed assets	334.5	329.0	352.1	319.8	298.3
Net working capital	155.3	117.1	101.5	109.3	89.3
Total net assets	489.8	446.1	453.6	429.1	387.6
Financing					
Group equity	505.4	484.2	492.1	486.5	464.4
Provisions	10.1	13.7	15.0	13.7	8.6
Net debt	-25.7	-51.8	-53.5	-71.1	-85.4
Total financing	489.8	446.1	453.6	429.1	387.6
Group equity as % of balance sheet total	54.8%	56.4%	57.2%	58.4%	57.6%
Investments					
Investments in fixed assets	37.8	29.8	46.3	31.8	26.8
Depreciation of fixed assets	34.7	32.2	31.3	31.0	33.5
Cash flow					
Cash flow from operating activities	38.5	56.7	95.2	63.5	82.6



Other key figures

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

	2021	2020	2019	2018	2017
Member distributions					
Member dividends/discounts	25.0	27.0	16.0	28.0	25.0
Employees					
Number of employees at year-end (in FTEs)	3,111	3,090	3,028	2,957	2,954
Sales volume (x 1,000 tonnes)					
Compound feed	3,628	3,860	3,626	3,611	3,829
Co-products	1,163	1,345	1,708	1,941	1,875
Premixes and concentrates	449	486	398	514	553
Total animal feed	5,240	5,691	5,732	6,066	6,257
Cereals, potatoes, onions and carrots	343	300	334	339	400
Artificial fertilisers	348	283	289	344	364
Total crops	691	583	623	683	764
Total sales volume	5,931	6,274	6,355	6,749	7,021
Crop protection products	142.7	134.1	115.4	109.6	118.2
Sustainability					
Responsible Sourcing	62%	—*			
Responsible Operations	-41%	-40%*			
Responsible Solutions	—	—*			

* No comparative figures available for 2020. Reporting had not yet started in 2020.

Report by the Executive Board

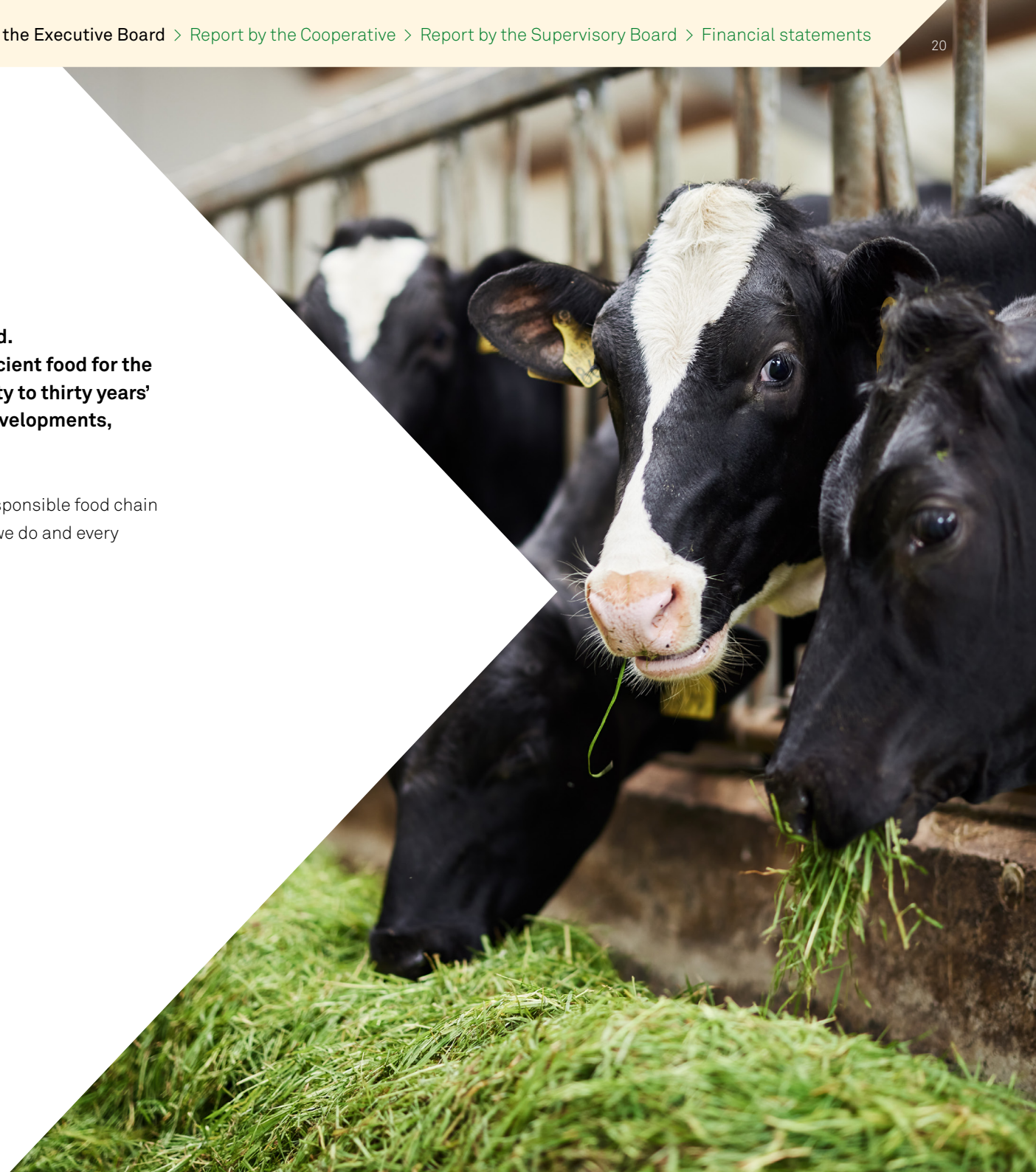




A responsible food chain for future generations

We are facing a huge challenge in the production of food. The current food chain is not capable of providing sufficient food for the projected world population of 10 billion people in twenty to thirty years' time, taking into account the climate issues, market developments, growing consumer awareness and customer needs.

At Agrifirm, we believe that we can and must contribute to a responsible food chain for future generations. This is what motivates us in everything we do and every decision we take.





Strategy 2021-2024: Driven by purpose

In 2021 we launched our new four-year strategy, in which we set out our contribution to a responsible food chain. We have taken the following global developments into account in our strategy:

With a growing world population, we will need 50% more food in 2050 than we do at present. Yet there is ever less land available for food production, water supplies are decreasing and crop yields are under pressure due to climate change.



Consumer awareness with regard to food is growing in Western countries. Consumers want to know where and how food is produced and they attach more importance to health, environmental impact and animal welfare. A shift is taking place from a diet with a lot of animal protein to more plant protein. However, in other parts of the world the demand for animal protein is increasing rapidly due to increased prosperity, for example in India, Africa and South America.



At present, a farmer's income depends mainly on the efficiency of the farm's production. Worldwide, this is leading to integration and scaling up in order to produce affordable food for consumers and earn a decent income as a producer. The costs and investments that are being made to meet the increasing requirements of consumers and the environment can no longer only be borne by the farmers.





Based on these developments, we have set a number of priorities for Agrifirm in the coming years.



To meet the growing demand for food, optimal feed conversion and yields per hectare are needed while taking into consideration people, animals and nature. The focus is on smart, climate-friendly solutions with minimal impact on our planet.



A food chain driven by changing consumer needs requires a focus on healthy animals, good soil quality and transparent supply chains.



With the human dietary shift from animal protein to plant protein, the importance of the arable sector is increasing worldwide and the use of new protein sources (such as meat substitutes) will increase.



To enable the transition to a sustainable, responsible food chain, farmers must be able to earn a fair income based on factors other than efficiency alone, for example quality, animal welfare, healthy animals and sustainability.



Sustainability priorities

Agrifirm wishes to enter into a dialogue with partners and customers about the future of the global agricultural sector and to strive for a responsible food chain.

We want to make an important contribution to the following six themes:

	1. Sustainable incomes
	2. Plant production systems
	3. Reliable supply chains
	4. Healthy animals
	5. Sustainable, improved yields
	6. Climate-friendly production



1. Sustainable incomes

We support our members and customers in the transition from bulk agricultural production to products with added value and a sustainable business model. Our advice is based on transparent supply chains, fair prices for food and responsible production. We strive to improve the revenue models of our members and customers. We also seek to increase appreciation of farming within society at large, in both the Netherlands and elsewhere.



2. Plant production systems

Our food production system will have to evolve in order to deal with future challenges. With our future products and services, we wish to contribute to healthy soils, biodiversity and a resilient ecosystem for arable farms and horticulture. We aim to reduce emissions, provide integrated cultivation advice to growers and also to increase the absorption of, for example, CO₂.



3. Reliable supply chains

Society demands more transparency where the production of food is concerned. Consumer trust can no longer be taken for granted. Therefore, we strive for a transparent food chain from farm to fork. We are also working on responsible procurement of our raw materials for animal feed.



4. Healthy animals

Animal health is the basis of sustainable livestock farming and contributes to better animal welfare. Therefore, we are working on developing new, natural concepts and solutions that contribute to animal health. With our feed concepts and solutions, we aim to reduce the use of antibiotics on the farm.



5. Sustainable, improved yields

All of our solutions and advice are geared to making the production of milk, meat and eggs and the cultivation of crops as efficient and responsible as possible. It is our ambition to optimise food production with our concepts, products and services, by improving feed conversion and enabling better crops yields with fewer inputs. Of course we do this in a responsible manner.




6. Climate-friendly production

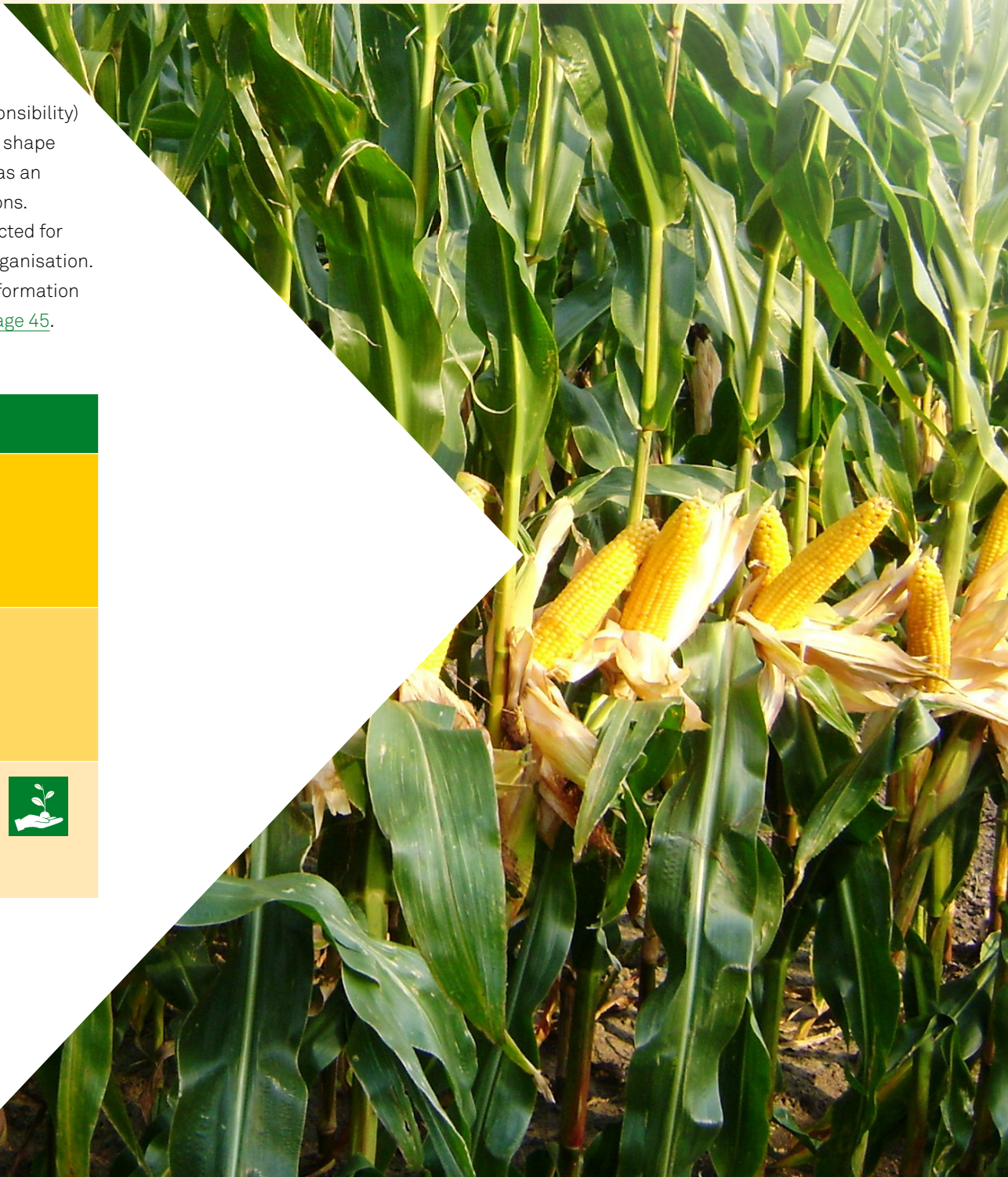
We are aware that agriculture contributes to climate change. It is not just farms where greenhouse gas emissions need to be reduced; a more climate-friendly approach is necessary in the whole food production chain. We strive to be climate neutral in our factories and to produce animal feed with a low carbon footprint. In this way, we seek to reduce our greenhouse gas emissions and our negative impact on the climate.



Alignment with our CSR policy

We have defined our ambitions with regard to CSR (Corporate Social Responsibility) using a number of Key Performance Indicators (KPIs). These CSR KPIs give shape to our efforts in the above six themes and ensure that we remain focused as an organisation on contributing to a responsible food chain for future generations. For each CSR KPI, exact targets will be set in 2022 based on the data collected for 2021. In this manner, we ensure that the six themes are anchored in the organisation. The table below shows how the CSR KPIs relate to the six themes. More information about the CSR KPIs is provided in the 'Sustainability Agenda' chapter on [page 45](#).

CSR KPI	Ambitions	Themes
Responsible Sourcing	We aim to increase the share of responsibly sourced raw materials for animal feed to 70-80% in 2024.	
Responsible Operations	We aim to further reduce our net CO ₂ emissions to 60-70% in 2024 compared to 2019.	
Responsible Solutions	It is our aim that 10-15% of the margin will come from the sale of responsible solutions in 2024.	   





Innovation

The only way that we can deal with the challenges in the food production system is by continuing to innovate. Consequently, Agrifirm's strategy for the coming years assigns an important role to the innovation agenda. It is divided into the following phases.

Horizon 1 (short term)

Core activities are maintained and continue to grow in a sustainable manner.

Horizon 2 (medium term)

Growth is based on innovation and new products and concepts. New activities are nurtured.

Horizon 3 (long term)

Looking ahead and identifying new markets and requirements, which Agrifirm could capitalise on with new products and services.

Horizon 1 focuses on the short term: what possibilities and opportunities are there now to better align the portfolio with customers' needs? This is in line with the activities of the business units and R&D at present.

Horizon 2 is about the relevant developments in customer needs that we expect in coming years in the existing market and the alignment of our product portfolio with these customer needs. A number of innovation corridors have been determined for this.

These are the innovation areas in which Agrifirm is emphatically looking for further development and collaboration in order to achieve growth and improve prospects for our company and our customers. These innovation corridors are:

- > Advanced ingredients: specific advanced food ingredients for animals and humans, making use of insights in how the microbiome, bacteria and enzymes work and aimed at lowering the environmental impact of the food supply chain.
- > Smart digital solutions: recording data via a network of sensors, cameras, etc. to obtain information more rapidly and to use this information for smarter working practices on the farm.
- > Circularity: circular agriculture in which only renewable resources are used, there are closed resource cycles and waste is reused or recycled.
- > Short consumer tracks: active participation in the retail sector to bring consumers in direct contact with the food source.
- > Alternative proteins +/+ : alternative for human consumption, such as cultured meat, plant protein, insects, algae, etc.
- > Connected chain value: a digital platform that connects all stakeholders in the food supply chain, including retail players and, ultimately, consumers.

By working together actively with investment funds, inspiration is gained in **Horizon 3** regarding how Agrifirm might be able to develop further in the future.

Innovation in these areas takes place both outside and within our company, independently and in close collaboration with both science partners and start-ups and scale-ups. For instance, in 2021 we began collaborating with StartLife, a start-up accelerator at Wageningen University & Research. Via StartLife, we are looking into collaboration possibilities with innovative start-ups in the agro-food sector that can accelerate our sustainable developments. We also entered into a partnership with Astanor, an organisation that invests worldwide in sustainable food solutions.



Better together

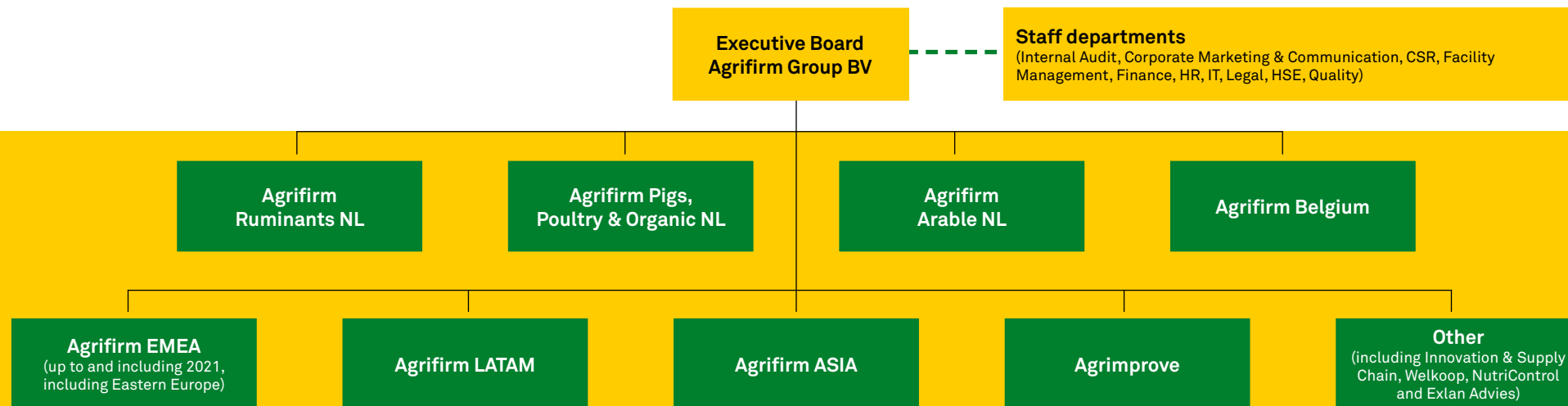
By collaborating, within Agrifirm, with customers, science partners, supply chain partners and other stakeholders in the food chain, we are able to offer the best solutions to our customers and achieve the maximum impact and results for a responsible food supply chain. By combining ideas, knowledge and skills, we can accelerate the development of new concepts, products and tools.

Organisational structure

In order to achieve our ambitions, we must be able to act quickly and decisively and respond to the questions, requirements and challenges that every market and sector has. This is why Agrifirm's organisational structure was converted in the first half of 2021 into independent business units with a direct line to global functions such

as innovation, R&D, supply chains and procurement. These business units are actively supported by a number of centralised support functions. This allows the business units to focus completely on their customers and markets.

The business units strive to communicate our vision, to achieve our ambitions and to obtain an optimal result for our customers. Each business unit has drawn up detailed action plans, geared to its customers and markets, which are crucial for the realisation of our 2021-2024 strategy.



Developments and progress per business unit

The developments and progress in our business units were as follows.

EMEA and Eastern Europe business units

Due to swine fever and persistent low prices in the pig sector, pig farmers invested less in products such as additives and minerals. We see this reflected worldwide in our specialities sales.



Factory of the Future Award

Our factory in Drongen was awarded the Factory of the Future Award for the second time in 2021. The Factory of the Future Award serves to recognise future-oriented companies that are preparing for the challenges of Industry 4.0 (the transition from a more traditional factory to a fully automated 'smart factory') by means of seven crucial transformations. The production capacity in the factory increased twofold in 2021, while the factory switched to green energy, supplemented with solar panels. In the future, we will work on increasing the sustainability of our production locations to reduce energy consumption, waste and CO₂ emissions.

Value4Dairy Nigeria

Under the name 'Value4Dairy', Agrifirm, FrieslandCampina WAMCO, URUS and Barenbrug have entered into a strategic partnership to increase the self-sufficiency of dairy farming in Nigeria. The partnership is based on the knowledge and experience of the participating companies, which will be used to accelerate the development of the dairy sector in Nigeria. The aim is high-quality nutrition that benefits everyone who is involved in the Nigerian dairy chain, from farmer to consumer.



Persistently high costs in Poland led to lower margins than expected. As a result of the economic downturn in Ukraine, sales in the profitable 'backyard farming' sector decreased.

On the other hand, sales and exports of our functional feed ingredients in the Agrimprove line rose in 2021. Results in Hungary and the Middle East were also good.

In 2021, the transfer of the concentrates production from Utrecht to the new production line in Grobbendonk was completed. This is a key pillar for growth in the Middle East and the African market.



LATAM business unit

2021 was a challenging year for farmers and the agricultural market in Latin America. Agrifirm recorded sales growth across the product portfolio in this region. We opened a new production line in Maripá, Brazil, in 2021 for our Agrimprove products, and products such as Aromabiotic and C-Vita were launched on the market. Further optimisation of the production network resulted in lower costs. In addition, Agrifirm makes use of an external production location in the State of Minas Gerais since 2021 through contract manufacturing. This lets us serve a new section of the market in Brazil. Initially, we will only make products for dairy cattle and beef cattle here; however, we plan to add a production line for pigs and poultry in the future.



Royal Agrifirm Club

In Latin America, Agrifirm entered into an innovative partnership in 2021 with Orbia, the largest market place for the Brazilian agri-business, in the form of a loyalty programme called 'Royal Agrifirm Club'. Customers can accumulate points for purchases at affiliated partners that can then be exchanged for all sorts of benefits. Agrifirm is the first animal feed company in Brazil to join the Orbia platform.



PAAP

Agrifirm prioritises safety. That means that we not only provide a safe working environment, but also consider the health of our employees to be important. As a Great Place to Work® company in Latin America, Agrifirm introduced the Agrifirm People Support Programme (PAAP) in 2021 for employees and their family members together with Optum.

The programme covers fundamental areas such as psychological support, legal aid, financial advice and social welfare. All of this is delivered in complete confidentiality: the employee has direct contact with Optum and no information is shared with Agrifirm.



ASIA business unit

In China, Agrifirm is mainly active in the pig sector. As a consequence of swine fever, the number of animals in our customer segment was reduced drastically, the consumption of pork decreased and pork was mainly imported from the United States and stored in cold storage warehouses for long periods. This led to very low prices. Given this, in combination with the persistent swine fever, high feed prices and a liquidity shortage, pig farmers were reluctant to invest in more expensive feed products such as our Agrimprove products. After a positive start in the first quarter of 2021, these developments had a negative impact on the results in China. In order to reduce our dependency on the pig sector, we expanded the product range with our Agrimprove products for poultry and fish.

As in China, the nutritional business also faced headwinds in Southeast Asia due to constant outbreaks of animal diseases, shortages on the raw materials market and

pressure on prices. We invested substantially in the local sales teams in 2021 and we see this reflected in the sales of our Agrimprove products in Southeast Asia.

Good Feed Award in China

The preventive use of antibiotics in pig farming was prohibited in China in 2020. This was a huge challenge for both pig farmers and feed suppliers. The China Feed Information Network organised the 'Good Feed Award 2020 - antibiotics-free feed pioneers' in January 2021 for companies and individuals that acted as pioneers in the area of antibiotics-free animal feed in the first year of the antibiotics ban.

Agrifirm won three awards:

- > a general award as a company
- > for the product Babicare
- > a separate award for technical director Gert-Jan Gerrits as an exceptional nutritionist

Belgium business unit

The prices in the pig sector in Belgium have been under pressure for some time and the sector is going through a very difficult time. Margins in the beef cattle and pig sector were squeezed in 2021 due to high prices for raw materials and low sales prices. In combination with extra costs for the integration of Quartes, which was acquired in 2019, the results were slightly lower than originally expected. This was largely offset by developments in the poultry sector.

Arable NL business unit

Weather is an important factor in the crop sector. Three dry years were followed in 2021 by a wet year with a greater risk of disease in crops as a result. This resulted in higher sales of crop protection products. Fertiliser sales were also at a higher level than in previous years. The Arable business unit focused more on concepts and achieved a 60% increase in sales of low-impact products, which is completely in line with our strategy. The market share rose by one percentage point compared to the previous year. The integration of the GMN business has now been completed successfully, creating a very strong bulb team, which actively contributes to tomorrow's solutions.



E-commerce in China

Agrifirm opened two online stores on e-commerce platforms in China in September 2021. This gives small and medium sized businesses and farmers easy direct access to Agrifirm's product range. It marks an important step in the digital development of our company, and enables more interaction with the end customer.



Deforestation-free soy

In 2021, FrieslandCampina and Agrifirm announced that they are launching a pilot project for a physically separate supply chain of guaranteed deforestation-free soy for animal feed. This deforestation-free soy will be available in the course of 2022 for the member dairy farmers of FrieslandCampina who purchase feed at Agrifirm.

COVID-19 testing

At the request of the Ministry of Health, Welfare and Sport, eight Dutch laboratories, united in the 'Fenelab Consortium COVID-19' (as of 1 January 2022: '1st Lab Consortium') provided extra testing capacity for PCR tests. NutriControl is one of the eight feed laboratories that has the right certification and accreditations to be able to perform these analyses. As of January 2021, they are making this contribution to combating the COVID-19 pandemic.

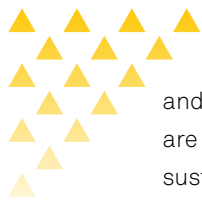


Ruminants NL business unit

Last year, our market share in the cattle sector increased in the Netherlands, with the number of cows fed by Agrifirm increasing both in relative and absolute terms. This was despite a further decline in the number of dairy cows in the Netherlands in 2021. Use of concentrates per cow decreased. After several dry years and roughage shortages, the good growing season in 2021 ensured a supply of high-quality proteins from Dutch soil. Dairy farming returns have been under pressure in recent years. High costs of raw materials for concentrates were followed by a rise in milk prices in the final quarter of 2021, which led to a recovery in the use of concentrates. Sales in the dairy goat and beef cattle sector also grew.

Pigs, Poultry, Organic NL business unit

Agrifirm achieved good results in 2021 in the pig and poultry farming sectors. Despite the difficult market due to high raw materials prices and lower sales prices, a stable market share was maintained in the pig sector and volumes kept pace with the market developments. This is a positive result in view of the Dutch government's policy to reduce the number of pig farms. There was pressure on volumes in the poultry sector due to low occupancy rates because of the persistent problems of bird flu and COVID-19. Behind the scenes, we are working on developing sustainable pig



and poultry concepts based on short supply chains and staying local. These concepts are in addition to various innovation projects concerning, for example, piglet vitality, sustainability, feed efficiency and data. Agrifirm's organic team has been strengthened with two new consultants for dairy cattle and one for arable farming. In order to be able to support the increasing number of customers who are interested in switching to organic farming, Agrifirm has developed an organic-transition scan for both dairy farmers and arable farmers.

Switching to organic with the Free-Range Scan

Agrifirm is responding to the developments in the market and society with its successful switch campaign for broiler poultry, whereby we help poultry farmers to respond to the wish of supermarkets to only have 'Better Life' label meat on their shelves by 2023. This campaign will be continued in 2022.

Other

NutriControl

In 2021, NutriControl was able to maintain its steady growth path of the last five years and it recorded sound financial results. NutriControl's existing premises have now become too small for its operations. Therefore, plans were presented in 2021 for the construction of a new laboratory in Veghel. This will enable further growth in the coming years.

Welkoop

As in 2020, Welkoop performed outstandingly in 2021. Welkoop's strategy, aimed at growth as the number one national omnichannel garden, farm animals and pet supplies retailer, is bearing fruit. Welkoop opened new stores to achieve nationwide cover and realised excellent organic growth both at the stores and in the online sales channel. In addition, Welkoop's market share and profitability also improved considerably. With a large-scale brand campaign in Welkoop's new style, the company presented itself to a wider group of consumers. Welkoop is also growing as an organisation, with investments in improving systems and in the brand and store concept, to make the Welkoop format future-proof.

With 155 stores and over 2,000 employees within the format, Welkoop's role in Agrifirm is becoming bigger and bigger. This is also due to the changing role of the cooperative with regard to short supply chains and reducing the distance between consumers and farmers. Welkoop bridges this gap by helping customers find the right solutions based on knowledge and a practical product range.

Welkoop's pay-off also sums this up nicely:

Welkoop. Know what to do.

Welkoop wins the ABN AMRO 'Retailer of the Year' awards

In 2021, Welkoop was once again awarded several prizes in the ABN AMRO 'Retailer of the Year' competition. Welkoop won for the seventh time in a row in the category 'Best Garden Speciality Store' and for the eighth time in a row in the category 'Best Animal Speciality Store'. In addition, Welkoop won the award again for the best web shop in the Garden category.

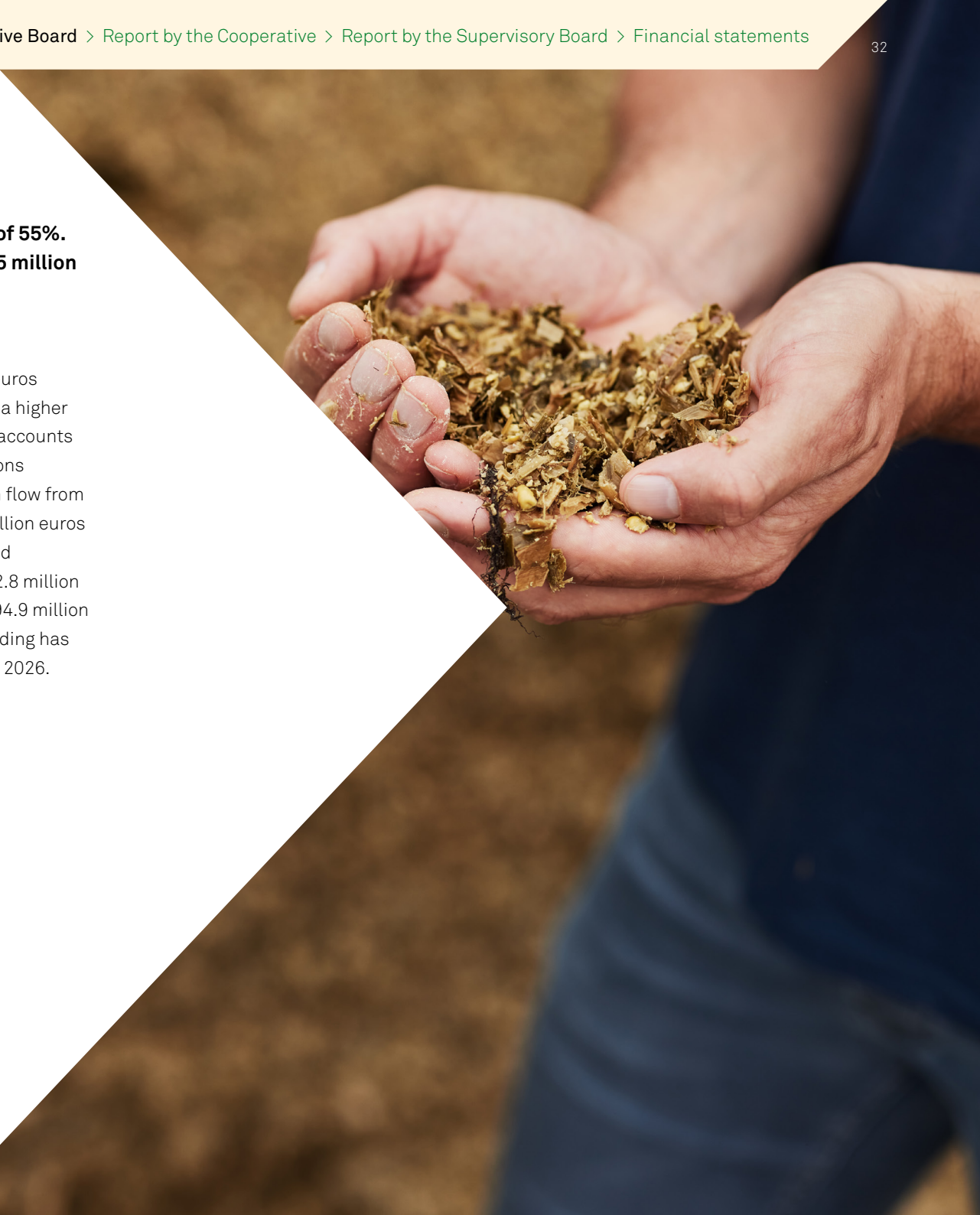




Financial results

Agrifirm has an excellent financial position with a solvency ratio of 55%. The positive cash flow from operating activities decreased to 38.5 million euros (2020: 56.7 million euros).

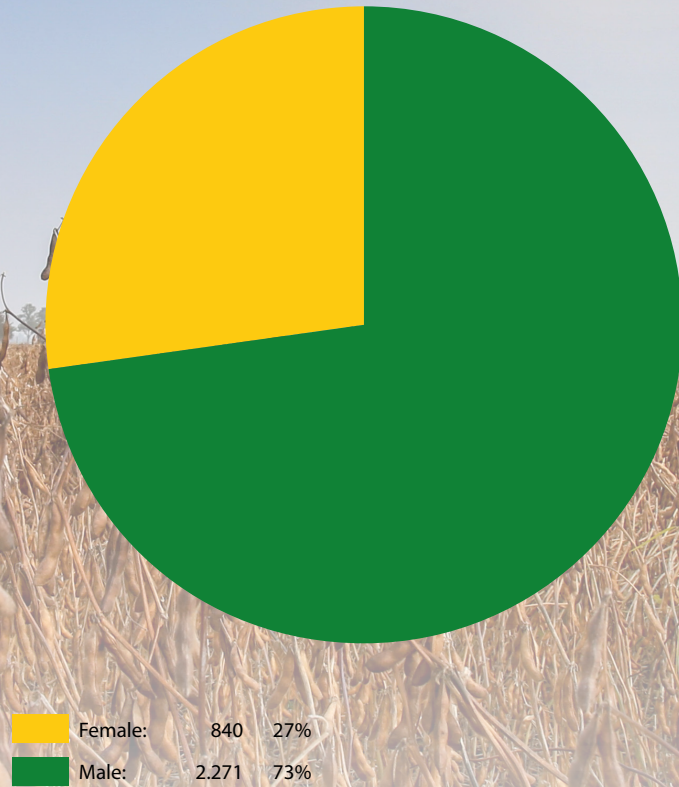
The positive cash flow from operating activities decreased to 38.5 million euros (2020: 56.7 million euros). This was due to a lower operating profit but also a higher working capital as a result of higher stocks and lower liquidity with higher accounts receivable positions. The outgoing cash flow for investments and acquisitions amounted to 43.7 million euros in 2021 (2020: 40.5 million euros). The cash flow from financing activities amounted to 12.6 million euros negative (2020: 13.7 million euros negative). This is the total of paid-out member dividends and discounts, and repayments of loans. The foreign currency translation result amounted to 2.8 million euros positive. The balance of cash and cash equivalents decreased from 94.9 million euros (year-end 2020) to 80.3 million euros (year-end 2021). The future funding has been secured with the refinancing that runs up to and including December 2026. (see page 42).



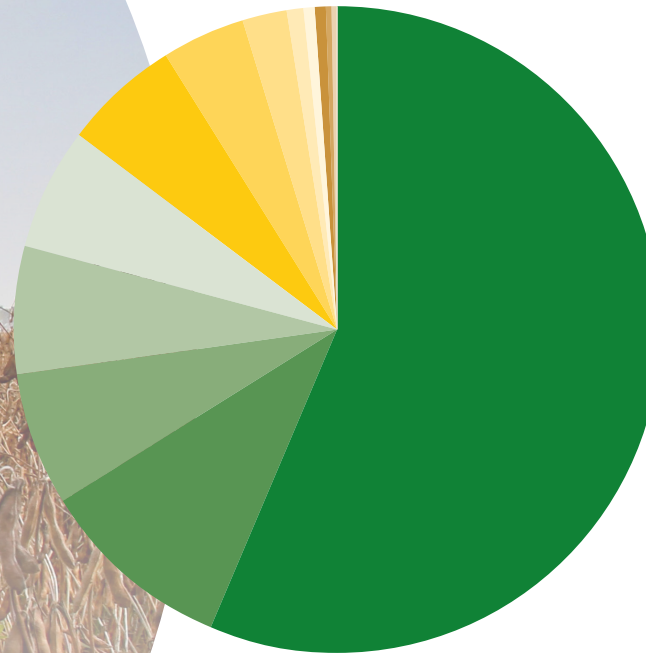


Key figures for HR

Gender ratio m/f



Number of employees per country



The Netherlands:	1,756	56%
Belgium:	307	10%
Poland:	206	7%
Brazil:	192	6%
Ukraine:	192	6%
China:	181	6%
Hongary:	131	4%
Uruguay:	68	2%
Spain:	30	1%
Serbia:	18	1%
Singapore:	11	0%
USA:	11	0%
Italy:	5	0%
Others:	3	0%



Human Resources

Agrifirm's HR department supports the organisation in the realisation of its objectives and strategy. As Agrifirm, we aim to be a flexible, agile, innovative and proactive organisation.

Freedom within a framework

We encourage ownership and initiative in all our employees. We set a clear framework of limits within which each employee can assume his or her responsibility (what we term 'freedom within a framework'). With a clear vision, strategy, core values, and this way of working, all employees are moving together in the same direction, but with more room for creativity and productivity.

Shared values

Our core values are based on our vision of 'a responsible food chain for future generations' and our STAR values Sharp, Trustworthy, Ambitious and Responsible. These values apply throughout Agrifirm; however, each country or department can draw up their own specification of the expected conduct, as long as this is in line with the worldwide STAR values.

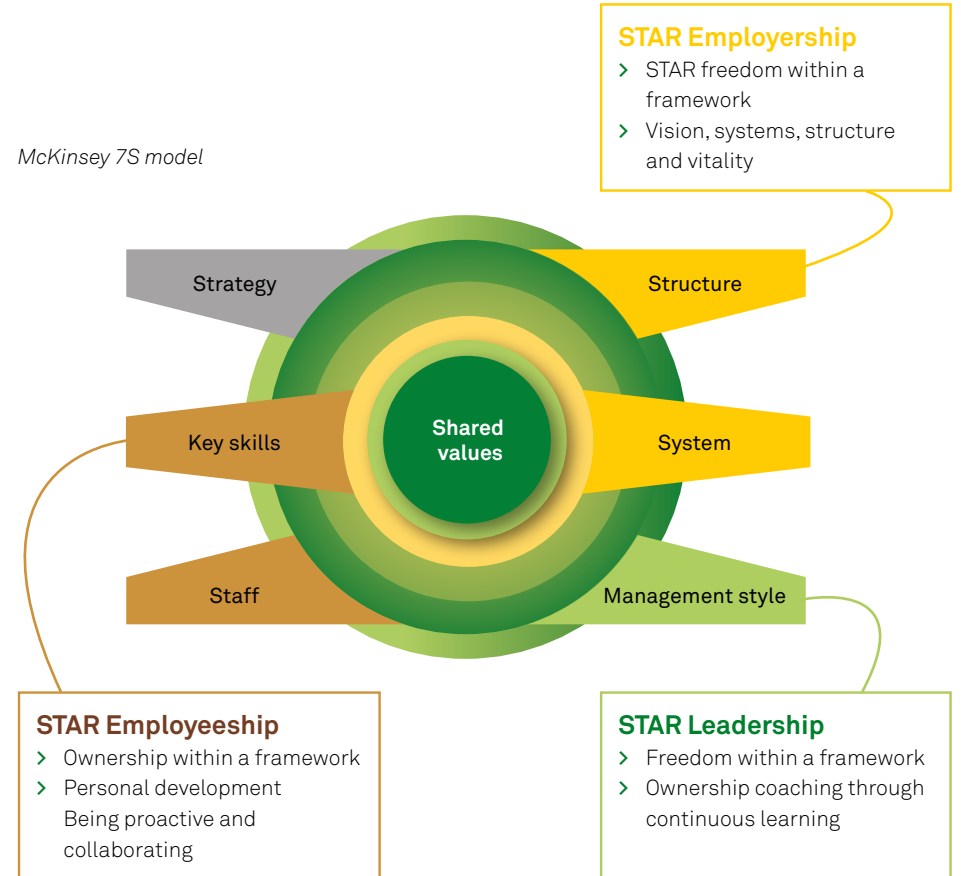
Diversity

We are passionate about creating an inclusive working environment that promotes and appreciates diversity. Companies with employees who differ in age, gender identity, race, sexual orientation, physical abilities or intellectual capacities, ethnicity and perspective turn out to be better companies. What is even more important is creating an environment in which everyone feels at home, irrespective of his or her background.

Structure

Our world is changing rapidly. Our various regional markets each have their own specific challenges and customer needs and demands. However, the expectations of all of our customers are becoming higher and higher and our customers are demanding more of us: faster services and deliveries as well as an increasing

McKinsey 7S model



demand for (total) solutions. In addition, there is also more consumer and government pressure.

this is the environment in which Agrifirm is operating. An environment that demands a lot from us and which requires us to be flexible, agile, innovative and proactive. This is only possible in an organisation with less bureaucracy, more responsibility allocated to the parts of the business that are close to the customer, short lines of communication and a focus on innovation. We implemented our new corporate governance structure at the start of 2020 and we changed the structure of our organisation in 2021 ([see page 25](#)).



All changes in the organisation's structure must be in accordance with our organisation's philosophy. This means that:

- > the structure must support Agrifirm's strategy and ambitions;
- > the structure must stimulate ownership and personal responsibility, within the framework of:
 - our vision and objective: a responsible food chain for future generations;
 - the STAR values: Sharp, Trustworthy, Ambitious and Responsible;
 - the global strategy and ambitions;
- > a flat, logical organisational structure that is easy to explain and helps make the organisation efficient;
- > a network organisation with a strong focus on innovation and development;
- > an inclusive organisation that is an attractive employer and which is driven by its values and ambitions.

HR policy framework

In order to support our organisation in the best possible manner, we have defined the most important HR processes worldwide. These processes can be applied around the world and set the minimum standards that should apply in all countries.

All processes are supported by a global HR system. These processes include: recruitment and selection, onboarding, personnel administration, training and education, succession planning, leadership development, remuneration and development.

In addition to these processes, we also have the following guidelines worldwide:

Privacy Statement

Agrifirm regards the privacy of its employees as a very important matter. In the Agrifirm Group privacy regulations, we inform our employees about how the privacy of personal data is protected within Agrifirm in accordance with good employment practices.

Guidelines

Each individual company is expected to comply fully with the applicable national laws regarding the registration of personal data in accordance with the relevant laws.





Remuneration and appointment

Agrifirm is of the opinion that the remuneration and appointment of all employees must take place in a clear and transparent manner. We also wish to establish a global framework for the remuneration structure in the countries where we have operations.

Remuneration management and policy

Agrifirm's Executive Board is responsible for, and has been vested with the authority to take decisions on, the remuneration of the members of the management teams of each business unit and the heads of the business and support functions. Furthermore, the Executive Board is the only body that can appoint members of the Executive Leadership Team. We have also drawn up a global remuneration policy as a framework for the remuneration policy in all countries.

Agrifirm's Executive Board has developed and adopted a remuneration policy that applies to all Agrifirm employees worldwide. A method for job evaluation and salary benchmarking is used worldwide. This remuneration policy serves as a guideline for the salary structures and salary increases in each country.

Leadership

Leaders play an important role in creating and maintaining the culture within an organisation. In order to ensure that our members act in accordance with our values, we have also defined the STAR conduct for our leaders. In addition, we have established a framework for a leadership training programme. All business units support the defined framework and organise leadership training programmes based on this framework.

Staff

Diversity and inclusiveness

Agrifirm is an equal opportunity employer that seeks to promote diversity and inclusiveness throughout the organisation. We prohibit any form of discrimination and intimidation based on race, skin colour, gender, religion, sexual orientation, national origin, disability, genetic information, pregnancy or any other protected characteristic as set out in federal, state or local laws.

This policy applies to all areas of employment within our organisation, including recruitment, promotion, termination, dismissal, recall, leave, compensation, benefits, training and traineeships. Agrifirm takes decisions about hiring personnel solely based on qualifications, merits and the requirements of the business at that time.

Employee opinion survey

Agrifirm's Executive Board and the management of the business units want to know how employees view their work and the company. The more employees who participate in this survey, the greater our understanding of the situation regarding specific issues; this will in turn let us define more effective improvement measures.



In order to focus on improvements and changes in the company in a targeted manner, the Executive Board carries out a biannual employee satisfaction and opinion survey in collaboration with all the business units.

After the completion of the survey, the full report is discussed with the business units. A summary of the outcomes is communicated to all employees. After each survey, the management of each company draws up a targeted action plan and communicates this structurally to all employees.

Key skills

We have defined frameworks and training programmes for all key groups within the company in order to support development. In addition, employees can be nominated by their business unit for participation in our global talent development programmes. The management performs the final selection of the candidates who participate in these programmes. We have operations and sales training programmes (academy and traineeships). We also have two talent programmes: the FutureGen programme for talented young employees and the LEAP programme for experienced employees.



Annual audits

The following HR surveys are carried out each year:

- > an opinion survey to monitor employee engagement;
- > a general check regarding the implementation of performance management according to the specific guidelines in each country;
- > a check whether the remuneration policy in the various countries is in line with the worldwide remuneration policy.

In this context, standard KPIs are available for monitoring purposes in specific HR reports.



Risk management

Under the Executive Board's responsibility and coordinated by Agrifirm Internal Audit, Agrifirm started the bottom-up process of identifying and updating significant risks for the whole Agrifirm organisation in the second half of 2021. The ultimate objective of this exercise is to determine the top ten significant risks, to appoint risk owners and then to implement risk control measures for these risks. Further discussions of these risks with the Executive Leadership Team, including the fine-tuning, rollout, and implementation will take place in 2022.

Risk profile

Agrifirm's activities expose it to a wide range of strategic and operational risks. The increasingly dynamic and continuously changing global markets require Agrifirm to constantly monitor and assess these risks. The achievement of the company's objectives is affected by external geopolitical factors, the unpredictability of market developments, competitive trends, human factors and calamities such as natural disasters and animal diseases. As the 2021 financial year demonstrates, the potential impact of a pandemic must also be taken into account.

Risk management is an important aspect of doing business and a prerequisite for achieving Agrifirm's strategic and financial objectives. Operational risk management is an integral part of the business processes. Its aim is to ensure that if risks should become manifest, the consequences remain at an acceptably low level.

The ultimate responsibility for Agrifirm's risk management and internal control systems lies with the Executive Board. The risk management and internal control systems are also discussed with the Supervisory Board and the Audit Committee.

OneSAP/One Way of Working programme

The OneSAP/One Way of Working programme is an important risk-mitigating factor. It is a large project that also requires risk mitigation itself. The project and internal control organisation in connection with One Way of Working was strengthened in 2021 in close cooperation with IT and the business. For the further implementation of this programme, improvements have been made in the internal control organisation. Examples include strengthening the project organisation, tighter coordination of the work packages and bolstering collaboration between the Agrifirm regions and Agrifirm Group.



Agrifirm generally adopts a prudent attitude with respect to the acceptance of risks. The 2021-2024 strategic plan provides for a good balance between organic international growth and the timely implementation of suitable measures in relation to the shrinking market in the Netherlands.

R&D and innovation form important pillars within the organic growth model. The R&D programme is managed by the R&D Board, which critically assesses the funding and progress as well as choices in the innovation agenda. A business leader and a project owner are always appointed for larger projects.

In managing acquisition-related risks, a structured acquisition process with clear governance, a formalised integration process, the evaluation of acquisitions after three years and a country risk analysis all play a crucial role. Within the Agrifirm organisation, the authority for the acquisition of companies is laid down in the Articles of Association, with investment levels specified regarding the bodies whose approval is required (Members' Council, Supervisory Board and Executive Board).



The strategy explicitly devotes attention to social developments relating to sustainability, the climate and environmental management, the shift from animal to plant-based proteins and the calls to reduce the use in crop protection products of active substances that affect the environment.

To make sure the strategic plan is implemented effectively, considerable attention has been devoted to operationalising the strategic goals. For this purpose, each business unit and each company has its own 'Must Win Battles', a set of goals that must absolutely be achieved and whose progress is monitored actively on a quarterly basis.

Finally, an assessment is being conducted with the help of HR to determine whether we have the right talents in the organisation or whether we need to attract and retain additional staff in order to have the right leadership and motivated employees to achieve our strategic and operational objectives.

Risk management system

The risk management system is constantly being developed and fine-tuned with the aim of anchoring the system in all layers of the Agrifirm organisation. This means that as a learning organisation, Agrifirm is increasingly better able to assess and manage risks. In Agrifirm's philosophy, an important role is assigned to the management of the business units and companies in tailoring the global risk strategy to the local situation in terms of business operations, laws and regulations, and culture.

Finding the right balance between entrepreneurship, innovation and empowerment (confidence in Agrifirm's employees and risk leadership) on the one hand and an effective mix of preventive, detective and corrective control measures (through rules, controls and risk management) on the other hand is crucial.



Specific risks

To minimise the risk of negative financial impact and reputational damage, a set of control measures has been adopted with a particular focus on:

	1. Animal health and animal welfare
	2. Employee health and safety
	3. Delivery reliability
	4. Information and data security (cybersecurity)
	5. Applying laws and regulations, and fraud prevention (compliance risk)
	6. External risks
	7. Financial risks

1. Animal health and animal welfare

There is more attention than ever before for animal diseases, also because - in addition to the animal's suffering - they can undermine food safety, and lead to reputation damage and a reduction of livestock, as well as extra transport costs. The main risks are related to the quality and availability of raw materials and additives. Our willingness to accept risks relating to the quality and availability of raw materials is low. Agrifirm mitigates this risk by safeguarding the quality of raw materials, providing information to livestock farmers, ensuring a geographical spread in its activities and having disaster plans in place that are tested regularly. In addition, the business units have a team of quality specialists whose task it is to guarantee and continuously improve the quality assurance environment through training, coaching and quality audits.



2. Employee health and safety

Employee health and safety risks are continuously present as employees perform their duties. Our willingness to accept risks relating to the health and safety of employees is low. Nevertheless, risks are constantly present in the performance of the activities. Various risks have been identified for employees, customers and suppliers at production sites, at offices and during business travel. A healthy and safe environment for our employees is an essential component of our strategy. The Global Health & Safety Director has a team of employees whose task it is to guarantee this healthy and safe environment through training, coaching and audits. For the COVID-19 situation, a core team has been established under the supervision of the Agrifirm Group HR Director. The team has drawn up rules for each risk phase for working from home and visiting customers, and has specified adjustments for working at the office and in factories. In this manner, Agrifirm puts the risk phases as determined by local governments into practice.



3. Delivery reliability

The inability to make the right deliveries in full, on time and in the quantities and quality ordered by customers can cause serious reputational damage, as well as negatively impacting on the customer. The impact of this risk is mitigated through cost-effective redundancy in production sites at suppliers and in raw materials and through the support of business-critical IT systems and infrastructure. The risk appetite for this risk is medium, whereby the delivery reliability, on the one hand, and the costs and risks of safety stock, on the other hand, are constantly weighed against each other. A more structured approach was initiated in 2019 for the prevention of disruptions in deliveries to customers. The COVID-19 pandemic further emphasised the need for this proactive approach. Business impact analyses were performed for prevention purposes and business crisis plans were developed for remedial action.



4. Information and data security (cybersecurity)

Cybersecurity has become more professional in recent years with diversification in terms of the source and motivation of attacks, as well as the nature and scope of the potential impact. The cybersecurity risk has increased significantly in the past few years, and our specialists in the Agrifirm IT department are therefore giving it greater attention. The risk appetite for these risks is low.



In addition, Agrifirm has to deal with constantly changing, increasingly stringent privacy legislation that is not always harmonised internationally. This legislation is aimed at protecting customers and employees better when privacy-sensitive information is used and/or shared. Non-compliance is subject to severe penalties that have a direct business impact, including reputational damage.

As a result of digital trends, IT is shifting from business support to business opportunities and business process accelerators. Examples are working in the cloud, mobility, the use of apps and technologies for managing companies and analysing the performance and compliance of companies. These trends and the need for information about the risks involved in collecting, storing, distributing and using data (the shift from the infrastructure to the user) make it even more important to have secure information, data systems and data infrastructures.

By concentrating the IT administration function and applying new data-breach prevention and detection techniques (for example, multi-factor authentication), Agrifirm can implement effective physical and logical security measures together with its partners. In early 2022, a highly reputable IT expert agency will carry out a security maturity scan of our strategy, people, processes and technology as input for our improvement programme.



5. Applying laws and regulations, and fraud prevention (compliance risk)

The environment in which Agrifirm operates is subject to strict laws and regulations. In addition, these laws and regulations change regularly and the changes are not always consistent with existing laws and regulations. Agrifirm has a low risk appetite for risks in connection with strict, changing and inconsistent laws and regulations.

The Code of Conduct sets out the need for compliance and leaves no room for deviating conduct (unless explicitly authorised on the basis of acknowledged exceptional circumstances). In this context, Agrifirm attaches considerable importance to leadership training programmes focusing on updates of laws and regulations regarding sanctioned countries and persons.

This is managed by working with codes of conduct, a whistleblower scheme, workshops on ethics, onboarding and leadership programmes, authorisation structures, corporate guidelines (that contain specific dos and don'ts) and horizontal monitoring. The relevant managers are responsible for the implementation and conformity (with the Executive Board as the management body with ultimate responsibility). If any irregularities are detected, sanctions are applied. In addition, lessons learned and areas for improvement are defined and shared throughout the organisation ('dare to share'). The policy concerning countries and individuals with whom we do business is evaluated continuously. The risk of non-compliance with laws and regulations is mitigated through the above measures, but also through the shared responsibility of the Agrifirm Group's management and local management.

Agrifirm also makes use of business partner analyses to assess possible new intermediaries, such as agents, distributors or dealers. This analysis evaluates not only the nature of the intermediary's activities, but also that of the management and shareholders (the ultimate beneficial owners).



6. External risks

In the implementation and execution of its strategy, Agrifirm is confronted with a range of external risks that cannot be mitigated directly or are difficult to mitigate. These include African swine fever, bird flu, trade wars between the US and China, Brexit, geopolitical tensions between Ukraine and Russia, and the effects of the COVID-19 pandemic. We strive to mitigate risks in part through the diversification of activities across geographical regions, animal species, and products and services. These risks are inherent in Agrifirm's business activities. Consequently, Agrifirm's policy is not only aimed at mitigating these risk but also at the timely anticipation of these risks.

In the event of animal diseases, a crisis team is formed immediately. It seeks to limit the impact for Agrifirm and its customers, in accordance with previously established protocols.



Major developments within society relating to sustainability, climate and environmental management, the shift from animal to plant-based proteins and the explicit call to reduce the use of active substances in crop protection agents and fertilisers and the call to significantly reduce the livestock population are also important for Agrifirm. Risks are mitigated in part through diversification of our activities, such as having crop-related activities and services in addition to animal feed. The fact that we operate in arable farming, lab support, consultancy and to some extent in consumer products also helps to mitigate this risk, as do partnerships with other cooperatives such as Land O'Lakes in the United States.



7. Financial risks

Financial risks are to some extent inherent in the strategic objectives. That is why a different approach is used in the control of these risks.

The volatility of raw material prices and exchange rates can have a big impact on the level and stability of Agrifirm's financial results, as can the liquidity of our customers. Agrifirm has a medium risk appetite for risks relating to the volatility of raw material prices. Where currency risks are concerned, an approach will be developed regarding the best way to deal with this risk. In principle, currency risks are qualified as low. The volatility of raw material prices and possible mismatches between purchase and selling positions are managed by constantly monitoring raw material and currency positions, with a systematic focus on cost efficiency. In addition, limits have been defined within which certain positions can and must be taken in order to control this risk. If necessary, the volatility of currency positions will be hedged using hedging transactions.

The customer liquidity risks arise from the volatility of our customers' financial performance due to widely fluctuating prices for their products, unavoidable investments, and changing laws and regulations. This means that working capital management (accounts receivable, stocks and accounts payable) is an important element in all business units. Before any deliveries, customers are assessed on various criteria, including creditworthiness and payment reputation in the market. If necessary, additional collateral is required and/or risks are insured.



Budgeting and planning process

The company has a budgeting and planning process with standard procedures and detailed guidelines. The Executive Board consults regularly with the management of the business units and companies on the realisation of strategic and operational objectives.

The discussions are based in part on the periodic financial and operational reports and the annual budget cycle and risk analysis.



Outstanding balances are monitored continuously and, in the event of an increased non-payment risk, we contact the customer at an early stage in order to mitigate the risks. Constantly monitoring stock levels and the age of stock items is of strategic importance for Agrifirm. Strict control measures (including periodic stocktaking) have been implemented within the organisation to monitor the levels, composition and age of our stocks so that we can safeguard the quality of our products. Over the past two years, a worldwide working capital programme was rolled out that should significantly increase awareness of the integral importance of focusing management attention on all processes. This requires interaction and collaboration between all the different disciplines. As a result, the systematic operational management of working capital has improved in all countries and regions. The working capital programme is now an intrinsic part of the regular management cycle.

In principle, the risk appetite for interest-rate risks is low. Agrifirm has arranged a credit facility whereby various scenarios have been developed to determine the required borrowing capacity. Based on this, a multi-currency revolving credit facility for an amount of 200 million euros was arranged for a period of at least five years. This facility covers the liquidity risk up to December 2026. Within Agrifirm Group, financing is arranged centrally. If applicable, interest rate risks and currency risks are largely hedged by means of interest-rate swaps and forward-exchange contracts and monitored using regular liquidity forecasts. The Agrifirm Group Treasury department is responsible for carrying out these activities and managing the liquidity position.

Given current geopolitical developments and the resulting volatility of the global economy, it is proving very difficult to estimate the potential impact of these risks. Exchange rate fluctuations have had a limited impact on the translation of the results of business units located in countries with a currency other than the euro. Agrifirm monitors exchange rate fluctuations closely in order to limit their impact. Agrifirm does this by primarily trading in local currencies, or core currencies in case of cross-border transactions, when purchasing or selling products. As part of the worldwide One Way of Working programme, there will be more central coordination in the next few years of operational cash and liquidity management, and the authority to initiate and maintain contacts with banks and open and close bank accounts will be assigned more explicitly to Agrifirm Group Treasury.

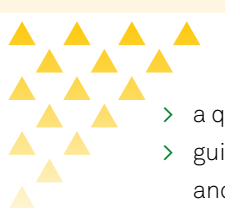
Other risk-mitigating measures

When designing and evaluating our risk management and control systems, the internationally accredited COSO framework for internal control is used as a frame of reference. This is put into practice in the Agrifirm Balanced Control Philosophy, the Code of Conduct, the Delegation of Authorities and the Corporate Guidelines. Within Agrifirm, there is an ongoing process of identifying, analysing, validating, monitoring and evaluating significant risk areas and the control measures put in place, as well as communicating and reporting on this.

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

- > a clear organisation structure with a clearly defined allocation of responsibilities among the Members' Council, Supervisory Board, Executive Board and local management of business units and companies;
- > principles embodied in the Code of Conduct and an Ethical Business Code of Conduct that everyone in Agrifirm must comply with, but which are also specifically focused on leadership and on those individuals who conclude contracts with third parties;
- > a whistleblowers' scheme;
- > onboarding programmes for new employees introducing the strategy and codes of conduct;
- > systems for operational and financial planning, such as setting budgets and other operational and financial targets;
- > guidelines and procedures for the format and drafting of management reports and financial reporting;
- > a periodic evaluation of the realisation of targets based on predefined critical success factors for all operational and functional disciplines;
- > guidelines and procedures for financing activities and for controlling currency and interest-rate risks and forward positions;
- > guidelines for the continuity and reliability of automated data processing;
- > management of production processes and quality controls based on internationally recognised and certified methods and in accordance with the applicable laws and regulations in the countries in which Agrifirm operates;



- 
- > a quality assurance system for raw materials and final products;
 - > guidelines for internal control and monitoring, including authorisation procedures and the segregation of duties;
 - > Letters of representation for Agrifirm's group companies;
 - > the Agrifirm Group Internal Audit department.

The measures set out above provide reasonable assurance that the strategic and operational objectives will be achieved, that the company's financial and non-financial reporting is reliable, and that relevant laws and rules are complied with.

The external auditor examined the structure, implementation and, where necessary, the functioning of the internal controls and the administrative organisation as part of the audit of the financial statements. This took place in accordance with a programme which was drawn up in consultation with the Audit Committee of the Supervisory Board. The information collected during the internal and external audits is used to make improvements to the internal risk management and control systems.

A horizontal monitoring covenant has been signed with the Dutch tax authorities for the Coöperatie Koninklijke Agrifirm UA group tax entity; the covenant sets out the guiding principles and the way in which Agrifirm and the Dutch Tax and Customs Administration intend to interact. The objective is to create effective and efficient working methods.

Despite the care with which the above-mentioned systems and controls were designed, they can never completely guarantee that strategic, operational and financial corporate objectives will be achieved. Neither can these systems prevent all inaccuracies, errors or violations of laws and regulations.

Management Statement

The Executive Board is responsible for managing the risks associated with the company's objectives and the reliability of the internal and external financial and non-financial reports. Agrifirm bases its internal control structure on the principle that the managers of the business units and individual companies bear primary responsibility for the correct day-to-day application, compliance and monitoring of the systems that have been put in place to control the risks that are relevant for the group companies.

Taking into account the limitations that are inherent to all risk management and internal control systems, Agrifirm's internal risk management and control systems provide reasonable assurance that the financial reports are free of material misstatement and that these management and control systems functioned adequately and effectively in 2021. The phrase 'reasonable assurance' is used to indicate the level of assurance that would be provided by a director acting with due care under the given circumstances. The set of procedures involving the internal risk management and control systems, and the related findings, recommendations and measures have been discussed with the Audit Committee, the Supervisory Board and the external auditor.



Agrifirm's sustainability agenda: our three pillars

The three CSR pillars of Responsible Sourcing, Responsible Operations and Responsible Solutions provide a framework for our sustainability agenda and challenge every employee to contribute to 'a responsible food chain for future generations'.

Responsible Sourcing

For the production of animal feed, Agrifirm purchases agricultural products such as maize, grain and soy and processes co-products from the food industry that are not suitable for human consumption. With our sustainability agenda, we focus on increasing the sustainability of the worldwide procurement of bulk agricultural raw materials (see appendix on [page 65](#)) and the worldwide procurement of raw materials that are suggested in our dialogue with stakeholders. [Read more on page 46.](#)



Our results

(% raw materials for animal feed responsibly sourced)

2021 **62%**

Our ambitions

We aim to increase the share of responsibly sourced raw materials for animal feed to 70-80% in 2024.

Responsible Operations

The processing to turn the raw materials into animal feed leads to emissions of greenhouse gases and contributes to climate change. The Paris Climate Agreement drives our ambition to have a climate-neutral production process by 2036. It is our ambition to reduce the CO₂ emissions from our direct and indirect energy consumption (scopes 1 and 2, GHG Protocol) in all our locations to zero. We plan to do this by reducing our absolute emissions, increasing the efficiency of our production processes and making use of energy from renewable sources compensating the remaining CO₂ emissions. [Read more on page 47.](#)



Our results

(% net reduction in CO₂ emissions due to our direct and indirect energy consumption)

2021 **-41%**

Our ambitions

We aim to further reduce our net CO₂ emissions to 60-70% in 2024 compared to 2019.

Responsible Solutions

We have defined six key themes in the food market based on global trends and challenges. We want these themes to determine what products and services we supply to our markets. With the CSR pillar of Responsible Solutions, we want to actively promote responsible products and services that are aligned with our strategy and themes. We aim to ensure that 10-15% of our margin will come from the sale of these responsible solutions in 2024. [Read more on page 47.](#)



Our results

(in % of Agrifirm's margin)

Will be reported from 2022

Our ambitions

It is our aim that 10-15% of the margin will come from the sale of responsible solutions in 2024.



Agrifirm's sustainability agenda: the implementation of our three pillars

In line with our vision of 'a responsible food supply chain for future generations', in 2021 we started focusing more on increasing sustainability. Based on global trends and challenges in the food chain, we have defined six themes: healthy animals; responsible and efficient plant production systems; reliable supply chains; sustainable incomes; sustainable, improved yields; and climate-friendly production. These six themes are in line with our more stringent sustainability policy (see page 23).

The sustainability policy follows on from the materiality analyses that were performed in recent years in the various markets and the dialogue that we have conducted with stakeholders about this topic. We strive to respond to society's wishes and to take action to improve the sustainability of the food supply chain. Possible actions are preventing deforestation, reducing the negative climate impact of food production and implementing circular agriculture. We also give our business units and companies the opportunity to place more emphasis on topics that are relevant in their context.

Starting in 2021, Agrifirm's business units and companies report once a quarter on their progress with regard to Responsible Sourcing and Responsible Operations. In this annual report, we provide information on these two CSR pillars. The third CSR pillar, Responsible Solutions, will be implemented in 2022, after which we will also report regularly on this pillar.

Responsible Sourcing

62% of the volume of raw materials for animal feed were verifiably purchased responsibly in 2021 based on our responsible sourcing policy. The greatest share was purchased by the Dutch business units. In 2021, 8% of the verifiably responsibly purchased raw materials came from a supply chain with sustainability certification.

In the coming years, we aim to increase the worldwide share of verified responsible purchases of raw materials to 60-70%.

The raw material purchases are qualified as responsible when these raw materials come from countries that:

- > are defined as 'low risk';
- > are defined as 'high risk', but the raw materials come from a supply chain that is verified low risk;
- > are defined as 'high risk', but the raw materials come from a supply chain with sustainability certificates.

In 2021 we announced a partnership with FrieslandCampina to process a physical stream of guaranteed deforestation-free soy in the animal feed for the production of milk destined for FrieslandCampina. With this pilot project, we are examining whether it is possible to purchase these raw materials all year around and to limit the price rises for our members and customers. The physical soy that we imported and that had sustainability certification was not guaranteed deforestation-free. More has to be done and we are convinced that we are taking a step in the right direction with this pilot project.

We examined our maize supply chain from Ukraine in 2021, in collaboration with our supply chain partners and an external party. We were able to conclude that the maize supply chain from Ukraine can be classed as 'responsible'. The risk in this supply chain is verified as 'low'. We intend to work with our supply chain partners in order to keep this classification of the maize that we purchase in Ukraine as responsible. The situation in Ukraine is extremely precarious at the moment. It is therefore unclear how we will be able to implement this collaboration.

In 2021, we also participated in the Fields of Europe initiative. This is a framework for verifying the European origin, sustainability and non-GMO origin of raw materials. We are convinced that we are thus not only responding to what the market wants, but



also encouraging responsible production outside the EU. We plan to carry out a pilot project in 2022 with Fields of Europe and to work further on the rollout of our responsible sourcing policy.

Responsible Operations

Net CO₂ emissions were reduced by 41% in 2021 compared to 2019.

This reduction comprises our CO₂ emissions in scope 1 and scope 2 and is calculated based on the Greenhouse Gas Protocol. We aim to further reduce our net CO₂ emissions to 60-70% in 2024 compared to 2019.

Net carbon emissions

(tonnes of CO₂ equivalent)

	2021	2020	2019
Direct (energy from burning oil and gas)	53,810	49,489	53,123
Indirect (consumption of electricity)	22,271	26,800	75,006
Total	76,081	76,289	128,129

* The emission factors and the scope of the calculation of the CO₂ emissions were amended in 2021. This resulted in higher CO₂ emissions than reported in the CSR reports of 2019 and 2020. Emissions in 2019 were higher by 2,772 tons of CO₂-equivalent and emissions in 2020 were higher by 13,269 tons of CO₂-equivalent.

Direct emissions decreased in 2020 and 2021 as a result of the purchase of Guarantees of Origin (GOs) for the electricity consumption of the locations in the Netherlands. Direct and indirect gross emissions combined amounted to 128,312 tonnes of CO₂ equivalent in 2020. The purchase of GOs resulted in a reduction of 52,023 tonnes of CO₂ equivalent and total emissions of 76,288 tonnes of CO₂ equivalent. Direct and indirect emissions combined amounted to 122,536 tonnes of CO₂ equivalent in 2021. The purchase of GOs resulted in a reduction of 46,454 tonnes of CO₂ equivalent and total emissions of 76,081 tonnes of CO₂ equivalent. Agrifirm purchases these GOs preferably from its own members or customers. Members of the Cooperative and customers of Agrifirm or Exlan are invited to deliver the electricity that they generate and GOs to Agrifirm.

The emissions in 2021 amounted to 0.017 CO₂-equivalent per ton of product (2020: 0.014 CO₂-equivalent per ton of product). Emissions were influenced negatively by lower capacity utilisation at the factories, raw materials that required more drying, and a difference in the ratio of pellets and meal. The share of renewable energy amounted to 46% in 2021 (2020: 46%). We aim to increase the share of renewable energy but we have not yet set a target in order to first reduce the absolute emissions and increase the production efficiency.

Agrifirm is also aware that the supply chain accounts for the largest proportion of the greenhouse gas emissions in the animal feed life cycle; this falls under 'other indirect emissions' (scope 3 of the GHG Protocol). With regard to these indirect emissions, we can influence waste processing and logistics. This is why we started monitoring these emissions in 2021. In addition, we also plan to set a target for our scope 3 emissions.

Responsible Solutions

At present, there is still insufficient insight and knowledge to measure and report the extent (in percentages) to which the margin contributes to the objective of responsible solutions. We aim to determine the revenue resulting from the sale of Responsible Solutions in 2021 retrospectively in 2022.



When formulating the sustainability policy, we defined a Responsible Solution as a product, concept or service that clearly contributes positively to one or more of Agrifirm's key themes and does not have a negative effect on the other key themes. In order to substantiate the assessment framework, we developed a sound protocol with a reliable internal process. This was initiated in 2021 and we expect to be able to label the first products and services by the end of 2022. The 'standard in the market' will serve as the lower limit and we will focus on animal feed, additives and crop protection products. An external consultant will participate in the assessment to make sure that both the protocol and the process are valid.

Apeldoorn, 9 March 2022

Executive Board, Agrifirm Group BV

D. Hordijk
CEO

M.G. Kleinsman
CFO

Report by the Cooperative





Report by the Cooperative Royal Agrifirm U.A.

Agrifirm believes in the power of its members, farmers and growers who make the difference with their hearts, hands and mindset. The agrarian landscape has changed drastically in the 120 years of our existence. But our cooperative has always remained a stable factor thanks to the foresight and can-do attitude of our members. With our network of 10,000 affiliated farmers and growers, we are a major player that creates value for our members and society at large.

Structure of the Cooperative

Cooperative Royal Agrifirm UA is a cooperative under Dutch law with around 10,000 Dutch members. The Cooperative is managed by a board, which is appointed by the Cooperative's Members' Council. The Cooperative holds all shares in Agrifirm Group BV. Agrifirm Group BV is a private limited company under Dutch law and functions as the holding company of Agrifirm's group companies and participating interests.

From the perspective of corporate governance, the following bodies are relevant within the Cooperative and Agrifirm:

- > the Members' Council of Coöperatie Koninklijke Agrifirm UA;
- > the Board of Coöperatie Koninklijke Agrifirm UA, and the Supervisory Board of Agrifirm Group BV;
- > The Executive Board of Agrifirm Group BV.

The Executive Board and the Supervisory Board are responsible for the corporate governance structure within Agrifirm and the compliance with the Corporate Governance Code (Van Manen Code). Any deviations from the code are explained briefly, giving reasons for the deviation, in the annual report.

The Cooperative's Members' Council

The main objective of the Cooperative and the Members' Council is to support the members in maximising their returns. In addition, the Articles of Association state that the Cooperative wishes to 'contribute to the social acceptance and the development of knowledge and a vision for the agricultural sector'. After all, social acceptance is a prerequisite for farmers to continue to achieve sufficient returns on investment in the future.

The Executive Board and the Supervisory Board require the approval of the Cooperative Members' Council for certain resolutions as described in the Articles of Association. Approval is required at any rate for the following:

- > amendment of the Articles of Association of the Cooperative and the Articles of Association of Agrifirm Group BV;
- > appointment of members to the board of the Cooperative;
- > important transactions, including entering into strategic partnerships and property transactions;
- > acquisition and disposal of participating interests in group companies or minority interests;
- > providing collateral;
- > important investments.

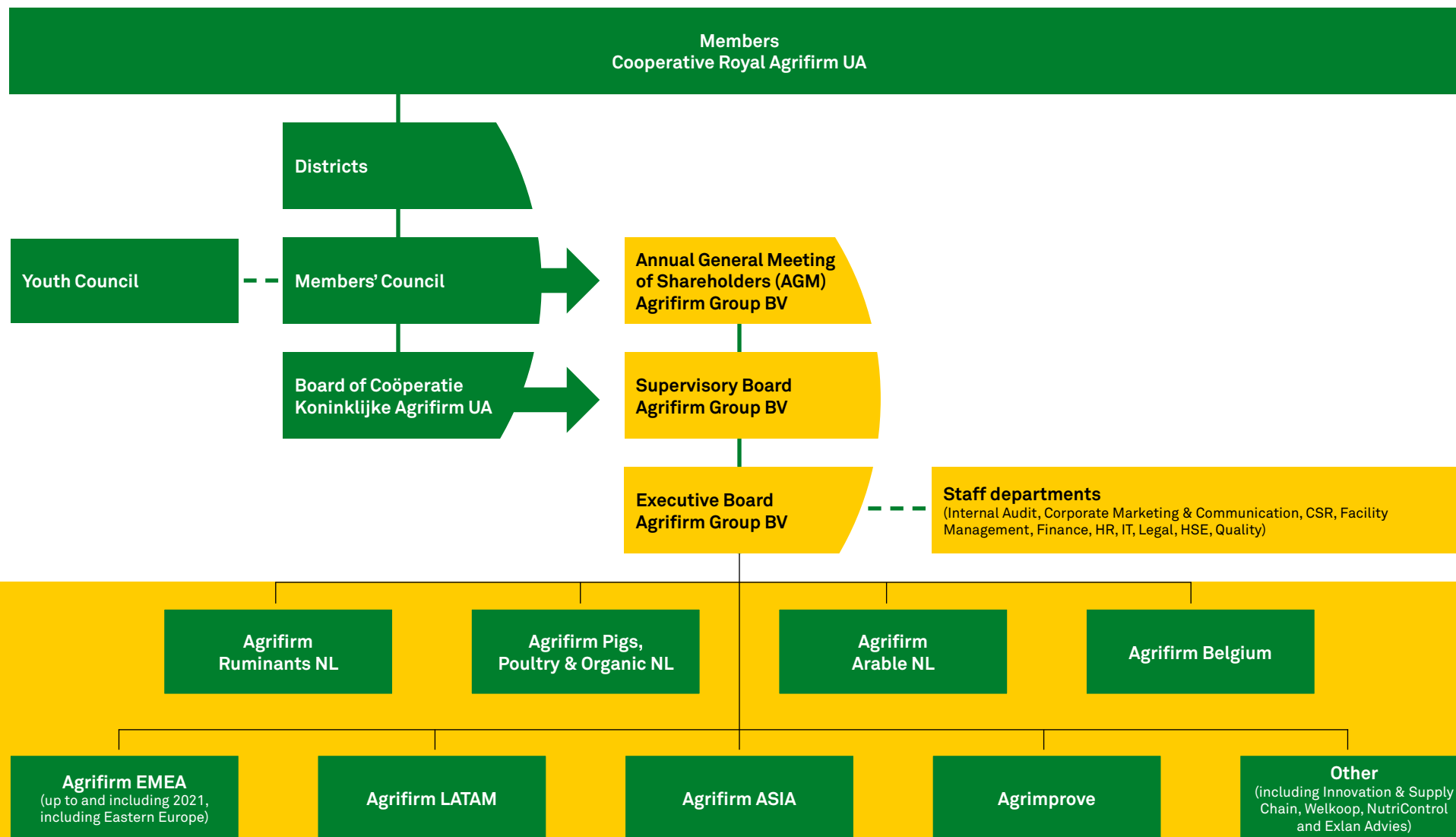
The Articles of Association specify when and as from which amounts the above resolutions and other resolutions require the approval of the Members' Council.

The Members' Council is also tasked with adopting the financial statements, Agrifirm's strategic long-term plan and the Cooperative's annual plan, including its impact on budgets, determining the profit appropriation, discharging the Supervisory Board of Agrifirm Group BV from liability for the supervision exercised and discharging the Board of Coöperatie Koninklijke Agrifirm UA and the Executive Board of Agrifirm Group BV from liability for the policies pursued.



Report

As at 31 December 2021





Arian Kamp:
Chairman Supervisory Board

“
Training people means investing in the future, and that is crucial.”

Composition of the Members' Council

The board has subdivided the members of the Cooperative into nine geographically distinct districts. Members from these districts are elected to the Members' Council. The number of members per district on the Members' Council depends on the number of members in the district. The minimum number of Members' Council members for a district is seven. The representation of the sectors within the Members' Council is determined on the basis of the number of customers and the revenue of each sector. The number of Members' Council members per district and the representation per sector are assessed every two years; the last assessment was in November 2021.

The various agriculture and horticulture sectors must be represented in the Members' Council. A Members' Council member can serve a maximum of two four-year terms. Prior to the end of the second term in office of a Members' Council member, an evaluation takes place to determine whether there are any special circumstances that warrant nominating the relevant member for a third term in office. Eleven members of the Members' Council stepped down in the digital Members' Council meeting of 30 March 2021. Following open elections, for which a sufficient number of candidates had registered, ten new members were appointed to the Members' Council during that same meeting. Effective from that date, the Members' Council consisted of 73 members. Due to the new subdivision introduced in 2018, the number of seats on the Council was reduced by one in 2021. Natural attrition and new elections will ultimately result in the desired situation of a Members' Council with 70 members.

Members' Council meetings

The Members' Council met five times in 2021. The 2020 Financial Statements were adopted in the Members' Council meeting of 30 March 2021. The quarterly figures were discussed in the meetings on 22 June and 28 September. A Members' Council meeting to discuss the Cooperative's strategy and dialogue was held on 21 September. The Cooperative's Annual Plan 2022 and the accompanying budget were approved during the Members' Council meeting of 15 December 2021. Due to the COVID-19 measures, all meetings were held online.



The training programme for Members' Council members was expanded in 2021. Members can now participate in e-learning programmes in the Agrifirm Academy, which was already available for Agrifirm employees. In addition, a collaboration was launched with the academy of the Netherlands Agricultural and Horticultural Association (LTO) and there was also close cooperation with the Dutch Council for Cooperatives (NCR) in the area of training programmes. The training programmes for Members' Council members are mainly aimed at skills and knowledge of governance. The Youth Council also has access to the training programmes.

Youth Council

The Youth Council consists of 34 enthusiastic young agricultural entrepreneurs, aged between 18 and 32, from all districts and sectors of our cooperative. The Young People's Council has an important function in providing feedback for the boards of Agrifirm. With their fresh perspective and opinions, these young farming entrepreneurs contribute to developments that are important for their future.

The Youth Council met seven times in 2021. In addition, there are meetings in smaller working groups and the members of the Youth Council participate in study days and informative meetings with the Members' Council. The Youth Council also organises a two-day excursion every year. The Agrifirm Young People's Day is also organised by the Youth Council; however, it could not take place in 2021 due to the COVID-19 pandemic. The Youth Council did launch a Young Agrifirm community, which will be expanded further in 2022.


Young Farmers' and Growers' White Paper

The main theme for the Youth Council in 2021 was collaboration. For the first time in history, various young farmers' councils, including Agrifirm's Youth Council, drafted a joint [white paper](#) under the leadership of the Dutch young farmers' association (NAJK) and worked together on the future of agriculture and horticulture in the Netherlands. On Thursday, 22 April, a group of young farmers and growers presented a white paper with their vision of the future to the agricultural specialists of the Dutch House of Representatives. This took place during an online debate that was initiated by the young farmers. The title of the white paper was 'Formulate policy together with us and our dreams will come true'.

Lennaert Haanstra,
Chair of Agrifirm's Youth Council:

“ Look at the goals and set a target together. Determine a path together and make sure you follow this route together. We all know it has to be better and less polluting, and we all want that. However, there are many challenges along the way, which we will have to overcome together. ”





The main focus of the paper was on how the sector aims to develop constructively to achieve the agriculture and horticulture of the future. In this way, young farmers and growers in the Netherlands voiced their opinions and sent a clear message.

At the invitation of Member of the European Parliament (MEP) Bert-Jan Ruissen (of the Dutch political party SGP), spokespersons for the 'Young Farmers and Growers White Paper' had a meeting on the afternoon of Monday 17 May 2021 with MEP Jan Huitema (of the Dutch political party VVD) and Sander Smit, who was representing MEP Annie Schreijer-Pierik (of the Dutch political party CDA). This let the young people's councils of the cooperatives bring the White Paper to the attention of the EU, as the future of young farmers and growers does not stop at the border. One of the clear messages in the Young Farmers' and Growers' White Paper is to give consideration to the long-term perspective. Following the coalition agreement, and at the initiative of NAJK and the cooperatives' young people's councils, the agriculture spokespersons of the four coalition parties VVD, CDA, CU and D66 compared the outcomes of the coalition agreement on 22 December 2021 with the White Paper.

Biodiversity monitor for dairy farming

Biodiversity can form part of a better revenue model, for example, because fewer inputs are required or a higher price can be charged for the product. This is why the cooperative Agrifirm plans to organise three knowledge sessions in 2022 for two hundred affiliated farmers and Agrifirm members within the Brabant Biodiversity Monitor (BBM) programme. The three sessions will deal with themes such as soil health, feed, and nature and the environment. These sessions will mainly focus on the challenges that farmers are facing now. This Cooperative project consists of three phases. First, farmers' knowledge requirements will be determined. Next, Agrifirm's Revenue Monitor will be incorporated in the knowledge sessions and, finally, the participants will be offered the option of running the Revenue Monitor for their own farm. The content for the knowledge sessions was developed in 2021 together with farmers from the BBM programme.

Nature-inclusive agriculture

Nature-inclusive agriculture is attracting more and more attention. Farmers can take various measures to implement this sustainable form of agriculture. But which measures are specifically suitable for individual farms and what are the costs and benefits that have to be taken into account? In order to answer these questions, the cooperative Agrifirm launched a nature-inclusive agriculture project. Measures for nature-inclusive agriculture were worked out in detail in a tool with various cards. The measures are linked to various factors, such as type of soil, province and customers. In addition, the business model is examined for each measure, from costs to revenues and any subsidies. The cards summarise all the information regarding specific measures for nature-inclusive agriculture. In this manner, farmers can quickly discover whether a measure is suitable for their farm. At present, this project is still in a pilot phase and is only available for dairy farmers. The pilot is being carried out at six dairy farms.

Cooperative projects

The aim of Agrifirm's cooperative projects is to take account of the challenges that society is facing in the business operations, to improve the earning capacity and to help young agricultural entrepreneurs. These are issues that farmers and growers cannot solve individually, but that can be resolved by combining forces within the cooperative. Agrifirm supports these cooperative projects with knowledge and experience and we bring these projects to the attention of relevant networks and parties. We are thus able to gain knowledge and experience that can be applied immediately by farming practitioners. Creating added value for our members is the central premise in all projects. The budget for cooperative projects has been made available by the members of Agrifirm from the member distributions (member dividends and member discounts).



Sector councils to become sector sounding-board groups

Each agricultural sector has specific themes that have to be dealt with appropriately, both within Agrifirm and beyond. Agrifirm strives to work together with farmers and growers on these themes, as we can achieve more together. That is why there are sector councils for beef cattle farming, pig farming, poultry farming, arable farming and horticulture, the organic sector and, since 2021, also the flower bulb sector. The sector councils did not meet in 2021 due to the COVID-19 measures. However, a plan was drawn up and approved to convert the sector councils into sector sounding-board groups as from 2022. These sounding-board groups are sector-oriented and consist of six to eight persons. Besides customers, Members' Council members and Young People's Council members, experts can also have a seat in the sounding-board groups. This will enable input from scientists and society at large and lead to a broader debate. Each member is selected based on a professional recruitment and selection process. The sounding-board groups convene a few times a year with a delegation from Agrifirm's Supervisory Board. In the sounding-board groups, the Supervisory Board members will collect ideas, test out new concepts and discuss how to implement strategic choices.

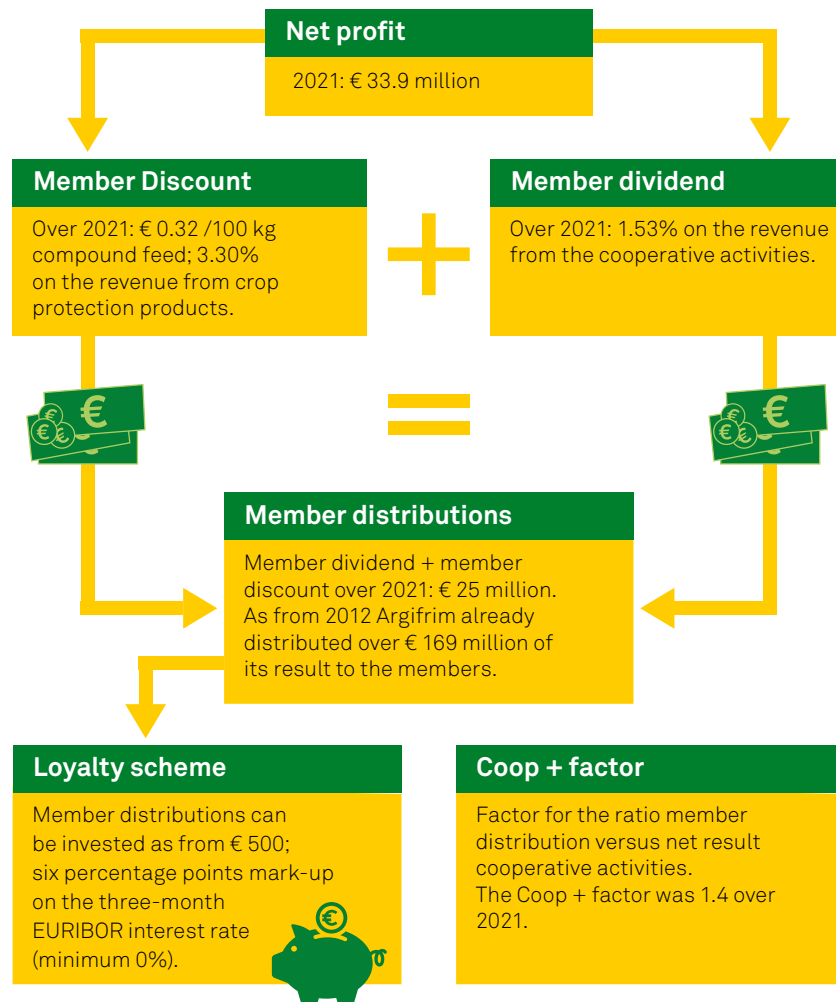
Members' meetings

During the COVID-19 pandemic, we experienced how important it is to have regular contact, whether online or in person. Good contact between the members and the board (Supervisory Board and Executive Board) is essential. The consultation between the chairs of the Members' Council and the Executive Board that began during the COVID-19 crisis was continued in 2021 and the procedure formalised. A chairpersons' consultation body was established in which the district chairs, the Supervisory Board and the Executive Board of Agrifirm are represented. The chairpersons' consultation body is supported administratively and organisationally by the cooperative affairs department and convenes four times a year. The chairpersons' consultation body does not have any decision-making powers, but it fulfils an important function in signalling developments, and acting as a sounding board and sparring partner. The agenda for the members' meetings is also determined in these consultations.





The annual general members' meeting in 2021 took place online on 14 April. As was the case in the previous year, Agrifirm's results for the financial year were discussed before being presented to the Members' Council for its approval. Other agenda items were Agrifirm's new strategy for 2021-2024 and the Cooperative's annual plan.



Cooperative membership

Dutch livestock farmers and growers are at the forefront of the global agricultural sector. They lead the way in food safety, innovation, efficiency and sustainability. As a cooperative, we regard it as our task to maintain and strengthen this position.

Members profit from member discounts and member dividends. The member discount and member dividend amounts are set by the Members' Council at the close of every financial year. At the Members' Council Meeting of 30 March 2022, the restitution to members, consisting of the member discount and the member dividend for 2021, was set at a member discount of €0.32 per 100kg of compound feed and 3.30% of the revenue from plant protection products, and a member dividend of 1.53% of the total revenue in 2021. The member dividend will be paid out at the beginning of May 2022. The total amount of the member discount and member dividend paid to each member together form the member distribution. If the member distribution amounts to €500 or more, members can deposit the distribution in the Agrifirm Loyalty Scheme.

Agrifirm introduced the Agrifirm Loyalty Scheme in 2017. Members can invest their member distributions in the Loyalty Scheme at a favourable interest rate of six percentage points above the three-month Euribor rate. The annual round of deposits took place in spring 2021. Around 2,500 members participate in this Loyalty Scheme.

The General Meeting of Shareholders of Agrifirm Group BV

The Cooperative holds 100% of the shares in Agrifirm Group BV. The Board of the Cooperative exercises the voting rights in the General Meeting of Shareholders of Agrifirm Group BV on behalf of the Cooperative. In certain instances – as described in the Articles of Association – it does so subject to the prior approval of the Members' Council.

The Board of the Cooperative

The Board of the Cooperative is responsible for all of the Cooperative's operations. This includes looking after the interests of the members of the Cooperative in the enterprises directed by Agrifirm Group BV and its group companies. The Board of



the Cooperative comprises eight members, five of whom come from the agriculture sector. These members are selected from among the members of the Cooperative, and are supplemented by three external members: two financial specialists (financial profile) and one specialist in the area of strategy and managing large national or international companies (management profile). The members of the Board are appointed by the Members' Council on the basis of the nominations submitted by the Board. The Members' Council may also dismiss a member of the Board. The Board of the Cooperative also forms the Supervisory Board of Agrifirm Group BV. Each Board member is appointed for a period of four years and can be reappointed twice. A Board member's performance is assessed after each term.

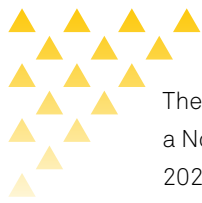
To implement the provisions of the Management and Supervision (Public and Private Companies) Act, which came into effect on 1 January 2013, the proportion of seats held by women and men is specifically taken into consideration when new Board members are appointed. At present, two women have a seat on the Board (and thus also on the Supervisory Board). The Board continues to aim for diversity in future vacancies.

Supervisory Board of Agrifirm Group BV

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

- > the long-term strategic plan;
- > important transactions, including entering into strategic partnerships and property transactions;
- > the acquisition and disposal of participating interests in group companies or minority interests;
- > important investments;
- > procuring bank loans and providing collateral.

The Articles of Association specify when and as from which amounts the above decisions and other decisions require the approval of the Supervisory Board.



The Supervisory Board has an Audit Committee, a Remuneration Committee and a Nomination Committee. The Cooperative Affairs Committee was added to this list in 2021. The committees do not have any independent decision-making authority and report to the full Supervisory Board.

Executive Board of Agrifirm Group BV

Agrifirm's Executive Board consists of two persons, namely the Chair (CEO) and the Chief Financial Officer (CFO). The Executive Board is responsible for the strategy, policy and operating activities within Agrifirm. The Executive Board members are appointed for an indefinite period of time. The terms and conditions of employment of the Executive Board members are established by the Supervisory Board.

The performance of the members of the Executive Board is evaluated and recorded annually. In addition, after every four-year period, the competencies of the Executive Board members are assessed to check whether they are in alignment with the new strategic plan.

Corporate Governance Code

Agrifirm voluntarily applies the Dutch Corporate Governance Code. The Board and the Executive Board have given a commitment to the Members' Council that they will adopt the Corporate Governance Structure and that they will comply with the Code. The voluntary application means that the Code can be tailored to Agrifirm and its cooperative character. Any deviations from the Code will be explained to the Members' Council, giving a sound rationale. Substantial deviations will be submitted to the Members' Council. In addition, Agrifirm has an Ethical Business Code of Conduct and a whistleblower scheme.

Deviations from the Code

Agrifirm deviates from the Corporate Governance Code in five areas:

- > The Executive Board of Agrifirm Group BV is appointed for an indefinite period of time. The provision stipulating that members of the Executive Board should be appointed for a period of four years has not yet been implemented

(Best Practice II.1.1 of the Dutch Corporate Governance Code). A formal review of the appointment takes place every four years. The Cooperative's ability to influence the performance of the members of the Executive Board is assured due to the fact that the Board of the Cooperative:

- holds the full voting rights in the General Meeting of Shareholders of Agrifirm Group BV;
 - forms a personal union with the members of the Supervisory Board of Agrifirm Group BV;
 - nominates the members of the Supervisory Board of Agrifirm Group BV.
- > The Chair of the Supervisory Board also fulfils the role of Chair of the Remuneration Committee in view of the importance that Agrifirm attaches to the coordinating role of the Chair of the Supervisory Board with regard to the remuneration of the members of the Executive Board.
 - > Memberships of other supervisory boards and ancillary positions held by either Supervisory Board members or Executive Board members will be assessed on an individual basis by the Supervisory Board in terms of the nature and the time requirements of the supervisory board memberships and/or ancillary positions. All members of the Supervisory Board and the Executive Board must ensure that they can devote sufficient time and attention to Agrifirm, thus ensuring the proper discharge of their duties.
 - > The remuneration of the individual members of the Executive Board and other contractual agreements are not disclosed (Best Practice II.2 of the Dutch Corporate Governance Code).
 - > Finally, the following items and provisions have not been adopted:
 - provisions related to listed companies, shares, options and/or securities;
 - publication of sensitive information on the company's website;
 - one-tier board structure;
 - the issue of depositary receipts for shares;
 - the responsibilities of institutional investors and shareholders.

Report by the Supervisory Board





Good performance despite pressure from the market

As Supervisory Board members we see the concerns of our members and customers. They face political pressure and pressure from within society, rising costs and a business model that is under great strain. There are also a lot of issues for players other than our Dutch members. Swine fever and bird flu, and high prices for raw materials and animal feed are creating structural problems internationally for both customers and employees. Finding a balance between maintaining a durable customer relationship on the one hand and the need to pass on the higher costs to our customers on the other is not easy; however, the commercial teams within Agrifirm are good at handling this.

Looking at the conditions and results in 2021, Agrifirm has delivered an impressive performance. In sectors that have high costs and low revenues and in markets in which investments are at a low level, Agrifirm nevertheless succeeded in achieving good financial results. The Supervisory Board is very impressed with this exceptional achievement.

Flexibility and COVID-19

The conditions in which people had to carry out their work during the COVID-19 pandemic were not easy, but we see that our employees have been very flexible and have adapted to such an extent that their performance and the contact with customers did not suffer. This certainly deserves a compliment.

Connection is crucial

What makes us stand out as a cooperative is that we are able to remain close to our members and take their feedback into account directly and then implement this in the services that we provide to our customers. Connecting with each other and with society at large is crucial — more so now than ever. The cooperative is full of life and its strengths come to the fore in difficult periods such as this.

Welkoop and NutriControl: excellent results

Welkoop and NutriControl deserve to be mentioned separately, as these two companies recorded exceptionally good results in 2021. In part due to these good results, the decision has been taken to invest further in the expansion of NutriControl, and Welkoop is being given an increasingly important role within Agrifirm. This is in line with the cooperative's objective of connecting farmers more to the general public and Agrifirm's ambition to help farmers have a sustainable income.

Ambitious plan for 2022

An ambitious plan and budget have been formulated for 2022, even though difficult market conditions are expected to prevail in 2022 as well. We hope and expect to see prices recover in the pig farming sector, but the situation will remain uncertain and difficult for many customers. Despite this, we have to continue to generate returns; that is possible thanks to the quality of our farmers and the knowledge and expertise that Agrifirm has in house.

Together we can achieve more

We thank all of our employees, members and customers in all the countries in which we are active. Let us have consideration for one another in the coming year as well, and continue to seek contact with one another. After all, together we can achieve more.

War in Ukraine

We are appalled by the personal suffering of the Ukrainian people and of our customers and employees in Ukraine. Dealing with the huge uncertainty and instability will demand the utmost of everyone who is involved in this horrific situation. Agrifirm will provide support and assistance wherever possible and necessary.

Apeldoorn, 9 March 2022

Supervisory Board of Agrifirm Group BV

A.A.J.M. Kamp

Chairman

**Introduction
by the
Chairman**

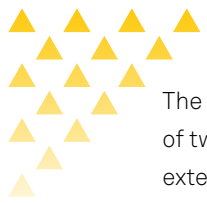


Report by the Supervisory Board

The Supervisory Board forms a personal union together with the Board of the Coöperatie Koninklijke Agrifirm UA. As at 31 December 2021, the Supervisory Board comprised the following eight persons, all of whom are Dutch nationals and satisfy the Dutch Corporate Governance best practice code with regard to independence.

The Supervisory Board is comprised as follows:

Supervisory Board Member	Role	Term	Profession	Ancillary positions
A.A.J.M. Kamp from Raamsdonk (Male, 12 June 1963)	Chairman	Due to stand down and not eligible for reappointment in 2024	Dairy farmer	Member of the supervisory board of Rabobank Group Chair of the Board of Stichting Beheer Flynth
K. van der Bos from Holwerd (Male, 10 April 1956)	Deputy Chair	Due to stand down and eligible for reappointment in 2025	Arable farmer	Chair of EcoLaNa Guardian of Sint Anthony Gasthuis, Leeuwarden
M.G. Scholtens from Luttelgeest (Male, 25 April 1962)	Member	Due to stand down and not eligible for reappointment in 2022	Arable farmer	Chair of the arable farming section of LTO Flevoland Member of the arable farming specialist group of LTO Nederland Chair of the Pool Committee for Consumer Potatoes, Agrico
A.C.M. Smits from Wanroij (Male, 10 June 1964)	Member	Due to stand down and eligible for reappointment in 2022	General farmer/pig farmer	None
G.H. Smeenk from Makkinga (Male, 10 April 1975)	Member	Due to stand down and eligible for reappointment in 2022	Dairy farmer	Chair of Niscoo
A. Wessels from Hilversum (Male, 17 February 1964)	External member	Due to stand down and eligible for reappointment in 2023	CEO of Caldic	Deputy Chair of the supervisory board of Archroma (Switzerland) Member of the supervisory board of Accsys Plc (UK)
M.H.A. Philipsen from Hegelsom (Female, 15 May 1971)	External member	Due to stand down and eligible for reappointment in 2025	Financial Director of Rousselot	None
E.W. Friesen-Leibbrandt from Rotterdam (Female, 7 November 1975)	External member	Due to stand down and eligible for reappointment in 2024	CFO of IDH – the Sustainable Trade Initiative	Supervisory board member of Stichting Macheo Nederland



The members of the Supervisory Board are eligible for reappointment for a maximum of two four-year terms. An exception applies to the chair's position, which can be extended by one further term after the last regular term of office.

Mr K. van der Bos and Ms M.H.A. Philipsen were due to step down and were both eligible for reappointment in 2021. They were nominated for reappointment by the Nomination Committee. The Nomination Committee, consisting of representatives of the Members' Council, the Central Works Council and the Supervisory Board, submitted a proposal for reappointment. The Supervisory Board approved the proposal after which the proposal was presented to the Members' Council. The proposal was discussed in the Members' Council meeting in September 2021 and both candidates were subsequently reappointed.

The Supervisory Board met eight times in 2021, mainly via MS Teams due to the COVID-19 pandemic. In addition, the Supervisory Board spent three days with the Executive Board and the Innovation and Business Development Director visiting the company in Belgium and various start-ups and delving into developments that are relevant for the innovation areas that Agrifirm is focusing on.

Committees

The Supervisory Board has various committees, including an Audit Committee, a Remuneration Committee and a Nomination Committee. The Cooperative Affairs Committee was added to this list in 2021. Decision-making regarding relevant topics takes place in the plenary sessions of the Supervisory Board.

Audit Committee

The Audit Committee comprises the following members: Ms M.H.A. Philipsen (chair of the committee), Ms E.W. Friesen-Leibbrandt, Mr G.H. Smeenk and Mr K. van der Bos. The Audit Committee prepares the decision-making process for the Supervisory Board concerning its supervision of the integrity and quality of the company's financial reporting, the effectiveness of the internal risk management and control systems, and compliance with laws and regulations.

Each year, the Audit Committee discusses the audit plan and the most important risks affecting the annual report with the external auditor, as well as the auditor's findings arising from the audit of the financial statements and the annual report. The Audit Committee also reports to the Supervisory Board on the external auditor's performance and procedures and provides advice to the Supervisory Board on the appointment or reappointment of the external auditor.

The Audit Committee met five times in 2021. Agrifirm's Chief Financial Officer (CFO), the internal auditor and the external auditor were present at these meetings. During these meetings, specific topics such as large investment projects or risk management issues were clarified by senior members of the management team. In addition to the audit plans of the internal and external auditors, topics such as progress on One Way of Working and digital governance were discussed. In addition, the Audit Committee was involved in the refinancing of Agrifirm and three meetings took place together with Agrifirm's financial director, Agrifirm Treasury and an external advisor about the future financing structure based on various sensitivity scenarios, the bank selection process, and finalising the financing agreement.

Remuneration Committee

The Remuneration Committee is comprised of Mr A.A.J.M. Kamp (Chair of the committee), Mr M.G. Scholtens, Mr A. Wessels and Ms E.W. Friesen-Leibbrandt. This committee is tasked with preparing the decision-making by the Supervisory Board on the remuneration policy and the individual remuneration for the members of the Executive Board. The Remuneration Committee met three times in 2021 to discuss the performance and the remuneration of the members of the Executive Board. Decisions regarding these matters were taken in the plenary sessions of the Supervisory Board.

Nomination Committee

Mr A.A.J.M. Kamp (Chair of the committee) and Mr A.C.M. Smits have a seat on the Nomination Committee on behalf of the Supervisory Board. In addition, Ms I. van Schie and Mr F. de Wildt (from the Members' Council) and Mr J. de Bie (from Agrifirm's Central Works Council) have a seat on this committee. The Nomination Committee is



tasked with providing advice to the Members' Council regarding new appointments or reappointments to the Supervisory Board. The committee met a number of times during the past year. The proposal to nominate Mr K. van der Bos and Ms M.H.A. Philipsen for reappointment was also drafted in this committee. Both candidates were reappointed for a new term in the Member Council's meeting of September. Furthermore, the self-assessment of the Supervisory Board was discussed in this committee, as was the profile for a new Supervisory Board member to replace Mr M.G. Scholtens on his departure in 2022.

A Selection Committee was formed as preparation for the recruitment, selection and appointment of the new Supervisory Board member. The Selection Committee is comprised of the following members: Ms E.W. Friesen-Leibbrandt, Mr K. van der Bos and Mr A.A.J.M. Kamp.

Cooperative Affairs Committee

The Cooperative Affairs Committee is comprised of Mr G.M. Smeenk (Chair of the committee) and Mr K. van der Bos. Meetings of the Cooperative Affairs Committee are also attended by the Public & Cooperative Affairs Director and the Commercial Director of Cooperative Affairs. The Cooperative Affairs Committee is a new committee within the Supervisory Board and is tasked with supervising Agrifirm's cooperative policy and providing advice on this policy. Topics such as district elections, member distributions, the loyalty scheme and the Young People's Council were discussed in the Cooperative Affairs Committee. Decisions regarding these matters were taken in the plenary sessions of the Supervisory Board.

Other activities

The customary annual formal meeting between the Chair of the Supervisory Board and the Central Works Council to discuss the company's overall development also took place this year. The Supervisory Board members appointed from among the members are all connected with one of the Sector Councils and as such represent the Supervisory Board in the various Sector Councils. The Young People's Council meetings are always attended by a member of the Supervisory Board, at least for part of the meeting. During these meetings, the most recent developments in the company are shared and questions, ideas and suggestions made by the Young People's Council are taken on board.





Topics discussed by the Supervisory Board

The Supervisory Board met eight times during the reporting year. The financial reporting was discussed with the Executive Board every quarter. Important topics were the developments and financial performance of the companies in the Netherlands and abroad, working capital, developments on the raw materials market, debtor management, progress with regard to the strategic plan, and Agrifirm's innovation agenda. Other topics included actual and potential acquisitions and divestments, cooperative affairs and cooperative projects, and talent and leadership within Agrifirm. In addition, current developments regarding the demands that society is making on the agricultural sector were discussed. For instance, the Supervisory Board discussed how Agrifirm could exert influence in current political debates based on its knowledge and expertise. Examples are topics such as the policy on pesticides and nitrogen or the climate issue.

Self-assessment

The Supervisory Board reviews its own performance every year. The self-assessment in 2021 took place with the assistance of an external firm. Input provided by the Executive Board was also taken into account in this self-assessment. The Supervisory Board members regarded this as very valuable. Important points from the self-assessment were taken into account in the performance of the Supervisory Board. The profile for a new Supervisory Board member was also amended accordingly.

Adoption of the financial statements

The 2020 financial statements were adopted by the Members' Council on 30 March 2021. The Members' Council also discharged the Supervisory Board of Agrifirm Group BV from liability for the supervision exercised and discharged the Executive Board of Agrifirm Group BV and the Board of Coöperatie Koninklijke Agrifirm UA for liability for the policies pursued.

In its meeting on 9 March 2022, which was also attended by the external auditor, the Supervisory Board was informed about the 2021 financial result. The 2021 result was lower compared to the 2020 result and the differences were explained during this meeting.

Strategy for 2021–2024

Agrifirm's vision of a responsible food chain for future generations forms the basis and the point of departure for Agrifirm's new strategy. The Supervisory Board regards it as its task to ensure that strategic developments move forward at sufficient pace, both financially and in the implementation of Agrifirm's strategic ambitions. The transition to sustainable agriculture is taking place gradually; however, as a company, Agrifirm is in the vanguard. Innovation will play an important role in the medium term, and the Supervisory Board sees good progress in this area.

Supervisory Board

A.A.J.M. Kamp
K. van der Bos
M.G. Scholtens
A.C.M. Smits
G.H. Smeenk
A. Wessels
M.H.A. Philipsen
E.W. Friesen-Leibbrandt





Appendix: About the sustainability reporting

We aim to present a well-balanced, reliable and clear impression of our approach and performance in the area of sustainability. This appendix therefore contains concrete information about the management approach and reporting methods that we use to compile the data, results and themes regarding sustainability.

Safeguards and implementation

The Public & Cooperative Affairs Director is responsible for safeguarding the sustainability policy. Progress is discussed each quarter with the directors of all business units and the Executive Leadership Team. The CSR coordinator at the group level is responsible for implementing the sustainability policy, sharing knowledge, setting out the policy lines, pursuing the CSR KPIs and monitoring and contributing to important sustainability debates in the agricultural sector. Each quarter, the CSR coordinator shares information on progress in the sustainability policy using the designated means of communication, including the intranet and newsletters.

Scope of the reporting process

The section 'Agrifirm's sustainability agenda' contains qualitative and quantitative information about the calendar year 2021. It covers the consolidated companies of Coöperatie Koninklijke Agrifirm UA, excluding Welkoop Retail Holding BV. This information is collected separately from the financial systems. We aim to integrate the data collection in the financial systems, where possible, in the future. At present, we are working on more extensive data protocols and on setting up internal auditing. Sustainability information has been incorporated in this annual report for the first time.



It is our aim to request an auditor's report on the reported sustainability performance in the future.

Reporting criteria

Where possible, we make use of the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) for reporting on progress in our CSR KPIs. We have formulated separate reporting criteria for specific KPIs where the GRI disclosures are not appropriate for our approach, market and business operations. The text below describes the definitions and criteria that we apply for each KPI, as well as the scope and any particularities.

KPI: Responsible Sourcing

Raw materials are qualified as 'responsible' when the raw materials are verified to be low risk. The risk assessments of the countries of origin are updated every five years by an independent party in the international agricultural sector. The assessments were updated by Control Union in 2021. The risk of non-compliance with applicable laws and regulations is taken into account in the assessments. The outcomes of our risk assessments are in line with the results of the [Country Legal Compliance Assessment](#) of the SAI Platform (2019).



Verification of risks in a supply chain in a 'high-risk' country is carried out by an independent party in the international agricultural sector. Verification takes place based on the FSA SAI method. If risks are identified, a mitigation action plan will have to be implemented. The raw materials in question will only be deemed 'responsible' after the implementation.

If the raw material in question is a soy or palm product from a high-risk country, sustainability certificates are purchased. For soy products, these are certificates that satisfy the FEFCO Soy Sourcing Guidelines, as can be seen on the ITC website. For palm products, these are certificates issued by the Round Table on Responsible Palm (RSPO). ISCC certificates are purchased, if possible, for other crops from high-risk countries. Other certificates on the market are not sufficient for these products to qualify as 'responsible'.

If the origin is completely unknown, this raw material stream is not classified as 'responsible' until the origin can be determined. An origin that is estimated based on information obtained from suppliers and random samples is qualified as 'responsible'. We aim to include the origin (at the country level) as a requirement in all our contacts with suppliers and to record this in our worldwide IT systems. The accuracy of the reported data will improve in the next few years.

The scope of the KPI includes palm products and palm derivatives, soy products and soy derivatives, maize and maize by-products, grain and grain by-products, barley, sunflower, rape seed, beet pulp, fish meal and citrus pulp. The volumes and corresponding countries of origin are requested for all companies where we have a majority stake that purchase these high-volume agricultural raw materials for animal feed for livestock farming. The scope of the Responsible Sourcing KPI comprises 81% of the total volume of purchased raw materials for animal feed. In 2021, 4,124 tons of raw materials were purchased for the production of animal feed, of which 3,283 tons of raw materials were within scope of the Responsible Sourcing KPI.

For more information about our approach, please refer to the [2017 Responsible Procurement Policy](#).

KPI: Responsible Operations

We report greenhouse gas emissions in accordance with the GRI Standards Disclosure 305-1, 305-2 and 305-5. Net CO₂ emissions were reduced by 41% in 2021 compared to 2019. This reduction comprises the CO₂ emissions in scope 1 and scope 2 and is calculated based on the Greenhouse Gas Protocol. All production and storage locations of the consolidated companies of Coöperatie Koninklijke Agrifirm UA are in scope. This scope will not be changed in the coming years, unless production or storage locations are purchased or production and storage locations of companies where we have a majority stake are sold.

The emission factors are updated every year by an external consultant. The emission factors that apply in the country where the product or storage location in question is located are used in the calculation of the greenhouse gas emissions. The emission factors are updated at the beginning of each calendar year and apply from the beginning of the calendar year in question.

The following sources are used for emission factors when calculating the reported figures:

- > in [the Netherlands](#);
- > all product and storage locations outside the Netherlands: the IEA 2019 for electricity, and the BC V.8.4 for all other energy carriers.

KPI: Responsible Solutions

We will be able to report the progress on this KPI for the first time in our annual report for the calendar year 2022. In 2021, we started drawing up a protocol to determine the definition, the process description and the data collection. Therefore we will only be able to present the reporting criteria and the corresponding scope of this KPI for the calendar year 2022. We do not have enough knowledge and information at present about the process to be able to report a result in percentages.



Financial statements 2021

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

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7.1 Consolidated balance sheet as at 31 December

(after appropriation of profit)

(in thousands of euros)	Note	2021	2020
ASSETS			
Non-current assets			
<i>Intangible fixed assets</i>	1		
Goodwill		45,412	54,955
Software		21,978	19,760
Prepayments on intangible fixed assets		14,896	17,341
		82,286	92,056
<i>Property, plant & equipment</i>	2		
Land and buildings		102,563	95,445
Plant and machinery		85,424	87,755
Other fixed assets		13,499	13,115
Fixed assets under construction		21,285	15,675
Assets not employed in business operations		636	1,374
		223,407	213,364
<i>Financial fixed assets</i>	3		
Participating interests		8,883	8,474
Other non-current assets		12,417	8,266
Deferred tax assets		7,530	6,814
		28,830	23,554
Current assets			
<i>Inventories</i>	4		
Raw materials and consumables		89,776	78,337
Finished product and goods for resale		136,691	114,440
Livestock		3,669	3,974
		230,136	196,751
<i>Receivables</i>	5		
Trade receivables		248,050	204,055
Taxes and social security contributions		7,762	11,233
Other current assets		20,982	22,439
		276,794	237,727
<i>Cash and cash equivalents</i>	6	80,347	94,893
TOTAL ASSETS		921,800	858,345



(in thousands of euros)	Note	2021	2020
EQUITY			
Equity			
<i>Group equity</i>	7		
Shareholders' equity		501,109	481,041
Non-controlling interest		4,267	3,111
		505,376	484,152
Liabilities			
<i>Provisions</i>			
Pensions	8	454	455
Deferred tax liabilities		2,773	2,957
Other provisions		6,848	10,330
		10,075	13,742
<i>Non-current liabilities</i>			
Debt	9	122	137
Other non-current liabilities		54,571	42,979
		54,693	43,116
<i>Current liabilities</i>			
Trade payables	10	152,678	150,091
Taxes and social security contributions		19,683	13,774
Other current liabilities		179,295	153,470
		351,656	317,335
TOTAL EQUITY AND LIABILITIES		921,800	858,345



7.2 Consolidated profit & loss account

(in thousands of euros)	Note	2021	2020
Net turnover	11	2,356,729	2,231,773
Other operating income		11,855	11,175
Total revenues		2,368,584	2,242,948
Cost of raw materials and consumables		-1,816,772	-1,702,927
Personnel costs	12	-218,380	-207,407
Depreciation and amortization	13	-44,466	-43,186
Other operating expenses	14	-237,851	-229,344
Total operating expenses		-2,317,469	-2,182,864
Operating income		51,115	60,084
Financial income	15	5,325	4,429
Financial expenses	15	-8,092	-9,188
Net finance expenses		-2,767	-4,759
Profit before income tax		48,348	55,325
Income taxes	16	-13,743	-15,139
Result participating interests		-208	291
Profit for the period		34,397	40,477
Non-controlling interest	7	-536	-652
NET INCOME		33,861	39,825

7.3 Consolidated cash flow statement

(in thousands of euros)	Note	2021	2020	(in thousands of euros)	Note	2021	2020
Operating income		51,115	60,084	Cash flow from operating activities		38,491	56,689
Adjustments to reconcile operating income for the period with cash flow from operating activities:				Capital expenditure	1, 2	-37,817	-29,830
> Depreciation and amortization	13	44,466	43,186	Proceeds from sale of assets	1, 2	7,076	7,728
> Provisions	8	-3,690	-3,378	Divestments/Investments financial fixed assets	3	-4,493	-4,696
> Result sale of assets and group companies		-4,690	-4,953	Divestments/Investments in group companies	3	-8,430	-13,684
> Others		-121	-343	Cash flow used in investing activities		-43,664	-40,482
		35,965	34,512	New debts	9	3,424	243
Changes in working capital:				Repayment of debts	9	-757	-900
> Inventories	4	-30,768	-15,220	Member Dividend/Member Discount	7	-15,269	-11,722
> Trade receivables	5	-41,552	-16,905	Third party dividend	7	-	-1,288
> Other current assets	5	4,410	-6,355	Cash flow from financing activities		-12,602	-13,667
> Trade payables	10	738	-4,069	Net cash flow		-17,775	2,540
> Other current liabilities	10	28,785	12,928	Exchange and translation gains and losses on cash and cash equivalents		2,789	-2,835
		-38,387	-29,621	CHANGE CASH AND CURRENT BANK DEBT		-14,986	-295
Interest received		1,458	2,486				
Dividend received		-	623				
Interest paid		-3,848	-3,256				
Income tax paid		-7,812	-8,139				
		-10,202	-8,286				
Cash flow from operating activities		38,491	56,689				

7.4 Accounting policies used in preparing consolidated financial statements

Introduction and explanatory notes

These are the financial statements of Coöperatie Koninklijke Agrifirm U.A., established at 1 June 2010, having its registered offices in Apeldoorn, the Netherlands, registered in the Trade Register of the Chamber of Commerce in Apeldoorn under number 08226836. The core activities of the group are producing and selling animal feed and selling of several other products and materials for the agriculture sector.

The company financial statements as well as the consolidated financial statements have been drawn up in accordance with the statutory requirements of Part 9, Book 2 of the Dutch Civil Code and the Dutch Accounting Standards for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. The financial statements have been prepared dated March 9th 2022.

General

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

Judgements and estimates

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

The coronavirus outbreak has major consequences for the global economy. The purchase price increases, and the effect on the financial results, were partly the reason for the goodwill impairment tests. Negative impact on the creditworthiness of debtors due to falling pig prices and increasing purchase, transport and energy prices. In addition, the increased credit risks have been taken into account when determining the provision for bad debtors. The nature and magnitude of the risks vary greatly per country and per sector/animal group. The pandemic did not cause any uncertainty on the ability to continue as a going concern nor caused any liquidity problems.

Consolidation principles

The items in the consolidated financial statements are determined in accordance with consistent accounting policies. Coöperatie Koninklijke Agrifirm U.A. and its group companies (hereinafter referred to as Agrifirm) are included in the consolidated financial statements for the year ending on 31 December 2021. Group companies are legal entities and companies over which the company exercises control. The group companies are fully consolidated in the consolidated financial statements and all mutual balance sheet items, income and expenses within Agrifirm are fully eliminated. The financial statements of the subsidiaries are drawn up for the same reporting year as that of the parent company using consistent accounting policies. The initial consolidation or deconsolidation follows on the date on which control is obtained and until the date that control no longer exists. Profits and losses resulting from intragroup transactions are eliminated in full.

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

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



Participation in group companies and participating interests

Coöperatie Koninklijke Agrifirm U.A. is head of the group. The participations in group companies are held via Agrifirm Group BV and are fully consolidated. Unless otherwise indicated, the participations in group companies are 100% owned.

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

Holding and corporate services

- > Agrifirm Group BV, Apeldoorn, the Netherlands

North West Europe

- > Agrifirm NWE BV, Apeldoorn, the Netherlands
- > BV Oldambt, Oostwold, the Netherlands
- > Agrifirm Belgium NV, Grobbendonk, Belgium
- > Quartes NV, Deinze, Belgium

Europe, Middle East and Africa

- > Nuscience Belgium NV, Drongen, Belgium
- > Agrifirm Polska Sp zoo, Szamotuły, Poland
- > Agrifirm Magyarország Zrt, Környe, Hungary
- > Nuscience Iberica SA, Cassarubios Del Monte, Spain
- > Nuscience Italia SRL, Reggiolo, Italy
- > Nuscience Premix International DOO, Velika Plana, Serbia
- > Cehave Korm Ltd, Kyiv, Ukraine

Asia

- > Suzhou DKVE Animal Nutrition Co., Ltd, Suzhou, China
- > Tianjin DKVE Animal Nutrition Co., Ltd, Tianjin, China
- > Vitamex Shanghai Ltd, Shanghai, China
- > Nuscience Singapore Pte Ltd, Singapore, Singapore
- > Premix INVE Export NV, Drongen, Belgium

Latin America

- > Agrifirm do Brasil Nutricao Animal LTDA, Taió, Brazil
- > Agrifirm Uruguay SA, Montevideo, Uruguay

Other companies

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

Participating interests

Important participating interests held via Agrifirm Group BV which are excluded from the consolidation:

- > Schothorst Feed Research BV (18.9%), Lelystad, the Netherlands
- > Sto Posto DOO (35%), Belgrade, Serbia
- > AgriDiam SARL (49%), Rouïba, Algeria
- > Agrilakes Feed Co., Ltd (50%), Tianjin, China

Section 402, Book 2, of the Dutch Civil Code applied

Since the profit & loss account for 2021 of Coöperatie Koninklijke Agrifirm U.A. is included in the consolidated financial statements, a condensed profit & loss account has been disclosed in the company financial statements in accordance with Section 402, Book 2, of the Dutch Civil Code.

Prior-year comparison

The accounting policies have been applied consistently to all the years presented in all aspects material to the financial year.



Mergers and acquisitions

Acquisitions are recognized in the financial statements according to the purchase accounting method. This means that any assets and liabilities acquired are carried at fair value as at the acquisition date. The difference between cost and the company's share of the fair value of the identifiable assets and liabilities acquired at the time of the transaction of a participating interest is recognized as goodwill.

Policies for the translation of foreign currencies

The consolidated financial statements are prepared in euros, the functional and presentation currency of the entity. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

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

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

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

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

Offsetting

Assets and liabilities are only offset in the financial statements if and to the extent that:

- > an enforceable legal right exists to offset the assets and liabilities and settle them simultaneously; and
- > the firm intention is to settle the assets and liabilities on a net basis or simultaneously.

Financial instruments

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

Loans granted, trade and other receivables


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

Loans and other financial obligations

Loans and other financial obligations are carried at amortized cost.

Fair value of financial instruments

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



The fair value of financial instruments not traded on active markets is determined using appropriate valuation methods, including, among others:

- > Using recent arm's length market transactions between independent parties;
- > Reference to the current market value of another instrument that is substantially the same;
- > Discounted cash flow analysis or other valuation models.

A list of fair values of financial instruments is included in the notes to financial instruments.

Derivates and hedge accounting

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

Currency and forward commodity contracts

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

The group documents the following:

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

The application of cost price hedge accounting leads to the following exception to the above-mentioned accounting policies and accounting treatment for financial instruments. As long as the forward contract concerns an expected future transaction, the forward contract will not be revalued. As soon as the hedged position of the expected future transaction leads to the recognition of a financial asset or financial liability, the gains or losses associated with the forward contract are recognized in the profit or loss account in the same period in which the asset or liability affects the profit or loss. The results from the non-effective part of the hedge relationship are included in the profit and loss account. If a forward contract no longer qualifies for hedge accounting, expires or is sold, the hedging relationship is terminated.

The cumulative profit or loss that has not yet been included in the profit and loss account is recognized as deferred income/liability on the balance sheet until the expected transaction has taken place. Should the transaction no longer be expected to take place, the accumulated profit or the accumulated loss is reclassified to the profit and loss account.

Interest rate swaps

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

Intangible fixed assets

An intangible fixed asset is recognized in the balance sheet if:

- > it is probable that the future economic benefits that are attributable to the asset will accrue to the group; and
- > the cost of the asset can be reliably measured.

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

At each balance sheet date, the group assess whether an active asset or a group of assets has undergone impairment. The recoverable amount is based on the cash-generating unit's value in use at 31 December 2021. This value in use is determined using cash flow projections from financial budgets approved by senior management covering a four-year period, cash flows beyond the four-year period are extrapolated using a growth rate and the future cash flows are discounted. The cash flow projections contain assumptions and estimates of future expectations. The value in use amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.



Goodwill

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

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

Research & development

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

Other intangible fixed assets

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

Property, plant & equipment

Property, plant & equipment are carried at cost or cost of manufacture less straight-line depreciation based on the remaining expected useful economic life and the residual value of the asset concerned. In general, buildings are depreciated over a maximum of 25 years, plant and machinery over 10 years and other tangible fixed assets over

3 to 5 years. In the event that tangible fixed assets are impaired, they are stated at their realizable value, provided this is permanently less than their book value. The realizable value of land and buildings is determined on the basis of valuations conducted by independent appraisers (net realizable value). The realizable value of plant and machinery is determined on the basis of their value in use taking into account the future use of the assets concerned. Any immovable property that is not used directly for business purposes is stated at the lowest of its value determined in accordance with the same principles as in case of land and buildings, or its lower realizable value. Maintenance expenditure is only capitalized when incurred and if the recognition criteria are met. The carrying amount of the components to be replaced will be regarded as a disposal and recognized directly in the profit and loss account.

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

Financial fixed assets

Participating interests

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

If the value of the participating interest under the net asset value method has become nil, this method is no longer applied, with the participating interest being valued at nil if the circumstances are unchanged. In connection with this, any long-term interests that, in substance, form part of the investor's net investment in the participating interest are included. A provision is recognised if and to the extent the group is liable for all or part of



the debts of the participating interest or if it has a constructive obligation to enable the participating interest to repay its debts.

A subsequently acquired share of the profit of the participating interest is recognized only if and to the extent that the accumulated share of the previously unrecognized loss has been compensated.

Following application of the net asset value method, the group determines whether an impairment loss has to be recognized in respect of the participating interest. At each balance sheet date, the group assesses whether there are objective indications of impairment of the participating interest. If any such indication exists, the group determines the impairment loss as the difference between the recoverable amount and the carrying amount of the participating interest. This amount is recognized in the income statement.

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

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

Receivables

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

Deferred tax assets

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

Impairment or value adjustment of fixed assets

Agrifirm recognizes non-current assets in accordance with accounting policies generally accepted for financial reporting in the Netherlands. If there is objective evidence of impairment, the amount of the impairment loss is determined and recognized in the

profit and loss account for all categories of financial assets carried at amortized cost. The recoverability of assets in use is determined by comparing the book value of an asset with the present value of the future net cash flow that the asset is expected to generate. In the case of a higher book value, the difference is charged to the result. Assets for sale are stated at book value or lower market value, less selling costs.

Inventories

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

Receivables

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

Cash and cash equivalents

This refers to all cash and bank deposits at call. Cash and cash equivalents are carried at face value.

Classification of equity and liabilities

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



Third-party non-controlling interests

The third-party non-controlling interests are valued at the third parties' share of the net asset value.

Provisions

A provision is recognized if the group has a legal or constructive obligation as at the balance sheet date and if it is probable that an outflow of resources will be required to settle the obligation and the amount of the liability can be reliably estimated. The amount of the provision is determined based on a best estimate of the amounts required to settle the liabilities and losses concerned as at the balance sheet date. Provisions are carried at non-discounted value, unless stated otherwise. If the effect of the time value of money is material, the provision shall be measured at the present value, with exception of provision for deferred taxation.

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

Pensions

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

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

A provision is recognized for liabilities other than the contributions payable to the pension plan administrator if, as at the balance sheet date, the group has a legal or constructive obligation towards the pension plan administrator and/or to its own employees, if it is probable that settlement of these liabilities will result in an outflow of resources and if a reliable estimate can be made of the amount of the liabilities. The provision for additional liabilities to the pension plan administrator and/or the employees is based on a best estimate of the amounts required to settle these liabilities

concerned at the balance sheet date. The provision is carried at present value if the effect of the time value of money is material (with the discount rate before taxation reflecting the market interest rate for high-quality corporate bonds).

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

Deferred taxes

If valuation for tax purposes differ from the policies described in this section and these result in deferred tax liabilities, a provision is recognized for these liabilities. Deferred tax assets are recognized for all deductible temporary differences and available carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilized. Deferred income tax assets and liabilities are measured by taking account of the tax consequences of the realization or settlement of assets, provisions, liabilities and accruals as intended by Agrifirm and its group companies, at the balance sheet date. The deferred tax assets and liabilities are stated at the nominal rates that apply in the various countries and are carried at non-discounted value.

Deferred tax assets and liabilities are netted if the following criteria are met :

- > the group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relating to the same financial year.
- > the deferred taxes are related to taxes on profits that relate to the same fiscal unity and are levied by the same tax authority.

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

Non-current liabilities

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

After initial measurement, long-term liabilities are carried at amortized cost using the effective interest method. Gains and losses are taken to the profit and loss account when the liabilities are derecognized, as well as through the amortization process. Interest charges are recognized in the year in which they fall due.



Current liabilities

On initial recognition, current liabilities are carried at fair value. After initial measurement the current liabilities are carried at amortized cost. The current liabilities have a term of less than one year.

Amortized cost

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

Derecognition of financial assets and liabilities

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

Leasing

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

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

Net turnover

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

Expenses

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

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

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

Depreciation and amortization

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

Interest

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

Interest income is recognized pro rata in the profit and loss account, taking into account the effective interest rate for the asset concerned, provided the income can be measured and the income is probable to be received.

Income taxes

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



Result participating interests

The share in the result of participating interests represents Agrifirm's share in the net result of these participating interests.

Cash flow statement

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

Cash and cash equivalents consists of cash at bank and in hand and bank acceptance drafts, presented as accounts receivable.

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

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

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

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

7.5 Notes to the consolidated balance sheet

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

Acquisition and disposal of group companies

The following acquisitions and divestments of group companies took place in 2021:

- > February 1st 2021: Cehave Korm acquired through an asset/liability transaction a soy plant in Ukraine.
- > February 26th 2021: Quartes acquired 100% of the shares of Fortemps et Fils, a Belgium-based agricultural dealer organization.

Goodwill is amortized over an estimated life of five years for a trading company and ten years for a production company, of which a client relationship has a long term duration. The other categories are amortized over ten years maximum. There have been no investments in goodwill in 2021 (2020: € 8.2 million).

Intangible fixed assets (1)

Movements in intangible fixed assets were as follows:

	<i>Goodwill</i>	<i>Software</i>	<i>Prepayments on intangible fixed assets</i>	2021 <i>Total</i>	2020 <i>Total</i>
Balance as at 1 January					
Purchase price	139,724	55,593	17,399	212,716	204,825
Accumulated depreciation	-84,769	-35,833	-58	-120,660	-109,650
Book value	54,955	19,760	17,341	92,056	95,175
Changes in book value					
Investments	-	2,089	4,849	6,938	14,539
Purchase price divestments	-	-3,770	-512	-4,282	-3,129
Reclassifications	-1,204	6,782	-6,782	-1,204	-
Depreciation of divestments	-	3,745	-	3,745	3,129
Depreciation/impairment	-9,766	-6,658	-	-16,424	-13,965
Currency translation differences	1,427	30	-	1,457	-3,693
Balance	-9,543	2,218	-2,445	-9,770	-3,119
Balance as at 31 December					
Purchase price	140,671	60,766	14,954	216,391	212,716
Accumulated depreciation	-95,259	-38,788	-58	-134,105	-120,660
Book value	45,412	21,978	14,896	82,286	92,056

Property, plant & equipment (2)

Movements in tangible fixed assets were as follows:

	<i>Land and buildings</i>	<i>Plant and machinery</i>	<i>Other fixed assets</i>	<i>Fixed assets under construction</i>	<i>Assets not employed in business operations</i>	2021 <i>Total</i>	2020 <i>Total</i>
Balance as at 1 January							
Purchase price	256,887	327,220	48,475	15,675	11,304	659,561	647,824
Accumulated depreciation	-161,442	-239,465	-35,360	-	-9,930	-446,197	-418,360
Book value	95,445	87,755	13,115	15,675	1,374	213,364	229,464
Changes in book value							
(De-)consolidations group companies	3,734	2,636	270	-	-	6,640	-1,496
Investments	5,610	7,676	3,630	13,963	-	30,879	23,539
Purchase price divestments	-1,589	-2,963	-1,098	-10	-6,340	-12,000	-10,423
Reclassifications/other mutations	3,383	5,794	-273	-8,901	-3	-	-
Depreciation divestments	580	2,962	1,006	-	5,605	10,153	7,648
Depreciation	-5,773	-19,044	-3,225	-	-	-28,042	-29,221
Currency translation differences	1,173	608	74	558	-	2,413	-6,147
Balance	7,118	-2,331	384	5,610	-738	10,043	-16,100
Balance as at 31 December							
Purchase price	270,106	341,593	50,879	21,285	4,909	688,772	659,561
Accumulated depreciation	-167,543	-256,169	-37,380	-	-4,273	-465,365	-446,197
Book value	102,563	85,424	13,499	21,285	636	223,407	213,364

Assets not employed in business operations consist of land and buildings which were previously used for business purposes and that are currently vacant or (partly) rented by third parties.

Agrifirm intends to sell this property. Based on changes in book value over time and proceeds of similar property, it is anticipated that the expected net proceeds of this property exceeds the book value.

The divestments consists of sold investment properties and retirements. In 2021 profit on the sale of predominantly real estate amounted to € 4.7 million (2020: € 5.0 million).

For a book value of € 11.3 million (2020: € 11.8 million) as part of land and buildings, Agrifirm has not the legal ownership but the beneficial ownership based upon financial lease contracts. For further information regarding these contracts, reference is made to the notes of non-current liabilities.

Financial fixed assets (3)

Movements in financial fixed assets were as follows:

				2021	2020
	<i>Participating interests</i>	<i>Other non-current assets</i>	<i>Deferred tax assets</i>	<i>Total</i>	<i>Total</i>
Balance as at 1 January	8,474	8,266	6,814	23,554	27,441
Changes in book value					
(De-)consolidation participating interests	-	750	-	750	36
Investment/payment	1,164	7,068	-	8,232	7,944
Divestment/repayment	-	-3,739	-	-3,739	-4,042
Increase/decrease	-	-	504	504	-6,200
Dividends received	-	-	-	-	-623
Share in annual results	-208	-	-	-208	291
Currency translation differences	-547	72	212	-263	-1,293
Balance	409	4,151	716	5,276	-3,887
Balance as at 31 December	8,883	12,417	7,530	28,830	23,554

Participating interests

The participating interests mainly relate to the non-consolidated interests in:

- > Schothorst Feed Research BV (18.9%), Lelystad, Nederland
- > Sto Posto DOO (35%), Belgrade, Serbia
- > AgriDiam SARL (49%), Rouïba, Algeria
- > Agrilakes Feed Co., Ltd (50%), Tianjin, China

Agrifirm values participating interests over whose commercial and financial policy the group exerts significant influence at net asset value and goodwill paid on acquisition of group companies and participating interests is capitalized. The investment/payment amounting to € 1.1 million (2020: € 2.7 million) relates mainly to AgriDiam SARL.

Other non-current assets

The remainder of the other receivables mainly concerns escrows for acquired group companies and financing provided to customers. The short term amount of the other non-current assets is € 2.3 million (2020: € 2.3 million).

Deferred tax assets and -liabilities

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

Deferred tax assets are calculated on the basis of the tax rate applicable at the time at which these are expected to be realised and are carried at non-discounted value. The nominal value of the deferred tax assets amounted to € 7.5 million (2020: € 6.8 million). The valued deferred tax assets increased in 2021 due to changes of the valuation of tax losses and changes in the differences between the commercial and fiscal valuation of assets and liabilities.

	2021	2020
Temporary differences for set-off	2,430	1,714
Carry forward losses	5,100	5,100
Balance as at 31 December	7,530	6,814

At year-end 2021, Agrifirm had tax losses carried forward and valuation differences amounting to € 7.1 million (2020: € 11.7 million) for which no deferred tax assets have been capitalized in the balance sheet because taxable earnings in the near future are not certain. These tax losses mainly relate to group companies in Belgium, Hong Kong and Russia and can be set off indefinitely against future profits.

Inventories (4)

Inventories can be specified as follows:

	2021	2020
Raw materials and consumables	89,776	78,337
Finished products and goods for resale	136,691	114,440
Livestock	3,669	3,974
Total inventories	230,136	196,751

Receivables (5)

Receivables can be specified as follows:

	2021	2020
Trade receivables	248,050	204,055
Taxes and social insurance contributions	6,840	9,122
Corporate income tax	922	2,111
Other receivables	20,982	22,439
Total receivables	276,794	237,727

The term of the receivables is less than one year. Trade debtors consist of gross debtors of € 271.9 million (2020: € 228.4 million) less the provision for doubtful debtors of € 23.8 million (2020: € 24.3 million).

Cash and cash equivalents (6)

Cash and cash equivalents are available to the company on demand.

Group equity (7)

Equity

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

Non-controlling interests

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

	2021	2020
Balance as at 1 January	3,111	10,169
Changes in book value		
Share in income	536	652
Acquisition minority interest	166	-5,287
Dividend	-	-1,288
Currency translation differences and other changes	454	-1,135
Balance	1,156	-7,058
Balance as at 31 December	4,267	3,111

Non-controlling interests mainly refers to subsidiary Cehave Korm Ltd, a Nuscience group company.

Comprehensive income

Breakdown of comprehensive income is as follows:

	2021	2020
Net income	33,861	39,825
Member Dividend/Member Discount	-20,412	-23,612
Currency translation differences and other changes	6,619	-17,092
Comprehensive income	20,068	-879

Provisions (8)

Movements in provisions were as follows:

	<i>Pensions</i>	<i>Deferred tax liabilities</i>	<i>Restructuring</i>	<i>Other</i>	2021 <i>Total</i>	2020 <i>Total</i>
Balance as at 1 January	455	2,957	5,729	4,601	13,742	14,963
Changes in book value						
(De-)consolidation participating interests	-	143	-	-	143	1,024
Additions	15	95	3,350	280	3,740	5,968
Used	-17	-462	-4,017	-439	-4,935	-2,903
Released	-	-	-1,233	-1,422	-2,655	-4,333
Currency translation differences	1	40	-	-1	40	-977
Balance	-1	-184	-1,900	-1,582	-3,667	-1,221
Balance as at 31 December	454	2,773	3,829	3,019	10,075	13,742

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

Provisions for pensions primarily relate to the actuarial value of pension liabilities not insured at third-party insurers or pension funds.

The provision for deferred taxes mainly relates to taxable temporary differences between the valuation for tax and financial reporting purposes.

The restructuring provision relates to the projected cost of integration and restructuring of activities of the various group companies. The provision has primarily been recognized to cover the cost of personnel reductions and relates for a substantial part to the Dutch activities, including the decreasing activities in Utrecht for which the relocation is in progress. For the property in Utrecht a sales agreement has been signed, whereby the sales price exceeds the book value plus the expected demolition costs. The transfer of the property will be in 2023. Therefore the sale of the property has not been accounted for in the financial statements 2021.

Included in other provisions are provisions for risks related to soil contamination, losses on contracts with customers, losses on egg contracts and claims relating to product liability.

Non-current liabilities (9)

Movements in non-current liabilities were as follows:

				2021	2020
	<i>Debt</i>	<i>Agrifirm Loyalty Scheme</i>	<i>Other non-current liabilities</i>	<i>Total</i>	<i>Total</i>
Balance as at 1 January	137	21,999	20,980	43,116	40,617
Changes in book value					
(De-)consolidations group companies	262	-	750	1,012	-
Additions	-	10,291	3,762	14,053	10,343
Repayments	-278	-795	-2,763	-3,836	-8,348
Compounding/Amortization	-	1,317	-	1,317	1,006
Other mutations	-	-	-1,204	-1,204	-
Currency translation differences	1	-	234	235	-502
Balance	-15	10,813	779	11,577	2,499
Balance as at 31 December	122	32,812	21,759	54,693	43,116

From the debt to credit institutions a total of € 0.1 million has a term of more than five years (2020: nil). The repayment commitment on long-term loans amounts to € 2.9 million next year. Most long-term loans have a fixed interest rate of 0.0% to 7.0%. The average interest rate on long-term loans was approximately 4.9% in 2021 (2020: 4.9%). At year-end 2021 there are no assets pledged as security (2020: nil). Other non-current liabilities contains the financial lease obligation amounting to €13.1 million (2020: € 13.5 million) of the Graansloot cereal storage facility. A € 14.0 million (2020: €14.7 million) guarantee was provided to the bank of the lessor of the facility. No security was provided for the other long-term loans.

The Agrifirm Loyalty Scheme is a program for members only. Members can decide to add their Member Dividend / Member Discount into this program which is subordinated to all receivables owed by Agrifirm. Agrifirm reimburses an interest of 6.0% above the three months Euribor interest.

Other long-term liabilities contingent liabilities include an amount of € 2.6 million (2020: € 4.0 million) with respect to earn-outs for acquisitions in the past of group companies. The short-term part of this liability is € 1.3 million (2020: € 1.8 million).

Current liabilities (10)

Current liabilities can be specified as follows:

	2021	2020
Trade payables	152,678	150,091
Taxes and social security contributions	15,507	12,874
Corporate income tax	4,176	900
Member Dividend/Member Discount payable	25,000	27,000
Other payables	110,840	84,207
Other current liabilities	43,455	42,263
Total current liabilities	351,656	317,335

The term of the liabilities is less than one year. Other current liabilities consist mainly of invoices to be received.

The cooperation has signed a financing facility with a group of banks ('club deal'). During the term of the facility agreement, at several banks included in the club deal, amounts are drawn, funded and regular transactions take place. As a result of this the amounts per involved bank in the club deal are netted in the financial statements.

The facility is granted in a 'multi-currency revolving credit facility', amounts can be drawn up to a maximum of € 200 million, when ratios agreed upon with the banks have been met.

Agrifirm Group BV and a number of group companies act as guarantor. The facility is available as from 20 December 2021.

The facility has a term of five years and can be extended two times with one year. The facility also has the option to be extended with € 250 million. The interest rate is based on the risk-free interest rate plus a mark-up.

Financial instruments

Forward contracts were concluded for the purchase of raw materials to hedge the risk of price fluctuations of foreign currency. Due to the lower price of foreign currency than the prices agreed upon in the forward contracts, at year-end 2021 the contracts have a positive fair value of € 8 thousand (2020: negative € 94 thousand).

Risks acknowledged by Agrifirm are:

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

Commitments and contingencies

Securities provided

Bank guarantees have been issued amounting to € 4.1 million (2020: € 0.6 million) primarily for leases and prepayments, and guarantees have been issued for other parties amounting to € 4.8 million (2020: € 4.6 million).

A work guarantee for several years is provided for all employees of Agrifirm Feed transport BV who were transferred to another employer in the process of outsourcing transport activities per 1 January 2014.

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

Significant related-party transactions were all at arm's length.

Rental-, lease- and other commitments

The composition of the total liabilities can be specified as follows:

	2021	2020
Rent buildings	56,387	57,481
Rent and lease of transport equipment and vehicles	11,573	12,725
Other liabilities	15,622	6,469
Total off-balance sheet commitments	83,582	76,675

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

Fiscal unity

Coöperatie Koninklijke Agrifirm U.A. and all of its Dutch group companies in which a 100% participation is held, with the exception of some entities in which no activities performed anymore, form a fiscal unity for Dutch corporate income taxes. As a result of this, Coöperatie Koninklijke Agrifirm U.A. can be held liable for taxes of companies that are part of this fiscal unity. At balance sheet date the total off-balance sheet tax liabilities of these group companies is nil (2020: nil).



Claims

A third party has filed a claim against Agrifirm in connection with alleged suffered disadvantage. The information usually required by RJ 252 is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation.

7.6 Notes to the consolidated profit & loss account

Net turnover (11)

The breakdown of net turnover by activity is as follows:

	2021	2020
Feed the Netherlands	790,391	744,444
Arable farming and horticulture the Netherlands	331,151	305,408
Feed other	549,117	551,785
Co-products	75,743	80,672
Premixes & concentrates	321,799	303,703
Retail	268,752	227,848
Other activities	19,776	17,913
Total net turnover	2,356,729	2,231,773

The geographical breakdown of net turnover is as follows:

	2021	2020
The Netherlands	1,501,030	1,374,745
Belgium	253,939	276,529
Germany	62,604	61,931
France	27,081	14,862
Poland	192,404	201,847
Hungary	59,622	50,735
China	72,817	63,526
Brazil	27,138	24,358
Other countries	160,094	163,240
Total net turnover	2,356,729	2,231,773

Transactions with associated parties

An amount of € 0.9 billion (2020: € 1.0 billion) was supplied to and purchased from members of Coöperatie Koninklijke Agrifirm U.A. Other than this, no material transactions with associated parties took place in the year under review.

Other operating income

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

Personnel costs (12)

The breakdown of personnel costs is as follows:

	2021	2020
Salaries and wages	149,941	147,169
Pension premiums	8,597	8,761
Other social security charges	23,283	22,983
Temporary staff	19,847	13,848
Other personnel costs	16,712	14,646
Total personnel costs	218,380	207,407

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

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

Employees

Number of employees per activity (ultimo year in FTE):

	2021	2020
Feed the Netherlands	475	504
Arable farming and Horticulture the Netherlands	252	247
Feed and arable farming other	494	504
Co-products	75	71
Premixes & concentrates	883	915
Retail	592	533
Other activities	340	316
Total number of FTE	3,111	3,090

Number of FTE at year-end working in the Netherlands 1,755 (2020: 1,700).

Depreciation and amortization (13)

The breakdown of depreciation and amortization is as follows:

	2021	2020
Depreciation property, plant and equipment	28,042	29,221
Amortization goodwill	9,766	10,945
Depreciation software	6,658	3,020
Total depreciation and amortization	44,466	43,186

Other operating expenses (14)

Other operating expenses mainly relate to expenses regarding transport, utility, maintenance and repair costs.

The cost of research and development amounted to € 6.3 million (2019: € 6.9 million).

Net finance expenses (15)

The breakdown of financial income and expenses is as follows:

	2021	2020
Financial income	5,325	4,429
Financial expenses	-8,092	-9,188
Net finance expenses	-2,767	-4,759

Financial expenses relate to interest on current bank debt and interest on the Agrifirm Loyalty Scheme amongst other things. Financial income relates to interest on long-term receivables from customers and receivables from banks amongst other things.

An amount of € 1.3 million (2020: € 1.7 million negative) has been recognized due to positive exchange differences.

Income taxes (16)

The total tax expense is € 13.7 million (2020: € 15.1 million), of which the current tax expense amounts to € 14.6 million (2020: € 6.4 million) and the deferred tax expense amounts to € 0.9 million (2020: € 8.7 million expense).

Income taxes is for € 8.6 million (2020: € 8.2 million) related to the Netherlands and for € 5.1 million (2020: € 6.9 million) to foreign countries. The effective corporate income tax rate (28.3%) is different from the Dutch nominal rate (25%) due to:

- > The result from participating interests is not subject to taxation under the participation exemption in the Netherlands.
- > Other permanent differences in valuation of assets and liabilities for statutory and tax purposes.
- > Different nominal tax rates in foreign countries.
- > Some tax losses and valuation differences in the Netherlands and abroad are not valued or changed because future realization of these is not certain.
- > Capitalising tax losses from previous years based on improvement of results.
- > The change in tax rate on deferred taxes in the Netherlands

The reconciliation between the effective tax rate and the nominal tax rate applicable in the Netherlands is as follows:

	2021	2020
Nominal tax rate in the Netherlands	25.0%	25.0%
Different rates abroad	-2.0%	-1.7%
Adjustments for taxes in previous years	1.2%	-0.9%
Non-deductible amortization of goodwill from third parties	3.1%	3.1%
Unrecognized loss set-off	0.0%	0.5%
Non-deductible expenses	0.2%	0.1%
Other securities	0.8%	1.3%
Effective tax rate	28.3%	27.4%

7.7 Notes to the consolidated cash flow statement

General

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

Cash flow from operating activities

Interest received and paid is accounted for in cash flow from operations. The changes in balances of working capital and cash flow generated by operating activities show a positive cash flow from operating activities of € 38.5 million (2020: € 56.7 million). In 2021 acquisitions have taken place in which an amount of € 0.1 million working capital has been acquired. This amount has been presented as investment in group companies in the cash flow statement.

Cash flow from investment activities

Investment activities accounted for a cash out of € 43.7 million (2020: € 40.5 million cash out). Investments are for new, improvement and the expansion of factories for compound feed and premix. Additionally, expenditures were made for a global ERP system.

Cash flow from financing activities

Liabilities amounting to € 0.8 million (2020: € 0.9 million) were repaid. In 2021 Member Dividend / Member Discount amounting to € 15.3 million (2020: € 11.7 million) were paid out. The attraction of short term loans were € 3.4 million (2020: 0.2 million).

Change in cash and cash equivalents

Cash and cash equivalents decreased with an amount of € 15.0 million (2020: € 0.3 million decrease). This change can be specified as follows:

		2021		2020
Cash and cash equivalents start year	94,893		94,111	
Cash and cash equivalents end year	80,347		94,893	
Change in cash and cash equivalents		-14,546		782
Bank acceptance drafts start year	1,220		2,297	
Bank acceptance drafts end year	780		1,220	
Change bank acceptance drafts		-440		-1,077
Change in cash and cash equivalents		-14,986		-295



7.8 Company balance sheet as at 31 December

(after appropriation of profit)

(in thousands of euros)	Note	2021	2020
ASSETS			
Fixed assets			
<i>Financial fixed assets</i>	17		
Participating interests in group companies		526,109	508,041
		526,109	508,041
TOTAL ASSETS		526,109	508,041
EQUITY AND LIABILITIES			
Equity			
<i>Shareholders' equity</i>			
Legal reserves	18	14,778	7,906
Other reserves		486,331	473,135
		501,109	481,041
Liabilities			
<i>Current liabilities</i>			
Member Dividend/Member Discount payable		25,000	27,000
		25,000	27,000
TOTAL EQUITY AND LIABILITIES		526,109	508,041



7.9 Company profit & loss account

(in thousands of euros)

	Note	2021	2020
Result of group companies		33,861	39,825
NET RESULT		33,861	39,825



7.10 Accounting policies used in preparing company financial statements

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

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

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

A list of capital interests, prepared in accordance with legal provisions, is available at the company's offices and has been filed with the Trade Register.



7.11 Notes to the company financial statements

Financial fixed assets (17)

Movements in financial fixed assets were as follows:

	2021	2020
<i>Participating interests in group companies</i>		
Balance as at 1 January	508,041	498,920
Changes in book value		
Result of group companies	33,861	39,825
Member Dividend/Member Discount	-22,412	-13,612
Currency translation differences and other changes	6,619	-17,092
Balance	18,068	9,121
Balance as at 31 December	526,109	508,041

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

Equity (18)

Movements in equity were as follows:

	<i>Legal reserve translation differences</i>	<i>Legal reserve profit/(loss) participating interests</i>	<i>Legal reserve development costs</i>	<i>Other reserves</i>	2021 Total	2020 Total
Balance as at 1 January	-28,627	1,377	35,156	473,135	481,041	481,920
Changes in book value						
Net income	-	-	-	33,861	33,861	39,825
Member Dividend/Member Discount	-	-	-	-20,412	-20,412	-23,612
Currency translation differences and other changes	6,619	-	253	-253	6,619	-17,092
Balance	6,619	-	253	13,196	20,068	-879
Balance as at 31 December	-22,008	1,377	35,409	486,331	501,109	481,041

Net income amounting to € 33.9 million will be transferred to equity.

In December 2021, the Board submitted a proposal to the Members' Council for the payment percentage and payment amount per 100 kg Member Discount and the Member Dividend payment percentage.

This proposal translates into € 10.0 million (€ 7.5 million net after corporate tax) Member discount. The Member Discount is calculated on the relevant transactions made by the members in 2021 at the Dutch member companies.

The Member Dividend, a profit distribution on the result of non-Cooperative companies, to the members of Cooperative Koninklijke Agrifirm U.A. in 2022 will be € 15.0 million. The Member Discount and Member Dividend proposal have been included in the annual accounts, both amounts are reserved under other short-term liabilities. During the adoption of the annual accounts, in March 2022, the Members' Council will ratify the proposed profit appropriation.

Currency translation differences refer to differences in equity value of foreign participating interests. A legal reserve is retained for these differences. Due to currency translation differences the reserve is negative. The other reserves are limited to this amount. Additionally a legal reserve has been taken for the amount of capitalized external expenditures relating to the implementation of one central ERP system and other software within Agrifirm.



Auditor's fees

The fees paid to the auditor charged with conducting the audit are as follows:

	2021	2021	2020	2020
	<i>EY</i>	<i>Other EY</i>	<i>EY</i>	<i>Other EY</i>
	<i>Accountants</i>		<i>Accountants</i>	
	<i>LLP</i>		<i>LLP</i>	
Audit of the financial statements	660	398	578	414
Other audit services	59	19	85	15
Other non-audit services	114	49	98	41
Totaal fee	833	466	761	470

The fees stated above for the audit of the financial statements are based on the total fees for the audit of the 2021 financial statements, regardless of whether the procedures were already performed in 2021.

Fiscal unity

Coöperatie Koninklijke Agrifirm U.A. and all of its Dutch group companies in which a 100% participation is held, with the exception of some entities in which no activities performed anymore, form a fiscal unity for Dutch corporate income taxes. As a result of this, Coöperatie Koninklijke Agrifirm U.A. can be held liable for taxes of companies that are part of this fiscal unity. At balance sheet date the total off-balance sheet tax liabilities of these group companies is nil (2020: nil).

Events after balance sheet date

On 24 February 2022, Russia launched a military offensive on Ukrainian territory. Agrifirm holds a stake in two production sites in Ukraine through its joint venture Cehave Korm. The situation is very alarming and the situation is undergoing rapid changes. Despite the fact that it is difficult to estimate the financial consequences of this conflict, it is clear that it does not have an impact on the continuity assumption with regard to Agrifirm as a whole. The limited extent of our Ukrainian activities and the group-wide significant unused financing capacity are the key reasons for reaching this conclusion. Agrifirm's direct exposure in Ukraine amounts to € 8 million as of the balance sheet date. For more information, reference is made to the introduction by the CEO in the annual report.

Claims

Agrifirm received a claim of which the size and settlement is as yet unclear. We will refrain from providing any further information at present on the basis of RJ 252 of the Dutch Accounting Standards Board.

Signatories to the financial statements

Apeldoorn, 9 March 2022

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

A.A.J.M. Kamp > Chairman

K. van der Bos > Vice-chairman



7.12 Other information

Profit allocation

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



The following is an English translation of the independent auditor's report issued on 9 March 2022

Independent auditor's report

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

Report on the audit of the financial statements 2021 included in the annual report

Our opinion

We have audited the financial statements 2021 of Coöperatie Koninklijke Agrifirm U.A., based in Apeldoorn.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Coöperatie Koninklijke Agrifirm U.A. as at 31 December 2021, and of its result for 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- > the consolidated and company balance sheet as at 31 December 2021;
- > the consolidated and company profit and loss account for 2021; and
- > the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

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

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

Report on other information included in the annual report

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

- > key figures;
- > report of the Executive Board;
- > report of the Cooperative;
- > report of the Supervisory Board;
- > other information as required by Part 9 of Book 2 of the Dutch Civil Code.

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

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

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

Management is responsible for the preparation of the other information, including the key figures, the report of the executive board, the report of the cooperative, the report of the supervisory board, and other information as required to Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

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

As part of the preparation of the financial statements, management is responsible for assessing the cooperative's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial



statements using the going concern basis of accounting unless management either intends to liquidate the cooperative or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the cooperative's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit 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.

During our audit we were forced to perform our procedures to a greater extent remotely due to the Covid-19 measures. This challenges certain observations may cause certain signals to be overlooked. In planning our procedures responsive to these risks, we planned and performed additional procedures accordingly.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion. We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- > identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- > obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the cooperative's internal control;
- > evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- > concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the cooperative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- > evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- > evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

We provide management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Zwolle, 9 March 2022

Ernst & Young Accountants LLP

B.W. Littel



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Executive Board

Chairman (CEO): Dick Hordijk
Finance Director (CFO): Margret Kleinsman

Executive Leadership Team (ELT)

Executive Board

Chairman (CEO): Dick Hordijk
Finance Director (CFO): Margret Kleinsman

Johan Bongers (Integrated Supply Chain Director)
Johan De Schepper (CIO)
Nico Swart (Group HR Director)
Luis Azevedo (Global Agrimprove Director)
John Dortmans (BU Director LATAM)
Harry de Groot (BU Director Pigs, Poultry & Organic NL)
Wim van den Heuvel (BU Director Belgium)
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Gudo klein Gebbink (BU Director EMEA)
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Jeroen Verver (BU Director Ruminants NL)



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