

# 2020



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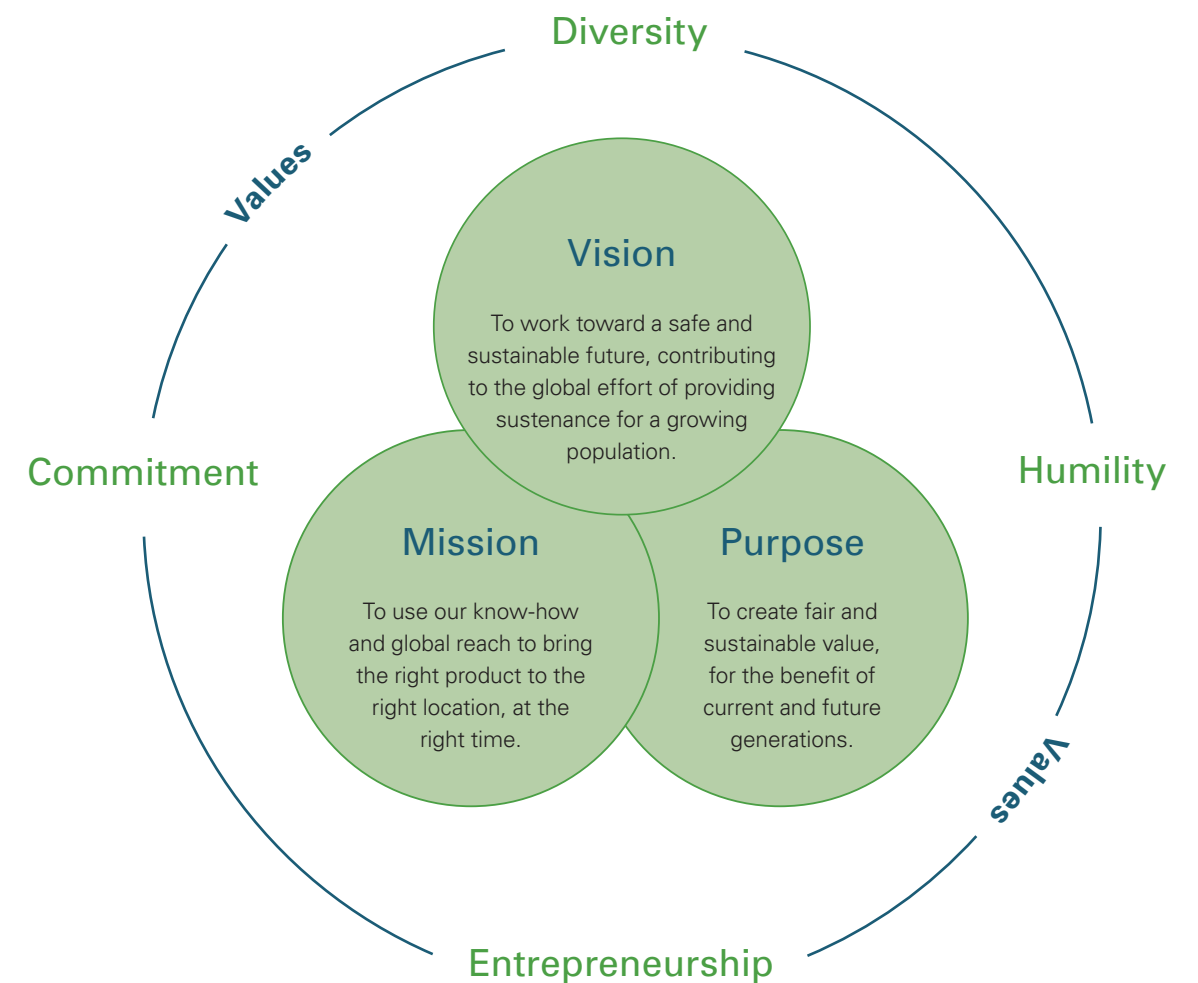
# Our Identity

As a leading global merchant and processor of agricultural goods, we rely on our expertise and global network to source products from where they are grown, and transport and transform them for customers and consumers around the world.

We have done so for almost 170 years, helping to feed and clothe millions of people each year – safely, reliably and responsibly.

We believe that what nature has to offer is our privilege to use, and that we have a responsibility to use it with great respect, in fairness to all and toward a sustainable tomorrow.

That is why we are guided by a clear mission, vision and purpose, and strong, shared values, in everything we undertake.





# LDC at a Glance

## Our Platforms

- Coffee
- Cotton
- Freight
- Global Markets
- Grains & Oilseeds
- Juice
- Rice
- Sugar

Approximately  
18,000  
employees

### Map Key

#### Platforms

- Grains & Oilseeds
- Rice
- Coffee
- Cotton
- Sugar
- Juice

#### Assets

- Farming
- Processing asset
- Logistic asset – storage
- Logistic asset – transport
- Under construction
- Tolling agreement, off-take contract, minority stake, land lease, facility lease

#### Other

- Office



Active in  
100+  
countries

6 regions

## LDC in the Value Chain

We develop sustainable solutions to bring agricultural goods from where they are grown to our customers' doorstep. This involves a complex supply chain in which our people and partners play a vital role, ensuring a smooth journey for our products.



1

### Originate & Produce

Sharing our expertise with farmers and producers worldwide, be it through partnerships or our origination network.



2

### Process & Refine

Processing and refining the finest quality raw materials.



3

### Store & Transport

Efficiently managing movements across the value chain.



4

### Research & Merchandize

Relying on our market knowledge to ensure responsive supply across platforms and regions.



5

### Customize & Distribute

Supplying products to a range of customers, from multinationals to local customers and consumers.





# Management Discussion & Analysis

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Financial Highlights

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# Financial Highlights

Period from January 1, 2020 to June 30, 2020

## Net Sales

**US\$16.3 billion**

US\$17.5 billion over the same period in 2019

## Segment Operating Results<sup>1</sup>

**US\$799 million**

US\$495 million over the same period in 2019

## EBITDA<sup>2</sup> from Continuing Operations

**US\$634 million**

US\$423 million over the same period in 2019

## Income Before Tax – Continuing Operations

**US\$306 million**

US\$85 million over the same period in 2019

## Net Income, Group Share

**US\$126 million**

US\$71 million over the same period in 2019

## Net Debt

**US\$6.7 billion**

US\$6.9 billion as of December 31, 2019

## Total Assets

**US\$19.5 billion**

US\$19.5 billion as of December 31, 2019

## Adjusted Leverage<sup>3</sup> Ratio

**2.8x**

3.1x as of December 31, 2019

## Liquidity<sup>4</sup> Coverage

**1.7x current portion of debt**

1.9x as of December 31, 2019

## Volumes<sup>5</sup>

**down 2.9%  
year-on-year**

## Return On Equity,<sup>6</sup> Group Share:

**6.2%**

4.6% in full-year 2019

## Working Capital Usage

**US\$5.6 billion**

US\$6.0 billion as of  
December 31, 2019

## Adjusted Net Gearing<sup>7</sup>

**0.66**

0.54 as of December 31, 2019

## Capital Expenditure<sup>8</sup>

**US\$119 million**

US\$191 million over the  
same period in 2019

<sup>1</sup> Gross margin plus share of income in associates and joint ventures.  
<sup>2</sup> Earnings Before Interests, Taxes and Depreciation & Amortization.

<sup>3</sup> Adjusted net debt (net debt less RMI) to last twelve months EBITDA from continuing operations.  
<sup>4</sup> Cash and cash equivalents, other current financial assets at fair value, readily marketable inventories (RMI) and undrawn committed bank lines.  
<sup>5</sup> Volumes shipped to destination.  
<sup>6</sup> Twelve months prior to period-end.  
<sup>7</sup> Adjusted net debt (net debt less RMI) to total stockholders' equity and non-controlling interests.  
<sup>8</sup> Purchase of fixed assets and additional investments, net of cash acquired.

# Management Discussion & Analysis

Period from January 1, 2020 to June 30, 2020

Since the beginning of the Covid-19 pandemic, LDC has leveraged its global footprint to continue to bring agricultural products to customers and consumers around the world, operating almost all its facilities throughout the first semester of 2020 to ensure supply chain continuity from farmers to end-consumers. We did so while adopting reinforced safety and hygiene measures at each site, designed to protect our people, ensure food safety and prevent the spread of the pandemic.

In this context, and amid continued global trade tensions and induced price volatility, LDC delivered a strong operational performance, with Segment Operating Results at US\$799 million for the semester, while securing its access to liquidity through diligent cash management.

The Group profitably navigated volatile markets over the first half of 2020, in an environment of global trade uncertainty and turbulence, thanks to its diversified portfolio, global geographic footprint and risk management expertise. LDC delivered income before tax from continuing operations of US\$306 million and EBITDA of US\$634 million, up 260% and 49.9% respectively compared to the first semester of 2019, despite the negative impact of the fall in *Luckin Coffee's* share price. Net income, Group share grew 77.5% year-on-year, settling at US\$126 million for the semester.

Beside the operational challenges it has posed, the pandemic and its consequences hardly affected our activities as governments across the world focused on securing food and feed chains, even during lockdown periods. While agricultural product prices remained low overall, due to the anticipation of large crops and to uncertain demand forecasts, market volatility during the semester contributed to improvements in the Group's operational performance across both business segments.

Our Value Chain Segment's operating results were driven by good origination and commercial opportunities in the Grains & Oilseeds Platform, while our Freight and Global Markets platforms successfully anticipated shifting market trends. Continued trade tensions once again governed global trade in grains and oilseeds. Sustained flows from Brazil to China created opportunities, supported by our vast Grains & Oilseeds footprint at both origin and destination, while crushing activities yielded strong results. Energy-related assets were impacted by an adverse market environment of low demand and prices. The Juice Platform focused on meeting customer delivery commitments as it suffered from lockdowns, which delayed the upgrade of its vessel fleet.

The Merchandizing Segment's improved performance was supported by the Coffee, Sugar and Rice platforms, while the Cotton Platform's results remained resilient. Our Coffee Platform capitalized on its global footprint and market position, as coffee consumption patterns shifted from "out of home" to "at home" during lockdowns. Price volatility and growth in volumes shipped drove the Sugar Platform's performance, in addition to favorable market conditions for our *Imperial Sugar* facilities in the US. The Rice Platform secured profitable flows in a volatile market marked by uncertain global trade. Profitable hedging and sustained warehousing activities in the US offset the impacts of a difficult cotton market, in which the textile industry faced reduced demand.

LDC also upheld its prudent approach to risk, carefully managing market and liquidity risks as concerns over economic slowdown began to arise. Among other steps, LDC built a solid cash position while maintaining access to large committed bank lines amounting to US\$3.6 billion at the end of the semester.

In parallel, LDC continued to invest in the implementation of its transformative strategy, with investments focused on strengthening core trading activities, advancing the use of new technologies for greater efficiency and traceability in the industry, and accelerating innovation toward a sustainable future of food. We also set up 'LDC Innovations', the Group's venture capital program to invest in early-stage companies with the potential to transform the food and agricultural industries.

In these turbulent times of global disruptions and environmental challenges, LDC is more than ever committed to fulfilling its key role to keep essential product supply chains moving – efficiently, reliably, sustainably and safely.

Safety is a priority in everything we do, at all times, and all the more so during a pandemic in which the safety of our people and products has been paramount. For that reason, we thank all our stakeholders and business partners for their confidence in LDC, and repeat our gratitude to all our employees whose contributions, flexibility and dedication made business continuity, and LDC's strong performance, possible.

**Ian McIntosh**  
Chief Executive Officer

**Michael Gelchie**  
Deputy Chief Executive Officer

# Foreword

The following discussion of the Group's operating results and financial position should be read in conjunction with the Group's consolidated financial statements as of, and for, the six-month period ended June 30, 2020, and the year ended December 31, 2019, prepared in accordance with International Financial Reporting Standards (IFRS).

The results presented include certain financial performance indicators, not defined by IFRS, that are used by LDC's management to assess the Group's financial performance. A definition based on the consolidated financial statements of each of these indicators can be found in the footnotes to the following discussion. The reconciliation of EBITDA with the interim consolidated financial statements, for both the six-month periods ended June 30, 2020 and June 30, 2019, is provided as an appendix at the end of the following discussion.

The allocation of the Group's platforms (business lines) remained unchanged between its two segments. The Value Chain Segment includes Grains & Oilseeds and Juice along with Freight and Global Markets, both of which are key facilitators of all Group business lines. The Merchandizing Segment comprises Coffee, Cotton, Rice and Sugar.

Uncertainties induced by the Covid-19 pandemic and by trade tensions fueled the return of market volatility. Prices of all the products merchandized by the Group were under pressure during the first semester of 2020, in a context of record-high crops expected for almost all the products commercialized by the Group.

## Impact of Covid-19

As a leading global merchant and processor of agricultural goods, LDC plays a key role across food and feed value chains, from farmers to end-consumers, ensuring safe, efficient and reliable operations for all actors and stakeholders, including our customers, suppliers and employees. This role was all the more relevant in the context of the Covid-19 pandemic, during which food security and safety proved a key concern for governments worldwide, with a focus on maintaining supply chain continuity.

In this context, LDC continued to operate almost all its facilities without significant business disruption attributable to the pandemic, adapting in good time to health and safety requirements imposed by local authorities to protect employees and subcontractors, and combat the spread of Covid-19. Amid uncertainty over potential global supply chain disruptions and announced export restrictions in some areas, volatility arose in agri-commodities markets. Demand remained resilient overall for the main products traded by the Group, except cotton and bioenergy, as lockdown measures led to low demand and prices in both the textile industry and energy sector.

Adapting to this unprecedented environment, the Group reinforced its risk management framework with more regular committee and ad hoc meetings to examine and mitigate risks. The Group also actively monitored counterparty risks, particularly those involving businesses disrupted by the pandemic, as well as liquidity risk, cautiously managing its cash position and working capital.



# Income Statement Analysis

LDC successfully navigated an unusual and uncertain trade environment, capturing profitable commercial opportunities. As a consequence, Segment Operating Results amounted to US\$799 million for the six-month period ended June 30, 2020, up 61.4% year-on-year, and EBITDA from continuing operations reached US\$634 million, up 49.9% compared to the same period in 2019.

Income before tax amounted to US\$306 million for the six-month period ended June 30, 2020, despite a negative US\$(74) million impact linked to our investment in *Luckin Coffee*. Although the depreciation of the Brazilian Real over the period created profitable origination opportunities, it also resulted in an adverse functional currency impact within the income tax line. Accordingly, net income from continuing operations landed at US\$127 million, up 74.0% compared to the six-month period ended June 30, 2019.

### Net Sales

For the six-month period ended June 30, 2020, net sales amounted to US\$16.3 billion, compared to US\$17.5 billion over the same period in 2019. The 6.8% decrease year-on-year was due both to lower average prices of the main commodities traded by the Group, and to the 2.9% decrease in volumes shipped.

- The Value Chain Segment’s net sales decreased by 7.1% year-on-year, due to the low-price environment for grains and oilseeds products, and to lower volumes shipped by both the Juice and Grains & Oilseeds platforms, in the latter mainly as a result of a scope change following the sale of Canadian grain elevators in December 2019.
- The Merchandizing Segment’s net sales decreased by 6.0% year-on-year, as a result of low prices. The increase in volumes shipped by the Sugar Platform was partially offset by a decrease in volumes shipped by the Cotton and Rice platforms, attributable to the consequences of the Covid-19 pandemic.

### Segment Operating Results

Segment Operating Results increased by 61.4% to US\$799 million for the six-month period ended June 30, 2020, up from US\$495 million over the same period in 2019. LDC leveraged its global footprint and market intelligence to capture profitable origination and sales opportunities in a volatile market environment, securing purchases while meeting customer demand in a context of global export and import uncertainty induced by the Covid-19 pandemic.

#### Value Chain

Value Chain Segment Operating Results amounted to US\$492 million for the six-month period ended June 30, 2020, up 118.7% from US\$225 million over the same period in 2019.

The Grains & Oilseeds Platform delivered a solid performance throughout the semester, successfully managing uncertainty and anticipating market trends. The Platform benefited from its footprint in Brazil, in the context of a weakening Brazilian Real, capturing origination margins thanks to strong farmer selling, while responding to resilient global demand for products from

the country. Demand for soybean exports from Brazil was supported by the start of hog herd recovery in China, as African swine fever remained contained during the semester, and by concerns over the consequences of the Covid-19 pandemic, in particular potential disruption to supply chains. Demand for grains was resilient, driven by imports in China, while fluctuating crop size prospects and uncertainty on global demand for the year fueled market volatility, particularly as Covid-19 spread in the EU and US. Crushing activities around the globe also contributed to the Platform’s performance, with strong margins in China, the US, Canada and Brazil. The performance of energy-related assets was affected by a collapse in global demand and margins, but remained resilient thanks to biodiesel blending activities in the US and Indonesia. Continuing US-China trade tensions and high waters in Port Allen, Louisiana, continued to weigh on logistic assets’ performance in the US.

The Juice Platform’s financial performance was negatively impacted by the consequences of the Covid-19 pandemic. The delivery of new vessels was delayed due to successive lockdowns in Asia, Europe and then Brazil. The Platform was also compelled to source products at a higher price, in order to meet customer delivery commitments, and could not maximize its product mix toward higher margin not-from-concentrate juice. In addition, part of the frozen concentrate orange juice contracts delivered during the semester were at low prices, as a consequence of large 2019 crops.

The Freight Platform further improved its already strong performance on all vessel sizes during the six-month period ended June 30, 2020, successfully anticipating the market impacts of voluntary economic shutdowns by governments. Covid-19, rains and flooding in Brazil, and continued tightness in the Atlantic weighed heavily on the Baltic Dry Index. Weakness in the fuel market, arising from oversupply and lack of demand, impacted the overall dry bulk market, which saw one of the worst time charter earnings in many years, leading to competitive period charter rate fixing for the Group. Tensions on rates began to ease for all vessel sizes at the end of the semester, as world economies started to resurface, and Chinese import demand recovered strongly. In parallel, congestion hit historical highs in the Pacific, due to Covid-19 and weather disruptions, further widening basin imbalances. In a context of record-high volatility, the Platform fixed its fleet into South America in a timely manner, where demand for agricultural product exports to Asia rebounded significantly.

The Global Markets Platform continued to provide profitable support to the Group through foreign exchange risk management across all significant currencies in LDC’s business, in particular South American and Asian ones. The Platform also profitably helped to mitigate interest risk, particularly in EMEA and North Latin America.

#### Merchandizing

Merchandizing Segment Operating Results reached US\$307 million for the six-month period ended June 30, 2020, up 13.7% from US\$270 million over the same period in 2019.

The Cotton Platform delivered resilient results in a particularly difficult market environment, as this industry was the most impacted by the consequences of Covid-19, among those in which LDC operates. The Platform captured profitable origination opportunities and strong margins from warehousing activities in the US, thanks in part to a large crop. As textile plants shut down for months following lockdown decisions across the globe, the entire textile industry faced a sharp decline in demand. As a consequence, volumes shipped decreased as counterparties delayed shipments.

The Coffee Platform significantly improved its financial performance for the six-month period ended June 30, 2020, thanks to both profitable origination and an increase in the volumes executed to customers. Both Arabica and Robusta markets traded at the low-end of historical levels, as a combination of large Brazil crops and weak emerging currencies weighed on prices. Origination margins improved in all the main origins where the Group sources coffee. A more volatile environment, induced by uncertainties surrounding the supply chain in the context of the pandemic, and Brazilian Real depreciation resulting in large farmer selling, offered a wider range of arbitrage opportunities which the Platform profitably captured. In addition, LDC was well positioned to meet the increased demand for volumes from the retail channel, as lockdowns shifted consumption habits from “out of home” to “at home”.

The Sugar Platform’s operating results improved significantly year-on-year. The Group’s *Imperial Sugar* business made a solid contribution thanks to increased sales driven by higher volumes and prices, the result of better market conditions in the US for the sugarcane refining industry. The Platform’s performance was also bolstered by a large increase in volumes shipped thanks to further market penetration in the Middle East and Asia, and expansion to new destinations, mainly in Africa, combined with increased origination volumes in Brazil. The Platform’s strong performance was supported by a successful hedging strategy, as market volatility created arbitrage opportunities.

Operating results also improved significantly for the Rice Platform in the six-month period ended June 30, 2020, despite lower volumes shipped to destination. The Platform expanded market share in East Africa and Asia. Its alliance with Chinese rice suppliers to meet demand from African markets, combined with Vietnamese positions taken prior to the pandemic, supported a strong performance during the period. As Covid-19 raised concerns over supply on the importers’ side, while exporters began to put pressure on global rice trade, LDC successfully navigated enhanced market volatility, while ensuring continued supply to customers.

### Net Finance Costs

Net finance costs<sup>1</sup> amounted to US\$(112) million for the six-month period ended June 30, 2020 compared to US\$(134) million in the first half of 2019. This decrease was mainly the result of cost-efficient long-term debt raised in the second half of 2019, a drop in the London Inter-bank Offered Rate (LIBOR) over the

second quarter of 2020 (159bps decrease for the LIBOR 1m over the quarter) and a positive foreign exchange impact on lease liabilities denominated in Brazilian Reals.

These impacts were partly offset by the combined effect of higher average short-term debt usage and a “Covid-19 premium” applied by banks in a context of concerns over liquidity. The pandemic led to global pressure on the banking sector over the second quarter, following drawdowns on corporate revolvers and decreased creditworthiness of some Asian commodity players. Consequently, the Group saw an increase in the spread applied by banks, which was more than offset by the decrease in LIBOR rates.

### Gain (Loss) on Investments and Sale of Fixed Assets

In the six-month period ended June 30, 2020, the US\$(79) million loss derived mainly from the Group’s investment in *Luckin Coffee*. In the first weeks of the year, the Group sold part of its participation for US\$37 million, resulting in a US\$(3) million loss in the period. LDC booked an additional US\$(71) million fair value loss on the remaining shares, reflecting the decrease in *Luckin Coffee*’s share price during the period. *Luckin Coffee* is now delisted from Nasdaq and valued in the Over The Counter market. Since the US\$50 million initial investment, the loss on *Luckin Coffee* shares amounted to US\$(8) million as of June 30, 2020.

### Income Before Tax – Continuing Operations

Income before tax from continuing operations totaled US\$306 million for the six-month period ended June 30, 2020, up 260% from US\$85 million for the comparative period in 2019.

### Taxes

Taxes amounted to US\$(179) million for the six-month period ended June 30, 2020. The US\$167 million increase in taxes compared to the same period in 2019 is attributable to higher income before tax, especially in higher tax rate jurisdictions, and a US\$(83) million functional currency impact, mainly attributable to the depreciation of the Brazilian Real in the first half of 2020.

### Net Income, Group Share

Net income, Group share, settled at US\$126 million for the six-month period ended June 30, 2020, up 77.5% from US\$71 million over the same period in 2019.

1 Interest income, Interest expense and Other financial income and expense.

# Balance Sheet Analysis

## Non-Current Assets

As of June 30, 2020, non-current assets amounted to US\$6.0 billion, down 3.2% from US\$6.2 billion as of December 31, 2019:

- Fixed assets landed at US\$4.0 billion, compared to US\$4.1 billion as of December 31, 2019.
- Investments in associates and joint ventures remained stable at US\$0.2 billion, compared to December 31, 2019.
- Non-current financial assets remained stable at US\$1.3 billion, and mainly comprised the US\$1.1 billion loan granted by LDC to *LDC Netherlands Holding B.V.* as of both period ends.
- Deferred income tax assets were stable at US\$0.2 billion.
- Other non-current assets slightly decreased to US\$0.2 billion, down from US\$0.3 billion on December 31, 2019.

## Capital Expenditure and Divestments

During the six-month period ended June 30, 2020, LDC invested US\$119 million, compared to US\$191 million over the same period in 2019. The Group maintained its highly selective investment policy, supporting its strategic ambitions while securing solid cash flows. The Group invested at a slower pace than usual due to lockdowns and near-term uncertainty caused by the Covid-19 pandemic. As the majority of capital expenditure remains discretionary as per the Group's investment policy, LDC is in a strong position to adapt to and capture emerging opportunities as they arise.

Within the framework of the memorandum of understanding signed in November 2019 with *Temasek Lifesciences Accelerator* (TLA), LDC injected cash in the capital of *Barramundi Asia* and simultaneously converted its participation in *Allegro Aqua* into a share in *Barramundi Asia* capital, as the two companies merged. The Group also contributed US\$4 million (representing a 17% stake) to the creation of *Covantis S.A.*, a technology company focused on digitizing international trade, equally co-owned by *ADM*, *Bunge*, *Cargill*, *COFCO* and *Glencore Agriculture*.

The Group invested in planned and custom maintenance to ensure the continued operational performance of its assets, and in strategic long-term projects for the expansion of its logistics network. LDC also invested in IT systems and process improvements, in particular with the roll-out of its new global back-office enterprise resource planning (ERP) system, alongside the deployment of an upgraded version of its existing front-office system, common to its Grains & Oilseeds, Sugar and Rice platforms.

## Value Chain

The Value Chain Segment invested US\$107 million over the six-month period ended June 30, 2020, mostly to expand processing and logistic capacity.

The Grains & Oilseeds Platform invested to finalize capacity expansion at its crushing plant in Claypool, Indiana, US, building new soybean storage sheds and installing additional truck unloading zones. The Platform also invested in the maintenance of its industrial assets, mainly in Argentina and Canada. The Group made a fifth planned capital injection into our joint venture, *Terminal Exportador de Santos S.A.*, to operate a solid bulk port terminal at the port of Santos in Brazil. The joint venture started in 2015, with the first four planned capital injections made in 2016, 2017, 2018 and 2019. LDC will continue to operate the berth until 2041, with the option to extend operations for up to 25 additional years.

The Juice Platform invested in the installation of tanks into new vessels to benefit from a more efficient and sustainable fleet, while increasing transportation capacity to support growth in the production and sale of not-from-concentrate juices. The Platform also invested in regular industrial asset maintenance, mainly in Brazil.

## Merchandizing

The Merchandizing Segment invested US\$12 million over the semester, in the maintenance of industrial assets, mainly for its *Imperial Sugar* business in the US.

## Working Capital Usage

Working capital usage decreased from US\$6.0 billion as of December 31, 2019, to US\$5.6 billion as of June 30, 2020. The Merchandizing Segment drove this decrease, whereas the working capital needs of the Value Chain Segment increased slightly.

- In the Value Chain Segment, the Grains & Oilseeds Platform set the overall trend over the semester through higher volumes of inventories, driven by high farmer selling in South America and activity in China picking up after a slow start to the period.
- Merchandizing Segment working capital needs decreased compared to 2019 year-end levels, as a result of mixed impacts. The lower value of inventories carried by the Cotton and Coffee platforms resulted from decreased market prices in both businesses and a reduction in volumes held for Cotton. As a result of higher sales, the Sugar Platform increased its derivative assets, and trade receivables and payables net position, partially compensating the decrease in Segment inventories.

Due to their highly liquid nature, certain agricultural inventories are treated as Readily Marketable Inventories (RMIs), which are readily convertible into cash due to widely available markets and international pricing mechanisms. LDC considers that trading inventories with a liquidity horizon of less than three months qualify as RMIs if they can be sold without discount. As of June 30, 2020, RMIs represented 81.6% of total inventories, below the 83.5% mark at the end December 2019.

## Financing

LDC's funding model is designed to support its long-term strategy. To preserve a balanced capital structure and match financial resources with funding requirements, the Group's key guidelines are that long-term debt is primarily used to support long-term investments, while short-term debt is used to support ongoing business in financing its main working capital needs. To further enhance its funding model, LDC implemented a strategy based on the following pillars:

- Diversified sources of funds: 27.3% of long-term financing came from debt capital markets as at June 30, 2020.
- Stable debt maturity profile: the average maturity of long-term financing was 4.4 years as at June 30, 2020.
- Sizeable amount of committed facilities: 40% of total Group facilities were committed, of which US\$3.0 billion remained undrawn with maturities beyond one year, as at June 30, 2020.

## Debt and Leverage

As at June 30, 2020, long-term debt<sup>1</sup> stood at US\$3.6 billion, compared to US\$3.9 billion as at December 31, 2019, including US\$0.3 billion of lease liabilities at both closing dates. The US\$0.3 billion decrease resulted from lower drawing of Revolving Credit Facilities (RCFs). In response to Covid-19 uncertainty and induced volatility, the Group adopted a prudent approach to preserve available committed liquidity. Consequently, as of June 30, 2020, the Group kept its RCFs fully undrawn and financed its activity through outstanding term loans and uncommitted bank lines.

Long-term debt includes a current portion, mainly composed of the €500m Eurobond maturing in December 2020, already refinanced through the US\$1.0 billion of long-term debt raised in 2019.

Short-term debt<sup>2</sup> increased from US\$4.0 billion as at December 31, 2019 to US\$4.7 billion as at June 30, 2020, consistent with the increase in current financial assets<sup>3</sup> for a similar amount. These increases correspond to the Group's strategy to allow swift reaction and deployment of working capital when carry opportunities arise. Current financial assets stood at US\$1.7 billion at the end of the first semester of 2020, compared to US\$1.1 billion as of December 31, 2019.

As is common practice in the agribusiness sector, short-term debt should be netted against RMIs, as those inventories can be considered as quasi-cash due to their highly liquid nature. Adjusted net debt reached US\$3.0 billion as at June 30, 2020, up US\$0.4 billion compared to December 31, 2019, while the adjusted leverage ratio of 2.8x was lower by 0.3x compared to December 31, 2019, thanks to improved operational performance and despite the seasonality effect, June being traditionally a peak season in terms of inventories. Adjusted net gearing landed at 0.66 as of June 30, 2020 compared to 0.54 as of December 31, 2019.

## Liquidity

The Group prudently manages financial risks, ensuring resilient access to liquidity. As at June 30, 2020, the Group had US\$3.6 billion of undrawn committed bank lines (of which US\$3.0 billion with maturities beyond one year). Available liquidity, which comprises current financial assets, RMIs and undrawn committed bank lines, remained very strong throughout the period and stood at US\$9.1 billion as at June 30, 2020, enabling the Group to cover 1.7x its short-term debt.

As a precaution in an uncertain context, the Group kept its US\$3.5 billion committed RCFs fully undrawn.

## Financing Arrangements

### Long-Term Financing

In March 2020, despite the challenging Covid-19 environment, *Louis Dreyfus Company B.V.* closed a US\$50 million bilateral loan with an international bank. The loan matures in March 2023 with an extension option of 2 years.

### Revolving Credit Facilities

The Group has six syndicated Revolving Credit Facilities (RCFs) in three of its regional hubs (US, Switzerland and Singapore), as well as one with the *European Bank for Reconstruction and Development* (EBRD), for a total amount of US\$3.5 billion as of June 30, 2020. The Group mitigates the risk of refinancing by maintaining both geographical diversification and staggered maturity dates. To that end, each of these three regional hubs usually refinances one of its RCFs each year, one year ahead of maturity.

This funding approach proved resilient to the challenging environment, notably marked by increased pressure on the banking sector as a result of the Covid-19 crisis and its underlying consequences, such as increased drawdowns on corporate revolvers or financial difficulties faced by Asian commodity players. In this context, the Group decided to postpone the refinancing of its US\$600 million RCF in the US, maturing in May 2021, waiting for more stable market conditions. Consequently, as at June 30, 2020, out of US\$3.5 billion, US\$2.9 billion were maturing above one year.

In early January 2020, *Louis Dreyfus Company Suisse S.A.* signed a US\$100 million three-year RCF with EBRD in order to refinance a US\$75 million facility maturing in 2019. This partnership will connect many regional small- and medium-sized grain farmers, and cotton ginner and farmers, with LDC's value chains. As part of their cooperation with LDC, smallholder farmers will also receive training on modern agronomy practices to improve the quality of their produce and, in particular, to achieve EU sustainability classification for grain in Ukraine, and *Better Cotton Initiative* certification in Turkey and Kazakhstan. The facility is committed and guaranteed by *Louis Dreyfus Company B.V.*

1 Current and non-current portion of the long-term debt.  
2 Short-term debt plus financial advances from related parties, net of repurchase agreements.  
3 Financial advances to related parties plus other financial assets at fair value through profit and loss plus cash and cash equivalents, net of financial assets held for trading purpose.



# Balance Sheet Analysis

## EU Commercial Paper Program

Louis Dreyfus Company B.V.'s unrated EU Commercial Paper Program allowed the Group to benefit from diversified access to short-term financing, with an average outstanding amount of €157 million during the period, across maturities ranging up to 12 months.

## Equity

Equity attributable to owners of the company reached US\$4,476 million as at June 30, 2020 (compared to US\$4,786 million as at December 31, 2019), with total equity of US\$4,488 million at the end of June 2020 (versus US\$4,798 million as at December 31, 2019).

The US\$310 million decrease in equity attributable to owners of the company over the six-month period ended June 30, 2020, mainly resulted from the payment of a US\$302 million dividend (in relation to 2019 results, the proceeds from the sale of Canadian grain elevators and the remaining portion of proceeds from the divestment of LDC's former Metals business). The US\$126 million net income, Group share was offset by negative impacts of hedge instruments, mainly aimed at mitigating exposure to the Brazilian Real, temporarily recognized in other comprehensive income.

## Risk

Identifying and quantifying risks is central to LDC's business model, and the Group has long been committed to developing appropriate organizational structures to mitigate and manage these risks.

As usual, the Group closely monitored its daily value-at-risk (VaR) and kept it significantly below 1% of its equity, with an average VaR usage of 0.22% during the six-month period ended June 30, 2020, compared to 0.23% over the year ended December 31, 2019.

VaR is only one of the risk metrics within a wider risk management system at LDC.

## Subsequent Events

On August 7, 2020, the Group finalized the sale of its 67% share in *LDC (Fujian) Refined Sugar Co. Ltd.* to the minority shareholder *Zhangzhou Baiyulan Refined Sugar Company*.

## EBITDA Reconciliation With the Interim Consolidated Financial Statements

Otherwise stated in the 'Notes' column of the following table, all figures can be found in the 'Interim Condensed Consolidated Income Statement'. Depreciation and amortization are reported in the 'Interim Consolidated Statement of Cash Flows'.

(in millions of US\$)	Notes	H1–20	H1–19
Income before tax – continuing operations		306	85
(-) Interest income		(43)	(41)
(-) Interest expense		164	185
(-) Other financial income and expense		(9)	(10)
(+) Other (financial income related to commercial transactions)	2.4	11	21
(-) Depreciation and amortization		203	184
(-) Gain (loss) on sale of investments in associates and joint ventures	2.3	–	(1)
(-) Gain (loss) on sale of fixed assets	2.3	2	–
<b>EBITDA – continuing operations</b>		<b>634</b>	<b>423</b>

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# Auditor's Report on Review of Interim Financial Information

Period from January 1, 2020 to June 30, 2020

To the Managing Directors of *Louis Dreyfus Company B.V.*

## Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of *Louis Dreyfus Company B.V.* and subsidiaries as of June 30, 2020 and the related interim consolidated condensed income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity for the six-month period then ended, and the related condensed notes thereto (the "Interim Financial Information"). Management is responsible for the preparation and presentation of this Interim Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting" – standard of International Financial Reporting Standards ("IFRS") as adopted by the European Union applicable to interim financial reporting. This Interim Financial Information was prepared under the responsibility of the Board of Directors on September 25, 2020 on the basis of the information available at that date in the evolving context of the crisis related to Covid-19 and of difficulties in assessing its impact and future prospects. Our responsibility is to express a conclusion on this Interim Financial Information based on our review.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" – standard of IFRS as adopted by the European Union applicable to interim financial reporting.

Paris-La Défense, France, September 25, 2020

*Deloitte & Associés*

François BUZY

# Interim Consolidated Income Statement

For the six-month periods ended June 30

(in millions of US\$)	Notes	2020	2019
Net sales	2.2	16,303	17,486
Cost of sales		(15,512)	(16,991)
Gross margin		791	495
Commercial and administrative expenses		(302)	(283)
Interest income	2.4	43	41
Interest expense	2.4	(164)	(185)
Other financial income and expense	2.4	9	10
Share of profit (loss) in investments in associates and joint ventures	3.3	8	–
Gain (loss) on investments and sale of fixed assets	2.3	(79)	7
Income before tax - continuing operations		306	85
Income taxes	2.5	(179)	(12)
Net income - continuing operations		127	73
Attributable to:			
Owners of the company		126	73
Non-controlling interests		1	–
Net income - discontinued operations	1.4	–	(2)
Attributable to:			
Owners of the company		–	(2)
Non-controlling interests		–	–
Net income		127	71
Attributable to:			
Owners of the company		126	71
Non-controlling interests		1	–

# Interim Consolidated Statement of Comprehensive Income

For the six-month periods ended June 30

(in millions of US\$)	2020			2019
	Pre-tax	Tax	Net	Net
Net income	306	(179)	127	71
Items reclassified from equity to net income during the period				
Cash flow and net investment hedges	43	(11)	32	13
Exchange differences recycled upon sale/liquidation of investments	1	–	1	–
Total	44	(11)	33	13
Items that may be reclassified subsequently from equity to net income				
Cash flow and net investment hedges - change in fair value	(185)	52	(133)	(16)
Exchange differences arising on translation of foreign operations	(17)	–	(17)	4
Investments in associates and joint ventures - share of other comprehensive income	(16)	3	(13)	1
Total	(218)	55	(163)	(11)
Items that will not be reclassified subsequently from equity to net income				
Pensions	(5)	–	(5)	(1)
Total	(5)	–	(5)	(1)
Changes in other comprehensive income (OCI)	(179)	44	(135)	1
Total comprehensive income	127	(135)	(8)	72
Attributable to:				
Owners of the company			(8)	71
Non-controlling interests			–	1



# Interim Consolidated Balance Sheet

As of

(in millions of US\$)	Notes	June 30, 2020	December 31, 2019
<b>Non-current assets</b>			
Intangible assets	3.1	298	303
Property, plant and equipment	3.2	3,678	3,762
Investments in associates and joint ventures	3.3	218	227
Non-current financial assets	5.3	1,325	1,317
Deferred income tax assets	2.5	200	232
Other non-current assets	3.4	242	314
<b>Total non-current assets</b>		<b>5,961</b>	<b>6,155</b>
<b>Current assets</b>			
Inventories	3.7	4,536	5,143
Biological assets	3.8	54	54
Trade and other receivables	3.9	4,729	4,736
Derivative assets	4.8	1,705	1,235
Margin deposits	4	584	885
Current tax assets		48	62
Financial advances to related parties	7.3	7	5
Other financial assets at fair value through profit and loss	5.5	189	414
Cash and cash equivalents	5.6	1,579	750
<b>Total current assets</b>		<b>13,431</b>	<b>13,284</b>
Assets classified as held for sale	1.4	79	99
<b>Total assets</b>		<b>19,471</b>	<b>19,538</b>

(in millions of US\$)	Notes	June 30, 2020	December 31, 2019
<b>Equity</b>			
Issued capital and share premium		1,587	1,587
Retained earnings		3,148	3,318
Other reserves		(259)	(119)
<b>Equity attributable to owners of the company</b>		<b>4,476</b>	<b>4,786</b>
Equity attributable to non-controlling interests		12	12
<b>Total stockholders' equity and non-controlling interests</b>	5.1	<b>4,488</b>	<b>4,798</b>
<b>Non-current liabilities</b>			
Long-term debt	5.2	2,960	3,269
Retirement benefit obligations	6.1	142	147
Provisions	3.6	57	60
Deferred income tax liabilities	2.5	144	170
Other non-current liabilities	3.5	90	93
<b>Total non-current liabilities</b>		<b>3,393</b>	<b>3,739</b>
<b>Current liabilities</b>			
Short-term debt	5.4	4,619	3,889
Current portion of long-term debt	5.2	679	637
Financial advances from related parties	7.3	158	184
Trade and other payables	3.10	4,535	4,841
Derivative liabilities	4.8	1,478	1,308
Provisions	3.6	7	8
Current tax liabilities		82	55
<b>Total current liabilities</b>		<b>11,558</b>	<b>10,922</b>
Liabilities associated with assets classified as held for sale	1.4	32	79
<b>Total liabilities</b>		<b>14,983</b>	<b>14,740</b>
<b>Total equity and liabilities</b>		<b>19,471</b>	<b>19,538</b>

# Interim Consolidated Statement of Cash Flows

For the six-month periods ended June 30

(in millions of US\$)	Notes	2020	2019
Net income		127	71
Adjustments for items not affecting cash			
Depreciation and amortization		203	184
Biological assets’ change in fair value	3.8	2	2
Income taxes	2.5	179	12
Net finance costs		115	137
Other provisions, net		(16)	18
Share of (profit) loss in investments in associates and joint ventures, net of dividends	3.3	5	5
(Gain) loss on investments and sale of fixed assets	2.3	79	(7)
Net expense arising from share-based payments	6.2	19	15
Non-cash items from discontinued operations		–	2
		713	439
Changes in operating assets and liabilities			
Inventories and biological assets		597	137
Derivatives		(344)	26
Margin deposits net of margin deposit liabilities		239	(212)
Trade and other receivables		23	(954)
Trade and other payables		(271)	1,325
Interests paid		(171)	(190)
Interests received		83	99
Income tax received (paid)		(90)	(44)
Net cash from (used in) operating activities, discontinued operations		–	83
Net cash from (used in) operating activities		779	709
Investing activities			
Purchase of fixed assets		(101)	(119)
Additional investments, net of cash acquired		(18)	(72)
Change in short-term securities		94	(119)
Proceeds from sale of fixed assets		1	9
Proceeds from sale of investments, net		38	–
Change in loans and advances made		3	(12)
Net cash from (used in) investing activities		17	(313)
Financing activities			
Net proceeds from (repayment of) short-term debt and related parties loans and advances	5.4	630	40
Proceeds from long-term financing	5.2	72	256
Repayment of long-term financing	5.2	(335)	(223)
Repayment of lease liabilities	7.1	(33)	(32)
Dividends paid to equity owners of the company	5.1	(302)	(428)
Net cash from (used in) financing activities, discontinued operations		–	(60)
Net cash from (used in) financing activities		32	(447)
Exchange difference on cash		(4)	1
Net increase (decrease) in cash and cash equivalents		824	(50)
Cash and cash equivalents, at beginning of the period	5.6	750	790
Change in cash and cash equivalents reclassified to held for sale assets	1.4	5	(3)
Cash and cash equivalents, at end of the period	5.6	1,579	737

# Interim Consolidated Statement of Changes in Equity

For the six-month periods ended June 30

(in millions of US\$)	Notes	Issued capital and share premium	Retained earnings	Other reserves	Equity attributable to owners of the company	Equity attributable to non-controlling interests	Total equity
Balance as of December 31, 2018		1,587	3,512	(125)	4,974	8	4,982
Net income			71		71	–	71
Other comprehensive income, net of tax				–	–	1	1
Others			(1)	1	–	–	–
Total comprehensive income	5.1		70	1	71	1	72
Dividends	5.1		(428)		(428)	–	(428)
Transactions with non-controlling interests			2	–	2	(3)	(1)
Balance as of June 30, 2019		1,587	3,156	(124)	4,619	6	4,625

Balance as of December 31, 2019		1,587	3,318	(119)	4,786	12	4,798
Net income			126		126	1	127
Other comprehensive income, net of tax				(134)	(134)	(1)	(135)
Others			6	(6)	–	–	–
Total comprehensive income	5.1		132	(140)	(8)	–	(8)
Dividends	5.1		(302)		(302)	–	(302)
Balance as of June 30, 2020		1,587	3,148	(259)	4,476	12	4,488



# Notes to Interim Condensed Consolidated Financial Statements

Period from January 1, 2020 to June 30, 2020

*Louis Dreyfus Company B.V.* (“LDC” or the “company”) is a privately owned company incorporated in the Netherlands on December 28, 2004, registered at the *Chamber of Commerce* under registration number 24371219. The address of its registered office is Westblaak 92, 3012 KM Rotterdam - Netherlands. It is an indirect subsidiary of *Louis Dreyfus Holding B.V.* (LDH), a privately owned Dutch company controlled by the family foundation established by Robert Louis-Dreyfus.

As of December 31, 2011, LDC was a direct subsidiary of *Louis Dreyfus Company Holdings B.V.* (LDCH), a company incorporated in the Netherlands. Effective December 4, 2012, LDCH contributed all its shares and voting rights in LDC to the newly formed intermediate holding company *Louis Dreyfus Company Netherlands Holding B.V.* (LDCNH).

Since December 2007, a non-controlling share of LDCH is held by employees in the execution of the equity participation plan described in Note 6.2.

In December 2013, LDC completed the issuance of an unrated senior bond for €500 million (7-year, 4% coupon), listed on the *Luxembourg Stock Exchange* (refer to Note 5.2).

In 2017, LDC completed the issuance of two unrated senior bonds: one in February for €400 million (5-year, 4% coupon) and one in June for US\$300 million (6-year, 5.25% coupon). Both instruments are listed on the *Luxembourg Stock Exchange* (refer to Note 5.2).

LDC and its subsidiaries (the “Group”) is a global merchant and processor of agricultural goods, operating a significant network of assets around the world. The Group’s activities span the entire value chain from farm to fork, across a broad range of business lines (platforms). Since 1851, the Group’s portfolio has grown to include Grains & Oilseeds, Coffee, Cotton, Juice, Rice, Sugar, Freight and Global Markets.

In June 2019, the Group completed the exit of its Dairy business (refer to Note 1.4).

## 1. Accounting Policies and Consolidation Scope

### 1.1 Accounting Policies

The consolidated financial statements of LDC are prepared in US Dollars, which is the functional currency of the main subsidiaries of the Group.

The interim condensed consolidated financial statements were approved by the Board of Directors of LDC on September 25, 2020.

The June 2020 interim condensed consolidated financial statements of LDC (the “Financial Statements”) were prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union as of June 30, 2020, and in accordance with IAS 34 “Interim Financial Reporting”.

These Financial Statements do not include all the information required for annual financial statements, and shall be read in conjunction with the consolidated financial statements as of December 31, 2019. Operating results for the six-month period ended June 30, 2020 are not necessarily indicative of results expected for the year ending December 31, 2020. The accounting policies used to prepare these Financial Statements are the same as those used to prepare the consolidated financial statements as of and for the year ended December 31, 2019, except for the adoption of new amendments, standards and interpretations as of January 1, 2020 detailed below.

#### New and Amended Accounting Standards and Interpretations Effective in 2020

The following amendments applied starting from 2020 have had no effect on the balance sheet or performance of the Group:

- Amendments to IFRS 3 “Definition of a Business”, which aimed to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. They mainly clarify that, to be considered as a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.
- Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”, addressing issues affecting financial reporting in the period before the replacement of existing interest rate benchmark by alternative interest rate (Phase 1). The objective of the amendments is to provide temporary exceptions from applying specific hedge accounting requirements during the period of uncertainty arising from the reform and require additional disclosures for the hedging relationships affected by the amendments. The assessment of issues arising once the existing interest rate benchmark is replaced or reformed and its potential financial reporting implications (Phase 2) is expected to result in further amendments. A project is in progress within the Group to manage the transition to alternative benchmark rates. Refer to note 4.8 for disclosure on affected hedging relationships.
- Amendments to IAS 1 and IAS 8 “Definition of Material”.
- Amendments to Reference to the Conceptual Framework.

The Group has not adopted any standard, interpretation or amendment that has been issued but is not yet effective.

#### New and Amended Accounting Standards and Interpretations Approved by the European Union Effective in Future Periods

None.

#### Accounting Standards and Interpretations Issued by the *International Accounting Standards Board (IASB)* but not yet Approved by the European Union

The following standards and interpretations issued by the IASB are not yet approved by the European Union. Their potential impact is currently under review by the Group.

- Amendment to IFRS 16 “Leases: Covid-19-related Rent Concessions”. The amendment provides lessees with an exemption from assessing whether a Covid-19-related rent concession is a lease modification and will come into effect as of January 1, 2021.
- IFRS 17 “Insurance Contracts”. The standard will come into effect as of January 1, 2021 with early application permitted.
- Amendments to IAS 1 “Presentation of Financial Statements: Classification of Liabilities as Current or Non-current”. The amendments will come into effect as of January 1, 2022 with early application permitted. The IASB has issued an exposure draft to defer the effective date to January 1, 2023.
- Annual improvements to IFRSs 2018-2020 that will come into effect as of January 1, 2022, including:
  - Amendments to IFRS 9 “Financial Instruments”;
  - Amendments to IFRS 16 “Leases”;
  - Amendments to IAS 41 “Agriculture”.
- Narrow-scope amendments to IFRS 3, IAS 16 and IAS 37. The amendments will come into effect as of January 1, 2022.

### 1.2 Covid-19

On March 11, 2020, the *World Health Organization* declared Covid-19 as a pandemic. Several measures were implemented by numerous countries around the globe in order to slow down the transmission of the virus. The Group took the necessary steps to ensure the safety of its employees, suppliers and customers, at the same time seeking to ensure business continuity.

In this particular context, the Group has assessed the consequences of the Covid-19 pandemic on the Financial Statements, specifically considering the impacts on the use of estimates described in Note 1.2 to the consolidated financial statements as of December 31, 2019.

#### Market risk:

Despite increased volatility during the second quarter due to the Covid-19 pandemic, the Group’s risk deployment did not increase and the Value at Risk (VaR) remained around 0.2% of the stockholders’ equity (refer to Note 4.1).

#### Impairment of goodwill, intangible assets and property, plant and equipment:

In most of the countries in which the Group operates, its business has been considered as an essential activity; therefore, no significant disruptions to the operations have been identified and largely all of its facilities around the world continued to operate at normal or close to normal levels. The two segments reported positive income before taxes and no indication that an asset may be impaired was observed. Accordingly, no impairment test was done as of June 30, 2020 (refer to Note 3.1).

#### Counterparty risk:

Covid-19 pandemic weakens the financial condition of certain customers creating an increased risk of counterparty. The Group is closely monitoring this risk and in the large majority of cases, deliveries and payments have continued in the normal course of business. Nevertheless, while performing an in-depth analysis of its trade receivables and derivative assets’ exposures to credit risk, Management decided to book additional provisions on trade receivables, particularly linked to the Cotton Platform (refer to Note 3.9).

#### Liquidity risk and going concern:

As of June 30, 2020, the Group strengthened its liquidity position with US\$1,579 million of cash and cash equivalents recorded in the consolidated balance sheet in addition to US\$3.6 billion of undrawn committed bank lines available (out of which US\$3.0 billion with maturities beyond 1 year). The Group expects to meet all its financial obligations and therefore, continues to adopt a going concern assumption as the basis for the preparation of the Financial Statements.

1.3 Change in the List of Consolidated Companies

No significant change in the list of consolidated companies occurred during the first half of 2020.

On December 23, 2019, the Group acquired 51% of *Louis Dreyfus (Jinzhou) Warehousing Co., Ltd.*, which owns and operates a grain warehouse in the port of Jinzhou, China, for a total consideration of US\$9 million. This acquisition aims to strengthen the Group’s footprint in the largest grain production region in China and enhance the partnership with a top private origination and trading player in this region. The governance rules established in *Louis Dreyfus (Jinzhou) Warehousing Co., Ltd.* allow the Group to control, within the meaning of IFRS 10, the entity which is thus fully consolidated. Its equity is split between 51% attributable to owners of the company and 49% to non-controlling interests. In accordance with IFRS 3 (revised), the Group recognized a US\$2 million goodwill (not deductible for tax purposes).

No other significant change in the list of consolidated companies occurred during the year ended December 31, 2019.

1.4 Assets Classified as Held for Sale and Liabilities Associated With Held for Sale Assets and Discontinued Operations

In accordance with IFRS 5 - “Non-current Assets Held for Sale and Discontinued Operations”, as of December 31, 2019, the Group classified *LDC (Fujian) Refined Sugar Co. Ltd.* (sugar refinery in China) and *LDC (Bazhou) Feedstuff Protein Company Ltd.* (oilseeds processing refinery in China) as held for sale. On August 7, 2020, the Group closed the sale of its 67% share in *LDC (Fujian) Refined Sugar Co. Ltd.* to the minority shareholder *Zhangzhou Baiyulan Refined Sugar Company* (refer to Note 7.4). The selling price of this transaction amounted to US\$3 million.

As of June 30, 2020, the investment in associates *Riddoch Holdings Pty. Ltd.* (dairy processing plant in Australia) has been classified as held for sale. In June 2020, the Group agreed to sell it to the minority shareholder *Midfield Penola Pty Ltd ATF the Midfield Penola Trust*.

Assets classified as held for sale are summarized as follows:

(in millions of US\$)	June 30, 2020	December 31, 2019
Fujian	50	78
Bazhou	9	9
Riddoch	6	–
Others	14	12
<b>Total assets classified as held for sale</b>	<b>79</b>	<b>99</b>

The condensed assets and liabilities with third parties of *LDC (Fujian) Refined Sugar Co. Ltd.* and *LDC (Bazhou) Feedstuff Protein Company Ltd.* as of June 30, 2020 and December 31, 2019 are as follows:

(in millions of US\$)	June 30, 2020		December 31, 2019	
	Fujian	Bazhou	Fujian	Bazhou
Property, plant and equipment	27	7	29	7
Other non-current assets	2	–	3	–
<b>Non-current assets</b>	<b>29</b>	<b>7</b>	<b>32</b>	<b>7</b>
Inventories	17	–	30	–
Other current assets	4	2	16	2
<b>Current assets</b>	<b>21</b>	<b>2</b>	<b>46</b>	<b>2</b>
<b>Total assets classified as held for sale</b>	<b>50</b>	<b>9</b>	<b>78</b>	<b>9</b>
<b>Non-current liabilities</b>	<b>(14)</b>	<b>–</b>	<b>–</b>	<b>–</b>
Short-term debt	(9)	–	(73)	–
Other current liabilities	(9)	–	(6)	–
<b>Current liabilities</b>	<b>(18)</b>	<b>–</b>	<b>(79)</b>	<b>–</b>
<b>Total liabilities associated with held for sale assets</b>	<b>(32)</b>	<b>–</b>	<b>(79)</b>	<b>–</b>

In January 2019, the Group announced its decision to exit its Dairy business through a liquidation process. Therefore, the contribution of this Platform was classified as discontinued operations in the consolidated income statement and consolidated statement of cash flows and was not presented as held for sale in the consolidated balance sheet. This business exit was completed in June 2019.

The contribution of the discontinued Dairy operations excluded from the results of continuing operations for the six-month period ended June 30, 2019 is the following:

(in millions of US\$)	2019
Net sales	103
Cost of sales	(97)
<b>Gross margin</b>	<b>6</b>
Commercial and administrative expenses	(5)
Finance costs, net	(1)
Income taxes	(2)
<b>Subtotal net income - discontinued operations</b>	<b>(2)</b>
<b>Net income - discontinued operations</b>	<b>(2)</b>

During the six-month period ended June 30, 2020, the change in cash and cash equivalents held for sale is as follows:

(in millions of US\$)	2020		
	Fujian	Bazhou	Total
<b>Cash and cash equivalents held for sale, at beginning of the period</b>	<b>7</b>	<b>1</b>	<b>8</b>
Change in cash and cash equivalents held for sale	(5)	–	(5)
<b>Cash and cash equivalents held for sale, at end of the period</b>	<b>2</b>	<b>1</b>	<b>3</b>

2. Segment Information and Income Statement

2.1 Segment Information

The Group operates its global business under two segments: Value Chain and Merchandizing.

Each reportable segment is responsible for the farming, origination, processing, refining, storage, transport and distribution of its products (where applicable).

The Value Chain Segment includes the Grains & Oilseeds and Juice platforms, along with Freight and Global Markets, both of which are key facilitators of all Group businesses. The Merchandizing Segment comprises the Coffee, Cotton, Rice and Sugar platforms.

The Group assesses the financial performance of its segments with reference to segment operating results, which correspond to net sales, less cost of sales (gross margin in the consolidated income statement) plus share of profit (loss) in investments in associates and joint ventures. The Dairy business, formerly part of the Merchandizing Segment, was classified as discontinued operations (refer to Note 1.4) and therefore is no longer included in the segment operating results.

Inter-segment transactions, where applicable, are not material and generally performed at arm’s length.

Income statement segment information for the six-month periods ended June 30, 2020 and June 30, 2019 is as follows:

(in millions of US\$)	2020		
	Value Chain	Merchandizing	Total
<b>Net sales</b>	<b>11,241</b>	<b>5,062</b>	<b>16,303</b>
Depreciation	(137)	(31)	(168)
Share of profit (loss) in investments in associates and joint ventures	11	(3)	8
<b>Segment operating results</b>	<b>492</b>	<b>307</b>	<b>799</b>
Commercial and administrative expenses			(302)
Finance costs, net			(112)
Others			(79)
Income taxes			(179)
Non-controlling interests			(1)
<b>Net income attributable to owners of the company - continuing operations</b>			<b>126</b>



Notes Continued

(in millions of US\$)	2019		
	Value Chain	Merchandizing	Total
Net sales	12,102	5,384	17,486
Depreciation	(124)	(25)	(149)
Share of profit (loss) in investments in associates and joint ventures	(3)	3	–
Segment operating results	225	270	495
Commercial and administrative expenses			(283)
Finance costs, net			(134)
Others			7
Income taxes			(12)
Net income attributable to owners of the company - continuing operations			73

Balance sheet segment information as of June 30, 2020 and December 31, 2019 is as follows:

(in millions of US\$)	June 30, 2020		
	Value Chain	Merchandizing	Total
Fixed assets (intangible assets and property, plant and equipment)	3,406	570	3,976
Investments in associates and joint ventures	162	56	218
Inventories	2,447	2,089	4,536
Biological assets	54	–	54
Trade and other receivables	3,384	1,345	4,729
Derivative assets	1,037	668	1,705
Margin deposits	489	95	584
Financial assets held for trading	71	–	71
Assets classified as held for sale	15	64	79
Segment assets	11,065	4,887	15,952
Trade and other payables	(3,044)	(1,434)	(4,478)
Derivative liabilities	(1,137)	(341)	(1,478)
Repurchase agreement	(29)	–	(29)
Liabilities associated with assets classified as held for sale	–	(32)	(32)
Segment liabilities	(4,210)	(1,807)	(6,017)
Other assets			3,519
Other liabilities			(8,966)
Total net assets	6,855	3,080	4,488
Capital expenditure	107	12	119

(in millions of US\$)	December 31, 2019		
	Value Chain	Merchandizing	Total
Fixed assets (intangible assets and property, plant and equipment)	3,469	596	4,065
Investments in associates and joint ventures	158	69	227
Inventories	2,352	2,791	5,143
Biological assets	54	–	54
Trade and other receivables	3,304	1,432	4,736
Derivative assets	904	331	1,235
Margin deposits	653	232	885
Financial assets held for trading	89	–	89
Assets classified as held for sale	14	85	99
Segment assets	10,997	5,536	16,533
Trade and other payables	(3,135)	(1,657)	(4,792)
Derivative liabilities	(1,033)	(275)	(1,308)
Repurchase agreement	(38)	–	(38)
Liabilities associated with assets classified as held for sale	–	(79)	(79)
Segment liabilities	(4,206)	(2,011)	(6,217)
Other assets			3,005
Other liabilities			(8,523)
Total net assets	6,791	3,525	4,798
Capital expenditure	300	113	413

Financial assets held for trading are included in the line “Other financial assets at fair value through profit and loss” of the consolidated balance sheet (refer to Note 5.5). Repurchase agreements are included in the line “Short-term debt” (refer to Note 5.4). Capital expenditure corresponds to the sum of the “Purchase of fixed assets” and “Additional investments, net of cash acquired” lines of the consolidated statement of cash flows.

As of June 30, 2020, US\$57 million of trade and other payables were not segmented (US\$49 million as of December 31, 2019).

Net sales for continuing operations by geographic destination, based on the country of incorporation of the counterparty, were broken down as follows for the six-month periods ended June 30, 2020 and June 30, 2019:

(in millions of US\$)	2020	2019
North Asia	4,234	4,156
South & Southeast Asia	3,694	4,193
North Latin America	627	636
South & West Latin America	847	1,051
North America	2,042	2,444
Europe, Middle East & Africa	4,859	5,006
Of which Europe & Black Sea	2,731	2,918
Of which Middle East & Africa	2,128	2,088
Net sales	16,303	17,486

Net sales to the Netherlands are not material.

The Group’s fixed assets were located in the following geographical areas as of June 30, 2020 and December 31, 2019:

(in millions of US\$)	June 30, 2020	December 31, 2019
North Asia	180	185
South & Southeast Asia	194	181
North Latin America	1,215	1,236
South & West Latin America	609	623
North America	1,258	1,297
Europe, Middle East & Africa	520	543
<b>Fixed assets</b>	<b>3,976</b>	<b>4,065</b>

Fixed assets in the Netherlands are not material.

2.2 Net Sales

Net sales for the six-month periods ended June 30, 2020 and June 30, 2019 consist of the following:

(in millions of US\$)	2020			2019		
	Value Chain	Merchandizing	Total	Value Chain	Merchandizing	Total
Sale of commodities and consumable products	10,860	5,029	15,889	11,750	5,342	17,092
Freight, storage and other services	290	31	321	302	42	344
Others	91	2	93	50	–	50
	11,241	5,062	16,303	12,102	5,384	17,486

2.3 Gain (Loss) on Investments and Sale of Fixed Assets

Gain (loss) on investments and sale of fixed assets for the six-month periods ended June 30, 2020 and June 30, 2019 are as follows:

(in millions of US\$)	2020	2019
Gain (loss) on sale of investments in associates and joint ventures	–	1
Gain (loss) on other financial assets at fair value through profit and loss	(77)	6
Gain (loss) on sale of fixed assets	(2)	–
	(79)	7

Gain (Loss) on Other Financial Assets at Fair Value Through Profit and Loss

In 2020, the loss derived mainly from *Luckin Coffee* investment. During the first quarter of the year, the Group sold part of its shares for a selling price of US\$37 million resulting in a US\$(3) million loss in the period. Additional US\$(71) million fair value loss was booked on the remaining shares reflecting the decrease in *Luckin Coffee*’s share price during the period. *Luckin Coffee* investment is now delisted from Nasdaq and valued based on prices from the Over The Counter (OTC) market.

Gain (Loss) on Sale of Fixed Assets

In 2020, the US\$(2) million loss relates mainly to the sale of two Ukrainian silos.

2.4 Net Finance Costs

Net finance costs for the six-month periods ended June 30, 2020 and June 30, 2019 are as follows:

(in millions of US\$)	2020	2019
Interest income	43	41
Interest expense	(164)	(185)
Other financial income and expense	9	10
<i>Net finance costs on leases</i>	2	(9)
<i>Foreign exchange</i>	(76)	11
<i>Net gain (loss) on derivatives</i>	72	(13)
<i>Other (mainly related to commercial transactions)</i>	11	21
	(112)	(134)

Net finance costs on leases for the six-month period ended June 30, 2020 include interest expense on leases for US\$(9) million (same amount for the six-month period ended June 30, 2019) and foreign exchange on leases for US\$11 million mainly related to the lease contracts denominated in Brazilian Real (nil for the six-month period ended June 30, 2019).

The “Foreign exchange” and “Net gain (loss) on derivatives” lines need to be read jointly, totaling the net amount US\$(4) million for the six-month period ended June 30, 2020 and US\$(2) million for the six-month period ended June 30, 2019. The foreign exchange result is mainly attributable to the Brazilian Real and Euro depreciations for the six-month period ended June 30, 2020, impacting the BRL-denominated cash and financing and the unrated 2020 Euro-denominated bond; these impacts are offset in “Net gain (loss) on derivatives” line due to the forex hedges and Cross Currency Swaps in place (refer to Note 4.8).

2.5 Income Taxes

Income taxes in the income statement for the six-month periods ended June 30, 2020 and June 30, 2019 are as follows:

(in millions of US\$)	2020	2019
Current year income taxes	(127)	(48)
Adjustments with respect to prior year income taxes	(6)	(1)
<b>Current income taxes</b>	<b>(133)</b>	<b>(49)</b>
Current year deferred income taxes	(43)	44
Valuation allowance for deferred tax assets	(5)	(43)
Adjustments with respect to prior year deferred income taxes	2	6
Change in tax rate	–	30
<b>Deferred income taxes</b>	<b>(46)</b>	<b>37</b>
<b>Income taxes</b>	<b>(179)</b>	<b>(12)</b>



The reported tax expense differs from the computed theoretical income tax provision using the Netherlands’ income tax rate of 25% during the six-month periods ended June 30, 2020 and June 30, 2019 for the following reasons:

(in millions of US\$)	2020	2019
Theoretical income tax	(77)	(21)
Differences in income tax rates	(9)	22
Effect of change in tax rate	–	30
Difference between local currency and functional currency	(83)	6
Change in valuation of tax assets and net operating losses	(5)	(43)
Permanent differences on share of profit (loss) in investments in associates and joint ventures	4	–
Adjustments on prior years	(4)	5
Other permanent differences	(5)	(11)
Reported income tax	(179)	(12)

The difference in income tax rate relates to subsidiaries taxed at different rates than the Netherlands’ rate. In 2019, the change in tax rate mainly related to the Federal Act on Tax Reform on corporate taxation in Switzerland with an increase in the corporate income tax rate from 10% to 13.99%. The new income tax rate is applicable since January 1, 2020. The difference between local currency and functional currency impact is booked in non-US entities whose functional currency is the US Dollar while being taxed based on their local respective currencies. Such impact mainly regarded entities of the Group in Brazil and, to a lesser extent, in Argentina. The change in valuation of tax assets and net operating losses is mostly attributable to a valuation allowance on deferred tax assets related to tax benefits from carry forward losses in Switzerland in both periods.

The consolidated deferred income tax assets (liabilities) as of June 30, 2020 and December 31, 2019 are as follows:

(in millions of US\$)	June 30, 2020	December 31, 2019
Deferred income tax assets	200	232
Deferred income tax liabilities	(144)	(170)
Deferred tax net	56	62

Changes in net deferred income tax assets (liabilities) for the six-month period ended June 30, 2020 are as follows:

(in millions of US\$)	Opening balance	Recognized in net income - continuing operations	Recognized in equity	Foreign currency translation adjustment	Closing balance
Net tax benefits from carry forward losses	297	11	–	(1)	307
<i>Tax benefits from carry forward losses</i>	393	11	–	(2)	402
<i>Valuation allowance on carry forward losses</i>	(96)	–	–	1	(95)
Unrealized exchange gains and losses	122	98	–	–	220
Non-monetary balance sheet items - difference between tax and functional currencies	(212)	(122)	–	–	(334)
Fixed assets (other temporary differences)	(197)	1	–	–	(196)
Other temporary differences	54	(34)	41	–	61
Valuation allowance for other deferred tax assets	(2)	–	–	–	(2)
Deferred tax net	62	(46)	41	(1)	56

Changes in net deferred income tax assets (liabilities) for the year ended December 31, 2019 are as follows:

(in millions of US\$)	Opening balance	Recognized in net income - continuing operations	Recognized in equity	Foreign currency translation adjustment	Other	Closing balance
Net tax benefits from carry forward losses	240	60	–	–	(3)	297
<i>Tax benefits from carry forward losses</i>	294	101	–	–	(2)	393
<i>Valuation allowance on carry forward losses</i>	(54)	(41)	–	–	(1)	(96)
Unrealized exchange gains and losses	131	(9)	–	–	–	122
Non-monetary balance sheet items - difference between tax and functional currencies	(221)	9	–	–	–	(212)
Fixed assets (other temporary differences)	(210)	12	–	–	1	(197)
Other temporary differences	70	(5)	(10)	(1)	–	54
Valuation allowance for other deferred tax assets	–	(2)	–	–	–	(2)
Deferred tax net	10	65	(10)	(1)	(2)	62

Other changes in deferred tax are mainly related to the reclassification of tax positions of *LDC (Fujian) Refined Sugar Co. Ltd.* to assets classified as held for sale amounting to US\$(3) million (refer to Note 1.4).

3. Operating Balance Sheet Items

3.1 Intangible Assets

As of June 30, 2020 and December 31, 2019, intangible assets consist of the following:

(in millions of US\$)	June 30, 2020			December 31, 2019		
	Gross value	Accumulated amortization/ impairment	Net value	Gross value	Accumulated amortization/ impairment	Net value
Goodwill	70	(29)	41	72	(31)	41
Trademarks and customer relationships	87	(33)	54	87	(33)	54
Other intangible assets	500	(297)	203	480	(272)	208
	657	(359)	298	639	(336)	303

No additional impairment was booked as of June 30, 2020 as the Group did not identify any significant impairment risk despite the context of the Covid-19 pandemic (refer to Note 1.2)

Changes in the net value of intangible assets for the six-month period ended June 30, 2020 and for the year ended December 31, 2019 are as follows:

(in millions of US\$)	Notes	June 30, 2020			December 31, 2019	
		Goodwill	Trademarks and customer relationships	Other intangible assets	Total	Total
Balance as of January 1		41	54	208	303	329
Acquisitions and additions		–	–	25	25	70
Acquisitions through business combinations	1.3	–	–	–	–	2
Amortization and impairment		–	–	(27)	(27)	(55)
Foreign currency translation adjustment		–	–	–	–	(1)
Other reclassifications		–	–	(3)	(3)	(42)
Closing balance		41	54	203	298	303

Acquisitions and Additions

During the six-month period ended June 30, 2020 and during the year ended December 31, 2019, acquisitions and additions mainly consisted in the ongoing upgrade of the Group’s existing main front office system, alongside capital expenditure related to the new global back-office enterprise resource planning (ERP) system.

Acquisitions Through Business Combinations

In December 2019, the Group acquired 51% of the shares of *Louis Dreyfus (Jinzhou) Warehousing Co. Ltd.*, generating a US\$2 million goodwill.

Other Reclassifications

In 2019, the US\$(42) million related mainly to right-of-use of lands in China and Indonesia reclassified into right-of-use assets.

3.2 Property, Plant and Equipment

As of June 30, 2020 and December 31, 2019, property, plant and equipment consist of the following:

(in millions of US\$)	Notes	June 30, 2020			December 31, 2019		
		Gross value	Accumulated depreciation	Net value	Gross value	Accumulated depreciation	Net value
Owned assets		5,707	(2,367)	3,340	5,662	(2,252)	3,410
Right-of-use assets	7.1	472	(134)	338	447	(95)	352
		6,179	(2,501)	3,678	6,109	(2,347)	3,762

The following tables provide information on owned assets only.

As of June 30, 2020 and December 31, 2019, consolidated owned assets consist of the following:

(in millions of US\$)	June 30, 2020			December 31, 2019		
	Gross value	Accumulated depreciation	Net value	Gross value	Accumulated depreciation	Net value
Land	228	–	228	220	–	220
Buildings	1,990	(709)	1,281	1,984	(668)	1,316
Machinery and equipment	2,876	(1,442)	1,434	2,858	(1,381)	1,477
Bearer plants	211	(65)	146	211	(58)	153
Other tangible assets	204	(151)	53	198	(145)	53
Tangible assets in process	198	–	198	191	–	191
	5,707	(2,367)	3,340	5,662	(2,252)	3,410

Changes in net value of property, plant and equipment for the six-month period ended June 30, 2020 and for the year ended December 31, 2019 are as follows:

(in millions of US\$)	Notes	June 30, 2020						December 31, 2019	
		Land	Buildings	Machinery and equipment	Bearer plants	Other tangible assets	Tangible assets in process	Total	Total
Balance as of January 1		220	1,316	1,477	153	53	191	3,410	3,463
Additions		–	–	3	1	1	72	77	241
Disposals	2.3	–	(1)	(1)	–	–	(1)	(3)	(31)
Acquisitions through business combinations	1.3	–	–	–	–	–	–	–	16
Depreciation		–	(50)	(70)	(8)	(7)	–	(135)	(248)
Impairment losses		–	–	–	–	–	–	–	(3)
Foreign currency translation adjustment <sup>1</sup>		–	(6)	(2)	–	–	–	(8)	1
Reclassification to held for sale assets	1.4	–	(3)	(1)	–	–	–	(4)	(28)
Other reclassifications		8	25	28	–	6	(64)	3	(1)
Closing balance		228	1,281	1,434	146	53	198	3,340	3,410

1. During the six-month period ended June 30, 2020, the foreign currency translation adjustment was related to the depreciation of the Russian Ruble against the US Dollar.

Additions

During the six-month period ended June 30, 2020, the Group invested into more sustainable orange juice’s logistic assets by adapting two new vessels for the transportation of not-from-concentrate (NFC) and frozen concentrate orange juice (FCOJ). It continued to build soybean sheds and truck dumps in Claypool, Indiana, US, and to invest in its wider transshipment hub construction project in Brazil. The Group improved its existing assets, such as its sugar refining plant in Port Wentworth, Texas, US, its grains and oilseeds industrial sites in Argentina, its orange juice processing plants in Brazil, and its canola crushing plant in Yorkton, Saskatchewan, Canada. During the year ended December 31, 2019, the Group continued to invest in an anchoring system in Brazil as part of a wider transshipment hub construction project and in a railcar fleet for grain transportation in Ukraine. It also started to build soybean sheds and truck dumps in Claypool, Indiana, US, and orange juice tanks in Ghent, Belgium, both in order to increase storage capacity, acquired a previously leased cotton warehouse in Eloy, Arizona, US, and invested in a new sugar refining machinery for its sugar refining plant in Port Wentworth, Texas, US. The Group improved its existing assets, such as its grains and oilseeds crushing plants in Argentina, its orange juice processing plants in Brazil, its soybean crushing plants and refineries in Brazil and Germany, its refinery in Tianjin, China, and its elevators and grains and oilseeds storage facilities in Port Allen, Louisiana, US.

Disposals

During the six-month period ended June 30, 2020, the Group sold two Ukrainian silos. During the year ended December 31, 2019, the Group sold ten grain elevators in Canada with a net book value of US\$22 million. It also sold and leased back a cotton warehouse in Memphis, Tennessee, US, with a net book value of US\$4 million.

Acquisitions Through Business Combinations

In December 2019, the Group acquired a grains warehouse located in Jinzhou, China, through the acquisition of 51% of the shares of *Louis Dreyfus (Jinzhou) Warehousing Co. Ltd.*

Reclassification to Held for Sale Assets

As of December 31, 2019, the Group classified as held for sale its sugar refinery located in Fujian, China, for a net book value of US\$26 million following the decision to sell the entity *LDC Fujian Refined Sugar Co. Ltd.* (Sugar business).



3.3 Investments in Associates and Joint Ventures

Changes in investments in associates and joint ventures for the six-month period ended June 30, 2020 and for the year ended December 31, 2019 are as follows:

(in millions of US\$)	June 30, 2020	December 31, 2019
Balance as of January 1	227	197
Acquisitions and additional investments	15	34
Reclassification to held for sale assets	(6)	–
Share of profit (loss)	8	1
Dividends	(13)	(5)
Change in other reserves	(13)	–
Closing balance	218	227
Of which:		
Investments in associates	10	17
Investments in joint ventures	208	210

Acquisitions and Additional Investments

In 2020, the Group contributed US\$4 million (representing a 17% stake) for the creation of *Covantis S.A.*, a technology company focused on digitizing international trade, equally co-owned with *ADM*, *Bunge*, *Cargill*, *COFCO* and *Glencore Agriculture*. The Group also performed a US\$10 million capital injection in the joint venture *TES - Terminal Exportador de Santos S.A.* (concession in Santos port terminal in Brazil) in which a US\$17 million capital injection was also made in 2019. In 2019, the Group also acquired a 40% stake in *Luckin Roastery Technology (Xiamen) Co. Ltd.* (coffee roasting plant) for US\$12 million and contributed a right-of-use of land into *Tianjin Rongchuan Feed Co., Ltd.* (aquatic feed facilities) for US\$5 million, representing a 30% stake.

Reclassification to Held for Sale Assets

In 2020, the Group reclassified to held for sale its investment in *Riddoch Holdings Pty. Ltd.* (Dairy processing plant) (refer to Note 1.4).

Dividends

In 2020, the Group received US\$8 million as dividends from *TEG - Terminal Exportador Do Guarujá Ltda.*, US\$3 million from *Complejo Agro Industrial Angostura S.A.* and US\$2 million from *Calyx Agro Ltd.*  
In 2019, the Group received US\$3 million as dividends from *Calyx Agro Ltd.* and US\$2 million from *TEG - Terminal Exportador Do Guarujá Ltda.*

Change in Other Reserves

In 2020, the change in other reserves was mainly due to foreign currency translation adjustment related to the depreciation of the Australian Dollar, the Brazilian Real and the South African Rand and cash flow hedge in Brazilian joint ventures.

Investments in associates and joint ventures are detailed as follows:

Investment	Country	Activity	June 30, 2020		December 31, 2019	
			Ownership	Net value	Ownership	Net value
All Asian Countertrade Inc.	Philippines	Sugar merchandizing	18%	8	18%	8
Riddoch Holdings Pty. Ltd. <sup>1</sup>	Australia	Dairy processing plant	30%	–	30%	7
Total main associates				8		15
Amaggi Louis Dreyfus Zen-Noh Grãos S.A.	Brazil	Grain and soy storage and processing	33%	19	33%	17
Amaggi Louis Dreyfus Zen-Noh Terminais Portuarios S.A.	Brazil	Logistic facilities	33%	14	33%	15
Calyx Agro Ltd.	Cayman Islands	Land fund	29%	9	29%	9
Cisagri Holland Cooperatief U.A. <sup>2</sup>	Netherlands	Logistic facilities	10%	16	10%	16
Complejo Agro Industrial Angostura S.A.	Paraguay	Soy crushing plant and facilities	33%	35	33%	36
Epko Oil Seed Crushing Pty. Ltd.	South Africa	Sunflower seed and maize germ crushing plant	50%	7	50%	8
LDC - GB Terminais Portuários e Participações Ltda.	Brazil	Logistic facilities	50%	4	50%	5
Luckin Roastery Technology (Xiamen) Co. Ltd.	China	Coffee roasting plant	40%	12	40%	12
Namoi Cotton Alliance	Australia	Cotton packing and marketing	49%	18	49%	25
Orient Rice Co. Ltd.	Vietnam	Rice procurement and processing	33%	4	33%	4
TEG - Terminal Exportador Do Guarujá Ltda.	Brazil	Logistic facilities	40%	26	40%	31
TES - Terminal Exportador De Santos S.A. <sup>3</sup>	Brazil	Logistic facilities	60%	30	60%	19
Tianjin Rongchuan Feed Co. Ltd.	China	Aquatic feed facilities	30%	5	30%	5
Total main joint ventures				199		202
Total main associates and joint ventures				207		217
Other associates				2		2
Other joint ventures				9		8
				218		227

1. In 2020, the Group reclassified to held for sale its investment in *Riddoch Holdings Pty. Ltd.* (Dairy processing plant) (refer to Note 1.4).  
2. The Group's percentage of control in *Cisagri Holland Cooperatief U.A.* ("Cisagri") is 25% and the percentage of ownership is 10%.  
3. The governance rules of *Terminal Exportador De Santos S.A.* meet the definition of a joint control, therefore this investment qualifies as a joint venture.

Investments in associates and joint ventures include a goodwill of US\$1 million as of June 30, 2020 and US\$3 million as of December 31, 2019.

Share of profit (loss) in investments in associates and joint ventures for the six-month periods ended June 30, 2020 and June 30, 2019 is as follows:

Income statement (in millions of US\$)	2020	2019
Main associates and joint ventures	9	–
Others	(1)	–
Share of profit (loss) in investments in associates and joint ventures	8	–

A summary of the aggregated financial information of the companies listed above is as follows as of June 30, 2020 and December 31, 2019 and for the six-month periods ended June 30, 2020 and June 30, 2019:

June 30, 2020					
Balance sheet (in millions of US\$)	Main associates	Logistic facilities	Others	Main joint ventures	Total main associates and joint ventures
Non-current assets	18	586	271	857	875
Current assets	109	71	702	773	882
Total assets	127	657	973	1,630	1,757
Non-current liabilities	5	268	65	333	338
Current liabilities	81	63	602	665	746
Total liabilities	86	331	667	998	1,084
Net equity	41	326	306	632	673
Equity - owners of the company share	8	90	109	199	207

December 31, 2019					
Balance sheet (in millions of US\$)	Main associates	Logistic facilities	Others	Main joint ventures	Total main associates and joint ventures
Non-current assets	73	595	293	888	961
Current assets	148	82	303	385	533
Total assets	221	677	596	1,273	1,494
Non-current liabilities	30	310	72	382	412
Current liabilities	127	45	202	247	374
Total liabilities	157	355	274	629	786
Net equity	64	322	322	644	708
Equity - owners of the company share	15	86	116	202	217

2020					
Income statement (in millions of US\$)	Main associates	Logistic facilities	Others	Main joint ventures	Total main associates and joint ventures
Revenue	41	44	770	814	855
Net income	(2)	21	7	28	26
Share of profit (loss) in investments in associates and joint ventures	(1)	9	1	10	9

2019					
Income statement (in millions of US\$)	Main associates	Logistic facilities	Others	Main joint ventures	Total main associates and joint ventures
Revenue	64	43	687	730	794
Net income	5	(6)	8	2	7
Share of profit (loss) in investments in associates and joint ventures	1	(4)	3	(1)	–

3.4 Other Non-Current Assets

As of June 30, 2020 and December 31, 2019, other non-current assets consist of the following:

(in millions of US\$)	June 30, 2020	December 31, 2019
Tax credits	231	302
Long-term advances to suppliers	5	6
Others	6	6
	242	314

Tax credits mainly include income tax and VAT credits in Brazil. The decrease during the six-month period ended June 30, 2020 is mostly attributable to the depreciation of the Brazilian Real.

3.5 Other Non-Current Liabilities

As of June 30, 2020 and December 31, 2019, other non-current liabilities consist of the following:

(in millions of US\$)	June 30, 2020	December 31, 2019
Debts associated to business combinations and put options	59	57
Others	11	9
Non-current financial liabilities	70	66
Staff and tax payables	19	24
Others	1	3
Non-current non-financial liabilities	20	27
Other non-current liabilities	90	93



3.6 Provisions

As of June 30, 2020 and December 31, 2019, provisions consist of the following:

(in millions of US\$)	June 30, 2020	December 31, 2019
Current provisions	7	8
Non-current provisions	57	60
	64	68

Changes in provisions for the six-month period ended June 30, 2020 and for the year ended December 31, 2019 are as follows:

(in millions of US\$)	June 30, 2020					December 31, 2019
Provisions for:	Tax risks	Social risks	Litigations	Other	Total	Total
Balance as of January 1	11	22	7	28	68	40
Allowance	–	5	–	–	5	22
Reversal of used portion	–	(2)	(1)	–	(3)	(9)
Reversal of unused portion	(2)	(5)	(1)	–	(8)	(5)
Others	–	–	–	2	2	20
Closing balance	9	20	5	30	64	68

Tax and social provisions consist of various claims and lawsuits against the Group, primarily related to employment terminations, labor accidents and allegations of non-compliance with tax regulations. These claims are subject to court decisions or tax interpretations within multiple jurisdictions and timing and amounts are uncertain, however the recognized provision reflects Management’s best estimate of the most likely outcome. Regarding some legal claims in Brazil, the Group was required to establish escrow deposits which, as of June 30, 2020, amounted to US\$29 million (US\$42 million as of December 31, 2019) and are disclosed under the line “Deposits and Others” within the non-current financial assets (refer to Note 5.3).

Provisions for litigations include contractual obligation for trade disputes with customers, suppliers and other counterparties.

Other provisions include a US\$25 million provision for decommissioning a leased land and US\$2 million environmental provisions in Brazil.

3.7 Inventories

As of June 30, 2020 and December 31, 2019, inventories consist of the following:

(in millions of US\$)	June 30, 2020	December 31, 2019
Trading inventories	3,854	4,395
Finished goods	462	511
Raw materials	230	240
Inventories (gross value)	4,546	5,146
Depreciation of non-trading inventories	(10)	(3)
Inventories (net value)	4,536	5,143

The table does not include the trading inventories and raw materials held by *LDC Fujian Refined Sugar Co. Ltd.* (Sugar business) amounting to US\$17 million as of June 30, 2020, and US\$30 million as of December 31, 2019, as they were reclassified to held for sale assets (refer to Note 1.4).

3.8 Biological Assets

The Group owns biological assets located in Brazil consisting of oranges growing until point of harvest. As of June 30, 2020 and December 31, 2019, the Group owns 38 mature orange groves, which generally sustain around 17 years of orange production.

Changes in biological assets for the six-month period ended June 30, 2020 and for the year ended December 31, 2019 are as follows:

(in millions of US\$)	June 30, 2020	December 31, 2019
Balance as of January 1	54	56
Acquisitions and capitalized expenditure	15	62
Decrease due to harvest	(13)	(55)
Change in fair value	(2)	(9)
Closing balance	54	54

The valuation model used to determine the carrying value of biological assets was developed by an external valuation firm and is classified as level 3 in the fair value hierarchy defined in Note 4.9.

Expected future cash flows are determined based on the expected volume yields in number of boxes and the price for an orange box derived from available market prices. This price is net of picking, handling and freight costs, among others, considered based on internal assumptions, to determine the net value less cost to sell. This amount is subsequently discounted to present value. The following assumptions have a significant impact on the valuation of the Group’s biological assets:

	June 30, 2020	December 31, 2019
Number of trees (in thousands)	12,522	12,153
Expected yields (in number of boxes)	14,131	18,810
Price of a box of oranges (in US\$)	6.48	6.95
Discount rate	5.63%	5.63%

Changes in assumptions would increase (decrease) the estimated fair value of the biological assets if:

- Expected yields in number of boxes were higher (lower);
- Estimated price of a box of oranges were higher (lower);
- Estimated costs for harvesting and transportation were lower (higher);
- The discount rate were lower (higher).

3.9 Trade and Other Receivables

As of June 30, 2020 and December 31, 2019, trade and other receivables consist of the following:

(in millions of US\$)	June 30, 2020			December 31, 2019		
	Gross value	Provision	Net value	Gross value	Provision	Net value
Trade receivables	2,366	(173)	2,193	2,162	(127)	2,035
Accrued receivables	1,026	–	1,026	945	–	945
Prepayments	609	(1)	608	555	–	555
Other receivables	60	(4)	56	83	(5)	78
Financial assets at amortized cost	4,061	(178)	3,883	3,745	(132)	3,613
Advances to suppliers	339	(5)	334	379	(5)	374
Staff and tax receivables	449	(15)	434	710	(20)	690
Prepaid expenses	78	–	78	59	–	59
Non-financial assets	866	(20)	846	1,148	(25)	1,123
Trade and other receivables	4,927	(198)	4,729	4,893	(157)	4,736

As of December 31, 2019, the table does not include the trade and other receivables amounting to US\$4 million and the US\$1 million staff and tax receivables held by *LDC Fujian Refined Sugar Co. Ltd.* (Sugar business), as they were reclassified to held for sale assets. As of June 30, 2020, the outstanding receivables balances of the company are almost nil (refer to Note 1.4).

Changes in the provision on trade and other receivables for the six-month period ended June 30, 2020 and for the year ended December 31, 2019 are as follows:

(in millions of US\$)	June 30, 2020	December 31, 2019
Balance as of January 1	(157)	(100)
Increase in provision	(35)	(82)
Receivables written off as uncollectable	5	12
Unused amount reversed	14	12
Reclassification from provision on derivative assets	(25)	–
Foreign currency translation adjustment	–	1
Closing balance	(198)	(157)

Increase in Provision

During the six-month period ended June 30, 2020, the increase in provision mainly corresponded to default risk on various customers for US\$33 million (US\$66 million as of December 31, 2019) for their estimated non-recoverable portions particularly in the Cotton Platform due to Covid-19 pandemic’s consequences (refer to Note 1.2), and to provisions on VAT for US\$1 million (US\$13 million as of December 31, 2019).

Receivables Written Off as Uncollectable

During the six-month period ended June 30, 2020, the amount of receivables written off mainly corresponded to provisions for trade receivables for US\$5 million. During the year ended December 31, 2019, the amount of receivables written off mainly corresponded to provisions for trade receivables for US\$11 million and to provisions on VAT for US\$1 million.

Unused Amount Reversed

The unused amount of provisions that recovered during the six-month period ended June 30, 2020 mainly consisted of provisions on trade receivables for US\$7 million and to provisions on VAT for US\$6 million. During the year ended December 31, 2019, the amount of receivables recovered mainly corresponded to provisions for trade receivables reversed for US\$5 million and to provisions on VAT for US\$7 million.

Reclassification From Provision on Derivative Assets

As of June 30, 2020, the US\$25 million reclassification is related to contracts from the Cotton Platform that have been washed out during the period and invoiced to by customers. The corresponding provisions were kept as the risk of default remains.

The following table details the risk profile of counterparty exposure broken down by past due date of receivables as of June 30, 2020 and December 31, 2019:

(in millions of US\$)	June 30, 2020			December 31, 2019		
	Gross value	Provision	Net value	Gross value	Provision	Net value
Not due	3,609	(28)	3,581	4,100	(28)	4,072
Due since < 3 months	497	(45)	452	413	(7)	406
Due since 3-6 months	97	(14)	83	50	(24)	26
Due since 6 months-1 year	51	(24)	27	48	(7)	41
Due since > 1 year	160	(87)	73	168	(91)	77
Closing balance	4,414	(198)	4,216	4,779	(157)	4,622
Including:						
Trade receivables	2,366	(173)	2,193	2,162	(127)	2,035
Prepayments	609	(1)	608	555	–	555
Advances to suppliers	339	(5)	334	379	(5)	374
Staff and tax receivables	449	(15)	434	710	(20)	690
Other receivables	60	(4)	56	83	(5)	78
Margin deposits	584	–	584	885	–	885
Financial advances to related parties	7	–	7	5	–	5

3.10 Trade and Other Payables

As of June 30, 2020, and December 31, 2019, trade and other payables consist of the following:

(in millions of US\$)	June 30, 2020	December 31, 2019
Trade payables	1,970	2,099
Accrued payables	1,668	1,870
Prepayments	508	477
Margin deposits	16	42
Payable on purchase of fixed assets and investments	12	11
Other payables	97	81
Financial liabilities at amortized cost	4,271	4,580
Advances received	20	18
Staff and tax payables	188	210
Deferred income	56	33
Non-financial liabilities	264	261
Trade and other payables	4,535	4,841

As of June 30, 2020 and December 31, 2019, the table does not include the following items held by *LDC Fujian Refined Sugar Co. Ltd.* (Sugar business), as they were reclassified to held for sale liabilities (refer to Note 1.4):

- Prepayments and other financial payables amounting respectively to US\$8 million and US\$2 million;
- Staff and tax payables amounting to US\$1 million as of December 31, 2019 (nil as of June 30, 2020).



4. Financial Instruments and Risk Management

Financial instruments are subject to various risks, including market value fluctuations, foreign currency, counterparty credit and liquidity risks. In addition to managing market and foreign currency risk, the Group implemented a robust monitoring of counterparty credit and ensured the availability of sufficient cash in order to reduce its liquidity risk. At each financial period end, the Group has a policy of accruing its receivables and unrealized gains with counterparties deemed at risk.

4.1 Market Risk

Market risk is the risk that the fair value or future cash flows of assets and liabilities held by the Group including financial instruments, physical commodities, industrial and biological assets will fluctuate due to changes in market variables such as spot and forward commodity prices, price spreads, volatilities and foreign exchange rates.

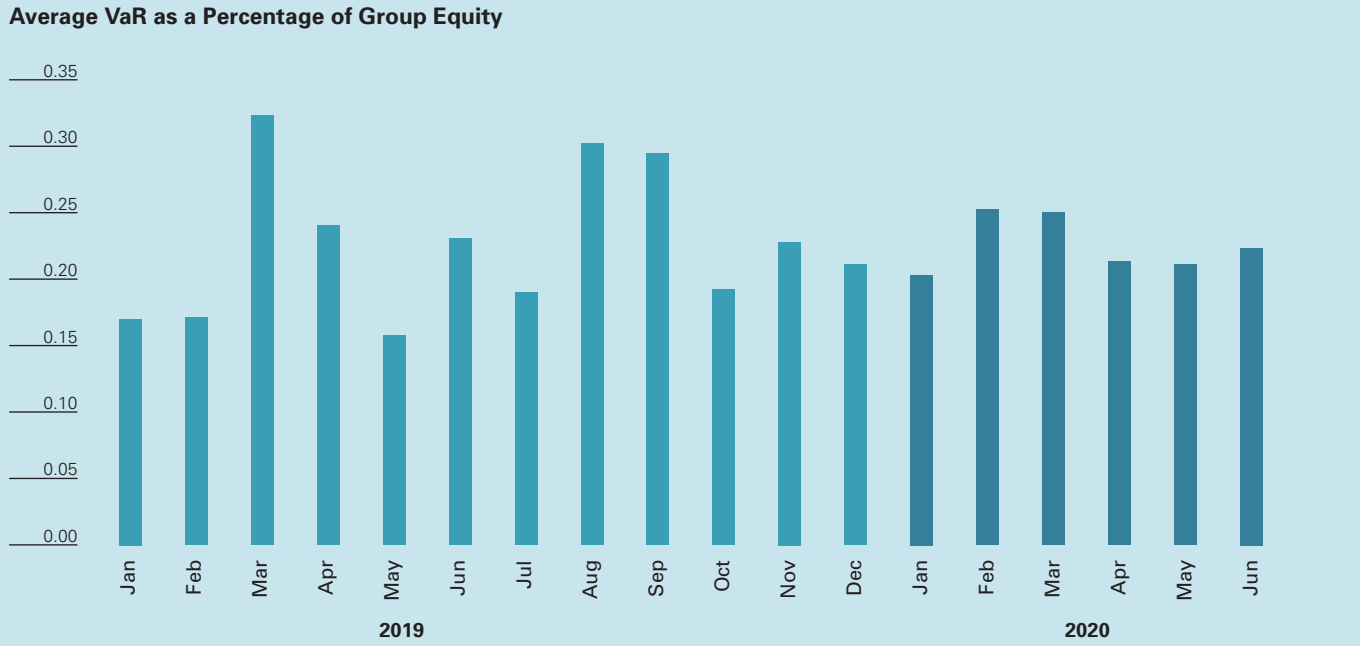
The Group classifies exposures to market risk into either trading or non-trading activities. The Group manages market risk for trading activities by diversifying exposures; controlling position natures, sizes and maturities; performing stress testing; and monitoring risk limits under the supervision of the Market Risk function and the Macro Committee. Limits are established for the level of acceptable risk at a corporate level and are allocated at platform and profit center levels. Compliance with the limits is reported daily.

Limits are based on a daily measure of market risk exposure referred to as value at risk (VaR). The VaR that the Group measures is a model-based estimate grounded upon various assumptions such as that the log-normality of price returns, and on conventions such as the use of exponentially weighted historical data in order to put more emphasis on the latest market information.

The VaR computed therefore represents an estimate, expressed at a statistical confidence level of 95%, of the potential loss that is not expected to be exceeded should the current market risk position remain unchanged for one day. The use of a 95% confidence level means that, within a one-day horizon, losses exceeding the VaR figure are not expected to occur statistically more than once every 20 trading days.

The VaR may be under or over-estimated due to the assumptions placed on risk factors and historical correlations and volatilities in market prices, and the probability of large market moves may be underestimated per the normal distribution as well as due to significant market, weather, geopolitical or other events.

The monthly average of VaR as percentage of Group equity corresponds to the average over a month of the VaR computed daily as a percentage of Group equity at the beginning of each quarter. It consists of the following:



During the six-month period ended June 30, 2020 and the year ended December 31, 2019, the monthly average Group VaR for trading activities was less than 1 % of stockholders’ equity. The average VaR for the Group reached 0.22% over the six-month period ended June 30, 2020, compared to 0.23% over the year ended December 31, 2019.

VaR is only one of the risk metrics within a wider risk management system applied within the Group.

4.2 Foreign Currency Risk

The Group operates internationally and is therefore exposed to changes in foreign currency exchange for its assets and liabilities denominated in a currency different from the functional currency of each entity. Each entity within the Group enters into foreign exchange derivative contracts to hedge its exposures back to its own functional currency.

As of June 30, 2020 and December 31, 2019, the operating current assets and liabilities are denominated in the following currencies before hedge:

		June 30, 2020					
(in millions of US\$)	Notes	US Dollar	Chinese Yuan	Euro	Brazilian Real	Other currencies	Total
Inventories - gross value	3.7	3,668	730	37	1	110	4,546
Biological assets	3.8	54	–	–	–	–	54
Trade and other receivables - gross value	3.9	3,819	161	312	248	387	4,927
Derivative assets - gross value	4.8	1,697	46	9	–	6	1,758
Margin deposits		444	123	3	–	14	584
Current tax assets		1	4	2	10	31	48
Assets		9,683	1,064	363	259	548	11,917
Trade and other payables	3.10	3,690	248	82	264	251	4,535
Derivative liabilities	4.8	1,436	22	7	–	13	1,478
Current tax liabilities		–	5	2	4	71	82
Liabilities		5,126	275	91	268	335	6,095
Net operating current assets and liabilities		4,557	789	272	(9)	213	5,822

		December 31, 2019					
(in millions of US\$)	Notes	US Dollar	Chinese Yuan	Euro	Brazilian Real	Other currencies	Total
Inventories - gross value	3.7	3,935	908	110	10	183	5,146
Biological assets	3.8	54	–	–	–	–	54
Trade and other receivables - gross value	3.9	3,772	178	298	223	422	4,893
Derivative assets - gross value	4.8	1,202	60	–	–	18	1,280
Margin deposits		645	196	1	–	43	885
Current tax assets		–	–	4	–	58	62
Assets		9,608	1,342	413	233	724	12,320
Trade and other payables	3.10	3,676	330	153	405	277	4,841
Derivative liabilities	4.8	1,193	88	18	–	9	1,308
Current income tax liabilities		–	8	5	1	41	55
Liabilities		4,869	426	176	406	327	6,204
Net operating current assets and liabilities		4,739	916	237	(173)	397	6,116

As of June 30, 2020, around 93% of the net operating current assets and liabilities are denominated in the same currency before hedge as the functional currency of the respective legal entity (95% as of December 31, 2019).

4.3 Counterparty Risk

The Group trades diversified commodities and commodity-related products. Accordingly, a substantial portion of the Group’s trade receivables is toward other commodity trading companies. Margin deposits generally consist of deposits with commodity exchanges and brokers which hold such deposits in a custodial capacity. The Group’s counterparty risk exposure from derivative financial instruments is limited to the current fair value of contracts with a positive fair value.

Performance risk on an open contract measures the risk of non-performance by the counterparty and is composed of:

- The mark-to-market exposure to date (if any) reflecting the cost to the Group if the contract is not fulfilled and has to be replaced in the open market under prevailing market conditions; and
- The potential future mark-to-market exposure reflecting the fact that the market price can move from the day of exposure calculation to the delivery date/payment date versus the current market price.

The Group has implemented risk management procedures to monitor its exposures and to minimize counterparty risk. These procedures include initial credit and limit approvals, margin requirements, master netting arrangements, letters of credit and other guarantees.

The Group’s trade receivables include debtors with a net carrying amount of US\$635 million that are past due as of June 30, 2020 (refer to Note 3.9). The credit quality of financial assets is assessed by reference to credit ratings or to historical information about counterparty default rates.

4.4 Political and Country Risk

In its cross-border operations, the Group is exposed to country risk associated with a country’s overall political, economic, financial, regulatory and commercial situation. The Group does not seek to retain country risk and it is the trade finance, insurance and credit risk departments’ duty to seek solutions to mitigate political and country risk by transferring or covering them with major financial institutions or insurance companies.

4.5 Liquidity Risk

Liquidity risk arises in the general funding of the Group’s commodity trading activities and in the management of positions. It includes both the risk of being unable to fund the Group’s portfolio of assets at appropriate maturities and rates, and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

Management of the liquidity profile is designed to ensure that the Group has access to the funds necessary to cover maturing liabilities. Sources of funds include interest-bearing and non-interest-bearing deposits, bank notes, trading account liabilities, repurchase agreements, long-term debt, and borrowing arrangements.

The Group holds operating assets that are expected to generate cash inflows that will be available to meet cash outflows arising from operating liabilities. In the trading business, settling commodity contracts and liquidating trading inventories by exchanging the commodity for cash before the contractual maturity term is usual practice. Consequently, liquidity risk is measured by allocating liabilities to the earliest estimated period on which the counterparty can require repayment, and assets to the earliest estimated period on which the Group can realize in cash these assets without any significant discount from market value. This measurement takes into consideration the market depth and price sensitivity to significant transaction volumes. The inclusion of information on non-financial items is necessary to understand the Group’s liquidity risk management, as the liquidity is managed on a net asset and liability basis. The table below summarizes the liquidity profile of the Group’s operating assets and liabilities carrying amounts as of June 30, 2020 and December 31, 2019.

(in millions of US\$)	June 30, 2020				December 31, 2019			
	Under 3 months	3 to 6 months	Over 6 months	Total	Under 3 months	3 to 6 months	Over 6 months	Total
Trading inventories	3,703	151	–	3,854	4,293	101	1	4,395
Derivative assets	1,363	111	231	1,705	1,048	77	110	1,235
Trade and other receivables	4,026	452	251	4,729	3,705	803	228	4,736
Derivative liabilities	(1,174)	(152)	(152)	(1,478)	(1,231)	(31)	(46)	(1,308)
Trade and other payables	(4,243)	(217)	(75)	(4,535)	(4,214)	(584)	(43)	(4,841)
Total assets net of liabilities	3,675	345	255	4,275	3,601	366	250	4,217

The schedule below analyzes the Group’s financial interests (excluding those related to lease liabilities under IFRS 16) that will be settled on future periods based on the short-term debt (excluding repurchase agreements and bank overdrafts) and long-term financing as of June 30, 2020 and December 31, 2019. Such interests are grouped by maturity based on the contractual maturity date of the interests.

(in millions of US\$)	June 30, 2020	December 31, 2019
Maturity < 1 year	181	191
Maturity 1-2 years	94	120
Maturity 2-3 years	60	85
Maturity 3-4 years	36	59
Maturity 4-5 years	27	45
Maturity > 5 years <sup>1</sup>	64	116
Interests future cash outflows related to short-term debt and long-term financing existing at closing date	462	616
of which:		
Fixed rate	341	408
Floating rate	121	208

1. It includes future interests on a financial debt contracted in Brazil in 2018 and maturing up to 2035, and another one contracted in the US in 2019 and maturing up to 2028.

4.6 Interest Rate Risk

As of June 30, 2020 and December 31, 2019, the allocation of Group financing between fixed and floating interest rates is as follows:

(in millions of US\$)	June 30, 2020	December 31, 2019
Fixed rate	3,799	3,888
Floating rate	4,169	3,600
Total short-term debt and long-term financing	7,968	7,488

For further details, refer to Notes 5.2 and 5.4.

Short-term debt with initial contractual maturity below six months is considered as bearing a floating interest rate.



4.7 Categories of Financial Assets and Liabilities

As of June 30, 2020, the different categories of financial assets and liabilities are as follows:

(in millions of US\$)	Notes	Assets at fair value through profit and loss	Derivatives at fair value through OCI - cash flow hedges	Assets at amortized cost	Total
Non-current financial assets	5.3	183	–	1,142	1,325
Total non-current financial assets		183	–	1,142	1,325
Financial advances to related parties	7.3	–	–	7	7
Trade and other receivables	3.9	–	–	3,883	3,883
Derivative assets	4.8	1,702	3	–	1,705
Margin deposits		–	–	584	584
Other financial assets at fair value through profit and loss	5.5	189	–	–	189
Cash and cash equivalents	5.6	603	–	976	1,579
Total current financial assets		2,494	3	5,450	7,947
Total financial assets		2,677	3	6,592	9,272

(in millions of US\$)	Notes	Liabilities at fair value through profit and loss	Derivatives at fair value through OCI - cash flow hedges	Liabilities at amortized cost	Total
Long-term debt	5.2	–	–	2,960	2,960
Other non-current financial liabilities	3.5	–	–	70	70
Total non-current financial liabilities		–	–	3,030	3,030
Short-term debt	5.4	–	–	4,619	4,619
Current portion of long-term debt	5.2	–	–	679	679
Financial advances from related parties	7.3	–	–	158	158
Trade and other payables (excluding margin deposit liabilities)	3.10	–	–	4,255	4,255
Margin deposit liabilities	3.10	–	–	16	16
Derivative liabilities	4.8	1,322	156	–	1,478
Total current financial liabilities		1,322	156	9,727	11,205
Total financial liabilities		1,322	156	12,757	14,235

As of December 31, 2019, the different categories of financial assets and liabilities were as follows:

(in millions of US\$)	Notes	Assets at fair value through profit and loss	Derivatives at fair value through OCI - cash flow hedges	Assets at amortized cost	Total
Non-current financial assets	5.3	178	–	1,139	1,317
Total non-current financial assets		178	–	1,139	1,317
Financial advances to related parties	7.3	–	–	5	5
Trade and other receivables	3.9	–	–	3,613	3,613
Derivative assets	4.8	1,227	8	–	1,235
Margin deposits		–	–	885	885
Other financial assets at fair value through profit and loss	5.5	414	–	–	414
Cash and cash equivalents	5.6	417	–	333	750
Total current financial assets		2,058	8	4,836	6,902
Total financial assets		2,236	8	5,975	8,219

(in millions of US\$)	Notes	Liabilities at fair value through profit and loss	Derivatives at fair value through OCI - cash flow hedges	Liabilities at amortized cost	Total
Long-term debt	5.2	–	–	3,269	3,269
Other non-current financial liabilities	3.5	–	–	66	66
Total non-current financial liabilities		–	–	3,335	3,335
Short-term debt	5.4	–	–	3,889	3,889
Current portion of long-term debt	5.2	–	–	637	637
Financial advances from related parties	7.3	–	–	184	184
Trade and other payables (excluding margin deposit liabilities)	3.10	–	–	4,538	4,538
Margin deposit liabilities	3.10	–	–	42	42
Derivative liabilities	4.8	1,276	32	–	1,308
Total current financial liabilities		1,276	32	9,290	10,598
Total financial liabilities		1,276	32	12,625	13,933

4.8 Classification of Derivative Financial Instruments

As of June 30, 2020 and December 31, 2019, derivative financial instruments are as follows:

(in millions of US\$)	June 30, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Forward purchase and sale agreements	1,038	616	690	488
Forward foreign exchange contracts	437	504	359	298
Futures	220	78	172	334
Options	51	6	46	29
Swaps	9	118	5	127
Provision on derivative assets	(53)	–	(45)	–
<b>Derivatives at fair value through profit and loss</b>	<b>1,702</b>	<b>1,322</b>	<b>1,227</b>	<b>1,276</b>
Forward foreign exchange contracts	3	92	8	12
Swaps	–	64	–	20
<b>Derivatives at fair value through OCI - cash flow hedges</b>	<b>3</b>	<b>156</b>	<b>8</b>	<b>32</b>
<b>Total derivatives</b>	<b>1,705</b>	<b>1,478</b>	<b>1,235</b>	<b>1,308</b>

In the normal course of operations, the Group enters into various derivative financial instruments involving future settlement. These transactions include futures, forward purchase and sale agreements, and option contracts that are executed either on regulated exchanges or in the OTC market.

Futures contracts are exchange-traded contractual commitments either to receive or deliver a standard amount or value of a commodity or financial instrument at a specified future date and price. Futures exchanges typically require the parties to provide as security “initial margins” and additional cash deposits for “variation margins”, based upon market value fluctuations. OTC contracts, which may or may not require the payment of initial margins or variation margins, involve parties who have agreed to either exchange cash payments or deliver/receive the underlying commodity or financial instrument. Option contracts are contractual agreements that give the purchaser the right, but not the obligation, to purchase or sell a financial instrument or commodity, at a predetermined price.

As of June 30, 2020, the Group recognized a provision on derivative assets of US\$53 million on performance risk to offset unrealized gains on counterparties identified as being at risk. As of December 31, 2019, this provision was US\$45 million.

Derivatives at Fair Value Through OCI - Cash Flow Hedges

Forward foreign exchange contracts mainly relate to the hedge of foreign currency risk of future capital expenditure, production costs and commercial and administrative expenses in Brazilian Reais. Since 2018, the contracts also relate to the hedge of foreign currency risk of a long-term financing line (principal and interests) in Brazilian Reais. Such contracts represent as of June 30, 2020 a total US\$548 million nominal value and are effective until 2035 with an average fixed exchange rate of 4.64 Brazilian Reais to US Dollar.

The Group enters into interest-rate swap contracts in North America to hedge against fluctuation in international interest rates (LIBOR) on the floating rate exposure of its debt. These operations represent as of June 30, 2020 a total US\$1,805 million nominal value effective until 2026 with an average three-month LIBOR rate fixed at 1.76% per year. For this hedging relationship directly affected by the IBOR reform, LDC will apply the temporary exception in IFRS 9. By doing so, the Group assumes that the interest rate benchmark on which the hedged risk is based is not altered as a result of the reform, as it is expected that eventual changes in the loan (hedged item) will be followed by similar changes in the swap (hedging instrument), ensuring the economic relationship of the hedge.

In 2013, the Group entered into a cross-currency swap contract in order to hedge the currency and interest exposures of the €500 million unrated senior bond issued by LDC in December during the same year. The hedge on the exposure linked to future interest payments on these bonds is booked at fair value through OCI as a cash flow hedge. The hedge on currency exposure is booked at fair value through profit and loss impacting “Other financial income and expense” in the consolidated income statement (refer to Note 2.4). As of June 30, 2020, the cross-currency swap is effective until maturity (December 2020).

4.9 Fair Value Hierarchy

The Group uses the following hierarchy to determine and disclose the fair value of assets and liabilities broken down by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques that use inputs that have a significant effect on the recorded fair value that are based on observable, either directly or indirectly, market data; and
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As of June 30, 2020 and December 31, 2019, the following table shows an analysis of financial assets and liabilities recorded at fair value by level of the fair value hierarchy:

(in millions of US\$)	June 30, 2020				December 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading inventories	1	3,754	99	<b>3,854</b>	1	4,280	114	<b>4,395</b>
Derivative assets	265	1,409	31	<b>1,705</b>	194	1,032	9	<b>1,235</b>
<i>Forward purchase and sale agreements</i>	–	1,007	31	<b>1,038</b>	–	681	9	<b>690</b>
<i>Forward foreign exchange contracts</i>	–	440	–	<b>440</b>	2	365	–	<b>367</b>
<i>Futures</i>	220	–	–	<b>220</b>	172	–	–	<b>172</b>
<i>Options</i>	45	6	–	<b>51</b>	20	26	–	<b>46</b>
<i>Swaps</i>	–	9	–	<b>9</b>	–	5	–	<b>5</b>
<i>Provision on derivative assets</i>	–	(53)	–	<b>(53)</b>	–	(45)	–	<b>(45)</b>
Other financial assets at fair value through profit and loss (current and non-current)	103	76	193	<b>372</b>	389	2	201	<b>592</b>
Cash equivalents	–	603	–	<b>603</b>	–	417	–	<b>417</b>
<b>Total assets</b>	<b>369</b>	<b>5,842</b>	<b>323</b>	<b>6,534</b>	<b>584</b>	<b>5,731</b>	<b>324</b>	<b>6,639</b>
Derivative liabilities	80	1,389	9	<b>1,478</b>	339	964	5	<b>1,308</b>
<i>Forward purchase and sale agreements</i>	–	607	9	<b>616</b>	–	483	5	<b>488</b>
<i>Forward foreign exchange contracts</i>	–	596	–	<b>596</b>	–	310	–	<b>310</b>
<i>Futures</i>	78	–	–	<b>78</b>	334	–	–	<b>334</b>
<i>Options</i>	2	4	–	<b>6</b>	5	24	–	<b>29</b>
<i>Swaps</i>	–	182	–	<b>182</b>	–	147	–	<b>147</b>
<b>Total liabilities</b>	<b>80</b>	<b>1,389</b>	<b>9</b>	<b>1,478</b>	<b>339</b>	<b>964</b>	<b>5</b>	<b>1,308</b>

Trading inventories are valued at fair value based on observable prices (if and when available) such as commodity futures exchange quotations, broker or dealer quotations, or market transactions in either listed or OTC markets and adjusted for differences in local markets and quality since the exchange quoted price represents contracts with standardized terms for commodity, quantity, future delivery period, delivery location and commodity quality or grade. When a substantial portion of observable inputs is used to estimate the fair value of the trading inventory, it is classified as Level 2. When unobservable inputs have a significant impact on the measurement of fair value, the trading inventory is classified as Level 3.

Fair value for the forward purchase and sale agreements is estimated based on exchange-quoted price adjusted for differences in local markets. These differences are generally determined using inputs from broker or dealer quotations or market transactions in either listed or OTC markets. When observable inputs are available for the full term of the contract, it is classified as Level 2. When unobservable inputs have a significant impact on the measurement of the fair value, the contract is classified as Level 3.

Other financial assets at fair value through profit and loss mainly include investments in equity instruments and bonds classified as Level 1 if they are listed, level 2 if they are valued in the OTC market or adjusted based on observable market data and Level 3 if other valuation technique is used. They also include loans to commercial partners that do not meet the SPPI (Solely Payments of Principal and Interests) requirements, classified as Level 3.

During the six-month period ended June 30, 2020, the investment in *Luckin Coffee* was transferred from level 1 to level 2 as it is now delisted from Nasdaq and valued based on market prices from the OTC market (refer to Note 2.3).



5. Equity and Financing

5.1 Equity

(in millions of US\$)	June 30, 2020	December 31, 2019
Issued capital	1	1
Share premium	1,586	1,586
Retained earnings	3,148	3,318
Other reserves	(259)	(119)
Equity attributable to owners of the company	4,476	4,786
Non-controlling interests	12	12
Total equity	4,488	4,798

The stockholders’ equity and non-controlling interests disclosed in the financial statements correspond to the equity used by the management when assessing performance.

Capital

When managing capital, the objectives of the Group are to safeguard its ability to continue as a going concern so that it can provide returns to shareholders, bring benefits to its other partners and optimize the structure of capital in order to reduce its cost.

As of June 30, 2020 and December 31, 2019, the capital of LDC is composed of 100,000,000 shares, with a €0.01 nominal value each, that are issued and fully paid. During the six-month period ended June 30, 2020, LDC distributed US\$302 million as dividends to LDCNH, corresponding to a dividend payment of US\$3.02 per share.

During the year ended December 31, 2019, LDC distributed US\$428 million as dividends to LDCNH, corresponding to a dividend payment of US\$4.28 per share.

Other Reserves

Other reserves as of June 30, 2020 and December 31, 2019 relate to:

(in millions of US\$)	2020				2019			
	Pre-tax	Tax	Non-controlling share	Owners of the company share	Pre-tax	Tax	Non-controlling share	Owners of the company share
Other comprehensive income	(331)	35	(7)	(289)	(145)	(9)	(5)	(149)
Deferred compensation	30	–	–	30	30	–	–	30
Other reserves	(301)	35	(7)	(259)	(115)	(9)	(5)	(119)

Deferred compensation reserves correspond to the awards granted to the employees of the subsidiaries that did not enter into a reimbursement agreement with LDCH (refer to Note 6.2).

Other Comprehensive Income (OCI)

OCI is composed of cash flow and net investment hedges, fixed assets revaluation reserve, pensions and foreign currency translation adjustment as described below.

Cash flow and net investment hedges reserves correspond to the effective portion of the gain or loss on the hedging instrument as described in Note 4.8.

Pensions’ reserves correspond to the re-measurement of gains and losses arising from defined benefit pension plans in accordance with IAS 19 “Employee Benefits”.

Foreign currency translation adjustment reserves are used to record exchange differences arising from the translation of the financial statements of the Group’s foreign operations whose functional currencies are different from the US Dollar.

Changes in OCI for the six-month periods ended June 30, 2020 and June 30, 2019 are as follows:

(in millions of US\$)	Cash flow and net investment hedges	Fixed assets revaluation reserve	Pensions	Foreign currency translation adjustment	Total
Balance as of January 1, 2020 - owners of the company share	(20)	6	17	(152)	(149)
of which :					
Pre-tax	(18)	7	24	(158)	(145)
Tax	(2)	–	(7)	–	(9)
Non-controlling share	–	1	–	(6)	(5)
Current year gains (losses)	(138)	–	(5)	(24)	(167)
Reclassification to profit and loss	32	–	–	1	33
Others	–	(6)	–	–	(6)
OCI for the period – owners of the company share	(106)	(6)	(5)	(23)	(140)
of which :					
Pre-tax	(150)	(7)	(5)	(24)	(186)
Tax	44	–	–	–	44
Non-controlling share	–	(1)	–	(1)	(2)
Balance as of June 30, 2020 - owners of the company share	(126)	–	12	(175)	(289)
of which :					
Pre-tax	(168)	–	19	(182)	(331)
Tax	42	–	(7)	–	35
Non-controlling share	–	–	–	(7)	(7)

(in millions of US\$)	Cash flow and net investment hedges	Fixed assets revaluation reserve	Pensions	Foreign currency translation adjustment	Total
Balance as of January 1, 2019 - owners of the company share	(21)	6	19	(154)	(150)
of which :					
Pre-tax	(28)	7	25	(161)	(157)
Tax	7	–	(6)	–	1
Non-controlling share	–	1	–	(7)	(6)
Current year gains (losses)	(15)	–	(1)	3	(13)
Reclassification to profit and loss	13	–	–	–	13
Others	–	–	–	1	1
OCI for the period – owners of the company share	(2)	–	(1)	4	1
of which :					
Pre-tax	6	–	(1)	5	10
Tax	(8)	–	–	–	(8)
Non-controlling share	–	–	–	1	1
Balance as of June 30, 2019 - owners of the company share	(23)	6	18	(150)	(149)
of which :					
Pre-tax	(22)	7	24	(156)	(147)
Tax	(1)	–	(6)	–	(7)
Non-controlling share	–	1	–	(6)	(5)

5.2 Long-Term Debt

As of June 30, 2020 and December 31 2019, long-term debt consists of the following:

(in millions of US\$)	Notes	June 30, 2020	December 31, 2019
Non-current portion of long-term financing		2,732	3,027
Non-current portion of lease liabilities	7.1	228	242
Non-current portion of long-term debt		2,960	3,269
Current portion of long-term financing		617	572
Current portion of lease liabilities	7.1	62	65
Current portion of long-term debt		679	637
Total long-term debt		3,639	3,906

The tables below only refer to long-term financing.

Long-term financing as of June 30, 2020 and December 31, 2019 is analyzed as follows:

(in millions of US\$)	June 30, 2020	December 31, 2019
Debt capital markets	1,305	1,307
Revolving credit facilities	–	296
Term loans from banks	2,044	1,996
Total long-term financing	3,349	3,599

Maturity of long-term financing as of June 30, 2020 and December 31, 2019 is analyzed as follows:

(in millions of US\$)	June 30, 2020	December 31, 2019
Maturity 1-2 years <sup>1</sup>	687	245
Maturity 2-3 years <sup>2</sup>	818	1,173
Maturity 3-4 years	153	447
Maturity 4-5 years	190	263
Maturity > 5 years	884	899
Non-current portion of long-term financing	2,732	3,027
Current portion of long-term financing <sup>3</sup>	617	572
Total long-term financing	3,349	3,599
of which:		
Fixed rate	2,577	2,576
Floating rate	772	1,023

1. As of June 30, 2020, this amount includes a €400 million, 5-year, 4.00% coupon unrated senior bond listed on the *Luxembourg Stock Exchange* issued by LDC on February 7, 2017. This senior bond is partially used as a hedging instrument to hedge the net investments in the Euro subsidiaries of the Group.
2. As of June 30, 2020, this amount includes a US\$300 million, 6-year, 5.25% coupon unrated senior bond listed on the *Luxembourg Stock Exchange* issued by LDC on June 13, 2017.
3. As of June 30, 2020, this amount includes a €500 million, 7-year, 4.00% coupon unrated senior bond listed on the *Luxembourg Stock Exchange* issued by LDC on December 4, 2013 (swapped to US Dollars, refer to Note 4.8).

Certain portions of this financing, aggregating US\$90 million as of June 30, 2020 and US\$96 million as of December 31, 2019 are secured by mortgages on assets.  
Certain senior debt and bank loans contain covenants that require maintenance of levels of working capital, net worth, debt to equity ratios, dividend restrictions and limit of indebtedness.

As of June 30, 2020 and December 31, 2019, outstanding long-term financing is denominated in the following currencies:

(in millions of US\$)	June 30, 2020	December 31, 2019
US Dollar	2,900	3,148
Euro	448	450
Other currencies	1	1
Total long-term financing	3,349	3,599

The following is a comparative summary of outstanding long-term financing, current and non-current portions:

(in millions of US\$)	June 30, 2020	December 31, 2019
Bank loans, from 0.70% to 3.0% over LIBOR due through 2022	89	392
Bank loans, from 0.75% to 1.70% over LIBOR due through 2023	49	–
Bank loans, from 0.8% to 2.5% over LIBOR due through 2027	591	570
Bank loans, from 3.10% to 5.00% over TJLP due through 2035	42	59
Other variable rates through 2022	1	2
Fixed rate through 2028	2,577	2,576
Total long-term financing	3,349	3,599

As of June 30, 2020, the main difference between the fair value of long-term financing and its historical value amounts to US\$(4) million. It relates to the unrated senior bonds for which fair value is US\$1,301 million, compared to US\$1,305 million net book value.

Changes in long-term financing for the six-month period ended June 30, 2020 are as follows:

(in millions of US\$)	June 30, 2020
Balance as of January 1	3,599
Proceeds from long-term financing	72
Repayment of long-term financing	(335)
Foreign exchange	(16)
Change in other reserves	(1)
Others	30
Closing balance	3,349

5.3 Non-Current Financial Assets

As of June 30, 2020 and December 31, 2019, non-current financial assets consist of the following:

(in millions of US\$)	June 30, 2020	December 31, 2019
Non-current financial assets at amortized cost	1,142	1,139
<i>Long-term loans to related parties</i>	1,058	1,059
<i>Deposits and others</i>	84	80
Non-current financial assets at fair value through profit and loss	183	178
<b>Non-current financial assets</b>	<b>1,325</b>	<b>1,317</b>

As of June 30, 2020 and December 31, 2019, long-term loans to related parties mainly include a loan granted by LDC to LDCNH in the amount of US\$1,051 million with maturity in 2023.

In 2012, LDC entered into a joint venture agreement for the development and construction of a deep-sea terminal for agricultural commodities in the Taman peninsula in southern Russia (the “Project”). The non-current financial assets at fair value through profit and loss include loans granted to the joint venture partner *Infragos Consortium B.V.*, whose rights and obligations have now been transferred to *Infracis Group Limited* (“IGL”) (the “Loan”). As of June 30, 2020 and December 31, 2019, principal and accrued interests of the Loan total US\$183 million and US\$178 million, respectively.

The Group owns 10% of the shares of the Dutch joint venture vehicle (*Cisagri Holland Cooperatief U.A.*), which is booked under Investments in associates and joint ventures using the equity method. As of June 30, 2020 and December 31, 2019, it amounted to US\$16 million (refer to Note 3.3). The Loan is repayable in cash or convertible into an additional 15% membership interests in the joint venture, and was due at earlier of the terminal completion date or December 31, 2018.

As of September 25, 2020, the Loan has not been repaid and the membership interests have not been transferred to LDC.

The Project is significantly delayed, mainly because land re-zoning approval has not been obtained and there remains significant uncertainty on the completion of the Project.

LDC and IGL have brought claims against each other in arbitration proceedings with the *International Chamber of Commerce* in London. LDC and its legal advisors consider that this arbitration shall not interfere with the Project activities and that LDC has good prospects of success in the arbitration.

The Loan was valued using a discounted cash flow method of future cash flow from the Project, in case of successful completion of the Project, with a finite projection period. Projections rely on market assumptions prevailing at the closing date, which may be subject to further delays or evolution in the future. Material assumptions include construction costs and timing, elevation fees, elevated volume, inflation and foreign exchange. The pre-tax discount rate used reflects current market assessments of the time value of money and the risks specific to the project.

LDC’s legal advisors have confirmed that LDC has a good argument in the arbitration that if the Project is not completed and is frustrated, the Loan and interests would be repayable in cash. However, despite the strength of LDC’s argument, as with all arbitration/ court proceedings, there remains an inevitable element of uncertainty over the conclusion of the arbitration proceedings and recovery of the Loan.

5.4 Short-Term Debt

The Group finances most of its short-term requirements through bank loans, acceptances and commercial paper. The underlying agreements require certain companies to maintain minimum levels of net worth and to meet various liquidity tests.

As of June 30, 2020 and December 31, 2019, short-term debt consists of the following:

(in millions of US\$)	June 30, 2020	December 31, 2019
Commercial paper	253	63
Bank loans	4,239	3,406
Bank overdrafts	98	382
Repurchase agreements	29	38
<b>Total short-term debt</b>	<b>4,619</b>	<b>3,889</b>
<i>of which:</i>		
Fixed rate	1,222	1,312
Floating rate	3,397	2,577

As of June 30, 2020, the table does not include the bank loans held by *LDC Fujian Refined Sugar Co. Ltd.* (Sugar business) amounting to US\$9 million (US\$73 million as of December 31, 2019) as they were reclassified to held for sale liabilities (refer to Note 1.4).

The Group enters into repurchase agreements, which are arrangements involving the sale of securities at a specified price with an irrevocable commitment to repurchase the same or similar securities at a fixed price on a specified future date or with an open maturity.

As of June 30, 2020 and December 31, 2019, there is no significant difference between the historical value of the short-term debt and its fair value.

As of June 30, 2020 and December 31, 2019, the outstanding short-term debt is denominated in the following currencies:

(in millions of US\$)	June 30, 2020	December 31, 2019
US Dollar	4,183	3,176
Chinese Yuan	233	309
Ukrainian Hryvnia	69	97
Indonesian Rupiah	67	87
Euro	16	63
Argentinian Peso	–	68
Russian Ruble	–	12
Other currencies	51	77
<b>Total short-term debt</b>	<b>4,619</b>	<b>3,889</b>

Changes in short-term debt for the six-month period ended June 30, 2020 are as follows:

(in millions of US\$)	June 30, 2020
<b>Balance as of January 1</b>	<b>3,889</b>
Net proceeds from (repayment of) short-term debt	677
Foreign exchange	(11)
Reclassification to held for sale liabilities	64
<b>Closing balance</b>	<b>4,619</b>



Net Proceeds From (Repayments of) Short-Term Debt

This line included changes in repurchase agreements (US\$(9) million) which are reported as changes in derivatives in the consolidated statement of cash flows. This line excluded changes in related parties advances (US\$(39) million) and US\$(17) million of cash contribution made to a life insurance program in the US which are reported as “Net proceeds from (repayments of) short-term debt and related parties loans and advances” in the consolidated statement of cash flows.

Reclassification to Held for Sale Liabilities

As of June 30, 2020, US\$64 million bank loans held by *LDC Fujian Refined Sugar Co. Ltd.* (Sugar business reclassified to held for sale liabilities since December 31, 2019) were repaid (refer to Note 1.4).

5.5 Other Financial Assets at Fair Value Through Profit and Loss

As of June 30, 2020 and December 31, 2019, other financial assets at fair value through profit and loss consist of the following:

(in millions of US\$)	June 30, 2020	December 31, 2019
Financial assets held for trading	71	89
Short-term securities	84	165
Investments in equity instruments	34	160
	189	414

Short-term securities include US\$1 million of securities or cash deposits pledged as collaterals as of June 30, 2020 and December 31, 2019.

As of December 31, 2019, short-term securities also include US\$75 million of US Treasury bills granted as collateral to *Bolsas y Mercados Argentinos S.A.*, which have been sold by June 30, 2020.

The decrease in investments in equity instruments is mostly attributable to *Luckin Coffee* shares (refer to Note 2.3).

5.6 Cash and Cash Equivalents

As of June 30, 2020 and December 31, 2019, cash and cash equivalents are as follows:

(in millions of US\$)	June 30, 2020	December 31, 2019
Cash equivalents	603	417
Cash	976	333
	1,579	750

Cash equivalents include US\$117 million of securities pledged as collateral for exchange as of June 30, 2020 (US\$1 million as of December 31, 2019). The increase is due to securities in Brazil used as guarantees to make transactions in the *B3 S.A.* (Brazilian stock exchange).

As of June 30, 2020 and December 31, 2019, there is no material difference between the historical value of cash and cash equivalents and their fair value.

6. Employees

6.1 Employee Benefits

Short-Term Employee Benefits

For the six-month period ended June 30, 2020, employee expenses related to continuing operations reached US\$371 million (US\$369 million for the six-month period ended June 30, 2019).

Long-Term Employee Benefits

Defined Benefit Plans and Other Long-Term Benefits

The Group maintains pension plans in various countries as prescribed by local laws and customs. The obligations of the Group to pay benefits upon retirement are provided for on an estimated annual basis. The estimates reflect assumptions as to future salary increases, employee turnover and mortality rates. The most significant retirement plans that require funding are in the United States of America (US).

As of June 30, 2020 and December 31, 2019, retirement benefit obligations are as follows:

(in millions of US\$)	June 30, 2020			December 31, 2019		
	US	Other	Total	US	Other	Total
Long-term pension benefit	81	26	107	88	23	111
Post-retirement benefit	20	11	31	20	11	31
Other long-term employee benefits	4	–	4	5	–	5
Retirement benefit obligations	105	37	142	113	34	147
Net plan asset <sup>1</sup>	–	(1)	(1)	–	(1)	(1)

1. Reported in “Trade and other receivables”.

As of June 30, 2020, no actuarial assumptions update was performed for US pension plans contrary to Switzerland and UK ones. The discount rates of Switzerland and UK were respectively increased and decreased generating a US\$1 million gain and a US\$(6) million loss in OCI, decreasing and increasing the liability by the same amounts (refer to Note 5.1).

6.2 Share-Based Payment

In December 2006, the terms of a stock-based compensation arrangement referred to as the Equity Participation Plan (EPP), which is sponsored by LDCH, became operational and the arrangement was fully implemented in December 2007 with the issuance of the first shares relating to the awards. The EPP provides for the grant of securities and options to purchase securities in LDCH (collectively “Awards”) to certain employees of the Group. EPP awards granted to employees of the Group generally vest on a graduated basis over a four-year period. Additional awards have been granted to employees during each first semester starting in 2008, with the corresponding securities and options to purchase securities to be issued during the second semester of the same calendar year.

The Group accounts for the EPP as an equity-settled plan: the fair value of the awards granted, determined at attribution date, is recorded in the consolidated income statement ratably over the vesting period of the awards. The value of the awards granted is not revalued in subsequent periods.

The Group and LDCH have entered into reimbursement agreements under which certain subsidiaries of the Group reimburse LDCH for the awards attributed to their employees. Depending on the reimbursement agreement, the Group is liable for vested awards at attribution or fair value. Amounts due under these reimbursement agreements are recorded by the Group as a distribution of equity to LDCH. Accordingly, amounts payable under the reimbursement agreements give rise to a reclassification from equity to liabilities up to the amount of stock compensation already recorded. Any excess of the amounts due under the reimbursement agreements over the attribution value of the awards is recorded as an additional debit to retained earnings. Certain reimbursement agreements provide for a payment anticipating the accounting vesting schedule and give rise to a prepaid asset. The Group paid US\$28 million to LDCH during the first half of 2020 (US\$20 million during the full year 2019) relating to reimbursement agreements, and recorded a liability of US\$84 million as of June 30, 2020 (US\$95 million as of December 31, 2019).

During 2020, awards granted to employees are of US\$26 million while awards forfeited by employees represent US\$1 million. During the 2020 transfer window period, LDCH purchased shares from employees corresponding to US\$55 million in attribution value bringing the attribution value of outstanding EPP awards granted to employees to US\$154 million. As of December 31, 2019, the attribution value of outstanding EPP awards granted to employees was US\$184 million, of which US\$54 million corresponded to awards granted in 2019, while awards forfeited by employees during 2019 amounted to US\$9 million. During the 2019 transfer window period, LDCH purchased shares from employees corresponding to US\$63 million in attribution value.

As of June 30, 2020, EPP awards fully vested represent US\$68 million and awards vesting ratably over periods ranging from nine months to four years are of US\$86 million. As of December 31, 2019, they were respectively of US\$89 million and US\$95 million vesting ratably over periods ranging from three months to three years.

During the first semester, compensation costs recognized in commercial and administrative expenses are of US\$19 million in 2020 (US\$15 million in 2019).

Unrecognized compensation costs expected to be recognized from 2020 to 2024 are of US\$46 million as of June 30, 2020 and of US\$39 million as of December 31, 2019.

6.3 Number of Employees

The average number of employees related to continuing operations for the six-month periods ended June 30, 2020 and June 30, 2019 is as follows:

	2020	2019
Managers and traders	1,578	1,638
Supervisors	1,381	1,334
Employees	4,006	4,215
Workers	7,197	7,747
Seasonal workers	1,908	2,020
	16,070	16,954

7. Leases and Other Information

7.1 Leases

Right-of-use assets are included within property, plant and equipment. Changes in the net value of right-of-use assets for the six-month period ended June 30, 2020 and for the year ended December 31, 2019 are as follows:

(in millions of US\$)	Notes	June 30, 2020					December 31, 2019	
		Land	Buildings and offices	Machinery and equipment	Vessels	Other tangible assets	Total	Total
Balance as of January 1		89	154	94	13	2	352	303
New leases and additions		8	8	14	7	1	38	86
Early terminations, disposals and decreases		(3)	(1)	(1)	(4)	–	(9)	(12)
Depreciation		(4)	(15)	(15)	(6)	(1)	(41)	(89)
Acquisitions through business combinations	1.3	–	–	–	–	–	–	4
Foreign currency translation adjustment		(1)	–	(1)	–	–	(2)	–
Reclassification to held for sale assets	1.4	–	–	–	–	–	–	(3)
Others		–	–	–	–	–	–	63
Closing balance		89	146	91	10	2	338	352

New Leases and Additions

In 2020, new leases and additions refer mainly to new long-term time charters contracts on vessels, new office space in Shanghai, China, renewal of railcar contracts in the US as well as increase in maturity of agricultural partnerships in Brazil. In 2019, new leases and additions refer mainly to new long-term time charters contracts on vessels, railcar contracts as well as cotton warehouses in the US.

Early Terminations, Disposals and Decreases

In 2020, the decrease in vessels includes US\$(3) million for the remeasurement of contracts resulting from a change in index and US\$(1) million for the early termination of one vessel. The remaining decrease for other class of assets relates mainly to early termination or reduction in maturity of different individual contracts. In 2019, the Group contributed a right-of-use of land into *Tianjin Rongchuan Feed Co., Ltd.* for US\$5 million (refer to Note 3.3). The Group also sold ten grain elevators in Canada, and early-terminated leases for machinery and equipment and other tangible assets used in the disposed facilities, decreasing both the right-of-use and lease liability by US\$7 million.

Acquisitions Through Business Combinations

In December 2019, the Group became lessee of a right-of-use of land through the acquisition of *Louis Dreyfus (Jinzhou) Warehousing Co. Ltd.*

Reclassification to Held for Sale Assets

As of 31 December 2019, the Group classified as held for sale the right-of-use of land located in Fujian, China, for US\$3 million following the decision to sell the entity *LDC (Fujian) Refined Sugar Co. Ltd.*

Others

In 2019, this line includes the reclassification of right-of-use of lands previously included within the Group’s fixed assets for US\$43 million. It also includes US\$20 million of estimated costs in connection with a contingent constructive obligation for decommissioning a leased land, which were recognized against a provision (refer to Note 3.6).

Lease liabilities are included within long-term debt and current portion of long-term debt. Changes in lease liabilities for the six-month period ended June 30, 2020 and for the year ended December 31, 2019 are as follows:

(in millions of US\$)	June 30, 2020			December 31, 2019		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Balance as of January 1	242	65	307	241	60	301
New leases and additions	25	13	38	54	36	90
Payments	–	(33)	(33)	–	(76)	(76)
Early terminations, disposals and decreases	(2)	(7)	(9)	–	(7)	(7)
Reclassification	(25)	25	–	(53)	53	–
Foreign exchange	(11)	–	(11)	–	(1)	(1)
Foreign currency translation adjustment	(1)	(1)	(2)	–	–	–
Closing balance	228	62	290	242	65	307

As of June 30, 2020 and December 31, 2019, the maturity of the non-current lease liabilities were analyzed as follows:

(in millions of US\$)	June 30, 2020	December 31, 2019
Maturity 1-2 years	46	49
Maturity 2-3 years	32	34
Maturity 3-4 years	23	25
Maturity 4-5 years	19	19
Maturity > 5 years	108	115
Non-current portion of lease liabilities	228	242

Notes Continued

The amounts recognized in the consolidated income statement for the six-month periods ended June 30, 2020 and June 30, 2019 are as follows:

(in millions of US\$)	2020	2019
Variable lease expenses	(2)	(2)
Short-term lease expenses	(104)	(112)
Low-value asset lease expenses	–	–
Income from sub-leasing right-of-use assets	23	39

As of June 30, 2020, the total cash outflow for leases amounts to US\$139 million (US\$146 million as of June 30, 2019).

7.2 Commitments and Contingencies

Commitments

As of June 30, 2020 and December 31, 2019, the Group has commitments to purchase or sell non-trading commodities that consist of the following:

		June 30, 2020			December 31, 2019	
(in millions of US\$)	Quantities' unit	Quantities	Estimated amount	Maturity	Quantities	Estimated amount
<b>Commitments to purchase</b>						
Raw sugar	Ktons	94	52	2021	68	38
Orange boxes <sup>1</sup>	Million boxes	91	364	2029	57	332
Fuel	MMbtus <sup>2</sup>	5	15	2021	7	17
Other	Ktons	–	–	–	1	4
		431			391	
<b>Commitments to sell</b>						
Refined sugar	Ktons	482	356	2021	493	391
Hulls and glycerin	Ktons	50	19	2021	48	18
Frozen concentrate orange juice	Ktons	176	292	2022	144	241
Not-from-concentrate citrus juice	Ktons	424	204	2022	404	199
Juice by-products	Ktons	22	46	2022	20	45
Apple juice	Ktons	17	21	2022	26	30
		1,171	938		1,135	924

1. Of which US\$100 million may fall in the following 12 months.  
2. Million British Thermal Units.

In addition, the Group has the following non-trading commodities commitments:

(in millions of US\$)	June 30, 2020	December 31, 2019
	Estimated amount	Estimated amount
<b>Commitments given</b>		
Letters of credit	448	536
Bid and performance bonds	77	97
Capex commitments	81	83
Guarantees given	131	78
Other commitments	14	13
	751	807
<b>Commitments received</b>		
Guarantees and collaterals received	482	429
	482	429

Capex commitments are mainly related to investments in export terminals.

Contingencies

Audits from local tax authorities are carried out regularly and may dispute positions taken by the Group, in particular those regarding the allocation of income among various tax jurisdictions, value added taxes or export taxes. In accordance with its accounting policies, the Group may decide to record provisions when tax-related risks are considered probable to generate a payment to tax authorities.

During past years, *LDC Argentina S.A.* received several tax assessments challenging transfer prices used to price exports for different years between 2005 and 2012. As of June 30, 2020, these tax assessments amounted to US\$50 million, compared to US\$55 million as of December 31, 2019. *LDC Argentina S.A.* could receive additional tax notifications for subsequent years. During the first half of 2020, *LDC Argentina S.A.* received a notification from the Supreme Court declaring null and void the tax assessments received in 2007 and 2008 in connection with differences in export taxes and which amounted to US\$90 million as of December 31, 2019. Therefore the case is extinguished. In addition, *LDC Argentina S.A.* has received several tax assessments challenging certain custom duties related to Paraguayan soybean imports totaling US\$41 million for the years from 2007 to 2009. Other large exporters and processors of cereals and other agricultural commodities have received similar tax assessments in this country. As of June 30, 2020, *LDC Argentina S.A.* has reviewed the evaluation of all its tax positions. Based upon Argentine tax law as well as advice from its legal counsel, *LDC Argentina S.A.* still considers that its tax positions are suitable. However, *LDC Argentina S.A.* cannot predict the ultimate outcome of these ongoing or future examinations.

*Louis Dreyfus Company LLC* (LDC LLC) and certain of its affiliates (including LDC) were named as defendants in a consolidated action in US federal court in New York alleging manipulation and artificial inflation of the ICE Cotton No. 2 futures contracts for May 2011 and July 2011. The plaintiffs have proposed to bring the action as a class action. The defendants have filed an answer denying the claims in the action. The defendants have filed motions for summary judgment on the claims in the class action as well as motions to exclude the testimony of certain of plaintiffs’ experts. Those motions are pending. No trial date has been scheduled in the case. This matter is in pre-trial proceedings and the Company cannot predict its ultimate outcome.

LDC LLC and one of its subsidiaries were named as defendants in lawsuits pending in various US state and federal courts arising out of *Syngenta A.G.* and its affiliates’ (Syngenta) marketing and distribution of genetically modified corn seed (containing the MIR 162 trait) in the US. The LDC companies and other grain companies were named as defendants in numerous individual and purported class action suits filed by farmers and other parties in several US state and federal courts beginning in the fourth quarter of 2015, alleging that the LDC companies and other grain companies were negligent in failing, among other things, to screen for genetically modified corn. Those actions (other than the action filed in federal and state courts in Illinois) were consolidated for pretrial proceedings in a multidistrict litigation (MDL) proceeding in federal court. In 2016 and 2017, the MDL court and the federal and state courts in Illinois granted motions to dismiss the claims against the LDC companies and the other grain companies in all cases where LDC companies were named as defendants. Although named as a defendant in the above-described cases, LDC was only required to respond to the complaint in one of the cases and was dismissed on the same grounds as LDC LLC. Plaintiffs have the right to appeal the dismissals of those actions.



In December 2018, approximately 170 new cases were filed by farmers and other parties naming LDC LLC, one of its subsidiaries and LDC, as defendants and making similar allegations as in the cases described above. In January 2020, these cases against the LDC defendants were dismissed. The plaintiffs have the right to appeal the dismissal of those cases.

In October 2016, a subsidiary of LDC LLC brought an action in US federal court against Syngenta for damages arising out of Syngenta’s marketing and distribution of genetically modified corn seed (containing the MIR 162 trait) in the US. The action sought damages in excess of US\$30 million. Syngenta moved to dismiss the action, which the court granted in part. This case and a related case brought by other LDC companies in Minnesota state court have been dismissed with prejudice pursuant to a confidential settlement agreement with Syngenta entered into by LDC LLC and other LDC companies that were plaintiffs in the two cases.

In 2017, Syngenta filed claims in federal and state court in Illinois and in state court in Iowa against LDC companies and other grain companies seeking indemnification or contribution for any damages recovered by the plaintiffs in the underlying actions relating to Syngenta’s marketing and distribution of genetically modified corn. The LDC defendants, along with other grain companies, moved to dismiss the actions. The claims by Syngenta have been dismissed with prejudice pursuant to the confidential settlement agreement described above.

There are various claims and ongoing regulatory investigations asserted against and by the Group that, in the opinion of counsel, based on a review of the present stages of such claims in the aggregate, should not have a material effect on the Group’s financial position or future operating results.

7.3 Related Parties Transactions

Transactions with related parties for the six-month periods ended June 30, 2020 and June 30, 2019 are as follows:

Income statement (in millions of US\$)	2020	2019
Sales <sup>1</sup>	56	61
Cost of sales <sup>1</sup>	(353)	(414)
Commercial and administrative expenses	2	4
Finance costs, net	29	30

As of June 30, 2020 and December 31, 2019, outstanding balances with related parties are as follows:

Balance sheet (in millions of US\$)	June 30, 2020	December 31, 2019
Non-current financial assets at amortized cost	1,058	1,059
Financial advances to related parties	7	5
Trade and other receivables <sup>1</sup>	371	307
Derivative assets	3	19
Total assets	1,439	1,390
Financial advances from related parties	158	184
Trade and other payables <sup>1</sup>	420	293
Derivative liabilities	1	–
Total liabilities	579	477

1. Mainly correspond to transactions with associates and joint ventures and/or with *Biosev* (a Brazilian company, indirect subsidiary of LDCH and listed on the Brazilian stock exchange).

As of June 30, 2020 and December 31, 2019, other financial assets at fair value through profit and loss comprises a loan granted by LDC to LDCNH in the amount of US\$1,051 million with maturity in 2023.

Financial advances from related parties comprises financing from LDCH of US\$158 million as of June 30, 2020 (US\$184 million as of December 31, 2019), including a liability relating to reimbursement agreements with LDCH of US\$84 million as of June 30, 2020 (US\$95 million as of December 31, 2019) (refer to Note 6.2).

7.4 Subsequent Events

On August 7, 2020, the Group finalized the sale of its 67% share in *LDC (Fujian) Refined Sugar Co. Ltd.* to the minority shareholder *Zhangzhou Baiyulan Refined Sugar Company*.

7.5 List of Main Subsidiaries

As of June 30, 2020 and December 31, 2019, the main subsidiaries of LDC that are consolidated are the following:

Company	Country	June 30, 2020		December 31, 2019	
		% of control	% of ownership	% of control	% of ownership
LDC Argentina S.A.	Argentina	100.00	100.00	100.00	100.00
LDC Enterprises Australia Pty. Ltd.	Australia	100.00	100.00	100.00	100.00
Ilomar Holding N.V.	Belgium	100.00	100.00	100.00	100.00
Louis Dreyfus Company Brasil S.A.	Brazil	100.00	100.00	100.00	100.00
Louis Dreyfus Company Sucos S.A.	Brazil	100.00	100.00	100.00	100.00
Macrofértil - Indústria e Comércio de Fertilizantes S.A.	Brazil	100.00	100.00	100.00	100.00
Louis Dreyfus Company Canada ULC	Canada	100.00	100.00	100.00	100.00
Louis Dreyfus Company Yorkton Trading LP	Canada	100.00	100.00	100.00	100.00
Dongguan LDC Feed Protein Company Ltd.	China	100.00	100.00	100.00	100.00
LDC (China) Trading Company Ltd.	China	100.00	100.00	100.00	100.00
LDC (Fujian) Refined Sugar Co. Ltd. <sup>1</sup>	China	67.00	67.00	67.00	67.00
LDC (Tianjin) Food Technology Limited Liability Company	China	100.00	100.00	100.00	100.00
LDC (Tianjin) International Business Company Ltd.	China	100.00	100.00	100.00	100.00
Louis Dreyfus (Shanghai) Co. Ltd.	China	100.00	100.00	100.00	100.00
Louis Dreyfus Company Colombia S.A.S.	Colombia	100.00	100.00	100.00	100.00
Louis Dreyfus Company Distribution France S.A.S.	France	100.00	100.00	100.00	100.00
Louis Dreyfus Company Wittenberg GmbH	Germany	100.00	100.00	100.00	100.00
Louis Dreyfus Company India Pvt. Ltd.	India	100.00	100.00	100.00	100.00
PT LDC East Indonesia	Indonesia	100.00	100.00	100.00	100.00
PT LDC Indonesia	Indonesia	100.00	100.00	100.00	100.00
Louis Dreyfus Company Kenya Ltd.	Kenya	100.00	100.00	100.00	100.00
Louis Dreyfus Company Mexico S.A. de C.V.	Mexico	100.00	100.00	100.00	100.00
LDC Food Innovation B.V.	Netherlands	100.00	100.00	100.00	100.00
Louis Dreyfus Company Juices B.V.	Netherlands	100.00	100.00	100.00	100.00
Louis Dreyfus Company Logistics Holland B.V.	Netherlands	100.00	100.00	100.00	100.00
Louis Dreyfus Company Sugar B.V.	Netherlands	100.00	100.00	100.00	100.00
LDC Paraguay S.A.	Paraguay	100.00	100.00	100.00	100.00
Louis Dreyfus Company Polska SP. z.o.o.	Poland	100.00	100.00	100.00	100.00
Louis Dreyfus Company Senegal	Senegal	100.00	100.00	100.00	100.00
Louis Dreyfus Company Asia Pte. Ltd.	Singapore	100.00	100.00	100.00	100.00
Louis Dreyfus Company Freight Asia Pte. Ltd.	Singapore	100.00	100.00	100.00	100.00
Louis Dreyfus Company Africa Pty. Ltd.	South Africa	100.00	100.00	100.00	100.00

Company	Country	June 30, 2020		December 31, 2019	
		% of control	% of ownership	% of control	% of ownership
Louis Dreyfus Company España S.A.	Spain	100.00	100.00	100.00	100.00
Louis Dreyfus Company Juices Suisse S.A.	Switzerland	100.00	100.00	100.00	100.00
Louis Dreyfus Company Suisse S.A.	Switzerland	100.00	100.00	100.00	100.00
Louis Dreyfus Company Ukraine Ltd.	Ukraine	100.00	100.00	100.00	100.00
LDC Trading & Service Co. S.A.	Uruguay	100.00	100.00	100.00	100.00
Imperial Sugar Company	US	100.00	100.00	100.00	100.00
Louis Dreyfus Company Agricultural Industries LLC	US	100.00	100.00	100.00	100.00
Louis Dreyfus Company Claypool Holdings LLC	US	100.00	100.00	100.00	100.00
Louis Dreyfus Company Cotton LLC	US	100.00	100.00	100.00	100.00
Louis Dreyfus Company Ethanol Merchandising LLC	US	100.00	100.00	100.00	100.00
Louis Dreyfus Company Grains Merchandising LLC	US	100.00	100.00	100.00	100.00
Louis Dreyfus Company Grand Junction LLC	US	100.00	100.00	100.00	100.00
Louis Dreyfus Company LLC	US	100.00	100.00	100.00	100.00
Louis Dreyfus Company Oilseeds Merchandising LLC	US	100.00	100.00	100.00	100.00
Louis Dreyfus Company Port Allen Elevator LLC	US	100.00	100.00	100.00	100.00
Louis Dreyfus Company River Elevators LLC	US	100.00	100.00	100.00	100.00
Louis Dreyfus Company Trading LP	US	100.00	100.00	100.00	100.00
Term Commodities Inc.	US	100.00	100.00	100.00	100.00

1. LDC (Fujian) Refined Sugar Co. Ltd was classified as held for sale in December 2019. The sale was closed on August 7, 2020 (refer to Note 7.4).

# Corporate Governance

## Supervisory Board

Louis Dreyfus Company Holdings B.V.

**Margarita Louis-Dreyfus**  
Non-Executive Chairperson

**Michel Demaré**  
Deputy Chairman

**Mehdi El Glaoui**  
**Andreas Jacobs**  
**Marwan Shakarchi**  
**Victor Balli**

## Supervisory Board Committees

### Audit Committee

**Victor Balli** Chairperson  
**Mehdi El Glaoui**  
**Michel Demaré**

### Strategy Committee

**Michel Demaré** Chairperson  
**Margarita Louis-Dreyfus**  
**Andreas Jacobs**  
**Marwan Shakarchi**

### Compensation, Nomination and Governance Committee

**Mehdi El Glaoui** Chairperson  
**Michel Demaré**  
**Margarita Louis-Dreyfus**

## Managing Board

Louis Dreyfus Company Holdings B.V.

**Maurice Kreft**  
**Johannes Schol**

Louis Dreyfus Company B.V.

**Ian McIntosh**  
**Johannes Schol**



## Executive Group

**Ian McIntosh**  
Chief Executive Officer

**Guy-Laurent Arpino**  
Chief Information Officer

**Keir Ashton**  
Group General Counsel

**Enrico Biancheri**  
Head, Sugar Platform

**Tim Bourgois**  
Global Trading Manager,  
Cotton Platform

**Miguel Catella**  
Head, Global Markets

**Ben Clarkson**  
Head, Coffee Platform

**Thomas Couteaudier**  
Head, South & Southeast Asia Region  
Head, Innovation & Downstream

**Jean-Marc Foucher**  
Executive Chairman of the Board of  
Ilomar Holding

**Tim Harry**  
Global Head, Business Development

**Adrian Isman**  
Head, North America Region,  
Chairman of the Board, Calyx Agro Ltd.

**Michael Gelchie**  
Deputy Chief Executive Officer

**Sebastien Landerretche**  
Head, Freight Platform

**Guy de Montulé**  
Head, Rice Platform

**Joe Nicosia**  
Head, Cotton Platform

**Murilo Parada**  
Head, Juice Platform  
Head, North Latin America Region

**Javier Racciatti**  
Head, Grains & Oilseeds Strategic  
Trading Unit

**André Roth**  
Head, Grains & Oilseeds Platform  
Chairman, North Latin America Region

**Jessica Teo**  
Global Head of Human Resources

**Patrick Treuer**  
Chief Financial Officer

**James Zhou**  
Head, North Asia Region



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