Annual Report and Audited Consolidated Financial Statements

2019

Transformation Taking Shape

Unless otherwise indicated, "Louis Dreyfus Company", "LDC", "Group", "Louis Dreyfus Company Group" and related terms such as "our","we", etc. used in this Annual Report refers to the Louis Dreyfus Company B.V. Group.

Contents

2019 at a Glance

February
Announced investment in ingredient innovation company *Motif FoodWorks*

March


First new eco-efficient vessel delivered

April
Cornerstone investment in *Leong Hup International* IPO

April


Pre-IPO investment in *Luckin Coffee* and roasting JV agreement

May
Inaugurated new coffee warehouse in Matipó, Brazil

May


Start of construction on aquatic feed JV in Tianjin, China

August
Chef Fu cooking oil brand launch in China

August


Investment in new railcars for grain exports in Ukraine

September
JV agreement to launch *Luckin Juice* business in China

November


Mastergold cooking oil brand launch in China

December
All regional syndicated Revolving Credit Facilities renewed with sustainability-linked mechanisms

Financial Highlights

Net Sales
US$33.6 billion
(US$36.0 billion in 2018)

Segment Operating Results[1]
US$956 million
(US$1,314 million in 2018)

EBITDA[2] From Continuing Operations
US$836 million
(US$1,064 million in 2018)

Net Income – Continuing Operations
US$227 million
(US$334 million in 2018)

Net Income, Group Share
US$230 million
(US$364 million in 2018)

1 Gross margin plus share of income in associates and joint ventures.

2 Earnings Before Interest, Taxes, Depreciation & Amortization.

Our Business at a Glance

Transportation

- Fluvial freight
- Ocean freight
- Railcars
- Road haulage

Textiles and Fibers

- Ginned cotton
- Raw or seed cotton

Food and Beverages

- Cereals
- Citrus oils & aromas
- Coffee
- Dry peel
- Edible oils
- Fruit juices
- Pulses
- Rice
- Sugar

New Proteins and Ingredients

Pharmaceuticals and Cosmetics

- Citrus oils & aromas
- Coconut Fatty Acid Distillate
- Crude coconut and peanut oils
- Glycerin
- Lecithin
- Palm soap noodles & bars
- Tocopherol

Animal Feed and Pet Food

- Aquatic feed
- Canola, cottonseed, peanut, rapeseed and soybean meals
- Citrus pulp pellets
- Distillers Solubles
- Dried Distillers Grains with Solubles
- Feed barley
- Feed grains
- Glycerin
- Lecithin
- Molasses
- Palm Kernel Expellers
- Pet food
- Soybean hulls

Bioenergy

- Biodiesel
- Ethanol
- Palm Fatty Acid Distillate

Brand Evolution at a Glance

As we move further downstream and closer to consumers, we are building our brand portfolio, with four major brands launched in China in 2019.

Some of our existing brands

Name: *Vila Velha*
Product: Cooking oil
Date of acquisition: 1979
Key distribution market: Brazil
Target customers: Consumers

Name: *Bella Luna*
Product: Rice
Date of launch: 2012
Key distribution markets: Africa, Middle East, South Asia
Target customers: Consumers

Name: *Dixie Crystals*
Product: Sugar
Date of acquisition: 2012
Key distribution market: US
Target customers: Consumers

Name: *Imperial Sugar*
Product: Sugar
Date of acquisition: 2012
Key distribution market: US
Target customers: Consumers

Name: *Allsome*
Product: Rice
Date of acquisition: 2013
Key distribution market: South Africa
Target customers: Consumers

Name: *Macrofertil*
Product: Fertilizers
Date of launch: 2013
Key distribution market: Latin America
Target customers: Farmers

Name: *Macro Protect*
Product: Crop protection
Date of launch: 2013
Key distribution market: Latin America
Target customers: Farmers

Name: *Macro Seed*
Product: Seeds
Date of launch: 2013
Key distribution markets: Africa, Latin America
Target customers: Farmers

Name: *Canitos*
Product: Pet food
Date of acquisition: 2014
Key distribution market: Brazil
Target customers: Consumers

Name: *Fellina*
Product: Pet food
Date of acquisition: 2014
Key distribution market: Brazil
Target customers: Consumers

Name: *Kowalski*
Product: Corn-based products
Date of acquisition: 2014
Key distribution market: Brazil
Target customers: Food and feed industries

Name: *Xodómilho*
Product: Corn-based flours
Date of acquisition: 2014
Key distribution market: Brazil
Target customers: Consumers

Name: *Zephyr Green Coffee*
Product: Specialty coffees
Date of launch: 2014
Key distribution market: US
Target customers: Specialty roasters

Name: *Valdor*
Product: Cooking oil
Date of launch: 2015
Key distribution market: West Africa
Target customers: Consumers

Launched in 2019

Name: *Chef Fu*
Product: Cooking oil
Key distribution market: China
Target customers: Restaurants and other food outlets

Name: *Fu Bai Xiang*
Product: Cooking oil
Key distribution market: China
Target customers: Restaurants and other food outlets

Name: *Hong Fu Le*
Product: Cooking oil
Key distribution market: China
Target customers: Restaurants and other food outlets

Name: *Mastergold*
Product: Cooking oil
Key distribution market: China
Target customers: Consumers

Merchants of the Future

Embracing a New Reality

Message From Our Chairperson

2019 proved to be one of the most challenging years in recent times and witnessed some of the fundamental shifts taking place in the world and within our sector.

Our new reality is one of higher global volatility, political unpredictability, changing consumer trends and a ticking clock on environmental issues on a planetary scale. To this we add unpredictable events such as extreme weather patterns, epidemics and natural disasters, on a regional or global level.

In early 2020, *World Economic Forum* meetings in Davos, Switzerland, focused on how all global society stakeholders – including governments and international institutions, but also the private sector – must work collaboratively toward a more sustainable world. This is aligned with our convictions.

As a company with a long heritage, a long-term vision and a proven capacity to adapt to change over almost 170 years, Louis Dreyfus Company (LDC) is embracing this new reality, and our role in driving global sustainable development, with a stronger and more urgent ambition than ever.

A Sustainable Business Model

Our vision to work toward a safe and sustainable future, contributing to the global effort to feed a growing world population, and our company purpose to create fair and sustainable value, for the benefit of current and future generations, are more relevant and pressing than ever today.

Built on these foundations, LDC's transformative business strategy is the priority for management and employees across the Group, and advanced well in 2019.

As you will read in this report, LDC also posted resilient financial results for the year despite the challenges. These are very positive outcomes, and essential to our ability to invest in our strategy and grow for the future.

Keeping our purpose top-of-mind – in every day actions and decisions – is key to our success in building a sustainable business model. At the same time, we know we cannot succeed alone and, as we drive sustainable sourcing and responsible practices across our business and value chains, we work alongside a broad cross-section of stakeholders, from farmers and customers, to expert organizations, governments and peers.

Through partnership, we multiply the reach and impact of our efforts, accelerate our work to train thousands of smallholder farmers, certify products and operations, and eradicate poor practices from our supply chain. This is important, as we expand monitoring and third party validation in areas like deforestation, conservation and respect for human rights in our supply chains.

By running our business fairly and sustainably, customers and consumers can be confident in the products they buy and the company they buy from, and we can continue to be a positive force for our people, partners and planet.

Looking Ahead

LDC has a clear strategy for transformation and the capabilities necessary to make that strategy a reality over the months and years to come. We will see more evidence of this in 2020. We will also see the first benefits of the initiative launched in 2019, with support from the Board, to adapt LDC's cost base to new realities and ensure a solid foundation for growth.

The completion in early 2019 of the shareholding consolidation of LDC's parent company *Louis Dreyfus Holding B.V.* is also important for LDC, as it secures the flexibility to engage with strategic partners at Group level, who could bring further value to the business and make LDC even stronger. There is no timeline for such a move, but the confirmation of a strategy envisioned since 2009 that now has the potential to become reality.

Along with fellow members of the Board, I am fully confident that LDC will navigate whatever the future brings, contribute to solutions and continue to transform for the long-term.

I take this opportunity to thank the Board, LDC's management and all our employees for the conviction, dedication and engagement they bring to the company every day, and without whom we could not succeed, as well as our customers and many partners around the world, who are fundamental to our continued success.

Margarita Louis-Dreyfus
Chairperson

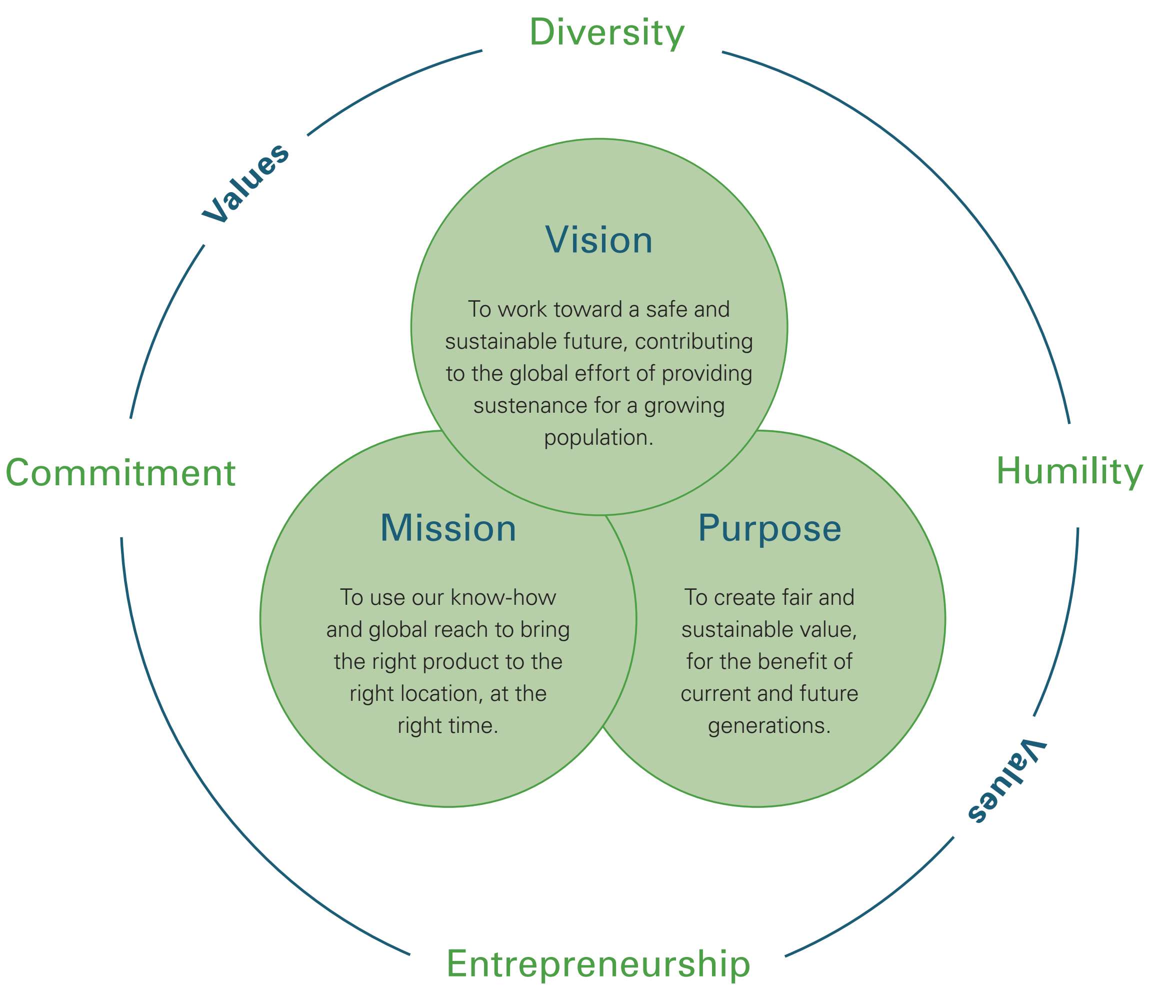
Our Identity

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.



Message From Our CEO

Notwithstanding a challenging environment, we demonstrated again that our historic ability to adapt to ever-changing circumstances is a key ingredient of our success.

LDC's agility has positioned us as a global leader for almost 170 years and I am pleased to say that our focus on executing our transformative business strategy, while adapting to increased global volatility and unpredictability in our environment, served us well in 2019.

In line with our company vision and purpose, our strategic roadmap is driving transparency, traceability and sustainability across our business. This is not only the right thing to do, but also an essential component of long-term success, as we address increasingly urgent global challenges.

Year in Perspective

We faced a difficult commercial environment in 2019: African swine fever, geopolitical instability, continuing US-China trade tensions, and general oversupply affecting markets. Toward the end of the year, we set in motion steps to adjust our organization to this context and the new global reality, mentioned by our Chairperson in her message.

Despite the challenges, LDC delivered resilient results for the year, supported by our diversified portfolio and broad geographic footprint, with segment operating results at US$956 million, net income Group share at US$230 million and a solid balance sheet. All platforms delivered positive results, and we continued to invest selectively as we pursued strategy implementation, investing over US$400 million to support our business ambitions. This included investments in initial public offerings (IPOs), joint ventures, logistics, technology, and safety, health and environmental improvements across the business.

While overall results were lower than 2018, LDC put in a solid performance, made the right strategic decisions and took the first steps to adjust its cost base, without losing focus on our transformation plans and future growth trajectory.

Strategy in Action

The objective of our transformational strategy is to "become the value chain", by which we mean integrating more of the agriculture and food value chain, adding more value ourselves on the journey from farm to consumer. In addition to multiplying the stages at which we capture opportunity, greater vertical integration and diversification facilitate risk management and control, and create the chance to drive traceability and sustainability across our value chains.

In 2019, we accelerated this process, to varying degrees in different businesses, building on our core trading and merchandizing expertise acquired over our long history.

Strengthening Our Edge in Trading
We continued to build excellence in trading, investing in our fundamental quantitative and qualitative research and analysis capabilities, trading talent and origination capacity, including improving smallholder farming practices and investing in logistics, such as railcars in Ukraine and northern export routes in Brazil.

Increasing Focus on Vertical Integration
Our plans advanced well, notably in China, through our strategic alliance with *Luckin Coffee* to distribute juice and produce roasted and ground coffee in the country, and the launch of several branded cooking oils.

Diversifying Revenue Through Value-Added Products
We began building our joint venture aquatic feed mill in China, and made positive gains from IPO investments in complementary partners in Asia, like leading poultry and feed producer, *Leong Hup International*, in Malaysia, and leading coffee retail chain, *Luckin Coffee*, in China.

Investing in Innovation
We continued to invest in technologies with the potential to address the world's 'protein gap' – for instance bioengineering, through ingredient innovation company *Motif FoodWorks*.

Creating a Sustainable Future

As I mentioned, our strategy is about developing a business model that integrates transparency, sustainability and traceability at all stages of our activities, and we made many positive strides in 2019.

For example, we began public reporting on soy sourced from Brazil's Cerrado biome and worked hard as part of multi-stakeholder groups, such as the *Tropical Forest Alliance* and the *World Business Council for Sustainable Development*, to advance sector initiatives even further. In palm, we achieved over 97% traceability to mill for all sourcing. We also integrated our first new eco-efficient vessel into LDC's chartered fleet, linked our regional syndicated Revolving Credit Facilities with our environmental performance, and reinforced our governance structure for environmental and human rights issues.

I firmly believe that we have the right strategy to position LDC as a key player for the future, with the competitive advantage of a vision for more sustainable agriculture and food production that aligns with the convictions of customers, consumers and other key stakeholders.

I would like to thank our people for their dedication and essential contributions, as well as our partners and stakeholders for their commitment to LDC. These are challenging and exciting times, and I look forward to working together for shared and sustainable success, in 2020 and beyond.

Ian McIntosh
Chief Executive Officer

Ingredients for Success

We strengthened our environmental commitment in 2019

Colleagues in Wilton, Connecticut, US

Our success depends on key ingredients, developed over almost 170 years, that have made LDC the company it is today:

- Sustainability
- People
- Industrial Excellence
- Customer Relationships
- Innovation
- Financial Profile
- Risk Management
- Ethics and Compliance

Sustainability

As a global merchant and processor of agricultural goods, we are at the vanguard of the global effort to feed a growing population over the long term. As such, sustainability is an integral part of the way we envisage and manage our business.

In 2019, we introduced new mechanisms, processes and structures to further embed sustainability and accountability into our business:

- We were one of six leading commodity companies to begin public reporting on soy sourced from Brazil's Cerrado biome, thereby participating in the global dialogue on soy traceability and raising expectations for accountability and transparency within the industry.
- We set up a Human Rights Committee and an Environmental Committee as part of LDC's governance structure. Members are LDC senior leaders, including our CEO, signaling commitment from the highest level of the company. The committees held their inaugural sessions in Geneva, Switzerland, in December 2019.
- We strengthened our environmental commitment by renewing our syndicated Revolving Credit Facilities with sustainability-linked interest rate incentives, related to our environmental performance (see page 29 for more details). The better we perform toward our environmental goals, the lower the cost of financing.

People

Our people are at the heart of our success, and we invest in attracting, retaining and developing the best available talent, with a strong focus on diversity and inclusion.

Consistent with our commitment to diversity and inclusion, our people represent a wide variety of cultural and professional backgrounds. In 2019, we renewed this commitment by establishing a corporate plan for an even more diverse and inclusive LDC.

As part of this, we held training workshops across our regions about unconscious bias and inclusive leadership, and conducted a thorough exercise to help us become more transparent and inclusive in our people management processes.

Based on our company heritage, our people also share a strong sense of entrepreneurship, and a commitment to pass on their expertise to the next generation of employees. As part of our Trading Academy, we delivered programs where senior traders had the opportunity and responsibility to train new trading employees.

Seven new cohorts joined our Leadership Academy, which equips managers to continue our tradition as entrepreneurs and industry leaders, developing their skills through customized programs.

We also built up our digital learning resources in 2019, with over 100 new online courses covering topics from big data, project management and critical thinking, to interpersonal and leadership skills.

Safety, Health and Environment specialists at work in Claypool, Indiana, US

Building trusted relationships since 1851

Industrial Excellence

While continually striving to enhance asset performance and product quality, our priority remains to ensure the safety and wellbeing of our people, and to preserve the environment and natural resources we all depend on.

Our Safety, Health and Environment (SHE) Program works to guarantee that wherever they are in the world, LDC employees and contractors carry out their work safely and with minimal impact on the environment and communities around our operations.

In 2019, we continued to invest in making our industrial facilities ever safer, and more efficient and environmentally friendly. Our SHE capital expenditure rose to US$28 million, bringing our allocation over the past five years to over US$132 million.

We also conducted our first global SHE Culture Survey to give employees a say in the way we manage SHE at LDC. This recognized the essential role our employees play in ensuring a workplace and culture focused on SHE. More than 6,000 employees responded anonymously, helping to identify areas for improvement that will be the focus of our 2020 SHE strategy.

Safety

Developed to manage the safe maintenance and operation of our industrial activities, our Process Safety Program ensures that we use the right resources, skills and knowledge to help prevent incidents such as fires, explosions, collapses and harmful emissions, and that we make changes to processes where needed.

As part of our global commitment to achieving a 'zero incident' workplace, we held safety leadership training at all our industrial assets in 2019 to reinforce our safety culture.

Our performance in terms of safety key performance indicators (KPIs) for workplace injuries continued to show an encouraging trend over the 2015-2019 period. We will report on this extensively in our upcoming 2019 Sustainability Report.

Environment

We remained largely on track to achieve LDC's five-year target of reducing our environmental footprint by 5% between 2018 and 2022. Compared with baseline measurements from 2018, 2019 recorded a downward trend in the right direction across all four environmental KPIs. Details and examples of how these results were achieved will be presented in further depth in our upcoming 2019 Sustainability Report.

SHE Day

In 2019, we celebrated the 10th anniversary of our annual SHE Day event, held at all assets and offices to encourage every person working for and with us, to take personal responsibility for SHE. More than 11,000 employees, 3,000 contractors and other visitors took part, making it the best-attended SHE Day ever.

Quality and Food Safety

As part of our commitment to product quality, each of our business lines has quality measures and managers in place to ensure we meet customers' requirements, including grade and quality specifications for commodity orders. In some regions, we are members of trade associations that impose industry quality standards, such as the *National Oilseeds Processors Association* in the US.

LDC's Quality and Food Safety team develops and implements our quality standards, systems and procedures. As part of our strategy to move closer to end consumers, in 2019 we strengthened this function globally to ensure we apply best practices in all our manufacturing facilities, aiming to secure relevant quality and food safety certifications for our operations and products. For example, we successfully obtained FSSC 22000 food safety certification for our *Kowalski* facility in Rio Verde, Goiás State, Brazil.

Customer Relationships

As we pursue our strategy to move further downstream in the value chain, reinforcing our profile as a trusted, visible partner to customers and consumers is key to our success.

Understanding our customers and consumers is fundamental to anticipate trends and needs in today's complex food and nutrition landscape, and to ensure that we respond with relevant solutions and products.

We moved closer to our customers and consumers in 2019 in a number of ways:

- We launched our high-end,non-GMO cooking oil brand, *Mastergold*, responding to Chinese consumer demand for premium food and drinks, and offering transparency in how they were produced (see page 28 for details).
- We entered into partnerships that complement our own expertise with consumer knowledge and distribution networks, such as our joint venture agreements with Chinese retail chain *Luckin Coffee*, to produce high-quality coffee and juices (see page 27 for details).

We are investing in food innovation to address the world's 'protein gap'

We maintain a sound, flexible financial profile

- Responding to growing demand for alternative proteins and sustainable ingredients, we announced our investment in ingredient innovation company *Motif FoodWorks*, and advanced our move into aquatic feeds with *Guangdong HAID Group Co. Ltd.* to support aquaculture as an alternative source of protein (see pages 28 and 27, respectively, for details).

- We regularly leveraged trade events, meetings and other opportunities to dialogue with customers, build relationships and understand how to enhance or tailor our offering to meet their needs.

Innovation

Innovation is essential to position LDC for the future, whether by exploring opportunities to address the world's "protein gap" with innovative food and agriculture solutions or by investing in technologies that impact the agri-commodity and food value chain.

Food Innovation

As the population rises and demographics change, the world needs more food and people are consuming more protein. This puts pressure on finite natural resources and contributes to climate change and related risks, as limited arable land and production yields are expected to fail to meet increased demand. And despite persistent food safety and security challenges, as millions of people continue to go hungry, suffer malnutrition or fall ill due to contaminated food, an estimated one third of the food produced for human consumption is lost or wasted.[1]

In addressing these critical challenges, time is of the essence: the world's food and agriculture system needs new solutions, now. Some of these could take the form of new and sustainable proteins – innovative plant-based alternatives, or proteins derived from insects, algae, microbiology and food waste.

Another avenue is innovation in technologies that facilitate agricultural production, food safety and quality control, and supply chain traceability, for which consumers are increasingly willing to pay a premium.

LDC is investing in scalable companies or ventures that look to meet growing food demand safely, sustainably and responsibly, by:

- Advancing the food system toward sustainable protein production.

- Developing innovative proteins and ingredients as the building blocks for tomorrow's food.

- Improving food supply chain safety, traceability, access and efficiency.

- Helping farmers to increase their productivity using technology.

We announced our first such investment in 2019, participating in the financing of *Motif FoodWorks*, an ingredient innovation company dedicated to reshaping the landscape of food through science and technology (see page 28).

Technological Innovation

We continually look to enhance our efficiency and capabilities through new technologies.

Robotic Process Automation (RPA)
Easy to implement and with rapid return on investment, RPA mimics the way human beings work, eliminating the need for people to carry out mundane and repetitive tasks, freeing up time for more value-adding tasks and reducing error rates.

In 2019, we ran pilot programs across our support service centers, which confirmed the potential for significant productivity gains and identified opportunities to use automation in a number of functions.

We automated invoice booking and payment processing in Asia, and made a start on contract validation in India, as well as ten administrative processes in Brazil and our accounting processes across North America.

Research and Data Analysis
In 2019, we started to make good use of the cloud-based data analytics platform we had launched the previous year. This Research Repository consolidates both public and proprietary data to inform commercial decisions. Our research analysts and data scientists rely on the platform to build models and validate hypotheses that offer unique insights into market dynamics, enabling rapid action and strengthening our competitive edge.

Financial Profile

Our financial stability and access to liquidity are key foundations for the successful execution of our strategy.

We maintain a sound and flexible balance sheet to support the execution of LDC's strategy, while ensuring shareholder returns.

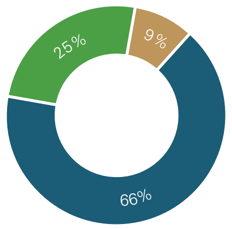
We have always funded our business prudently, drawing short-term debt to meet the most liquid portion of our working capital needs, while long-term resources finance both non-current assets and longer-standing working capital requirements.

1. 'The state of food and agriculture', (*Food and Agriculture Organization*, 2019), http://www.fao.org/state-of-food-agriculture/en/

Careful monitoring is central to our risk management approach

We mitigate liquidity risk by diversifying our financing across markets, instruments and maturities. Long-term financing combines loans, syndicated Revolving Credit Facilities (RCFs) and debt issued on European capital markets.

Long-Term Debt by Instrument – December 31, 2019



We diversify both short- and long-term financing by geography, with access to uncommitted lines through more than 140 banks in over 40 countries, as well as six RCFs at any time, two in each of our EMEA, North America and South & Southeast Asia regions, maturing at one-year intervals in each region, for a total amount of US$3.4 billion. We renew each RCF one year ahead of maturity, building in sustainability-linked pricing mechanisms in 2019 for the first time (see page 29).

We also diversify short-term funding through an unrated EU Commercial Paper program. In addition, Readily Marketable Inventories also guarantee liquidity, being readily convertible into cash.

We closely monitor our credit metrics and balance sheet structure through a four-pronged approach:

- Capital expenditure: we maintain a highly selective and flexible investment policy, mainly through discretionary investments in core businesses or strategic acquisitions, with limited future payment obligations.
- Funding: our funding mix aims to optimize funding costs and diversify liquidity risks while serving business needs.
- Working capital: we constantly work to enhance efficiency in our consumption of financial resources to support commercial operations.
- Divestments and partnerships: we divest non-core businesses and fixed assets and pursue strategic partnerships or joint ventures, as needed to support the pursuit of LDC's growth plans and ambitions.

We work with a range of stakeholders to apply LDC's principles, standards and values

Risk Management

The success of our business also relies on balanced risk management, making strong governance structures and risk control mechanisms central to our approach.

Careful and methodical risk management processes and systems are in place to identify, quantify and mitigate risks across our activities, while high-level committees oversee and govern key risks.

Combining several methods – Value at Risk, sensitivity analysis, back-testing and many others – we measure and set tight limits for risk exposure at all levels. And while our global reach, diverse portfolio and complex trade flows make risk management essential, they also contribute to the wealth of information, experience and trusted relationships in global markets that is central to our risk expertise.

Ethics and Compliance

We set and comply with the highest ethical standards in dealing with the complex cultural, legal, political and economic landscape we operate in.

As a global company in an industry with a constantly evolving regulatory landscape, we are responsible for ensuring compliance across all our business and human relations, building trusted relationships with our customers, suppliers, investors and others.

Our compliance program covers three areas:

- Regulatory compliance with all laws, policies and regulations that apply to commodity exchanges.
- Trade compliance with applicable sanctions, laws and regulations, adhering to ethical business practices.
- Compliance monitoring, for data-based measurement of how we comply with our own policies across our operations.

Our Compliance teams work with a range of stakeholders to apply our business principles, standards and values in line with LDC's Code of Conduct, coordinating closely with our Internal Audit department. Our Code of Conduct guides employees, who follow mandatory Code of Conduct, anti-money laundering and anti-bribery and corruption training on joining LDC, and must repeat it every two years.

Our Journey in 2019

2019 Highlights

We agreed to supply juices through *Luckin Coffee*'s retail network

We are investing in aquatic feeds

Vertical Integration in Juice and Coffee

Riding Consumer Trends

We entered into a strategic alliance with *Luckin Coffee*, one of China's largest coffee chain brands, in order to meet consumer demand in a rapidly growing Chinese retail market. *Luckin Coffee* had over 4,500 outlets across the country by the end of 2019.

In April 2019, we set up a joint venture to build and operate a coffee roasting plant in Xiamen, in China's Fujian province. The state-of-the-art facility will be equipped with the latest environmentally friendly technology, with production expected to start by mid-2021.

In September, we signed an agreement to supply, pack and distribute not-from-concentrate juices through *Luckin Coffee*'s retail network, with a focus on orange, lemon and apple juices, where we control the value chain from grove to glass.

This alliance demonstrates our commitment to offer Chinese consumers premium, traceable and sustainably-produced coffee and juices.

Aquatic Feed Mill in China

Partnering to Produce Sustainable Protein

In May 2019, we began construction of our first aquatic feed mill, under our joint venture with *Guangdong HAID Group Co. Ltd.* Fish and seafood consumption in China has increased, as consumer demand for protein grows. The initiative aims to participate in the country's growing market for aquaculture – an efficient and sustainable source of protein.

Strategically located in the Beijing-Tianjin-Hebei economic zone, the mill is expected to begin operating by 2021, producing high-quality aquatic feeds, including prawn feeds, as well as fermented soybean meal. The facility will help meet growing demand for healthy meat alternatives while reducing pressure to produce other protein-based food ingredients.

Announced Investment in Motif FoodWorks

Supporting Innovation in Food Ingredients

As consumer demand for plant-based meat and dairy substitutes continues to grow, we announced our participation in the financing of *Ginkgo Bioworks*' food ingredients venture, *Motif FoodWorks*, in February 2019.

The biotechnology company is working to create next-generation alternative proteins and other sustainable ingredients for plant-based food developers, aiming to offer more-sustainable and affordable foods without compromising taste or nutrition. The move is in line with our strategy to pursue innovative solutions to the challenge of feeding a growing world population sustainably.

New B2B and B2C Cooking Oil Brands

Moving Downstream

We launched three cooking oils targeting the Chinese B2B market in 2019: *Fu Bai Xiang*, *Hong Fu Le* and *Chef Fu* – the latter to be distributed in partnership with leading Chinese e-commerce company *Meituan Daiping*. With expected long-term growth of the restaurant industry, and a trend for online food shopping, we seized a clear opportunity to meet our strategic goal to move closer to customers and consumers, to capture margins throughout the value chain.

In November, we also launched our first consumer-facing cooking oil brand in China, *Mastergold*, leveraging our oilseeds-processing expertise to address growing domestic demand for premium oils.

Our new *Mastergold* premium cooking oil


We increased overall traceability to mill level to 97% for palm

Responsible Palm and Soy

Traceability and Sustainable Land Use

Recognizing that traceability is an essential part of ensuring sustainable supply chains, we achieved complete traceability to mill level for our Indonesian palm oil refineries in the first half of the year, and increased our overall traceability to mill level to 97% for palm traded by our commercial teams or refined in our assets. We also increasingly stipulated 'No Deforestation, No Peat and No Exploitation' requirements in our supplier contracts.

Also in Indonesia, we ran the first phase of our training program for smallholder palm growers in partnership with the *Louis Dreyfus Foundation*, aiming to help them adopt more sustainable agricultural practices while making their businesses more resilient. We reached a total 616 smallholders in 2019.

In soy, we were one of six leading commodity traders to begin publicly reporting on soy sourced from Brazil's Cerrado biome, through the *World Business Council for Sustainable Development's Soft Commodities Forum*. This initiative represents a joint effort to address sustainability risks in a vulnerable region, by encouraging more responsible sourcing and production. LDC also launched a financing line to incentivize Brazilian soy farms to expand their production onto existing pastureland, instead of converting native vegetation.

In parallel, we worked with *The Nature Conservancy* to map suppliers and identify areas of forest at risk in the Gran Chaco biome and, in a next phase, we will design suitable incentives to encourage responsible land management for soy production.

Sustainability-Linked Financing

Committed to Protecting the Environment

We built sustainability-linked pricing mechanisms into the renewal of four of our regional syndicated Revolving Credit Facilities (RCFs) for the first time in 2019. The pricing mechanisms are aligned with our global commitment to reduce the environmental impact of our activities.

The new RCFs further integrate sustainability goals into our day-to-day operations, linking interest-rate incentives to our performance in reducing four environmental key performance indicators: CO_2 emissions, electricity and energy consumption,water usage and solid waste sent to landfill.

LDC is a cornerstone investor in feed producer *Leong Hup International*

Leong Hup International Investment

Strengthening our Presence in Growth Markets

In April 2019, we became a cornerstone investor in the initial public offering on the *Malaysian Stock Exchange* of *Leong Hup International* (LHI), one of the largest fully integrated producers of poultry, eggs and livestock feed in Southeast Asia.

In addition to its successful integrated livestock and feed milling model, LHI's business portfolio includes branded processed foods. With increasing consumption of poultry products in the region, the move strengthens our position in consumer growth markets.

Ukraine Rail Infrastructure

Reinforcing Origination Capacity

We acquired 330 more railcars in Ukraine in 2019, following an initial order of 330 in 2018, and secured an option to fund a further 340. Ukraine has an expansive railway network, but lacks railcar capacity.

Constructed locally, the new fleet will facilitate grain exports and allow us to originate an additional 1.2 million tons of grain annually, while enhancing control of transport logistics from farm to port.

In addition to giving Ukrainian farmers greater access to export markets, this investment in rail infrastructure will help ensure efficient, reliable supply for our customers. By reducing the volume of grain transported by truck, the new railcars will also contribute to lower CO_2 emissions, expected to decrease by 8,510 metric tons annually.

China Food Tech Hub

Cooperating on Innovation in a Key Market

In May 2019, we became a founding member of the *China Food Tech Hub*, a consortium of multinationals looking to grow their presence in the Chinese market.

Started by venture capital firm *Bits x Bites*, the platform's ten founding members include biotech firms, agricultural processors and consumer food companies striving to support start-ups in accelerating the growth of China's food technology ecosystem.

We became a founding member of the *China Food Tech Hub*

Industry Collaboration to Modernize Trade

Breaking New Ground Through Technology

Alongside industry peers, LDC made strides as one of the founding members of the joint industry initiative to modernize global agri-commodities trade operations through a secure digital platform. Powered by blockchain technology, the project advanced well in 2019 and announced *Covantis* as its name.

The platform is expected to launch in 2020. The project aims to minimize post-trade operational and shipping risks, while increasing market efficiency for the entire industry.

Exit from Dairy

Focus on Core Businesses

As announced in January 2019, we exited our Dairy business in June 2019. The move was in line with our strategy to exit non-core businesses. Identified as such in 2018, our Dairy business was subsequently ring-fenced and we worked closely with customers and suppliers to ensure a smooth end to our operations. The move left us well positioned to focus on pursuing further growth in our core business areas.

LDC in the Value Chain

We cover the whole value chain from origination to distribution

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.

Our Platforms

Testing coffee in Nova Venécia, Espírito Santo State, Brazil

Coffee

In a market characterized by large price fluctuations, our efforts to be even closer to our customers yielded positive results with a significant sales increase in 2019. Building on our position as one of the top five green coffee merchandizers in the world, we also took steps to pursue LDC's strategy to move further downstream within the coffee value chain.

A Clear Global Strategy

Our efforts to move downstream continued in key growth markets such as China, where we signed an agreement with *Luckin Coffee* – a leading coffee chain in the country – to operate a joint venture roasting plant in Fujian province. Construction of the plant was scheduled to start in early January 2020.

Farmers' increased capacity to store crops and time their sales changed demand and supply dynamics. Thanks to our extensive asset network in all key coffee origins, we were able to maintain access to supplies and to participate actively in these markets. In Brazil, we inaugurated a state-of-the-art warehouse in Matipó, Minas Gerais State, further reinforcing our logistics network and facilitating market access for producers.

We increased our commercial presence in West Latin America, namely in Colombia, Honduras and Mexico, and continued to grow our business in key Asian origination markets like Vietnam.

In addition, we deployed new data management systems to consolidate our global sales information, strengthen our market insight and align strategies between origination, trading and marketing teams.

Focus on Fair and Sustainable Coffee

We formed partnerships – some with key roasters and some with the *Louis Dreyfus Foundation* – to drive responsible sourcing and traceability in our coffee value chain.

Nine ongoing projects across Asia, Latin America and Africa supported coffee farmers to adopt more sustainable agriculture practices, aiming to reach over 32,000 producers by 2022, helping them improve their livelihoods and stay in coffee production, while protecting the environment and securing coffee supplies for the future.

One of the top five green coffee merchandizers globally

Nine ongoing projects to help 32,000 smallholders by 2022

Training Smallholder Coffee Farmers in Ethiopia

We embarked on a new project alongside *Pur Projet* and *Strauss Coffee* in Ethiopia to train 1,250 coffee farmers in the Sidama zone by 2022. Set up through the *Fura Cooperative*, the project trained 250 smallholder farmers on sustainable agricultural practices in 2019.

A selected group of women entrepreneurs were also taught how to build improved cookstoves that eliminate the time-consuming task of gathering firewood every day for their household needs and frees up their time to attend training courses and to access the same knowledge as men.

Our Platforms

Cotton

LDC achieved solid results despite difficult market conditions, with subdued merchandizing opportunities, relying on solid risk management and customer focus to adjust our product and service offer and maintain our edge in trading.

Global Strength

US-China trade tensions created a shift in the share of exports between originating countries to satisfy additional Chinese import demand.

With government policies limiting buyers' options for origins, we leveraged our position as a global merchant to offer a wide range of options on origin, quality and price, adding Mexico to our comprehensive origination portfolio.

We also gained from our ability to offer customers a variety of value-added solutions such as risk management and just-in-time delivery.

Supply Chain Solutions

Although sold volumes were consistent with last year, we successfully hedged market volatility and a large US crop opened up the possibility for increased logistic activity.

We extended our logistics network with a newly acquired warehouse in Eloy, Arizona, US, which bolstered our ability to source 'Far West' cotton, and we increased capacity at our port warehouse in Cubatão, São Paulo State, Brazil.

Sustainable Cotton Production

We delivered a number of training sessions for cotton farmers across Zambia during the year, aiming to help them increase their productivity and income sustainably.

We also pursued our work with partners such as the *Better Cotton Initiative* (BCI), the largest cotton sustainability program in the world, purchasing BCI-sourced cotton from 13 countries including India, Turkey and Kazakhstan. Other programs we bought from included *Cotton made in Africa* (CMiA) and the *US Cotton Trust Protocol*, which was established by the *Cotton USA Sustainability Task Force*.

+57% increase in BCI- and CMiA-sourced cotton since 2018

Leading market positions in the US, Brazil and Australia

We added Mexican cotton to our origination portfolio

Rice

LDC delivered positive results in rice, despite shipping lower volumes at slightly lower margins per metric ton compared to 2018. This was due to low price volatility as a result of oversupply in origination markets such as China and slower-than-expected demand growth in Africa.

Stronger Trading Through Diversified Flows

Although overall sales volumes decreased by 12% compared to 2018, we made good strides to strengthen our position in trading.

With past focus on flows from Asia to Africa, in 2019 we accelerated efforts to diversify our geographical footprint to areas of growing demand, substantially increasing volumes shipped to Asia and the Middle East. We also invested in the expansion of our distribution network in West Africa, with the first stages of building two new warehouses in Côte d'Ivoire.

Protecting Human Rights

Between July and August, as part of our commitment to ensure fair and sustainable work conditions across our activities in Thailand and Vietnam, we took steps to review and understand potential labor and human rights issues in our rice supply chains. We engaged in dialogue with relevant stakeholders such as rice millers, logistics providers and local *International Labour Organization* representatives.

Supporting Smallholder Farmers

Working with NGO *FairMatch Support* and the *Louis Dreyfus Foundation*, we provided technical support to farmers in Côte d'Ivoire to help increase their productivity and revenues, improve the competitiveness of the local rice supply chain and gain access to the domestic market. The program benefited 1,795 smallholder rice producers and 66 farm leaders in 2019.

Leading merchandizer of rice on the global market

Our Platforms

Grains & Oilseeds

It was a challenging year, with external pressures caused by US-China trade relations, African swine fever and instability in Argentina. Good risk management through our cash positions in corn, soybeans, soy meal and palm oil helped mitigate challenges.

External Pressures on Volumes

LDC estimates suggested that the number of pigs raised in China dropped by almost half between 2018 and the end of 2019 due to African swine fever, negatively affecting soybean processing and soy meal sales. Heavy flooding impacted loading efficiency at our Port Allen facility in Louisiana, US, and with farmers forced to plant later in the season, we expect lower 2019 to 2020 crop yields for grains and oilseeds in the region.

In addition, US-China trade tensions shifted the balance of exports to China heavily toward Latin America at the expense of the US. We observed that, having accounted for approximately 50% of grains and oilseeds exports to China for the past five years, Latin America's export share increased to over 60% in 2019.

In Argentina, farmers were slow to sell as a result of currency devaluation and political instability, further affecting our processing margins.

Investing in Logistics and Origination

Having acquired a fleet of 330 railcars in 2018 to facilitate exports from Ukraine, we invested in a further 330 in 2019 thanks to funding from the *European Bank for Reconstruction and Development* (see page 30).

In northern Brazil, we continued to invest in increased fleet capacity, with barges operating on the Tapajós River via a third-party transshipment terminal. We also initiated the licensing process for a Pará River terminal (see page 55 for more detail) and started operating our *Carguero* joint venture in Brazil, providing domestic road haulage services for grains and oilseeds.

In addition, we set up a global digital lab unit to strengthen our Grains & Oilseeds origination model by further exploring digitally enabled opportunities, while innovating the portfolio of products and services we deliver to our clients.

Diversifying and Moving Downstream

In China, we launched several new cooking oil brands for consumers and restaurants (see page 28).

As part of our work to address increasing demand for protein, and a growing market for aquaculture in particular, we began construction of our aquatic feed mill in Tianjin, a joint venture with *Guangdong HAID Group Co. Ltd.* (see page 27).

Record Results in Palm

Efficient operations at our biodiesel plant and refineries in Indonesia drove record sales in palm, complemented by past efforts to integrate closely with operations in palm destination markets in Africa and China.

10% increase in volumes contributed to record total sales for palm

One of the world's largest oilseeds merchandizers

A leading global operator in wheat and barley

We launched several new cooking oil brands in 2019

Committed to Traceability and Sustainability

Improving traceability in our palm and soy operations is fundamental to our sustainability efforts and to maintaining the trust of our customers and consumers.

In palm, we achieved complete traceability to mill level for our Indonesian refineries during the year, and increased overall traceability to mill level to 97%.

In soy, we were one of six leading commodity traders to start publicly reporting on the soy we source from Brazil's Cerrado biome. This is a joint effort by members of the *World Business Council on Sustainable Development's Soft Commodities Forum* to address sustainability risks in this priority region and, more generally, to increase traceability of soy supply chains in Brazil.

This complements our ongoing membership of the Soy Moratorium, which has very successfully limited the conversion of the Amazon rainforest for soy cultivation for over a decade.

Our Platforms

Freight

2019 saw a strong trading performance for Freight, through agile positioning of an efficient chartered fleet and positive, balanced use of all vessel sizes. We increased our internal flow volumes and developed new external cargo chartering contracts.

Mixed Market Environment

While time-charter rates remained low in the first half of the year, the market rebounded strongly in the second half, particularly the Capesize segment. US-China trade tensions created uncertainty in grain flow patterns, leading to volatile ton-mile variations.

Sluggish global economic growth affected dry bulk demand, exacerbated by unexpected disruptive external factors such as African swine fever, an iron-ore mining accident in Brazil and coal import restrictions in China.

Tepid acceleration of shipyard deliveries was largely countered by sudden tighter fleet availability, triggered by the retrofitting of large-size vessels at shipyards, ahead of new sulfur emission regulations commencing in January 2020.

In an increasingly complex and volatile environment, we enhanced our in-house digital solutions for predictive analytics on fleet itinerary and positioning, aiming to improve operational efficiencies.

Toward a Sustainable Shipping Industry

As part of our support for the *International Maritime Organization*'s reduced carbon targets, collaboration with ship-owners was essential to optimize each vessel's performance. Meanwhile, we lowered CO_2 emissions through optimized routing and by investing in new, more efficient tonnage.

As part of our fleet renewal program, we took delivery of Tier III vessels – two Kansarmax and three Capesize – to reduce NO_x and SO_x emissions.

We also continued to explore wind propulsion options, and took part in the *Sustainable Shipping Initiative*'s (SSI) Working Group study on the potential role of biofuels in the decarbonization of shipping. The report was launched in December at the UN Climate Change Conference in Madrid.

In November, we signed up to the *Ship Recycling Transparency Initiative*, a scheme designed to promote the responsible disposal of vessels at the end of their life cycle. This fits well with our commitments and ongoing cooperation with cargo owners and other SSI members, toward a more sustainable shipping industry.

200+ chartered vessels under operations

Delivery of five new fuel-efficient and emission-reducing vessels

Continued CO_2 reduction since 2017


One of our new eco-vessels, the *Sheng May*

Global Markets

Our Global Markets Platform, which is key to managing our overall foreign exchange, credit and performance risk, carefully adapted its approach to align with the Group's business strategy and to mitigate the effects of a challenging global environment.

Mitigating Risks

Key risks during the year included trade tensions and significant market volatility, including events in Argentina. As a global business, we maintained our focus on mitigating the currency risks by diversifying our exposure and were successful in partially tempering the effects of the socioeconomic context, with an improved performance later in the year.

Supporting Group Strategy

Our Global Markets team also adapted its organization to better support LDC's business strategy, incorporating certain functions and ensuring the right allocation of competencies across regions, with a focus on EMEA and Asia. This helped boost the development of business ideas and opportunities for the company.

Our Platforms

Sugar

In 2019, we successfully grew our Sugar business despite a market characterized by low volatility, oversupply and limited trading opportunities, together with the unpredictable influence of trade tensions and government interventions.

In the US, our *Imperial Sugar* business saw improved results as supply and demand came into better balance, enabling our refinery in Port Wentworth, Georgia, to increase its throughput significantly in response to customer needs.

Diversification

We displayed good ability to anticipate market dynamics, while diversifying and expanding our presence at both origin and destination.

We increased volumes shipped to destination by 70% year-on-year, and our *Imperial Sugar* refining business in the US increased sales by 30% compared to 2018.

We also set up a new ethanol trading business in Brazil to complement our core origination business. We will look to expand this new avenue, which adds revenue and generates profits, through our traders' insights into the sugar and ethanol market mix.

Committed to Quality and Sustainability

We increased the volumes of *Bonsucro*-certified sugar (see page 55) supplied to customers in the EU, the US and Canada by 34%.

We also introduced a major new water-saving decolorization process at our *Imperial Sugar* refinery in the US.

Over US$10 million CAPEX invested in more sustainable sugar refining processes

Shipped sugar volumes increased by 70%

Harvesting oranges at our Monte Belo farm, São Paulo State, Brazil

Juice

In 2019, we successfully mitigated the risks of crop volatility and surplus supply to deliver increased sales overall, serving our customers with high-quality, sustainable and traceable juice products.

Crop supply rebounded from 2018 levels in several origination markets, including Brazil, Mexico and the US, with Brazil alone increasing its output by 36%.

Despite lower prices, LDC increased sales volumes for orange juice and related products, which allowed us to run our processing and logistic assets at full capacity.

Moving Closer to Consumers

In September, we entered into a joint venture agreement with *Luckin Coffee* to supply, pack and distribute high-quality, not-from-concentrate (NFC) *Luckin Juice* juices through the chain's fast-growing retail network, which included over 4,500 outlets across China at year-end. This is an exciting opportunity to work with a dynamic new juice partner to supply Chinese consumers with premium, traceable and sustainably produced juice.

We also increased our presence in the food service segment, by signing a national long-term NFC supply agreement with the second largest fast food chain in Brazil.

Advances in Sustainability

LDC became one of the first companies in Brazil to secure new green financing last year, when we signed syndicated pre-export financing of US$250 million with a sustainability-linked mechanism.

The mechanism – a first in the Region – links the interest rate to the Platform's performance across seven sustainability targets related to the environment, safety and farm certification over the next five years. An external auditor will evaluate our performance each year.

We also invested in a more efficient, sustainable vessel fleet for bulk juice exports, which will be operational in the first half of 2020. It will reduce the number of vessels the Platform operates from three to two, while increasing transportation capacity by 20%.

The new vessels will allow us to decrease fuel consumption by 40%, and sulfur emissions by 85%, enabling the Platform to operate its preferred routes more cost-effectively and sustainably.

In addition, the number of our citrus farms to be certified as Gold Grade by the *Sustainable Agriculture Initiative* (SAI) *Platform* increased from 29 to 32, out of 38.

One of the largest orange juice processors and merchants globally

Three more of our citrus farms obtained SAI Platform Gold Grade certification

LDC in the World

Approximately
18,000
employees
worldwide

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

Approximately
80 million
tons shipped
annually

Our Regions

Europe, Middle East & Africa

The Region posted resilient results despite low margins in a complex and uncertain environment, with ongoing US-China trade tensions, African swine fever, intense competition in certain origination markets and political turmoil, currency volatility and economic instability in some key destinations.

Unloading grain in Azov, Russia

New Capacity at Origin and Destination

With Ukraine growing in importance as a key market for grain sourcing, we doubled the size of our railcar fleet to facilitate exports, increasing our annual origination capacity by 1.2 million metric tons. Our investment in domestic rail infrastructure ensures greater access to export markets for Ukrainian farmers, efficient transport logistics for LDC and a reliable supply for our customers.

The addition of an energy-efficient dryer at our coffee processing facility in Kampala, Uganda, marked another positive step in our strategy to increase coffee origination from East Africa. In addition to reducing fuel consumption and emissions, the new dryer enables us to buy from a broader range of suppliers due to its ability to remove moisture content from both Arabica and Robusta beans. This supports our plans to grow our Ugandan coffee business upstream.

We also significantly reinforced our capacity to distribute not-from-concentrate orange juice in Europe, by increasing storage capacity by over 50% and production capacity by over 20% at our port terminal and processing facility in Ghent, Belgium.

Protecting Supply Through Integration

Cotton performance in the Region was negatively affected in the second semester of 2019 by difficult market conditions in China, Bangladesh, Indonesia and Turkey, as well as by US-China trade announcements in May directly affecting US cotton exports with tariffs increasing from 10% to 25%.

As part of our plans to control more of the value chain upstream, we strengthened our position in Zambia, securing supply by fully integrating the origination and processing business we acquired from *NWK Agri-Services Zambia* in 2018. Through the business, we work with more than 70,000 smallholder cotton producers.

Securing Revenue Through Diversification

In a mixed year for Grains & Oilseeds, with continuing trade tensions and reduced demand for animal feed ingredients due to African swine fever in China, the Region made a positive contribution through gains in grain distribution, including to new destinations in northern Europe for corn, and through excellent grain exports from Ukraine.

We also adapted our approach in Africa, where more customers are choosing to operate on a multi-product basis – for example in Kenya and Uganda, where wheat flour millers are investing in oil-refining activities. To address this trend, we created commercial partnerships that allow us to address multiple needs through a single solution, facilitated by the merger of our Grains & Oilseeds platforms during the year. We began to explore similar avenues in West Africa, through cooperation across platforms to use existing warehousing infrastructure for joint commercial flows.

In Rice, we also secured positive results by capitalizing on our diverse origination portfolio to meet customer requirements despite currency volatility and a challenging context in certain geographies.

Sustainable Financing

In December 2019, we further integrated sustainability goals into our financing, as we renewed our two US$400 million syndicated Revolving Credit Facilities (RCFs) for EMEA, in line with our Asia and North America RCFs earlier in the year (see page 29). The pricing mechanisms link interest rates with our targets to minimize our environmental impact as we fulfill our mission as a leading merchant and processor of agricultural and food products.

Empowering Farmers of the Future

As part of our commitment to support local communities around our operations, we partnered with French NGO *Fert* and with the *Louis Dreyfus Foundation* to open a vocational agricultural school in Côte d'Ivoire with boarding for students and solar-powered facilities.

The school will train 35 students during the first year and 70 during the second year in sustainable agricultural sciences and practices, but also social studies, mathematics, computer science and other key skills to help young farmers improve their livelihoods and develop their community.

Combining classroom learning with practice on small school farms, the curriculum gives students the opportunity to test acquired knowledge 'in the field', aiming to maximize their chance of professional integration after graduation.

Our Regions

North America

LDC achieved positive results despite ongoing US trade tensions with China, the EU and Mexico, as well as uncertainty on US biofuels policy and disruptive weather events during the year.

Solid Performance in a Challenging Context

It was a favorable year for Cotton, of which we remain a leading merchant for the US, both in terms of volumes and sales. In view of China's tariffs on imports from the US, we focused on supplying other key importers such as Vietnam, Indonesia and Bangladesh, and on positioning to make the most of an anticipated good crop in the 2019/20 marketing year. We also added to our logistics network in the Region, acquiring full ownership of an existing warehouse complex in Lubbock, Texas, and a new one in Eloy, Arizona.

Trade tensions put pressure on Grains & Oilseeds processing margins, while flooding affected loading efficiency at our facility in Port Allen, Louisiana. In a challenging export environment, we divested our Western Canadian grain elevator network and our wheat export terminal in Portland, Oregon, choosing to focus on the value-added steps of our regional Grains & Oilseeds business, while continuing to connect producers with international markets and customers through our remaining facilities.

Ethanol margins also suffered, due to the negative impacts of both trade pressures and domestic policy. Despite a less supportive US biofuels policy through much of 2019, however, our plant in Claypool, Indiana, delivered strong processing margins. In December 2019, the passage of the retroactive biodiesel tax credit for 2018/2019 provided a significant contribution to results.

Tagging cotton samples in our warehouse in Memphis, Tennessee, US

Business With a Long-Term Vision

Our *Imperial Sugar* business also saw improved profitability, as sugar supply and demand came into better balance, enabling our refinery in Port Wentworth, Georgia, to increase its throughput significantly in response to customer needs.

In the food innovation department, we announced our participation in the equity financing of *Motif FoodWorks*, a *Ginkgo Bioworks* food ingredients venture. This collaboration supports the use of biotechnology to produce innovative, affordable and sustainable alternative proteins and other ingredients for plant-based food developers. This move backed LDC's strategy to find innovative solutions that respond to changing consumer demand and could help feed a growing global population sustainably.

Sustainable, Secure Financing

We continued to secure our financial profile, extending our US$855 million term loan facility by four years, complemented by an additional US$100 million loan.

As we renewed one of our regional syndicated Revolving Credit Facilities (RCFs), we built in a sustainability-linked pricing mechanism that reinforces our commitment to reducing the environmental impact of our operations across four key indicators: CO_2 emissions, electricity consumption, water use and solid waste sent to landfill. Similar sustainability-linked pricing mechanisms were also built into our renewed regional RCFs in Asia and EMEA.

Optimizing Industrial Efficiency

Meanwhile, we continued to seek sustainable options when renewing operating equipment. As such, our *Imperial Sugar* facility commissioned its Granular Activated Carbon decolorization project, which allows for efficient removal of impurities during the sugar refining process, while significantly reducing water use.

Our Regions

North Asia

US-China trade tensions, ensuing import restrictions and the knock-on effects of African swine fever affected our Grains & Oilseeds business in the Region – soybean flows in particular – as an overall 50% decrease in the domestic hog population put pressure on soy and corn processing margins. At the same time, despite complex global business conditions, 2019 was marked by strategic strides and a resilient performance in China.

Investing in New Sources of Protein

Despite decreased pork supply, demand for animal protein continued to grow in line with market predictions for China. As poultry production and aquaculture grew, we advanced our plans to move into aquatic feed production, starting the construction of our joint venture feed mill with *Guangdong HAID Group Co. Ltd* in May. Strategically located in the Beijing-Tianjin-Hebei economic zone, the plant will produce high-end aquatic feeds, including prawn feeds, as well as soybean meal, to help meet Chinese consumers' increasing demand for healthy meat alternatives. The plant will begin operations in 2021.

Increased Domestic Trading

The Chinese government's drawing down of corn stocks created opportunities in the domestic market, and our Sugar and Cotton platforms also benefited from the destocking policy, with both businesses steadily increasing their domestic cash-trading presence. In parallel, we continued to build strong relationships with sugar suppliers and customers, and adapted our service models to customer demand in cotton, expanding our market share.

Colleagues at our office in Beijing, China

Targeting Consumer Markets

As part of a strategic alliance with *Luckin Coffee*, a fast-growing retail chain in China, we formed two separate joint ventures (see page 27) with the company in 2019 – one to build and operate a coffee roasting plant in Fujian province, and one to develop a juice business in the country. These moves are part of our strategy to increase vertical integration across the value chain, and to diversify revenue through value-added products.

New Cooking Oil Brands for a Growing Market

We introduced three new cooking oil brands to the Chinese B2B market in 2019: *Fu Bai Xiang*, *Hong Fu Le* and *Chef Fu* – the latter in partnership with leading e-commerce group *Meituan Dianping*. This was part of our strategy to move further downstream toward customers and to meet the demands of a market with a booming restaurant industry and increasing trends for online food orders and purchases.

To complement our B2B cooking oil brands, we also launched at the 2019 China International Import Expo our first high-end cooking oil brand, *Mastergold*, for end-consumers in China, leveraging our expertise to address growing demand in homes for premium cooking oils.

Environmental Sustainability in Industry and Community

As we grew our logistic and processing capacity, we remained focused on our reduction targets for LDC's four global environmental key performance indicators around energy consumption, greenhouse gas emissions, water consumption and solid waste. Seeking creative ways to reduce harmful emissions in our industrial operations allowed us to meet and sometimes even exceed our targets. For example, we installed solar panels on the entire rooftop area of our Tianjin plant, which not only saves energy but will also generate an average 1.47 million kWh of green electricity for the local area every year.

In an employee-led effort to help protect the environment and promote sustainable development in their local communities, over 400 employees across six locations participated in a World Environment Day campaign, including a collective garbage reduction challenge. Eighteen awareness events reached over 2,000 people in the different locations where LDC operates.

Leading in Grains & Oilseeds

LDC was honored to be among the 'Top 10 China Grain and Oil Groups' named at the 2019 *Top of China National Grain Awards*, organized by *Grain News* national industry media outlet under the guidance of the *China Grains and Oils Association*.

The vote was cast by industry thought leaders and netizens based on criteria such as scale and reputation.

Our Regions

South & Southeast Asia

The Region performed well despite a challenging business environment, thanks notably to strong results in Coffee, Grains & Oilseeds, Sugar and Freight.

One of our agronomists trains coffee farmers in Lampung, Indonesia

Strengthening our Trading Edge

Despite reduced demand for pig feed in Asia, due to African swine fever, and uncertainty arising from US-China trade tensions, our Grains & Oilseeds Platform increased corn and soybean meal distribution in Malaysia and Vietnam, started new domestic distribution grain flows in India and grew soybean meal sales into Japan.

A healthy palm crop also allowed us to capture good origination and processing margins, and to maximize trading opportunities around our industrial and storage assets in Indonesia. Meanwhile, the increasing Indonesian B20 biodiesel mandate kept our biodiesel plant in Lampung, Indonesia, operating at optimal capacity.

The Coffee Platform capitalized on increased demand for Asian Robusta beans, particularly from Vietnam, as roasters departed from Brazilian sources over concerns about pesticide use. We built origination stocks in Vietnam and Indonesia at harvest time, making full use of our warehousing and processing facilities.

In Cotton, our strong global footprint helped mitigate the effects of US-China trade tensions, enabling us to reorder our trading flows. We supplied more Australian cotton to China, while increasing US cotton sales to India, Pakistan, Bangladesh and Vietnam. As the largest importer of US cotton into India and a major importer in Pakistan, we were well positioned to respond to cotton shortfalls in both countries.

Low volatility and oversupply made it difficult for our Rice Platform to capture margins, though we benefited from faster trade flows, as a result of the continuing trend toward container cargoes. We grew our share of imports into the Philippines following the country's implementation of tariffication, and successfully increased sales to Turkey and within Asia.

Our Freight Platform benefited from the recovery of multi-year low dry-bulk freight rates in the second half of the year, as a result of increased grain demand, improved iron ore volumes and the transition to the *International Maritime Organization*'s 2020 regulations on sulfur emissions.

Forging Strong Partnerships

Sugar trading volumes in the Region increased fourfold year-on-year, as we expanded our origination market share in Thailand, Australia and India by building closer relationships with suppliers and growers, and by strengthening our warehousing capacities. Through successful marketing efforts of our Thai sugar, the bulk of which traditionally goes to Indonesia, we entered new destination markets, such as South Korea and Taiwan, allowing us to avoid reliance on a single importer.

Our Cotton Platform originated larger volumes in India and Pakistan by introducing innovative price structuring for suppliers, while in Australia, good relationships with customers and efficient logistics helped boost ginning volumes at our Moree facility, in a small crop year.

Innovating for Sustainability

As in other geographies, we renewed one of our syndicated Revolving Credit Facilities for Asia, linking interest rates for the first time to our performance in meeting reduction targets in four environmental impact indicators: CO_2 emissions, electricity and energy consumption, water use, and solid waste sent to landfill.

In Indonesia, we continued to work with key palm suppliers on our sustainability standards, training them to manage and monitor land with high conservation value and carbon stock, and launched a new vocational training program in West Lampung to educate the next generation of coffee farmers.

And in preparation for IMO 2020, we renewed our fleet of chartered vessels with modern eco-tonnage, taking delivery of five newly built ships. We will continue to monitor and reduce our freight carbon emissions through targeted chartering, and leverage new technology to minimize fuel consumption. Meanwhile, we successfully reduced greenhouse gas emissions, electricity consumption and water use across our operations.

Diversifying Downstream

As part of our plans to diversify downstream and strengthen our position in key growth markets, we participated as a cornerstone investor in the *Malaysian Stock Exchange* initial public offering of *Leong Hup International*, one of the largest fully integrated producers of poultry, eggs and livestock feed in Southeast Asia. For more details see page 30.

Our Regions

North Latin America

While 2019 proved a challenging year for our regional Grains & Oilseeds and Juice businesses, this was compensated by good performance in Coffee, Cotton and Sugar, and positive foreign exchange volatility management.

Building Strength on Record Crops

Previous investments in Brazilian logistics, such as our new coffee warehouse in Matipó, Minas Gerais State, paid off and we were able to carry larger stocks. This coincided well with a record Robusta crop and good Arabica stocks.

Pursuing our cotton origination program, we handled higher volumes than ever in a year of record production in Brazil. We invested in larger port and storage facilities, the latter close to production regions, and established key partnerships to maximize our volume handling and export capacity and to stay ahead of market shifts. As part of our target to increase purchases of cotton verified by the *Better Cotton Initiative* (BCI), of which Brazil is the world's largest supplier, we also focused on promoting BCI-certified cotton with customers.

Preparing for Future Challenges and Opportunities

The effects of ongoing US-China trade tensions and of African swine fever on demand in China, made 2019 a tough year for Grains & Oilseeds, with low volatility and limited opportunities in soymeal and oils due to oversupply. In the second half of the year, we nevertheless secured significant bean volumes in readiness for 2020.

A new LDC pusher on the Tapajós River, Brazil

We also continued to strengthen our regional export logistics. Our new fleet of barges and pushers on the Tapajós River increased load volumes transported substantially, while improving efficiency in terms of safety and sustainability. We also received the government's license to build our previously reported Tapajós terminal, and completed the environmental impact assessment on the Pará River terminal, due to start the licensing process.

In addition, we diversified our product offering and created new business opportunities through derivative trading of ethanol, a sugarcane-based biofuel.

Reducing Our Environmental Impact

All teams worked extremely hard to improve processes and modernize facilities to meet our global environmental targets to reduce electricity and water consumption, greenhouse gas emissions and solid waste generation. As a result, we exceeded our reduction targets for 2019.

Sourcing Responsibly

After launching our Sustainable Agriculture Certification in 2018 for Brazilian soy farmers who meet our sustainability standards, we deepened our collaboration with them to achieve a certified supply chain by promoting the production of sustainable soy. We also distributed our supplier conduct manual to all our raw material suppliers.

As part of our 'No Deforestation, No Peat, No Exploitation' commitments, we also offered financial incentives to soy farmers who expand their production onto existing pastureland rather than converting native vegetation.

Fully Certified

Pursuing our equal commitment to responsible sourcing as one of the world's leading producers of orange juice, by the end of 2019, 32 of our 38 citrus farms were certified under *Rainforest Alliance* (RFA) and *Sustainable Agriculture Initiative Platform* Gold Grade standards. We also continued to encourage our third-party fruit suppliers to pursue RFA certification as well.

Our Sugar business also achieved a 34% increase in sales of *Bonsucro*-certified sustainable sugar at a fair price, mainly to customers in the EU, the US and Canada.

Our Regions

South & West Latin America

The Region delivered positive results overall, thanks to excellent performance in Grains & Oilseeds and Cotton, offsetting difficulties in other platforms due to US-China trade tensions, political and economic struggles in Argentina, and political unrest in many parts of Latin America.

Growth and Diversification in Action

The Grains & Oilseeds Platform shipped record volumes through our port terminal in Bahía Blanca, Argentina, maximizing inland asset usage and growing our presence in grains with lower global volumes, such as barley. Taking advantage of an excellent corn harvest in Paraguay, we increased both barge flows through *Lógico Paraguay*, our fluvial transport business, and our market share.

To expand and facilitate our logistic capacity, we rented two new grain elevators in Córdoba, Argentina, and Colonia, Uruguay, and worked with four peer companies and the Argentinian government to build a rail detour to serve Timbúes, one of our main crushing plants located in Santa Fé, Argentina.

In a more challenging context for our Oilseeds business, with low-protein soybeans harvested in Argentina, our daily processing rate slowed to meet soybean meal specifications, ultimately compressing margins. At the same time, we diversified our portfolio in Paraguay and Uruguay by adding different crops to the range of products handled at our country elevators.

Following a good cotton crop and relationship-building efforts with growers, the Platform delivered a positive cash-

Our port terminal in Bahía Blanca, Argentina

trading performance and increased our share of exports to become a major exporter of cotton lint from Argentina, processing record volumes at our plant in Quimilí.

Improving Safety and Quality

Our regional industry team conceived new technology to improve the quality of our biodiesel. We implemented this successfully at our General Lagos biodiesel refinery in Argentina before rolling it out across other LDC regions to our facilities in Lampung, Indonesia, and Claypool, Indiana, US.

In Coffee, we processed record volumes through our warehouse in San Antonio, Colombia, and near-record volumes through our processing asset in Villanueva, Honduras. Our processing plant in Perote, Mexico, meanwhile, was the first of our assets in the Region to secure FSSC 22000 certification in food safety, a trusted brand assurance in the consumer goods industry.

Sustainable Oilseeds

In 2019 we certified 240,000 tons of biodiesel under the 2BSvs and ISCC-EU schemes in Argentina, representing more than 1.2 million tons of certified soybeans. Glycerin was also included in the scope of the ISCC-EU certification.

In Paraguay, we certified 56,000 tons of sustainable soybeans under the 2BSvs scheme and, consequently, 2,500 tons of sustainable soybean oil produced at our C.A.I.A.S.A. plant, under the ISCC scheme.

We also reduced greenhouse gas emissions through the production of second-generation biodiesel from free fatty acids, which represents a 30% decrease in emissions for biodiesel production activities. This more sustainable product also creates opportunities in the market.

Sustainable Coffee

In the Tolima region of Colombia, we started a collaboration with global coffee manufacturers and retailers *Jacobs Douwe Egberts* and *Julius Meinl*, and with the *Louis Dreyfus Foundation*, to bring reliable coffee-drying infrastructure to smallholder producers. The aim of this joint project is to help farmers improve their yield of saleable quality coffee, ultimately securing their livelihoods for the long term. In 2019, the project benefited 50 farmers.

In Honduras, within the framework of the *Rainforest Alliance* and *UTZ* certification schemes, we completed four sustainability projects in different areas of the country, training 315 producers to ensure that the coffee they harvest complies with environmental, social and economic sustainability standards while increasing their yields.

Incentivizing Responsible Soy Expansion

After launching our global Soy Sustainability Policy in 2018, we worked with environmental charity *The Nature Conservancy* in 2019 to incentivize soy producers in northern Argentina to expand cropland without resorting to deforestation. We engaged with farmers to better understand their needs and include them as we look to preserve at-risk forest areas.

The next steps will be to design incentives for responsible soybean production, and promote them among farmers.

Financial Statements

Financial Highlights

Period from January 1, 2019 to December 31, 2019

Net Sales

US$33.6 billion

US$36.0 billion in 2018

Volumes[1]

Up 1.3%

year-on-year

Segment Operating Results[2]

US$956 million

US$1,314 million in 2018

Income Before Tax – Continuing Operations

US$295 million

US$402 million in 2018

1 Volumes shipped to destination.
2 Gross margin plus share of income in associates and joint ventures.

Net Income, Group Share

US$230 million

US$364 million in 2018

Total Assets

US$19.5 billion

US$18.4 billion as of December 31, 2018

EBITDA[3] From Continuing Operations

US$836 million

US$1,064 million in 2018

Capital Expenditure[4]

US$413 million

US$329 million in 2018

Adjusted Leverage[5] Ratio

3.1x

compared to 3.0x as of December 31, 2018

3 Earnings Before Interest, Taxes, Depreciation and Amortization.
4 Purchase of fixed assets and additional investments, net of cash acquired.
5 Adjusted net debt (net debt less RMI) to EBITDA from continuing operations.
6 Cash and cash equivalents, other current financial assets at fair value, Readily Marketable Inventories (RMI) and undrawn committed bank lines.
7 Adjusted net debt (net debt less RMI) to total stockholders' equity and non-controlling interests.
8 Beginning of period equity.

Net Income – Continuing Operations

US$227 million

US$334 million in 2018

Working Capital Usage

US$6.0 billion

US$6.5 billion as of December 31, 2018

Liquidity[6] Coverage

1.9x current portion of debt

compared to 1.5x as of December 31, 2018

Adjusted Net Gearing[7]

0.54

0.63 as of December 31, 2018

Return On Equity,[8] Group Share

4.6%

7.2% in 2018

Management Discussion & Analysis

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 year ended December 31, 2019, prepared in accordance with International Financial Reporting Standards (IFRS).

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 of the following discussion. As part of LDC's continued efforts to improve the quality of financial information, and to better align performance indicators with its long-term strategy, the Group has revised the formula for Earnings Before Interests, Taxes and Depreciation & Amortization (EBITDA). The reconciliation of EBITDA with the audited consolidated financial statements, for both 2019 and 2018, is provided as an appendix at the end of the following discussion.

Where applicable, the prior year's financial information has been restated in the opening balance and for the comparative period, according to IFRS requirements, to reflect:

- Reclassification of the contribution of the Dairy business, exited in June 2019, from each line of the consolidated income statement to the line 'Net Income - Discontinued Operations', and from each line of the consolidated cash flow statement to the respective lines labelled as discontinued operations;
- Discontinuation of the mark-to-market valuation method for the Juice business.

A reconciliation between prior year published financials and restated financial information is provided in the 'Notes to the Consolidated Financial Statements'.

In 2019, the allocation of the Group's platforms (business lines) remained unchanged between its two segments. The Value Chain Segment includes Grains & Oilseeds, 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.

In 2019, the Group navigated an unusually challenging and fast-changing market environment, with external pressure coming from geopolitical uncertainty combined with the spread of African swine fever in Asia. Along with prolonged trade tensions, the latter limited export opportunities, especially from the US to China, and redistributed global soy processing margins among the different geographies. Volatility decreased in 2019, especially in oilseeds, sugar and cotton markets, but LDC took advantage of its geographically diversified logistics and processing asset base. Global oversupply resulting from record crops worldwide, combined with demand contraction due to African swine fever and high inventories, weighed on the prices of the main products traded by LDC, with coffee, juice, soy and sugar prices hitting ten-year record lows. Expectations for a trade deal between the US and China fueled the overall rebound in prices at the end of the year.

Income Statement Analysis

In spite of the challenging macroeconomic environment mentioned above, LDC delivered resilient results in 2019. Thanks to its diversified portfolio and geographic presence, the Group once again demonstrated agility in mitigating the impacts of political and geopolitical uncertainties and unfavorable market conditions in a low price and volatility environment. Segment Operating Results reached US$956 million and cash flow generation remained sound, with EBITDA from continuing operations of US$836 million. This performance included the impact of a US$47 million retroactive US biodiesel blender credit, granted in relation to volumes blended in 2018.

Income before tax amounted to US$295 million, including a contribution from gains on the sale of grain elevators in Canada for US$151 million, and the positive US$63 million fair-value impact of our investments in *Luckin Coffee* and *Leong Hup International* (LHI). Net income from continuing operations landed at US$227 million.

Net Sales

Net sales for the year ended December 31, 2019, amounted to US$33.6 billion, compared to US$36.0 billion in the year ended December 31, 2018. The 6.6% decrease year-on-year was mainly the result of lower average prices of the main commodities traded by the Group, partially compensated by the 1.3% increase in volumes shipped.

- The Value Chain Segment's net sales decreased by 8.7% year-on-year, due to the low price environment throughout 2019. Lower average sales prices of products sold by the Grains & Oilseeds Platform - especially soybeans and soy meal - weighed on the Segment's sales.
- The Merchandizing Segment's net sales remained stable, with a 1.5% decrease reflecting mixed trends. The increase in volumes sold by the Sugar Platform mitigated the impact of low market prices during 2019, which weighed on Cotton and Coffee sales.

Segment Operating Results

Segment Operating Results decreased by 27% to US$956 million in 2019, down from US$1,314 million the year before. LDC's performance remained resilient despite the low-price markets and uncertain macroeconomic environment mentioned above, resulting chiefly from the effects of African swine fever and global trade tensions. The Group efficiently leveraged its market expertise and insights across product lines and geographies to secure margins in this challenging market environment.

Value Chain

The Value Chain Segment's Operating Results reached US$569 million, down 31% from US$825 million in 2018.

The Grains & Oilseeds Platform generated decent profits thanks to its diversified product portfolio and geographic footprint, and despite external pressure from US-China trade tensions and African swine fever. The Platform successfully mitigated adverse market trends thanks to its effective hedging strategy. Palm activities were profitable in a context of increasing prices driven by lower import taxes in India and reduced supply due to drought in Indonesia and Malaysia, thanks to efficient plant management in Indonesia. The Platform also benefited from the retroactive grant of a US$47 million credit to US biodiesel blenders, in relation to volumes blended in 2018. The Group's diversified geographic footprint once again proved key in a context of persisting trade tensions that resulted in higher grain and soy exports from Latin America to China, at the expense of the US, creating opportunities to capture logistic margins in South America. The reduction in US exports weighed on the elevation margins of US logistic assets on the one hand, but resulted in improved crushing margins in North America on the other, as soybean oversupply led to lower prices in the region. Slow farmer selling in Argentina due to higher export taxes affected processing margins during the last quarter. The outbreak of African swine fever reduced China's pork livestock by almost half, negatively affecting soybean processing margins as soy imports into Asia, and more particularly China, decreased significantly throughout the year. Corn, soybeans and soybean oil and meal prices nevertheless started to rebound at the end of the year thanks to reduced crush levels in the US, combined with recovering import levels in Asia. Wheat prices also rose at the end of the year, as droughts in the southern hemisphere induced supply concerns in Argentina and Australia, combined with increased expectations for a US-China trade deal.

A low price environment affected the Juice Platform's results, especially on frozen concentrate orange juice (FCOJ) and by-product markets, due to Brazilian crops at near-record levels and larger crops in the US and Mexico than in previous years. Low fruit yield from the 2018/19 crop weighed on the Platform's financial performance in 2019, with high cost of goods sold. The Platform partially mitigated these adverse conditions through full utilization of processing and logistic assets, as well as careful production cost monitoring, and also benefited from investments made in 2018 to improve operations and output.

The Freight Platform delivered an outstanding performance in 2019, effectively anticipating some of the market impacts of preparation for the implementation of *International Maritime Organization* (IMO) 2020 emissions regulations. Initially optimistic market sentiment, fueled by robust steel demand from China, reversed due to weather disruptions in both Australia and Brazil restricting cargo exports, and to further disruption in Brazilian activity following the dam collapse accident in Brumadinho, Minas Gerais State. In addition, US-China trade tensions and slowing Australian coal imports into China contributed to a decrease in the Baltic Index. The Platform successfully managed the uncertainty surrounding these issues and positioned well to leverage the sharp price recovery in the second half of the year, driven by tonnage tightness in the Atlantic, by chartering several modern, fuel-efficient ships and strategically repositioning its fleet, notably for internal flows in South America.

In a context of exacerbated uncertainty in the financial markets driven by geopolitical and political events, the Global Markets Platform continued to profitably support other platforms in their foreign exchange and interest risk management.

Income Statement Analysis Continued

Merchandizing

The Merchandizing Segment's Operating Results reached US$387 million, down 21% from US$489 million in 2018.

The Cotton Platform secured good results throughout the year. US-China trade tensions created significant uncertainty in the market, leading to decreasing futures prices through August, and an increasing pattern through the end of the year as trade tensions eased. The Platform successfully leveraged its leading market position and global research capabilities to hedge adverse market trends. The Platform profitably captured trade opportunities thanks to its diversified origination network, especially its ability to switch from US to Brazilian origins, thus mitigating the impact of US-China trade tensions. The Platform also benefited from its ability to offer customers a wide range of value-added solutions such as risk management and just-in-time delivery. Warehousing operations continued to generate solid margins, benefitting from a large US crop and profitable ginning operations in Argentina. Operations in Australia suffered a smaller crop due to ongoing drought.

The Coffee Platform significantly improved its results in 2019, mainly thanks to profitable origination. The Platform initially suffered during the first quarter with very low Arabica prices, leading to slow farmer selling and limited business opportunities. Large 2018/19 crops, resulting in high inventory levels globally, continued to weigh on Arabica and Robusta prices, though Arabica prices started to bounce back at the end of the year due to an anticipated reduction in crop size combined with continued growth of coffee consumption worldwide. Thanks to its strong presence in the main origination countries and a coordinated global hedging and pricing strategy, the Platform successfully captured the opportunities arising from this change in market dynamics. Warehousing activities also consistently contributed to the Platform's financial results.

The Sugar Platform maintained a decent level of profitability. After three quarters marked by depressed prices and low volatility, prices increased at the end of the year due to a weak monsoon that affected crops in India and Thailand. Sugar refining activities performed well during the year, as sugarcane processing became more competitive than sugar beet processing in the US, leading to increased market share. Volatility nevertheless remained low compared to historical levels, which limited hedging opportunities.

The Rice Platform delivered resilient results, despite a performance impacted by lower volumes at depressed unitary margins, due to oversupply in origination markets such as China, which is now a net exporter of rice, and lower-than-expected demand growth in Africa, where inventory levels were already high. Despite this context, the Platform successfully continued to diversify its footprint to other areas of growing demand, including Asia and the Middle East.

Commercial and Administrative Expenses

Commercial and administrative expenses remained stable at US$(621) million, compared to the US$(619) million in 2018.

Net Finance Costs

Net finance costs amounted to US$(259) million for the period, including US$(16) million related to the application of IFRS 16. Excluding the latter, net finance costs amounted to US$(243) million, down 13.8% from US$(282) million in 2018. This decrease was mainly the result of lower average long-term debt over the period, and of the full-year effect of repayment of the bond maturing in July 2018. The Group partially compensated the impact of increased LIBOR rates through active monitoring of both working capital needs and cost of funds.

Gain on Sale of Fixed Assets and Investments

On December 10, 2019, LDC successfully completed the sale of ten grain elevators located in Canada to *Parrish & Heimbecker*, Limited. This transaction resulted in a US$151 million pre-tax gain, net of transaction costs. The Group also recorded an overall US$63 million positive fair-value impact as a gain on investments in *Luckin Coffee* and LHI.

Income Before Tax - Continuing Operations

Income before tax from continuing operations decreased by 26.6% to US$295 million in 2019, down from US$402 million for the year ended December 31, 2018.

Taxes

Taxes amounted to US$(68) million for the period ended December 31, 2019, stable compared to 2018. The decrease in taxes attributable to a lower income before tax was offset by the adverse impacts of the difference between tax and functional currencies, mainly in Brazil and Argentina.

Net Income - Discontinued Operations

Net income from discontinued operations stood at US$1 million in 2019, comprising former Dairy business contributions to Group net income, compared to US$32 million in 2018, when this line mainly included the contribution of the former Metals Platform.

Net Income Group Share

Net income, Group Share, settled at US$230 million as of December 31, 2019, down 36.8% from US$364 million one year earlier.

Balance Sheet Analysis

Non-Current Assets

As of December 31, 2019, total non-current assets amounted to US$6.2 billion, up 4.4% from US$5.9 billion one year earlier:

- Fixed assets landed at US$4.1 billion (including right-of-use assets related to leases for US$0.3 billion), compared to US$3.8 billion as of December 2018;
- Investments in associates and joint ventures remained stable at US$0.2 billion, compared to December 2018;
- 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$0.3 billion, down from US$0.4 billion on December 31, 2018.

Capital Expenditure and Divestments

In 2019, LDC invested US$413 million under its highly selective investment policy, supporting its ambitions while securing solid cash flows. The majority of capital expenditure remained discretionary to ensure both adaptability and reactivity to emerging opportunities. The Group also continued to divest non-core assets.

On April 25, 2019, LDC announced a cornerstone investment in *Leong Hup International's* (LHI) initial public offering (IPO) on the *Malaysian Stock Exchange, Bursa Malaysia*, which took place on May 16, 2019. The investment in LHI, one of the largest fully integrated producers of poultry, eggs and livestock feed in Southeast Asia, is part of the Group's strategy to strengthen its footprint in growth markets by partnering with key feed, food and nutrition value chain players.

On May 17, 2019, the Group invested in the *Nasdaq* IPO of *Luckin Coffee*, China's second largest coffee chain at the time, which is pioneering an online order retail model to provide coffee and other products to Chinese consumers. This investment laid the foundations for joint ventures to build and operate a coffee roasting plant in China, and to establish a juice business in the country.

During the year, the Group continued its long-term investments to expand its logistic network and enhance safety, health and environmental measures at its processing facilities. The Group 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 launch of an upgraded version of its existing front-office system, common to its Grains & Oilseeds, Sugar and Rice platforms. LDC also continued to invest in predictive analytics for faster and better business insights, as well as in upgrades to 'MyLDC', a web and mobile application allowing customers to securely sign contracts on the go and access previous and current transactions.

Value Chain

The Value Chain Segment invested US$300 million over the year, mostly to expand processing and logistic capacity.

The Grains & Oilseeds Platform invested in additional railcars in Ukraine, following an initial order in 2018, to facilitate the transport of grains from the country's agricultural production areas to the Group's Odessa port terminal in this strategic origination market. LDC also continued to invest in its fluvial export project in Brazil's Pará State, initiated in 2015 to open north corridor export routes in the country, with 2019 investments primarily consisting in the acquisition of a new barge fleet. The Platform also expanded capacity at its crushing plant in Claypool, Indiana, US, building new soybean storage sheds and installing additional truck unloading zones for faster dumper truck deliveries, to make the plant more attractive to local producers.

The Group made a fourth 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 three planned capital injections made in 2016, 2017 and 2018 respectively. LDC will continue to operate the berth until 2041, with the option to extend operations for up to 25 additional years. The Grains & Oilseeds Platform also invested in a joint venture warehouse located in the largest port in Northeast China, the country's largest corn production region.

On December 10, 2019, LDC successfully completed the sale of ten grain elevators located in Canada to *Parrish & Heimbecker, Limited.*

The Juice Platform renewed certain vessel contracts to replace old vessels with a new, more efficient and sustainable fleet, while increasing transportation capacity. The Platform also increased its storage capacity for not-from-concentrate (NFC) juices at its terminal in Ghent, Belgium, installing new orange juice tanks that will enable the business to gain market share in a growing NFC market.

Merchandizing

The Merchandizing Segment invested US$113 million over the period, in projects with *Luckin Coffee* and in the expansion of processing and logistic capacity.

The Cotton Platform acquired a warehouse in Arizona, US, further strengthening its logistic and storage network in the country to reinforce its presence and secure local origination.

As part of LDC's strategy to move further downstream, closer to end-consumers, the Coffee Platform made the first capital injection into its joint venture with *Luckin Coffee* to build and operate a coffee roasting plant in Xiamen, China. The plant will have annual production capacity of 30,000 tons and will be equipped with the latest environmentally friendly technology for coffee cleaning and roasting.

The Sugar Platform invested in a new decolorization process at its *Imperial Sugar* refinery in Port Wentworth, Georgia, US, aiming to reduce both water consumption and sugar processing costs.

Balance Sheet Analysis Continued

Working Capital Usage (WCU)

WCU decreased to US$6.0 billion as of December 31, 2019, down from US$6.5 billion as of December 31, 2018. This decrease is mainly attributable to the Value Chain Segment, whereas the working capital needs of the Merchandizing Segment remained stable.

- In the Value Chain Segment, the Grains & Oilseeds Platform set the overall trend through lower inventories held and increased trade payables. The Juice Platform also contributed to lower WCU through lower inventories, both in volumes and unitary cost, in a low price context at the end of 2019.
- Merchandizing Segment WCU levels remained stable compared to 2018 year-end levels, as a result of mixed impacts. Larger inventories carried by the Cotton and Coffee platforms, larger margin deposits in the latter, as well as increased trade receivables in Sugar, were compensated by lower derivative assets and increased trade payables on the one hand, and the impact of the discontinued Dairy business on the other.

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. At the end of 2019, RMIs represented 83.5% of total inventories, above the 78.1% mark at the end December 2018.

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 key guidelines are that long-term debt is primarily used to finance long-term investments, while short-term debt supports ongoing business working capital needs. To further enhance its funding model, the Group has implemented a resilient strategy based on the following pillars:

- Diversified sources of funds: 25% of non-current portion of long-term financing came from debt capital markets as of December 31, 2019;
- Stable debt maturity profile: the average maturity of non-current portion of long-term financing was 4 years, as of December 31, 2019;
- Sizeable amount of committed facilities: 36% of total Group facilities were committed, of which US$3.1 billion remained undrawn with maturities beyond one year, as of December 31, 2019.

Debt and Leverage

As of December 31, 2019, long-term debt[1] stood at US$3.9 billion, compared to US$3.0 billion at December 31, 2018. The US$0.9 billion increase corresponds to US$1.0 billion in new long-term debt raised in 2019 (as detailed below in the 'Financing Arrangements' section), US$0.3 billion in lease liabilities following the implementation of IFRS 16 since January 1, 2019, US$(0.2) billion lower Revolving Credit Facilities (RCFs), and US$(0.2) billion in long-term financing repayment. As such, the Group is in a good position to meet its upcoming repayment obligations and especially the Eurobond maturing in December 2020. Short-term debt[2] amounted to US$4.0 billion as of December 31, 2019, down by US$0.9 billion compared to December 31, 2018, following the reduction in working capital at year-end and the increase in long-term debt.

Current financial assets[3] stood at US$1.1 billion, compared to US$0.9 billion as of December 31, 2018. As is common practice in the agribusiness sector, short-term debt is netted against RMIs, as those inventories can be considered quasi-cash due to their highly liquid nature. RMIs amounted to US$4.3 billion as of December 31, 2019, putting adjusted net debt at US$2.6 billion for the period, down by US$0.6 billion compared to December 31, 2018. Adjusted net gearing reached 0.54 at the end of December 2019, compared to 0.63 at the end of 2018, while the adjusted leverage ratio remained stable at 3.1x.

Liquidity

The Group prudently managed financial risks, ensuring resilient access to liquidity. At the end of December 2019, the Group had US$3.2 billion of undrawn committed bank lines, of which US$3.1 billion mature 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$8.7 billion as of December 31, 2019, enabling the Group to cover 1.9x the current portion of its debt.

Financing Arrangements

Long-Term Financing

In June 2019, *Louis Dreyfus Company Sucos S.A.*, a Juice subsidiary of the Group, closed a US$250 million export prepayment facility with a syndicate of international banks, to be repaid through proceeds of orange juice export contracts. This facility includes a sustainability-linked pricing mechanism through which the loan interest rate is linked to performance against seven sustainability key performance indicators (KPIs), which target reductions in CO_2 emissions, electricity consumption, water usage, solid waste sent to landfill, decreased frequency and severity of accidents, and an increase in sustainability-certified farms. The loan is amortizing and matures in June 2024.

In July 2019, *Louis Dreyfus Company Suisse S.A.* signed a JPY34.3 billion three-year-term Samurai loan with Japanese investors. This term loan will help build long-term relationships with new partners, diversifying sources of funding and increasing the level of committed facilities. This term loan is guaranteed by *Louis Dreyfus Company B.V.*

In August 2019, *Louis Dreyfus Company LLC* extended the four tranches of its Farm Credit System loan totaling US$855 million by 3.5 years, with new maturities in 2025, 2026, 2027 and 2028 respectively, and added a new US$100 million tranche million maturing in 2024.

In December 2019, *Louis Dreyfus Company Brasil S.A.* signed a US$250 million export prepayment facility partly covered by *NEXI*, the Japanese export insurance company. A syndicate of international banks and Japanese financial institutions supported this syndicated loan, to be repaid through proceeds of commodity export contracts from *LDC Brasil*. The loan is amortizing, matures in December 2024 and is guaranteed by *Louis Dreyfus Company B.V.*

Revolving Credit Facilities (RCFs)

The Group has six syndicated RCFs in three of its regional hubs (US, Switzerland and Singapore) for a total amount of US$3.4 billion as of December 31, 2019. The Group limits the risk of refinancing by maintaining both geographical diversification and staggered maturity dates. To that end, each of these three regional hubs refinances one of its RCFs each year, one year ahead of maturity.

In May 2019, LDC announced the renewal of its North American RCF with a syndicate of local and international banks, for an amount of US$750 million. Taken out by *Louis Dreyfus Company LLC*, the loan matures in 2022 and is guaranteed by *Louis Dreyfus Company B.V.*

In August 2019, *Louis Dreyfus Company Asia Pte. Ltd.* signed a US$650 million RCF with a syndicate of regional and international banks in order to refinance a US$534 million RCF maturing in 2020. The new loan matures in 2022 and is guaranteed by *Louis Dreyfus Company B.V.* In early January 2020, additional lenders subscribed an extra US$21 million through the accordion option.

In December 2019, *Louis Dreyfus Company Suisse S.A.* renewed its two US$400 million RCFs with a syndicate of regional and international banks and extended them by one year, to December 2021 and December 2022 respectively, while reinstating two one-year extension options so that respective tenors may be extended twice in the future. Both facilities are also guaranteed by *Louis Dreyfus Company B.V.*

For the first time in the Group, the four RCFs renewed in 2019 include a sustainability-linked pricing mechanism through which the interest rate is linked to performance against four environmental KPIs targeting reductions in CO_2 emissions, electricity and energy consumption, water usage and solid waste sent to landfill.

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 €230 million during the period across maturities ranging up to 12 months.

Equity

Equity attributable to owners of the company reached US$4,786 million as of December 31, 2019 (compared to US$4,974 million as of December 31, 2018), with total equity of US$4,798 million at the end of December 2019 (US$4,982 million as of December 31, 2018).

Despite the positive contribution of the Group's earnings over the year, equity attributable to owners of the company decreased by US$188 million. This was mainly due to the US$428 million dividend payment during the first half of the year (in relation to 2018 results, as well as a remaining portion of the proceeds from the divestment of LDC's former Metals business), partially compensated by the US$230 million net income attributable to owners for the year ended December 31, 2019.

Risk

The identification and quantification of risk is deeply embedded in LDC's business model, and the Group has long been committed to developing appropriate organizational structures to mitigate and manage them. The Group continued to closely review its daily value-at-risk (VaR) and kept it significantly below 1% of its equity, with an average VaR usage of 0.23% in 2019, in line with 2018. VaR is just one of the risk metrics within a wider risk management system at LDC.

Subsequent Events

In early January 2020, *Louis Dreyfus Company Suisse S.A.* signed a US$100 million three-year RCF with the *European Bank for Reconstruction and Development* (EBRD) in order to refinance a US$75 million facility maturing in 2019. The new facility will be dedicated to working capital financing for operations originated from or with destination to Bulgaria, Egypt, Kazakhstan, Poland, Romania, Tajikistan, Turkey and Ukraine. Borrowers are *Louis Dreyfus Company Suisse S.A., LDC Ukraine, LDC Kazakhstan* and *LDC Alexandria.* This partnership with the EBRD will connect many regional small and medium-sized grain farmers and cotton ginners and farmers with LDC's value chains. As part of their cooperation with LDC, smallholder farmers will also receive training on modern agronomic 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.*

As of March 20, 2020, the coronavirus (COVID-19) outbreak had not significantly affected the Group's operations and performance. At the stage prevailing on the approval date of these 2019 consolidated financial statements of LDC, it is too early to say what impact this outbreak may have on the Group's future performance.

EBITDA Reconciliation With the Audited Consolidated Financial Statements

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

(in millions of US$)	Notes	FY19	FY18
Income before tax - continuing operations		**295**	**402**
(-) Interest income		(82)	(74)
(-) Interest expense		358	397
(-) Other financial income and expense		(17)	(41)
(+) Other (financial income related to commercial transactions)	2.4	43	47
(-) Depreciation and amortization		395	328
(-) Gain on sale of consolidated companies	2.3	–	(9)
(-) Gain (loss) on sale of fixed assets	2.3	(156)	14
EBITDA - continuing operations		**836**	**1,064**

1 Both 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.

Independent Auditor's Report

To the Shareholders of Louis Dreyfus Company B.V.

Opinion

We have audited the consolidated financial statements of Louis Dreyfus Company B.V. and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at December 31, 2019, and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including the significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.
We have communicated the key audit matters to the management board and those charged with governance. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Fair Value Measurements of Trading Inventories and Financial Assets and Liabilities</u>

Description
Refer to Note 4.7 under the heading Categories of financial assets and liabilities and note 3.7 under the heading Inventories.

The Group holds significant positions in inventories and The Group holds significant positions in inventories and derivatives for trading purposes. The Group accounts for these activities using the mark-to-market method. This method can require the use of complex valuation methods and significant estimates from management. These estimates are based on key assumptions such as closing exchange and over-the-counter quotations, parity differences, time value, price volatility and counterparty performance and credit risks.

As the Group's inventories and derivatives are measured at fair value at each reporting date, these fair value measurements significantly impact the Group's result and therefore due to the significance of trading inventories and derivatives and the related estimation uncertainty, there is a risk that the related inventories, financial assets and liabilities are misstated.

How the Key Audit Matter was Addressed in the Audit
Our audit procedures included, amongst others, evaluating management's controls in valuing trading inventories and derivatives. In addition we have performed substantive procedures on a sample basis of the related valuations. These procedures included challenging (i) the models used and (ii) the appropriateness of management's assumptions used in developing estimates, as well as agreeing market prices to exchange-quoted prices, broker quotes supported by trades executed close to period-end and to other, directly or indirectly observable inputs. Where necessary we have used the assistance of Deloitte Financial instruments and valuations specialists with industry experience, in particular for evaluating the adequacy of the most complex valuation models. The related disclosures have also been evaluated for adequacy.

<u>Revenue Recognition and Trade Capturing</u>

Description
Refer to Note 2.2 under the heading Net sales.

Revenue recognition has been identified as a risk primarily relating to the timely and accurate capture of trades within the trade books and the timing of revenue recognition for commodity sales with deliveries occurring on or around year-end.

How the Key Audit Matter was Addressed in the Audit
We evaluated management's controls over revenue recognition and trade capturing. We also performed substantive testing for transactions occurring on or around year-end and agreed deliveries to supporting documentation, we also obtained third party confirmation where relevant to check completeness and accuracy of trade books. The related disclosures have also been evaluated for adequacy.

<u>*Infracis Group Limited* Loan and Equity Investment</u>

Description
Refer to Note 5.3 under the heading Non-current financial assets.

The long-term loans to commercial partners balance includes a US$178 million loan, including capitalized interests, granted to the joint venture partner *Infracis Group Limited* for the development of a grain terminal on the Taman peninsula in Krasnodar, Russia. This project represents a total exposure of US$194 million for the Group at December 31, 2019 considering the related associated equity investment.

Due to specific circumstances described in the note 5.3 to the financial statements, the project is delayed, resulting in uncertainties around its completion. Additionally, the partners have brought claims against each other. All combined, the current situation cast doubt as to whether this loan will be repaid or converted into equity. There is consequently a risk that the loan and the equity investment might be impaired if the construction of the deep sea terminal is not achieved or if the outcome of the arbitration is unfavorable.

How the Key Audit Matter was Addressed in the Audit
Our auditing procedures included, amongst others, obtaining an update of the project status and changes compared to previous periods and analyzing underlying documentation substantiating the Group's assessment of the situation. The related disclosures provided in Note 5.3 to the financial statements have also been evaluated for adequacy.

<u>Internal Controls Over Financial Reporting</u>

Description
The Group has its businesses in a large number of countries and locations. The Group operates various IT systems, processes and procedures locally that are important for the continuity of its business operations and for the reliability of its financial reporting.

How the Key Audit Matter was Addressed in the Audit
We have considered the Group's internal controls over financial reporting as a basis for designing and performing the audit activities that are deemed appropriate for our audit. We are however not required to perform an audit on internal controls over financial reporting and accordingly we do not express an opinion on the effectiveness of the Group's controls over financial reporting.

We have tailored our audit procedures to the diverse (local) IT landscapes and the implemented internal controls. We have included specialized IT auditors in our audit teams to test the reliability and continuity of the automated data processing, solely to the extent necessary within the scope of the financial statement audit. Where relevant for the audit we have tested the operating effectiveness of IT controls and performed additional audit procedures when deemed needed.

Responsibilities of Management and Those Charged With Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process. .

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

The engagement partner on the audit resulting in this independent auditor's report is François-Xavier Ameye.

Deloitte & Associés

François-Xavier AMEYE

Deloitte & Associés, 6 place de la Pyramide,
92908 Paris-la-Défense Cedex, France
March 23, 2020

Consolidated Income Statement

Year Ended December 31

(in millions of US$)	Notes	2019	2018 restated
Net sales	2.2	33,643	36,007
Cost of sales		(32,688)	(34,693)
Gross margin		955	1,314
Commercial and administrative expenses		(621)	(619)
Interest income	2.4	82	74
Interest expense	2.4	(358)	(397)
Other financial income and expense	2.4	17	41
Share of profit (loss) in investments in associates and joint ventures	3.3	1	–
Gain (loss) on investments and sale of fixed assets	2.3	218	(12)
Other gains and losses		1	1
Income before tax - continuing operations		295	402
Income taxes	2.5	(68)	(68)
Net income - continuing operations		**227**	**334**
Attributable to:			
Owners of the company		229	332
Non-controlling interests		(2)	2
Net income - discontinued operations	1.4	**1**	**32**
Attributable to:			
Owners of the company		1	32
Non-controlling interests		–	–
Net income		**228**	**366**
Attributable to:			
Owners of the company		**230**	**364**
Non-controlling interests		(2)	2

Consolidated Statement of Comprehensive Income

Year Ended December 31

	2019			2018 restated
(in millions of US$)	Pre-tax	Tax	Net	Net
Net income	**296**	**(68)**	**228**	**366**
Items reclassified from equity to net income during the year				
Cash flow and net investment hedges	53	(12)	41	44
Exchange differences recycled upon sale/liquidation of investments	2	–	2	1
Total	**55**	**(12)**	**43**	**45**
Items that may be reclassified subsequently from equity to net income				
Cash flow and net investment hedges - change in fair value	(43)	3	(40)	(51)
Exchange differences arising on translation of foreign operations	(2)	–	(2)	(36)
Investments in associates and joint ventures - share of other comprehensive income	–	–	–	(8)
Total	**(45)**	**3**	**(42)**	**(95)**
Items that will not be reclassified subsequently from equity to net income				
Pensions	(1)	(1)	(2)	(4)
Total	**(1)**	**(1)**	**(2)**	**(4)**
Changes in other comprehensive income	**9**	**(10)**	**(1)**	**(54)**
Total comprehensive income	**305**	**(78)**	**227**	**312**
Attributable to:				
Owners of the company			**228**	**311**
Non-controlling interests			(1)	1

Consolidated Balance Sheet

Year Ended December 31

(in millions of US$)	Notes	2019	2018 restated
Non-current assets			
Intangible assets	3.1	303	329
Property, plant and equipment	3.2	3,762	3,463
Investments in associates and joint ventures	3.3	227	197
Non-current financial assets	5.3	1,317	1,284
Deferred income tax assets	2.5	232	196
Other non-current assets	3.4	314	429
Total non-current assets		6,155	5,898
Current assets			
Inventories	3.7	5,143	4,940
Biological assets	3.8	54	56
Trade and other receivables	3.9	4,736	4,514
Derivative assets	4.8	1,235	1,484
Margin deposits	4	885	407
Current tax assets		62	71
Financial advances to related parties	7.3	5	1
Other financial assets at fair value through profit and loss	5.5	414	173
Cash and cash equivalents	5.6	750	790
Total current assets		13,284	12,436
Assets classified as held for sale	1.4	99	43
Total assets		**19,538**	**18,377**

Consolidated Balance Sheet Continued

Year Ended December 31

(in millions of US$)	Notes	2019	2018 restated
Equity			
Issued capital and share premium		1,587	1,587
Retained earnings		3,318	3,512
Other reserves		(119)	(125)
Equity attributable to owners of the company		***4,786***	***4,974***
Equity attributable to non-controlling interests		*12*	*8*
Total stockholders' equity and non-controlling interests	5.1	4,798	4,982
Non-current liabilities			
Long-term debt	5.2	3,269	2,777
Retirement benefit obligations	6.1	147	147
Provisions	3.6	60	38
Deferred income tax liabilities	2.5	170	186
Other non-current liabilities	3.5	93	78
Total non-current liabilities		3,739	3,226
Current liabilities			
Short-term debt	5.4	3,889	4,704
Current portion of long-term debt	5.2	637	230
Financial advances from related parties	7.3	184	202
Trade and other payables	3.10	4,841	3,845
Derivative liabilities	4.8	1,308	1,141
Provisions	3.6	8	2
Current tax liabilities		55	42
Total current liabilities		10,922	10,166
Liabilities associated with assets classified as held for sale	1.4	79	3
Total liabilities		14,740	13,395
Total equity and liabilities		**19,538**	**18,377**

Consolidated Statement of Cash Flows

Year Ended December 31

(in millions of US$)	Notes	2019	2018 restated
Net income		228	366
Adjustments for items not affecting cash			
Depreciation and amortization		395	328
Biological assets' change in fair value	3.8	9	(7)
Income taxes	2.5	68	68
Net finance costs		249	277
Other provisions, net		18	(21)
Share of (profit) loss in investments in associates and joint ventures, net of dividends	3.3	4	10
(Gain) loss on investments and sale of fixed assets	2.3	(218)	12
Net expense arising from share-based payments	6.2	39	39
Non-cash items from discontinued operations		–	10
		792	1,082
Changes in operating assets and liabilities			
Inventories and biological assets		(350)	(237)
Derivatives		425	(292)
Margin deposits net of margin deposit liabilities		(470)	273
Trade and other receivables		(344)	264
Trade and other payables		1,000	194
Interests paid		(380)	(411)
Interests received		127	82
Income tax received (paid)		58	(22)
Net cash from (used in) operating activities, discontinued operations		88	736
Net cash from (used in) operating activities		946	1,669
Investing activities			
Purchase of fixed assets		(306)	(283)
Additional investments, net of cash acquired		(107)	(46)
Change in short-term securities		(121)	172
Proceeds from sale of fixed assets		255	40
Proceeds from sale of investments, net		3	481
Change in loans and advances made		(16)	(10)
Net cash from (used in) investing activities, discontinued operations		–	(51)
Net cash from (used in) investing activities		(292)	303
Financing activities			
Net proceeds from (repayment of) short-term debt and related parties loans and advances	5.4	(770)	550
Proceeds from long-term financing	5.2	1,175	330
Repayment of long-term financing	5.2	(562)	(1,447)
Repayment of lease liabilities	7.1	(76)	–
Dividends paid to equity owners of the company	5.1	(428)	(411)
Dividends paid to non-controlling interests		–	(1)
Net cash from (used in) financing activities, discontinued operations		(24)	(766)
Net cash from (used in) financing activities		(685)	(1,745)
Exchange difference on cash		(2)	(11)
Net increase (decrease) in cash and cash equivalents		(33)	216
Cash and cash equivalents, at beginning of the year	5.6	790	541
Change in cash and cash equivalents reclassified to held for sale assets	1.4	(7)	33
Cash and cash equivalents, at year-end	5.6	**750**	**790**

Consolidated Statement of Changes in Equity

Year Ended December 31

(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, 2017 published		**1,587**	**3,607**	**(67)**	**5,127**	**8**	**5,135**
Juice business - change in accounting policy	1.1		(61)	–	**(61)**	–	**(61)**
Balance as of December 31, 2017 restated		**1,587**	**3,546**	**(67)**	**5,066**	**8**	**5,074**
Net income restated			364		**364**	2	**366**
Other comprehensive income, net of tax				(53)	**(53)**	(1)	**(54)**
Available-for-sale financial assets - change in accounting policy	5.1		4	(4)	**–**		**–**
Total comprehensive income restated	5.1		368	(57)	**311**	1	**312**
Dividends	5.1		(411)		**(411)**	(1)	**(412)**
Deferred compensation plan, net of tax	5.1		9	(1)	**8**		**8**
Balance as of December 31, 2018 restated		**1,587**	**3,512**	**(125)**	**4,974**	**8**	**4,982**
Net income			230		**230**	(2)	**228**
Other comprehensive income, net of tax				(2)	**(2)**	1	**(1)**
Others			(3)	3	**–**	–	**–**
Total comprehensive income	5.1		227	1	**228**	(1)	**227**
Dividends	5.1		(428)		**(428)**	–	**(428)**
Deferred compensation plan, net of tax			6	5	**11**		**11**
Change in the list of consolidated companies			–		**–**	7	**7**
Transactions with non-controlling interests			1	–	**1**	(2)	**(1)**
Balance as of December 31, 2019		**1,587**	**3,318**	**(119)**	**4,786**	**12**	**4,798**

Notes to Consolidated Financial Statements

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 has been taken by employees in the execution of the equity participation plan described in Note 6.2.

In 2013, LDC completed the issuance of two unrated senior bonds: one in July for €400 million (5-year, 3.875% coupon) and the other one in December for €500 million (7-year, 4% coupon), both listed on the *Luxembourg Stock Exchange*. In July 2018, the €400 million unrated senior bond was reimbursed.

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*.

LDC and its subsidiaries (the "Group") is a global merchandizer of commodities 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 2017, the Group reached an agreement to sell its global Metals business to *NCCL Natural Resources Investment Fund*, managed by *New China Capital Legend* as general partner, with two limited partners of *AXAM Asset Management* and *China Molybdenum Co., Ltd.* The completion of the transaction occurred on May 11, 2018 (refer to Note 1.4).

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 (US$), which is the functional currency of the main subsidiaries of the Group.

The consolidated financial statements were approved by the Board of Directors of LDC on March 20, 2020.

The December 2019 consolidated financial statements of LDC were prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union as of December 31, 2019. The Group has not adopted IAS 33 "Earnings per Share". This standard is not mandatory for companies whose ordinary shares are not publicly traded.

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, 2018, except for the adoption of new amendments, standards and interpretations as of January 1, 2019 and the change in accounting policy applied to the Juice business.

New and Amended Accounting Standards and Interpretations in Effect Starting From 2019

- IFRS 16 "Leases". This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases that both parties to such a contract, i.e. the customer (lessee) and the supplier (lessor), shall apply to provide relevant information in a manner that faithfully represents those transactions. The terms and conditions of each contract shall be considered when applying the standard, along with all relevant facts and circumstances.

For initial application of IFRS 16 "Leases" on January 1, 2019, the Group has chosen to:

- Apply the simplified retrospective transition method, by accounting for the cumulative effect of the initial application of the standard at the date of first application, without restating the comparative periods;
- Measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before the date of initial application;
- Use the following simplification measures provided by the standard in the transitional provisions:
  - Apply the standard to contracts that the Group had previously identified as containing a lease under IAS 17 and IFRIC 4 and to right-of-use of lands in Brazil in connection with agricultural partnership contracts;
  - Not take into account leases whose term ends within 12 months following the date of first application (treated as short-term leases under the scope of IFRS 16 - refer to Note 7.1);
  - Apply a single discount rate to a portfolio of leases with reasonably similar characteristics using the incremental borrowing rates determined mainly based on geographic region and the remaining lease term at transition.
- Not apply IFRS 16 to other intangible assets.

The implementation of IFRS 16 corresponds to the recognition of the right-of-use assets and lease liabilities for contracts in which the Group is the lessee and has the following impact on the consolidated balance sheet as of January 1, 2019:

Balance sheet (in millions of US$)	2018 restated	**IFRS 16 application**	January 1, 2019
Property, plant and equipment	3,463	303	3,766
Trade and other receivables	4,514	(2)	4,512
Long-term debt	(2,777)	(241)	(3,018)
Current portion of long-term debt	(230)	(60)	(290)
Total stockholders' equity and non-controlling interests	**4,982**	**–**	**4,982**

The weighted average discount rate used at transition was 5.67%.

Deferred taxes have been recognized on the difference between right-of-use assets and lease liabilities in the countries where IFRS 16 is not applicable for tax purposes.

Accounting policies related to IFRS 16 are described in Note 7.1.

The following standards and interpretations in effect starting from 2019 have had no effect on the balance sheet or performance of the Group:

- Amendments to IFRS 9 "Prepayment features with negative compensation".
- IFRIC 23 "Uncertainty over Income Tax Treatments". In applying IFRIC 23, the Group extensively reviewed its tax risks included in the scope and concluded that no additional liability would have to be recognized.
- Amendments to IAS 28 "Long-term interests in associates and joint ventures".
- Annual improvements to IFRSs 2015-2017 including:
  - Amendments to IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements";
  - Amendments to IAS 12 "Income taxes";
  - Amendments to IAS 23 "Borrowing costs".
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement".

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

New and Amended Accounting Standards and Interpretations Approved by the European Union With Effect in Future Periods

- Amendments to IAS 1 and IAS 8 "Definition of Material". The amendments will come into effect as of January 1, 2020 and are not expected to have any material impact on the Group's financial statements.
- Amendments to the Conceptual Framework. The amendments will come into effect as of January 1, 2020.
- 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 an existing interest rate benchmark with an alternative interest rate, the implications for specific hedge accounting requirements in IFRS 9 and IAS 39 that require forward-looking analysis, along with additional disclosures around uncertainty arising from the interest rate benchmark reform. The amendments will come into effect as of January 1, 2020 and an analysis of its impacts on the consolidated financial statements is underway.

Accounting Standards and Interpretations Issued by the 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:

- 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. The amendments will come into effect for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020.
- 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.

Change in Accounting Policy - Juice Business

Historically, the Juice Platform's core activities and business model were similar to other platforms of the Group. Recently, Juice activities have turned into a processing and distribution business. Therefore, the Group decided to adapt the valuation method of its Juice open commitments and inventories to provide reliable and more relevant information on the effects of those transactions in the consolidated financial statements:

- Open commitments on Juice products were valued at fair value and are now considered as off balance sheet commitments;
- Inventories, which were considered as "Trading inventories" and valued at fair value less costs to sell, are now recognized under "Finished goods" and valued at the lower of cost or net realizable value.

In accordance with IAS 8, this change in accounting policy was applied retrospectively and had the following impacts on the consolidated financial statements:

Income statement (in millions of US$)	2018 published	**Juice restatement**	2018 restated[1]
Cost of sales	(35,135)	(5)	(35,140)
Income taxes	(86)	14	(72)
Net income - continuing operations	**323**	**9**	**332**
Attributable to:			
Owners of the company	**321**	**9**	**330**
Non-controlling interests	2	–	2

1. Those figures do not include the impacts related to the reclassification of the Dairy business contribution to the discontinued operations (refer to Note 1.4).

Balance sheet (in millions of US$)	2018 published	**Juice restatement**	2018 restated
Inventories	4,997	(57)	4,940
Derivative assets	1,490	(6)	1,484
Deferred income tax liabilities	(190)	4	(186)
Derivative liabilities	(1,148)	7	(1,141)
Total stockholders' equity and non-controlling interests	**5,034**	**(52)**	**4,982**
Attributable to:			
Owners of the company	**5,026**	**(52)**	**4,974**
Non-controlling interests	8	–	8

Statement of cash flows (in millions of US$)	2018 published	**Juice restatement**	2018 restated[1]
Net income	357	9	366
Income taxes	86	(14)	72
Net cash before changes in operating assets and liabilities	**1,087**	**(5)**	**1,082**
Inventories and biological assets	(234)	(13)	(247)
Derivatives	(310)	18	(292)
Net cash used in operating activities	**1,669**	**–**	**1,669**

1. Those figures do not include the impacts related to the reclassification of the Dairy business contribution to the discontinued operations (refer to Note 1.4).

As of December 31, 2018, the Group had commitments to sell 139 thousand tons of frozen concentrate orange juice until 2021, which represented a total amount of US$302 million, 338 thousand tons of not-from-concentrate juice until 2020, which represented a total amount of US$177 million, and 50 thousand tons of other juice by-products which represented a total amount of US$110 million.

1.2 Basis of Consolidation and Use of Estimates

Basis of Consolidation

In accordance with IFRS 10 "Consolidated Financial Statements", the consolidated financial statements of LDC include the financial statements of all entities that the Group controls directly or indirectly, regardless of the level of the Group's equity interest in the entity. An entity is controlled when the Group has power over the entity, exposure or rights to variable returns from its involvement with the entity, and the ability to affect those returns through its power over the entity. In determining whether control exists, potential voting rights must be taken into account if those rights are substantive, in other words they can be exercised on a timely basis when decisions about the relevant activities of the entity are to be taken. Commitments given by the Group to purchase non-controlling interests in Group-controlled companies are included in liabilities.

Entities consolidated by the Group are referred to as ''subsidiaries''. Entities that the Group controls by means other than voting rights are referred to as ''consolidated structured entities''.

In accordance with IFRS 11 "Joint Arrangements", the Group classifies its joint arrangements (i.e. arrangements in which the Group exercises joint control with one or more other parties) either as a joint operation or a joint venture. In the case of a joint operation, the Group recognizes the assets and liabilities of the operation in proportion to its rights and obligations relating to those assets and liabilities. Joint ventures are accounted for using the equity method.

The Group exercises joint control over a joint arrangement when decisions relating to the relevant activities of the arrangement require the unanimous consent of the Group and the other parties with whom control is shared.

The Group exercises significant influence over an entity when it has the power to participate in the financial and operating policy decisions of that entity, but does not have the power to exercise control or joint control over those policies.

In accordance with IAS 28 "Investments in Associates and Joint Ventures", the equity method is used to account for joint ventures and for associates (i.e. entities over which the Group exercises significant influence).

All consolidated subsidiaries and companies carried at equity prepared their accounts as of December 31, 2019 in accordance with the accounting policies and methods applied by the Group.

Intercompany transactions and balances are eliminated in consolidation.

A change in the ownership interest in a subsidiary, without loss of control, is accounted for as an equity transaction. In the event that the Group loses control over a subsidiary, the Group:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any benefit or deficit in the income statement; and
- Reclassifies components previously recognized in other comprehensive income to the income statement or retained earnings, as appropriate.

Use of Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The Group engages in price risk management activities, principally for trading purposes. Activities for trading purposes are accounted for using the mark-to-market method. In the absence of quoted prices, the market prices used to value these transactions reflect management's best estimate considering various factors including the closing exchange and over-the-counter quotations, parity differentials, time value and price volatility underlying the commitments. The values are adjusted to reflect the potential impact of liquidating the Group's positions in an orderly manner over a reasonable period of time under present market conditions.

Goodwill is tested annually for impairment in accordance with the valuation methodology described below. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Cash generating units are defined at the lowest level of independent cash flows generated by the corresponding assets measured. Applying this methodology, the Group identified eight main independent cash generating units corresponding to its commodity platforms. The value-in-use calculations are based on pre-tax cash flow projections set on business plans approved by the management covering a five-year period, and potentially an extrapolation of the cash flows beyond the five-year plan to cover a full life cycle and a terminal value using a perpetual growth rate. The recoverable amount is the sum of the discounted cash flows and the discounted terminal residual value. The discount rate used is based on the weighted average cost of capital of the Group before tax.

Biological assets (except bearer plants) are carried at fair value, estimated using discounted expected future cash flows, less costs to sell. This computation includes estimates of productivity, quality, market price, labor costs, and changes in interest rates. Market prices are derived from prices available on quoted active markets for products related to the biological assets valued. Biological assets are grouped by location to better integrate significant attributes like maturity, quality, labor costs needs and yield, in the determination of the fair value. Comparisons are made on an ongoing basis to adjust estimates from past harvests and changes in market prices. The projections are made in US Dollars (US$) with a finite projection period, based on the remaining useful life of each group of biological assets identified.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Foreign Currencies

Financial statements of foreign operations are translated from the functional currency into US$ using exchange rates in effect at period end for assets and liabilities, and average exchange rates during the period for results of operations and cash flows. However, for certain material transactions, a specific exchange rate is used when considered relevant. Related translation adjustments are reported as a separate component of equity. A proportionate share of translation adjustments relating to a foreign investment is recognized through the consolidated income statement when this investment is sold fully or partially.

When the functional currency of an entity is not the local currency, its local financial statements are first converted using historical exchange rates for non-monetary items such as non-trading inventories, properties, and depreciation, and related translation adjustments are included in the current year's operations.

Exchange differences arising on monetary items that form an integral part of the net investment in foreign subsidiaries are recognized in other comprehensive income, under "Exchange differences arising on translation of foreign operations", for their net-of-tax amount.

Exchange differences on monetary items such as receivables and payables denominated in a foreign currency are recorded in the income for the year.

On a regular basis, the Group reviews the functional currencies used in measuring foreign operations to assess the impact of recent evolutions of its activities and the environment in which it operates.

Consolidated Financial Statements

Income and expenses are analyzed by function in the consolidated income statement. Cost of sales includes depreciation and employment costs relating to processing plants and warehouses. It also includes the net unrealized gain or loss on open contracts of the commodity and freight trading activities as well as the change in fair value of biological assets. Commercial and administrative expenses include the cost of traders and administrative employees, the depreciation of office buildings and equipment, as well as the expense resulting from the fair value of shares and stock options granted to employees.

Assets and liabilities are presented separately between current and non-current assets, and current and non-current liabilities. This classification is based for each asset and liability on the expected recoverability or settlement date, respectively before or after twelve months from the balance sheet date.

The cash flows from operating activities are reported using the indirect method: the net income is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

1.3 Change in the List of Consolidated Companies

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, 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).

On March 9, 2018, LDC finalized the sale of *Macrofertil Australia Pty. Ltd.* to *Landmark Operations Ltd.* The gain derived from the sale amounted to US$4 million (refer to Note 2.3).

In April 2018, the Group acquired 100% of *Sinarmas Natural Resources Foodstuff Technology (Tianjin) Co. Ltd.*[1], which owns and operates oilseeds crushing and refining facilities in the Lingang Economic Area in Tianjin's Binghai New Area district, for a total purchase price of US$32 million. In accordance with IFRS 3 (revised), the Group recognized a US$12 million gain from bargain purchase which was recognized as a profit in the consolidated income statement within the line "Cost of sales". The final purchase price allocation is as follows:

(in millions of US$)	Book value at date of acquisition under local GAAP	Fair value under IFRS
Intangible assets	26	29
Property, plant and equipment	103	80
Deferred income tax assets	–	1
Non-current assets	**129**	**110**
Inventories	1	1
Trade and other receivables	8	8
Cash and cash equivalents	14	14
Current assets	**23**	**23**
Total assets	**152**	**133**
Other non-current liabilities	10	–
Non-current liabilities	**10**	–
Short-term debt	29	29
Trade and other payables	60	60
Current liabilities	**89**	**89**
Total liabilities	**99**	**89**
Net equity	**53**	**44**
Consideration transferred		32
Gain from bargain purchase		**12**

On May 11, 2018, LDC finalized the sale of its global Metals business to *NCCL Natural Resources Investment Fund*, managed by *New China Capital Legend* as general partner, with two limited partners of *AXAM Asset Management* and *China Molybdenum Co., Ltd.* The gain derived from the sale amounted to US$12 million. As of December 31, 2017, LDC's global Metals business was classified as held for sale and representing a major line of business, it was also classified as discontinued operations according to IFRS 5 "Non-current assets held for sale and discontinued operations" (refer to Note 1.4).

No other significant change in the list of consolidated companies occurred during the years ended December 31, 2019 and December 31, 2018.

1. The Group renamed this entity *LDC (Tianjin) Food Technology Limited Liability Company.*

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

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been abandoned and such a component represents a separate major line of business.
Non-current asset or disposal group that is to be abandoned is not reclassified as held for sale because its carrying amount will be recovered principally through continuing use.
Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as "Net income - discontinued operations" in the consolidated income statement for all periods presented. Net cash flows attributable to the operating, investing and financing activities of discontinued operations are also presented separately from other flows in the consolidated statement of cash flows.

In accordance with IFRS 5 - "Non-current assets held for sale and discontinued operations", as of December 31, 2017, the Group classified its global Metals business as held for sale, and representing a major line of business, it was also classified as discontinued operations. On May 11, 2018, the Group closed the sale to *NCCL Natural Resources Investment Fund*, managed by *New China Capital Legend* as general partner, with two limited partners of *AXAM Asset Management* and *China Molybdenum Co., Ltd.* The selling price of this transaction amounted to US$466 million.

Since June 30, 2018, *Macrofertil Ghana Ltd.* (Fertilizers & Inputs business) had been classified as held for sale. As of December 31, 2019, the Group decided to continue to run its business in Ghana, no longer intending to sell it. Therefore, its assets and liabilities were reclassified to the respective lines in the consolidated balance sheet.

As of December 31, 2019, *LDC (Fujian) Refined Sugar Co. Ltd.* (sugar refinery in China) and *LDC (Bazhou) Feedstuff Protein Company Ltd.* (oilseeds processing refinery based in China) have been classified as held for sale.

Assets classified as held for sale are summarized as follows:

(in millions of US$)	2019	2018
Fujian	78	–
Bazhou	9	7
Macrofertil Ghana	–	17
Others	12	19
Total assets classified as held for sale	**99**	**43**

As of December 31, 2018, the line "Others" included US$9 million related to network facilities in Portland, Oregon, US, used for grains transportation which sale was completed during the first semester of 2019.

The condensed assets and liabilities with third parties of *LDC (Fujian) Refined Sugar Co. Ltd.*, *LDC (Bazhou) Feedstuff Protein Company Ltd.* and *Macrofertil Ghana Ltd.* (Fertilizers & Inputs business) as of December 31, 2019 and December 31, 2018 are as follows:

	2019			2018		
(in millions of US$)	Fujian	Bazhou	Total	Bazhou	Macrofertil Ghana	Total
Property, plant and equipment	29	7	**36**	7	1	**8**
Other non-current assets	3	–	**3**	–	–	**–**
Non-current assets	**32**	**7**	**39**	**7**	**1**	**8**
Inventories	30	–	**30**	–	10	**10**
Other current assets	16	2	**18**	–	6	**6**
Current assets	**46**	**2**	**48**	**–**	**16**	**16**
Total assets classified as held for sale	**78**	**9**	**87**	**7**	**17**	**24**
Short-term debt	(73)	–	**(73)**	–	(3)	**(3)**
Other current liabilities	(6)	–	**(6)**	–	–	**–**
Current liabilities	**(79)**	**–**	**(79)**	**–**	**(3)**	**(3)**
Total liabilities associated with held for sale assets	**(79)**	**–**	**(79)**	**–**	**(3)**	**(3)**

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 and Metals operations excluded from the results of continuing operations are the following:

	2019	2018 restated		
(in millions of US$)	Dairy	Metals	Dairy	Total
Net sales	143	4,106	458	**4,564**
Cost of sales	(136)	(4,048)	(447)	**(4,495)**
Gross margin	**7**	**58**	**11**	**69**
Commercial and administrative expenses	(5)	(17)	(8)	**(25)**
Finance costs, net	(1)	(15)	(1)	**(16)**
Income taxes	–	(4)	(4)	**(8)**
Subtotal net income - discontinued operations	**1**	**22**	**(2)**	**20**
Gain on disposal of Metals business	**–**	**12**	**–**	**12**
Net income - discontinued operations	**1**	**34**	**(2)**	**32**

In 2018, subtotal net income - discontinued operations amounting to US$22 million corresponded to the transactions of the global Metals business until May 11, 2018, when the sale was closed. No tax related to the US$12 million gain on disposal of Metals business was booked.

During the years ended December 31, 2019 and December 31, 2018, the change in cash and cash equivalents held for sale is as follows:

	2019				2018		
(in millions of US$)	Fujian	Bazhou	Macrofertil Ghana	Total	Metals	Macrofertil Ghana	Total
Cash and cash equivalents held for sale, at beginning of the year	**–**	**–**	**1**	**1**	**33**	**1**	**34**
Change in cash and cash equivalents held for sale	7	1	(1)	**7**	(33)	–	**(33)**
of which:							
Cash sold	–	–	–	**–**	*(37)*	–	***(37)***
Reclassification to cash and cash equivalents	–	–	*(1)*	***(1)***	–	–	–
Cash and cash equivalents held for sale, at end of the year	**7**	**1**	**–**	**8**	**–**	**1**	**1**

2. Segment Information and Income Statement

2.1 Segment Information

The Group operates its business worldwide 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 Coffee, Cotton, Rice and Sugar platforms.

The Group assesses the financial performance of its segments with reference to the segment operating results, which corresponds to the 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 years ended December 31, 2019 and 31 December 31, 2018 is detailed as follows:

(in millions of US$)	2019 Value Chain	2019 Merchandizing	2019 Total
Net sales	23,229	10,414	33,643
Depreciation	(267)	(56)	(323)
Share of profit (loss) in investments in associates and joint ventures	3	(2)	1
Segment operating results	569	387	956
Commercial and administrative expenses			(621)
Finance costs, net			(259)
Others			219
Income taxes			(68)
Non-controlling interests			2
Net income attributable to owners of the company - continuing operations			229

(in millions of US$)	2018 restated Value Chain	2018 restated Merchandizing	2018 restated Total
Net sales	25,436	10,571	36,007
Depreciation	(224)	(47)	(271)
Share of profit (loss) in investments in associates and joint ventures	4	(4)	–
Segment operating results	825	489	1,314
Commercial and administrative expenses			(619)
Finance costs, net			(282)
Others			(11)
Income taxes			(68)
Non-controlling interests			(2)
Net income attributable to owners of the company - continuing operations			332

Balance sheet segment information as of December 31, 2019 and December 31, 2018 is as follows. Due to the exit from the Dairy business through a liquidation process, the contribution of this former Platform is kept within the Merchandizing segment assets and liabilities.

(in millions of US$)	2019 Value Chain	2019 Merchandizing	2019 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 purpose	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

(in millions of US$)	2018 restated Value Chain	2018 restated Merchandizing	2018 restated Total
Fixed assets (Intangible assets and property, plant and equipment)	3,232	560	3,792
Investments in associates and joint ventures	134	63	197
Inventories	2,537	2,403	4,940
Biological assets	56	–	56
Trade and other receivables	3,209	1,305	4,514
Derivative assets	904	580	1,484
Margin deposits	334	73	407
Financial assets held for trading purpose	93	–	93
Assets classified as held for sale	34	9	43
Segment assets	10,533	4,993	15,526
Trade and other payables	(2,445)	(1,332)	(3,777)
Derivative liabilities	(898)	(243)	(1,141)
Repurchase agreement	(26)	–	(26)
Liabilities associated with assets classified as held for sale	(3)	–	(3)
Segment liabilities	(3,372)	(1,575)	(4,947)
Other assets			2,851
Other liabilities			(8,448)
Total net assets	7,161	3,418	4,982
Capital expenditure	285	44	329

Financial assets held for trading purpose 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 "Purchase of fixed assets" and "Additional investments, net of cash acquired" lines of the consolidated statement of cash flows.

As of December 31, 2019, US$49 million of trade and other payables were not segmented (US$68 million as of December 31, 2018).

Net sales for continuing operations by geographical destination, based on the country of incorporation of the counterparty, were broken down as follows for the years ended December 31, 2019 and December 31, 2018:

(in millions of US$)	2019	2018 restated
North Asia	7,802	8,198
South & Southeast Asia	7,943	8,610
North Latin America	1,313	1,522
South & West Latin America	2,050	2,625
Europe, Middle East & Africa	9,461	10,197
North America	5,074	4,855
	33,643	**36,007**

Net sales to Europe & Black Sea geographical area amounted to US$5,873 million for the year ended December 31, 2019 (US$5,979 million a year before). Net sales to Middle East & Africa geographical area amounted to US$3,588 million for the year ended December 31, 2019 (US$4,218 million a year before).
Net sales to the Netherlands are not material.

The Group's fixed assets were located in the following geographical areas as of December 31, 2019 and December 31, 2018:

(in millions of US$)	2019	2018
North Asia	185	148
South & Southeast Asia	181	172
North Latin America	1,236	1,221
South & West Latin America	623	623
Europe, Middle East & Africa	543	424
North America	1,297	1,204
	4,065	**3,792**

Fixed assets in the Netherlands are not material.

2.2 Net Sales

Revenue is derived principally from the sale of commodities and consumable products, and commodity related services such as freight, storage and other services rendered. Revenue is recognized when the performance obligations have been satisfied, which is once the control of the goods and/or services has been transferred from the Group to the buyer.

Revenue related to the sale of commodities is recognized when the product is delivered to the destination specified by the customer, which is typically, depending on the incoterm, the vessel on which it is shipped, the destination port or identified premises and the buyer has gained control, being the ability to direct the use of and obtain substantially all of the remaining benefits from the assets.

Revenue is measured based on consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties.

In certain cases, the commodity sales price is determined on a provisional basis at the date of the sale, generally corresponding to the date of the bill of lading, as the final selling price is subject to movements in market prices up to the date of final pricing. Revenue on provisionally sales price is recognized based on the estimated fair value of the total consideration receivable (by reference to forward market prices). The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative. Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognized as an adjustment to revenue.

When the Group enters into logistic arrangements with a third party in order to meet its logistic needs, the related sales and purchases are both presented in "Cost of sales". Similarly, arrangements with other trading companies, most commonly known in the commodity market as "paper transactions", are presented in "Cost of sales". When the Group agrees to offset a purchase and a sale contracts with a counterparty before delivery, also known as "wash out", the transactions are presented in "Cost of sales".

Revenue derived from time charters freight contracts is recognized over time as the barge or ocean-going vessel moves towards its destination. Storage and other commodity-related services are recognized over time as the service is rendered.

If the Group acts in the capacity as an agent rather than as the principal in a transaction, the margin only is recognized within "Net sales".

Net sales consist of the following:

	2019			2018 restated		
(in millions of US$)	Value Chain	Merchandizing	**Total**	Value Chain	Merchandizing	**Total**
Sale of commodities and consumable products	22,486	10,320	**32,806**	24,530	10,434	**34,964**
Freight, storage and other services	698	88	**786**	731	124	**855**
Others	45	6	**51**	175	13	**188**
	23,229	**10,414**	**33,643**	**25,436**	**10,571**	**36,007**

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

Gain (loss) on investments and sale of fixed assets in the consolidated income statement is detailed as follows:

(in millions of US$)	2019	2018 restated
Gain (loss) on sale of consolidated companies	–	9
Gain (loss) on sale of investments in associates and joint ventures	–	5
Gain (loss) on other financial assets at fair value through profit and loss	62	(12)
Gain (loss) on sale of fixed assets	156	(14)
	218	**(12)**

Gain (Loss) on Sale of Consolidated Companies

In 2018, the gain derived from the sale of *Macrofertil Australia Pty. Ltd.* for US$4 million and from the finalization of the sale of the Africa-based Fertilizers and Inputs operations, which led to a US$7 million adjustment of the gain on sale (US$2 million gain on sale were already recognized in 2017). This gain was partially offset by the US$(2) million loss derived from the sale of *LDC Mountain Industries Pty. Ltd.* (Australia).

Gain (Loss) on Sale of Investments in Associates and Joint Ventures

In 2018, the gain derived from the sale of *PT Andalan Furnindo Ltd.* for US$4 million and from the sale of *Kromdraai Best Milling Pty. Ltd.* for US$1 million.

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

In 2019, the US$62 million gain derived mainly from the fair value adjustment of *Luckin Coffee* and *Leong Hup International* (LHI) shares.

Gain (Loss) on Sale of Fixed Assets

In 2019, the Group sold ten Canadian grain elevators for US$173 million, which led to a US$151 million gain on sale. The Group recognized also a US$7 million gain on the sale and lease back of a cotton warehouse located in Memphis, Tennessee, US. Those gains were partially offset by the US$(3) million loss on the sale of the network facilities located in Portland, Oregon, US, used for grains transportation (refer to Note 3.2).

In 2018, the US$(14) million loss mainly related to the sale of Krishnapatnam oilseeds processing refinery in India.

2.4 Net Finance Costs

(in millions of US$)	2019	2018 restated
Interest income	82	74
Interest expense	(358)	(397)
Other financial income and expense	17	41
Interest expense on leases	*(16)*	–
Foreign exchange	*24*	*62*
Net gain (loss) on derivatives	*(34)*	*(68)*
Other	*43*	*47*
	(259)	**(282)**

Notes Continued

"Foreign exchange" and "Net gain (loss) on derivatives" lines need to be read jointly, totaling the net amount US$(10) million in 2019 and US$(6) million in 2018. The foreign exchange result is mainly attributable to the Euro depreciation in 2019 and 2018, impacting the unrated 2020 Euro-denominated bond (and unrated 2018 Euro-denominated bond in 2018 which was reimbursed in July 2018); these impacts are offset in "Net gain (loss) on derivatives" line due to the Cross Currency Swaps in place (refer to Note 4.8).

2.5 Income Taxes

Income taxes consist of current and deferred income taxes. Current taxes represent income taxes expected to be payable based on enacted or substantively enacted tax rates at the period end applied to the expected current year taxable income, and any adjustment to income taxes payable in respect of previous years.
Current tax assets and current tax liabilities are offset when there is a legally enforceable right to offset the amounts and when the entity intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Generally, the entity will have a legally enforceable right to offset the amounts when they relate to income taxes levied by the same taxation authority which permits the entity to make or receive a single net payment.

Deferred taxes arise from temporary differences between the carrying amounts of certain assets and liabilities and their tax basis. The Group accounts for deferred income tax in accordance with the balance sheet liability method using the most recent established tax rates or substantively enacted income tax rates which are expected to be effective at the time of the reversal of the underlying temporary difference.
The Group recognizes future tax benefits to the extent that the realization of such benefits is probable. The carrying amount of deferred tax assets is reviewed at each balance sheet date.
Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities.

Income taxes are recognized as an expense or income in the consolidated income statement, except when they relate to items that are recognized outside the consolidated income statement (whether in other comprehensive income or directly in equity) or when they arise from the initial accounting for a business combination.

Income taxes in the income statement are detailed as follows:

(in millions of US$)	**2019**	2018 restated
Current year income taxes	(135)	(77)
Adjustments in respect of prior year income taxes	2	–
Current income taxes	(133)	(77)
Current year deferred income taxes	29	22
Adjustments in respect of prior year deferred income taxes	3	(12)
Change in tax rate	33	(1)
Deferred income taxes	65	9
Income taxes	**(68)**	**(68)**

The reported tax expense differs from the computed theoretical income tax provision using the Netherlands' income tax rate of 25% during the years ended December 31, 2019 and December 31, 2018 for the following reasons:

(in millions of US$)	**2019**	2018 restated
Theoretical income tax	(74)	(101)
Differences in income tax rates	24	19
Effect of change in tax rate	33	(1)
Difference between local currency and functional currency	(29)	29
Change in valuation of tax assets and net operating losses	(55)	(20)
Permanent differences on share of profit (loss) in investments in associates and joint ventures	1	1
Adjustments on prior years	5	(12)
Other permanent differences	27	17
Reported income tax	**(68)**	**(68)**

Reported income tax amounted to US$(68) million in 2019 and 2018 (continuing operations).

The difference in income tax rate relates to subsidiaries being taxed at different rates than the Netherlands' rate.
The change in tax rate mainly relates 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 starting January 1, 2020. As of December 31, 2019, the carrying amounts of deferred tax assets and liabilities were adjusted accordingly.
The functional currency impact is booked in non-US entities whose functional currency is the US Dollar (US$) while being taxed based on their local respective currencies. Such impact mainly regarded the Group's Brazilian and Argentinian entities. In 2019, the negative impact was mainly attributable to Brazilian Real (R$) depreciation against the US$ and to the application of the inflation tax adjustment in Argentina. In 2018, the Brazilian negative functional currency impact was offset by a positive impact reported in Argentina following the tax reform enacted in December 2017.
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.

The consolidated deferred income tax assets (liabilities) as of December 31, 2019 and December 31, 2018 are as follows:

(in millions of US$)	**2019**	2018 restated
Deferred income tax assets	232	196
Deferred income tax liabilities	(170)	(186)
Deferred tax net	**62**	**10**

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**
Tax benefits from carry forward losses	**294**	101	–	–	(2)	**393**
Unrealized exchange gains and losses	**131**	(9)	–	–	–	**122**
Non-monetary balance sheet items - difference between tax and functional currencies	**(276)**	9	–	–	–	**(267)**
Fixed assets (other temporary differences)	**(155)**	12	–	–	1	**(142)**
Other temporary differences	**70**	(5)	(10)	(1)	–	**54**
Valuation allowance for deferred tax assets	**(54)**	(43)	–	–	(1)	**(98)**
Deferred tax net	**10**	**65**	**(10)**	**(1)**	**(2)**	**62**

As of December 31, 2019, the valuation allowance for deferred tax assets was ascribed to available loss carry forwards for US$96 million.

The 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).

Changes in net deferred income tax assets (liabilities) for the year ended December 31, 2018 are as follows:

(in millions of US$)	**Opening balance**	Recognized in net income - continuing operations	Recognized in net income - discontinued operations	Recognized in equity	Foreign currency translation adjustment	Other	**Closing balance**
Tax benefits from carry forward losses	**358**	(28)	(4)	–	(4)	(28)	**294**
Unrealized exchange gains and losses	**120**	11	–	–	–	–	**131**
Non-monetary balance sheet items - difference between tax and functional currencies	**(251)**	(25)	–	–	–	–	**(276)**
Fixed assets (other temporary differences)	**(232)**	77	–	–	1	(1)	**(155)**
Other temporary differences	**76**	(9)	–	2	–	1	**70**
Valuation allowance for deferred tax assets	**(39)**	(17)	–	–	1	1	**(54)**
Deferred tax net	**32**	**9**	**(4)**	**2**	**(2)**	**(27)**	**10**

As of December 31, 2018, the valuation allowance for deferred tax assets was fully ascribed to available loss carry forwards.

The other changes in deferred tax net were mainly related to the transfer of tax positions of entities belonging to the Dutch tax unity to the head legal entity for US$(28) million.

The recognized and unrecognized tax benefits from carry forward losses expire as follows:

	2019		
(in millions of US$)	Recognized	Unrecognized	Total
Losses expiring in 2020	1	3	**4**
Losses expiring between 2-3 years	31	3	**34**
Losses expiring between 4-5 years	66	37	**103**
Losses expiring in more than 5 years	81	15	**96**
Losses which do not expire	118	38	**156**
Tax benefits from carry forward losses	**297**	**96**	**393**

3. Operating Balance Sheet Items

3.1 Intangible Assets

Goodwill

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

For transactions concluded prior to December 31, 2009, goodwill was determined as the excess of cost of acquisition over the fair value of net assets acquired at date of purchase. When the Group acquired an additional interest in a company already controlled, the excess cost of acquisition over the historical value of net assets acquired was also recorded as goodwill.

For transactions concluded since January 1, 2010, goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, measured at fair value at acquisition date, and the amount recognized for non-controlling interests over the net identifiable assets acquired and liabilities assumed. For each business combination, the Group measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the difference between the cost of acquisition and the fair value of net assets acquired is negative it is immediately recognized through the consolidated income statement.

The fair values of assets and liabilities and the resulting goodwill are finalized within twelve months of the acquisition.

Goodwill is not amortized. Goodwill is tested for impairment, when circumstances indicate that the carrying value may be impaired, and at the minimum, annually. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognized.

At the time of impairment testing a cash-generating unit to which goodwill has been allocated, there may be an indication of an impairment of an asset within the unit containing the goodwill. In such circumstances, the entity tests such asset individually for impairment first, and recognizes any impairment loss for that asset before testing for impairment the cash-generating unit containing the goodwill. Impairment of such goodwill is included in the "Cost of sales" line of the consolidated income statement.

Goodwill relating to the acquisition of shares in an equity investment is presented in the "Investments in associates and joint ventures" line of the consolidated balance sheet.

Other Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Other intangible assets of the Group mainly include trademarks and customer relationships, licenses and internally generated software.

The useful life of acquired trademarks is assessed to be qualified as finite or indefinite. Trademarks with an indefinite useful life are not amortized but reviewed for impairment annually by comparing their recoverable amount with their carrying amount.
The recoverable amount is determined using the royalty relief method.
Intangible assets with finite life are amortized over periods ranging from one to ten years.

Amortization and impairment are recorded in the consolidated income statement according to the nature of assets:

- "Cost of sales" line for industrial assets linked to production and farming;
- "Commercial and administrative expenses" line for assets linked to commercial and trading and to general and/or administrative activities.

As of December 31, 2019 and December 31, 2018, intangible assets consist of the following:

	2019			2018		
(in millions of US$)	Gross value	Accumulated amortization/ impairment	Net value	Gross value	Accumulated amortization/ impairment	Net value
Goodwill	72	(31)	**41**	74	(31)	**43**
Trademarks and customer relationships	87	(33)	**54**	87	(29)	**58**
Other intangible assets	480	(272)	**208**	465	(237)	**228**
	639	**(336)**	**303**	**626**	**(297)**	**329**

As of December 31, 2019, the Group tested the value of goodwill allocated to its cash generating units as described in Note 1.2, using a perpetual growth rate of 2% and an annual discount rate (weighted average cost of capital of the Group before tax) of 8.1%. A 1% increase in the discount rate and a 0.5% decrease in the perpetual growth rate would jointly not cause the recoverable amount of the cash generating units to fall below their carrying value.

Changes in the net value of intangible assets for the years ended December 31, 2019 and December 31, 2018 are as follows:

		2019				2018
(in millions of US$)	Notes	Goodwill	Trademarks and customer relationships	Other intangible assets	Total	Total
Balance as of January 1		43	58	228	**329**	**292**
Acquisitions and additions		–	–	70	**70**	71
Disposals	2.3	–	–	–	**–**	(6)
Acquisitions through business combinations	1.3	2	–	–	**2**	29
Amortization and impairment		–	(4)	(51)	**(55)**	(53)
Foreign currency translation adjustment		–	–	(1)	**(1)**	(5)
Reclassification to held for sale assets	1.4	–	–	–	**–**	(1)
Other reclassifications		(4)	–	(38)	**(42)**	2
Closing balance		**41**	**54**	**208**	**303**	**329**

Acquisitions and Additions

During the years ended December 31, 2019 and December 31, 2018, acquisitions and additions mainly consisted in the ongoing upgrade of the Group's existing front office, alongside with 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.
In April 2018, the Group acquired 100% of the shares of *Sinarmas Natural Resources Foodstuff Technology (Tianjin) Co. Ltd.* (renamed *LDC (Tianjin) Food Technology Limited Liability Company*), a company based in China with a right-of-use of land for the amount of US$29 million.

Other Reclassifications

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

3.2 Property, Plant and Equipment

Property, Plant and Equipment (Except Bearer Plants)

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, incurred during the construction period, are capitalized as part of the cost of that asset. When relevant, property, plant and equipment costs include initial estimate of decommissioning and site restoration costs.
Tangible assets under construction are capitalized as a separate component of property, plant and equipment. Upon completion, the cost of construction is transferred to the appropriate category.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recorded through the consolidated income statement during the financial period in which they are incurred.

Depreciation and Impairment

The depreciation of property, plant and equipment (except bearer plants) is calculated based on the carrying amount, net of residual value, principally using the straight-line method over the estimated useful lives of the assets. Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use. Tangible assets under construction are not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- Buildings: 15 to 40 years;
- Machinery and equipment: 5 to 25 years;
- Other tangible assets: 1 to 20 years.

Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but up to the limit of the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Depreciation and impairment are recorded in the consolidated income statement according to the nature of assets:

- "Cost of sales" line for industrial assets linked to production and farming;
- "Commercial and administrative expenses" line for assets linked to commercial and trading, and to general and/or administrative activities.

Gains or losses on disposal of an item of property, plant and equipment are recorded in the consolidated income statement under the specific line "Gain (loss) on investments and sale of fixed assets".

Bearer Plants

Orange trees are bearer plants recorded at cost less accumulated depreciation and accumulated impairment losses, and measured using the cost model.

Borrowing costs that are directly attributable to the acquisition, construction or production of a bearer plant, incurred during the immature period, are capitalized as part of the cost of that asset.

The depreciation of bearer plants is based on the unit of production method over the estimated useful lives of the assets, since it is the method that best reflects the expected pattern of consumption of the future economic benefits embodied in the bearer plant. Orange groves are considered immature during the first three years. The useful life of mature orange trees is around 17 years.

As of December 31, 2019 and December 31, 2018, the property, plant and equipment, consist of the following:

		2019			2018		
(in millions of US$)	Notes	Gross value	Accumulated depreciation	Net value	Gross value	Accumulated depreciation	Net value
Owned assets		5,662	(2,252)	**3,410**	5,641	(2,178)	**3,463**
Right-of-use assets	7.1	447	(95)	**352**	–	–	**–**
		6,109	**(2,347)**	**3,762**	**5,641**	**(2,178)**	**3,463**

The following tables provide information on owned assets only.

As of December 31, 2019 and December 31, 2018, the consolidated owned assets consist of the following:

	2019			2018		
(in millions of US$)	Gross value	Accumulated depreciation	Net value	Gross value	Accumulated depreciation	Net value
Land	220	–	**220**	229	–	**229**
Buildings	1,984	(668)	**1,316**	1,976	(649)	**1,327**
Machinery and equipment	2,858	(1,381)	**1,477**	2,828	(1,330)	**1,498**
Bearer plants	211	(58)	**153**	211	(46)	**165**
Other tangible assets	198	(145)	**53**	209	(153)	**56**
Tangible assets in process	191	–	**191**	188	–	**188**
	5,662	**(2,252)**	**3,410**	**5,641**	**(2,178)**	**3,463**

Changes in net value of property, plant and equipment for the years ended December 31, 2019 and December 31, 2018 are as follows:

(in millions of US$)	Notes	2019 Land	Buildings	Machinery and equipment	Bearer plants	Other tangible assets	Tangible assets in process	Total	2018 Total
Balance as of January 1		229	1,327	1,498	165	56	188	**3,463**	**3,559**
Additions		–	20	30	4	5	182	**241**	208
Disposals	2.3	(1)	(16)	(9)	(2)	(1)	(2)	**(31)**	(52)
Acquisitions through business combinations	1.3	–	13	2	–	1	–	**16**	86
Depreciation		–	(74)	(140)	(14)	(20)	–	**(248)**	(260)
Impairment losses		(1)	(2)	–	–	–	–	**(3)**	(26)
Foreign currency translation adjustment[1]		–	2	(1)	–	–	–	**1**	(29)
Reclassification to held for sale assets	1.4	(1)	(17)	(10)	–	–	–	**(28)**	(20)
Other reclassifications		(6)	63	107	–	12	(177)	**(1)**	(3)
Closing balance		**220**	**1,316**	**1,477**	**153**	**53**	**191**	**3,410**	**3,463**

1. In 2018, the foreign currency translation adjustment was related to the depreciation of the Chinese Yuan, the Russian Ruble and the Euro against the US Dollar.

Additions

During the year ended December 31, 2019, the Group carried on investing 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 Belgium, both in order to increase storage capacity, acquired a previously leased cotton warehouse in Arizona, US, and invested in new sugar refining machinery in its US sugar refining plant.
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 storage facilities in Port Allen, Louisiana, US.
During the year ended December 31, 2018, the Group invested in an anchoring system in Brazil as part of a wider transshipment hub construction project that is expected to extend its logistic capacities in the country. In addition, a new project was initiated in Ukraine with a first step in the acquisition of a railcar fleet. The Group also invested in its coffee storage facilities in Brazil and its grains and oilseeds processing plants in Argentina, Brazil and US. Other investments included improvements in its acquired soybean crushing plant in Tianjin, China, in its installations at Port Wentworth, Georgia, US, in a new seed cleaning system and extended storage capacity in Wittenberg, Germany, and in a new irrigation system at Monte Belo citrus farm, in Brazil.

Disposals

During the year ended December 31, 2019, the Group sold ten Canadian grain elevators with a net book value of US$22 million. It also sold and leased back a cotton warehouse located in Memphis, Tennessee, US, with a net book value of US$4 million.
In 2018, disposals related mainly to the sale of Krishnapatnam oilseeds processing refinery in India with a net book value of US$31 million and grains storage facilities in Australia with a net book value of US$11 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.*
In April 2018, the Group acquired a soybean crushing plant and refining facilities in Tianjin, China, through the acquisition of 100% of the shares of *Sinarmas Natural Resources Foodstuff Technology (Tianjin) Co. Ltd.*, renamed *LDC (Tianjin) Food Technology Limited Liability Company.*

Impairment Losses

A US$(23) million impairment was recognized as of December 31, 2018 on network facilities used for grains transportation, based in Portland, Oregon, US. The US$9 million residual value of these assets was reclassified to held for sale assets at the same date. Those assets were sold during the first semester of 2019.

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).
As of December 31, 2018, the Group classified as held for sale assets the network facilities in Portland, Oregon, US, used for grains transportation for US$9 million, the Bazhou oilseeds processing refinery in China for US$7 million and other individually not material property, plant and equipment.

3.3 Investments in Associates and Joint Ventures

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights.

Joint ventures are a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method and are initially recognized at cost.
The carrying amount of the investment is adjusted to recognize:

- Changes in the Group's share of net assets of the associate or joint venture since the acquisition date; and
- Impairment losses in the value of the investments, if any.

Any goodwill arising from purchases of interests in associates or joint ventures is included in their carrying amount.

Changes in investments in associates and joint ventures for the years ended December 31, 2019 and December 31, 2018 are as follows:

(in millions of US$)	2019	2018
Balance as of January 1	197	210
Acquisitions and additional investments	34	11
Disposals	–	(10)
Reclassification	–	4
Share of profit (loss)	1	–
Dividends	(5)	(10)
Change in other reserves	–	(8)
Closing balance	**227**	**197**

Acquisitions and Additional Investments

In 2019, the Group 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. The Group also made a new US$17 million capital injection in the joint venture *Terminal Exportador de Santos S.A.* (concession in the Santos port terminal in Brazil) in which a US$6 million capital injection was already made in 2018.
In 2018, the Group also acquired a 49% stake in *Noko Milling Ltd.* (grains business in South Africa) for US$4 million and took two minority stakes in investments that are located in the US and operate cotton warehouses.

Disposals

In 2018, the Group sold its 30% stake in *Kromdraai Best Milling Pty. Ltd.* (in South Africa) and its 25% stake in *PT Andalan Furnindo Ltd.*

Dividends

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.* In 2018, it received US$6 million from *Calyx Agro Ltd.* and US$4 million from *Complejo Agro Industrial Angostura S.A.*

Change in Other Reserves

In 2018, the change in other reserves was mainly due to the depreciation of the Australian Dollar, the Brazilian Real and the South African Rand.

Investments in associates and joint ventures are detailed as follows:

Investment	Country	Activity	2019 Ownership	2019 Net value	2018 Ownership	2018 Net value
All Asian Countertrade Inc.	Philippines	Sugar merchandizing	18%	8	18%	7
Amaggi Louis Dreyfus Zen-Noh Grãos S.A.	Brazil	Grain and soya storage and processing	33%	17	33%	14
Amaggi Louis Dreyfus Zen-Noh Terminais Portuarios S.A.	Brazil	Logistic facilities	33%	15	33%	14
Calyx Agro Ltd.	Cayman Islands	Land fund	29%	9	29%	13
Cisagri Holland Cooperatief U.A.[1]	Netherlands	Logistic facilities	10%	16	10%	16
Complejo Agro Industrial Angostura S.A.	Paraguay	Soybean crushing plant and facilities	33%	36	33%	33
Epko Oil Seed Crushing Pty. Ltd.	South Africa	Sunflower seed and maize germ crushing lines	50%	8	50%	8
LDC - GB Terminais Portuários e Participações Ltda.	Brazil	Logistic facilities	50%	5	50%	5
Luckin Roastery Technology (Xiamen) Co. Ltd.	China	Coffee roasting plant	40%	12	N/A	–
Namoi Cotton Alliance	Australia	Cotton packing and marketing	49%	25	49%	30
Orient Rice Co. Ltd.	Vietnam	Rice procurement and processing	33%	4	33%	4
Riddoch Holdings Pty. Ltd.	Australia	Dairy processing plant	30%	7	30%	6
TEG - Terminal Exportador Do Guarujá Ltda.	Brazil	Logistic facilities	40%	31	40%	32
TES - Terminal Exportador De Santos S.A.[2]	Brazil	Logistic facilities	60%	19	60%	6
Tianjin Rongchuan Feed Co. Ltd.	China	Aquatic feed facilities	30%	5	N/A	–
Subtotal				**217**		**188**
Others				10		9
				227		**197**

1. The Group's percentage of control in *Cisagri Holland Cooperatief U.A* is 25% and the percentage of ownership is 10%.
2. 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$3 million as of December 31, 2019 and US$7 million as of December 31, 2018.

Income statement (in millions of US$)	2019	2018
Entities as listed above	1	4
Other entities	–	(4)
Share of profit (loss) in investments in associates and joint ventures	**1**	**–**

In 2018, the amount in the line "Other entities" mainly related to losses incurred in South African associates and joint ventures.

A summary of the aggregated financial information of the companies listed above is as follows:

Balance sheet (in millions of US$)	2019	2018
Non-current assets	961	780
Current assets	533	593
Total assets	1,494	1,373
Non-current liabilities	412	286
Current liabilities	374	451
Total liabilities	786	737
Net equity	708	636
Equity - owners of the company share	**217**	**188**

Income statement (in millions of US$)	2019	2018
Revenue	1,986	2,513
Net income	13	20
Share of profit (loss) in investments in associates and joint ventures	**1**	**4**

3.4 Other Non-Current Assets

As of December 31, 2019 and December 31, 2018, other non-current assets consist of the following:

(in millions of US$)	2019	2018
Tax credits	302	411
Long-term advances to suppliers	6	8
Others	6	10
	314	**429**

Tax credits mainly include income tax and VAT credits in Brazil. The decrease in 2019 is mostly attributable to payments received from tax authorities.

3.5 Other Non-Current Liabilities

Other non-current liabilities as of December 31, 2019 and December 31, 2018 consist of the following:

(in millions of US$)	2019	2018
Debts associated to business combinations and put options	57	58
Others	9	6
Non-current financial liabilities	66	64
Staff and tax payables	24	10
Others	3	4
Non-current non-financial liabilities	27	14
Other non-current liabilities	93	78

3.6 Provisions

Provisions are recognized when:

- The Group has a present obligation (legal or constructive) as a result of past events;
- It is probable that an outflow of resources will be required to settle the obligation; and
- A reliable estimate can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

As of December 31, 2019 and December 31, 2018, provisions consist of the following:

(in millions of US$)	**2019**	2018
Current provisions	8	2
Non-current provisions	60	38
	68	**40**

Changes in provisions for the years ended December 31, 2019 and December 31, 2018 are as follows:

(in millions of US$)			**2019**			2018
Provisions for:	Tax risks	Social risks	Litigations	Other	**Total**	**Total**
Balance as of January 1	11	17	3	9	**40**	68
Allowance	–	10	12	–	**22**	12
Reversal of used portion	–	(1)	(8)	–	**(9)**	(23)
Reversal of unused portion	–	(4)	–	(1)	**(5)**	(17)
Others	–	–	–	20	**20**	–
Closing balance	**11**	**22**	**7**	**28**	**68**	**40**

Tax and social provisions consist of various claims and lawsuits against the Group, primarily related to employment terminations, labor accidents and allegations for 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 the management best estimate of the most likely outcome. In regards with some legal claims in Brazil, the Group was required to establish escrow deposits, which as of December 31, 2019, amounted to US$42 million (US$27 million as of December 31, 2018) 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.

The US$20 million increase in other provisions relate to a contingent constructive obligation for decommissioning a leased land. This provision has been booked against a corresponding increase in the right-of-use of land (refer to Note 7.1). Furthermore, other provisions include environmental provisions in Brazil and other not individually material obligations.

3.7 Inventories

Trading Inventories

Trading inventories are valued at fair value less costs to sell. The "mark-to-market" valuation policy, which is accepted as a commodity industry practice, presents a fair reflection of the Group's trading activities. Changes in fair value are recognized in the consolidated income statement in "Cost of sales".

Other Inventories

The other inventories are valued at the lower of cost or net realizable value, especially for certain entities or businesses for which the trading model is not applicable. Cost of goods sold are presented in the line "Cost of sales" of the consolidated income statement.

As of December 31, 2019 and December 31, 2018, inventories consist of the following:

(in millions of US$)	**2019**	2018 restated
Trading inventories	4,395	4,086
Finished goods	511	613
Raw materials	240	244
Inventories (gross value)	**5,146**	**4,943**
Depreciation of non-trading inventories	(3)	(3)
Inventories (net value)	**5,143**	**4,940**

The table does not include the following inventory items as they were reclassified to held for sale assets (refer to Note 1.4):

- The trading inventories and raw materials held by *LDC Fujian Refined Sugar Co. Ltd.* (Sugar business) amounting to US$30 million as of December 31, 2019;
- The finished goods held by *Macrofertil Ghana Ltd.* (Fertilizers & Inputs business) amounting to US$10 million as of December 31, 2018.

3.8 Biological Assets

The bearer plants are accounted for as property, plant and equipment, while the produce growing on the bearer plant is a biological asset. Biological assets are carried at fair value less estimated costs to sell, based on discounted expected future cash flows from these assets. Changes in fair value are recognized in the consolidated income statement in "Cost of sales".

The Group owns biological assets located in Brazil consisting of oranges growing until point of harvest. As of December 31, 2019 and December 31, 2018, the Group owns respectively 38 and 39 mature orange groves, which generally sustain around 17 years of orange production.

Changes in biological assets, for the years ended December 31, 2019 and December 31, 2018, are as follows:

(in millions of US$)	**2019**	2018
Balance as of January 1	**56**	**60**
Acquisitions and capitalized expenditure	62	62
Decrease due to harvest	(55)	(73)
Change in fair value	(9)	7
Closing balance	**54**	**56**

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 the Note 4.10.

The 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:

	2019	2018
Number of trees (in thousands)	12,153	13,076
Expected yields (in number of boxes)	18,810	23,145
Price of a box of oranges (in US$)	6.95	6.25
Discount rate	5.63%	7.38%

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

"Trade receivables" are initially recognized at the fair value of the consideration receivable and carried at amortized cost, less provision for impairment. The Group applies IFRS 9's simplified approach to measure expected credit losses on trade receivables. This method allows the Group to recognize lifetime expected losses on receivables without the need to identify significant increases in credit risk. Significant financial difficulties of the debtor, default or delinquency in payments are considered in the historical data when determining the lifetime expected losses.

As of December 31, 2019 and December 31, 2018, trade and other receivables consisted of the following:

	2019			2018		
(in millions of US$)	Gross value	Provision	**Net value**	Gross value	Provision	**Net value**
Trade receivables	2,162	(127)	**2,035**	2,345	(78)	**2,267**
Accrued receivables	945	–	**945**	888	–	**888**
Prepayments	555	–	**555**	212	–	**212**
Other receivables	83	(5)	**78**	108	(4)	**104**
Financial assets at amortized cost	3,745	(132)	**3,613**	3,553	(82)	**3,471**
Advances to suppliers	379	(5)	**374**	621	(3)	**618**
Staff and tax receivables	710	(20)	**690**	392	(15)	**377**
Prepaid expenses	59	–	**59**	48	–	**48**
Non-financial assets	1,148	(25)	**1,123**	1,061	(18)	**1,043**
Trade and other receivables	**4,893**	**(157)**	**4,736**	**4,614**	**(100)**	**4,514**

The table does not include the following items as they were reclassified to held for sale assets (refer to Note 1.4):

- 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 of December 31, 2019;
- The trade receivables held by *Macrofertil Ghana Ltd.* (Fertilizers & Inputs business) amounting to US$5 million as of December 31, 2018.

The changes in the provision on trade and other receivables are as follows:

(in millions of US$)	**2019**	2018
Balance as of January 1	(100)	(128)
Increase in provision	(82)	(19)
Reversal of provision	24	46
Change in the list of consolidated companies	–	(1)
Foreign currency translation adjustment	1	2
Closing balance	**(157)**	**(100)**

Increase in Provision

In 2019, the increase in provision mainly corresponded to default risk on customers for US$66 million for their estimated non-recoverable portions (US$16 million in 2018) and to provisions on VAT for US$13 million (US$3 million in 2018).

Reversal of Provision

In 2019, the reversal of provision mainly corresponded to provisions for receivables reversed for US$16 million (US$25 million in 2018) and to provisions on VAT for US$8 million (US$15 million in 2018).

The following table details the risk profile of counterparty exposure broken down by past due date of receivables as of December 31, 2019 and December 31, 2018:

	2019			2018		
(in millions of US$)	Gross value	Provision	**Net value**	Gross value	Provision	**Net value**
Not due	4,100	(28)	**4,072**	3,537	(7)	**3,530**
Due since < 3 months	413	(7)	**406**	309	(6)	**303**
Due since 3-6 months	50	(24)	**26**	33	(3)	**30**
Due since 6 months-1 year	48	(7)	**41**	70	(8)	**62**
Due since > 1 year	168	(91)	**77**	137	(76)	**61**
Closing balance	**4,779**	**(157)**	**4,622**	**4,086**	**(100)**	**3,986**
Including:						
Trade receivables	*2,162*	*(127)*	***2,035***	*2,345*	*(78)*	***2,267***
Prepayments	*555*	–	***555***	*212*	–	***212***
Advances to suppliers	*379*	*(5)*	***374***	*621*	*(3)*	***618***
Staff and tax receivables	*710*	*(20)*	***690***	*392*	*(15)*	***377***
Other receivables	*83*	*(5)*	***78***	*108*	*(4)*	***104***
Margin deposits	*885*	–	***885***	*407*	–	***407***
Financial advances to related parties	*5*	–	***5***	*1*	–	***1***

3.10 Trade and Other Payables

Trade and other payables as of December 31, 2019 and December 31, 2018 consist of the following:

(in millions of US$)	**2019**	2018
Trade payables	2,099	1,840
Accrued payables	1,870	1,430
Prepayments	477	194
Margin deposits	42	26
Payable on purchase of fixed assets and investments	11	7
Other payables	81	74
Financial liabilities at amortized cost	4,580	3,571
Advances received	18	15
Staff and tax payables	210	229
Deferred income	33	30
Non-financial liabilities	261	274
Trade and other payables	**4,841**	**3,845**

As of December 31, 2019, the table does not include the prepayments and other financial payables amounting to US$2 million and the US$1 million staff and tax payables held by *LDC Fujian Refined Sugar Co. Ltd.* (Sugar business), as they were reclassified to held for sale liabilities (refer to Note 1.4).

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 that are 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 hence 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 percentage of Group equity at the beginning of each quarter. It consists of the following:

Average VaR as a % of Group Equity

During the years ended December 31, 2019 and December 31, 2018, the monthly average Group VaR for trading activities has been less than 1% of stockholders' equity. The yearly average VaR for the Group reached 0.23% in both 2019 and 2018.

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.

The operating current assets and liabilities are denominated in the following currencies before hedge as of December 31, 2019 and December 31, 2018:

		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 tax liabilities		–	8	5	1	41	**55**
Liabilities		4,869	426	176	406	327	**6,204**
Net current assets and liabilities		**4,739**	**916**	**237**	**(173)**	**397**	**6,116**

		2018 restated					
(in millions of US$)	**Notes**	US Dollar	Chinese Yuan	Euro	Brazilian Real	Other currencies	**Total**
Inventories - gross value	3.7	4,009	733	94	11	96	**4,943**
Biological assets	3.8	56	–	–	–	–	**56**
Trade and other receivables - gross value	3.9	3,436	164	324	227	463	**4,614**
Derivative assets - gross value	4.8	1,364	98	7	3	15	**1,487**
Margin deposits		247	138	6	–	16	**407**
Current tax assets		–	2	3	4	62	**71**
Assets		9,112	1,135	434	245	652	**11,578**
Trade and other payables	3.10	2,886	205	125	290	339	**3,845**
Derivative liabilities	4.8	1,094	22	11	3	11	**1,141**
Current income tax liabilities		2	5	5	4	26	**42**
Liabilities		3,982	232	141	297	376	**5,028**
Net current assets and liabilities		**5,130**	**903**	**293**	**(52)**	**276**	**6,550**

As of December 31, 2019, around 95% of the net current assets and liabilities are denominated in the same currency before hedge as the functional currency of the respective legal entity (90% as of December 31, 2018).

4.3 Counterparty Risk

The Group is engaged in the business of trading diversified commodities and commodity-related products. Accordingly, a substantial portion of the Group's trade receivables is towards 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$550 million that are past due as of December 31, 2019 (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 situations. 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 a usual practice. The liquidity risk is consequently 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 December 31, 2019 and December 31, 2018.

	2019				2018 restated			
(in millions of US$)	Under 3 months	3 to 6 months	Over 6 months	**Total**	Under 3 months	3 to 6 months	Over 6 months	**Total**
Trading inventories	4,293	101	1	**4,395**	3,860	222	4	**4,086**
Derivative assets	1,048	77	110	**1,235**	1,230	82	172	**1,484**
Trade and other receivables	3,705	803	228	**4,736**	3,792	402	320	**4,514**
Derivative liabilities	(1,231)	(31)	(46)	**(1,308)**	(989)	(61)	(91)	**(1,141)**
Trade and other payables	(4,214)	(584)	(43)	**(4,841)**	(3,671)	(122)	(52)	**(3,845)**
Total assets net of liabilities	**3,601**	**366**	**250**	**4,217**	**4,222**	**523**	**353**	**5,098**

The schedule below analyses 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 December 31, 2019 and December 31, 2018. These interests are grouped into maturity based on the contractual maturity date of the interests.

(in millions of US$)	**2019**	2018
Maturity < 1 year	191	186
Maturity between 1-2 years	120	122
Maturity between 2-3 years	85	82
Maturity between 3-4 years	59	50
Maturity between 4-5 years	45	26
Maturity > 5 years[1]	116	73
Interests future cash outflows related to short-term debt and long-term financing existing at closing date	**616**	**539**
of which:		
Fixed rate	408	372
Floating rate	208	167

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 December 31, 2019 and December 31, 2018, the allocation of Group financing between fixed and floating interest rates is as follows:

(in millions of US$)	**2019**	2018
Fixed rate	3,888	3,714
Floating rate	3,600	3,997
Total short-term debt and long-term financing	**7,488**	**7,711**

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

Classification and measurement of financial assets depend on the business model and the instruments' contractual cash flow characteristics. Upon initial recognition, financial assets are carried at amortized cost, fair value through other comprehensive income (OCI), or fair value through profit and loss.

The main financial assets of the Group (excluding derivatives) are presented within the following consolidated balance sheet lines:

- Non-current financial assets;
- Trade and other receivables;
- Other financial assets at fair value through profit and loss;
- Cash and cash equivalents.

Financial liabilities are measured at amortized cost or fair value through profit and loss. The main financial liabilities of the Group (excluding derivatives) comprise long-term debt, short-term debt, financial advances from related parties and trade payables. All these financial liabilities are recorded at amortized cost using the effective interest method.

Financial assets and liabilities are recorded in the consolidated balance sheet as current if they mature within one year following the closing date of the financial statements and non-current if they mature after one year, apart from derivatives held for trading, which are all classified as current.

Derivatives are measured at fair value through profit and loss, except for those considered as hedging instruments in a cash flow hedge relationship, in which case the change in fair value is recognized in OCI.

Margin deposits consist of cash with brokers and exchanges to meet initial and variation margins requirements in respect of futures positions on commodities exchanges.

As of December 31, 2019, 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	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**

As of December 31, 2018, 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	171	–	1,113	**1,284**
Total non-current financial assets		171	–	1,113	**1,284**
Financial advances to related parties	7.3	–	–	1	**1**
Trade and other receivables	3.9	–	–	3,471	**3,471**
Derivative assets	4.8	1,475	9	–	**1,484**
Margin deposits		–	–	407	**407**
Other financial assets at fair value through profit and loss	5.5	173	–	–	**173**
Cash and cash equivalents	5.6	332	–	458	**790**
Total current financial assets		1,980	9	4,337	**6,326**
Total financial assets		**2,151**	**9**	**5,450**	**7,610**

(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	–	–	2,777	**2,777**
Other non-current financial liabilities	3.5	–	–	64	**64**
Total non-current financial liabilities		–	–	2,841	**2,841**
Short-term debt	5.4	–	–	4,704	**4,704**
Current portion of long-term debt	5.2	–	–	230	**230**
Financial advances from related parties	7.3	–	–	202	**202**
Trade and other payables (excluding margin deposit liabilities)	3.10	–	–	3,545	**3,545**
Margin deposit liabilities	3.10	–	–	26	**26**
Derivative liabilities	4.8	1,107	34	–	**1,141**
Total current financial liabilities		1,107	34	8,707	**9,848**
Total financial liabilities		**1,107**	**34**	**11,548**	**12,689**

4.8 Classification of Derivative Financial Instruments

Derivatives

The Group uses futures and option contracts mostly to hedge trading inventories and open commitments in commodities and securities. Futures and option contracts are recognized at fair value, and the resulting unrealized gains and losses are recognized within the gross margin. Undelivered commodities purchase and sale commitments and swap / supply arrangements are recognized at fair value, and the resulting unrealized gain or loss is recognized within the gross margin. Foreign exchange hedge contracts are recognized at fair value, and the resulting unrealized gains and losses are recognized in the consolidated income statement in "Other financial income and expense" line for the foreign exchange exposure on funding and in "Cost of sales" line, for the foreign exchange gains and losses related to working capital.

Hedge Accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk. These hedging instruments are classified either as fair value hedges, cash flow hedges, or net investments hedges in foreign operations.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge requirements:

- The hedging relationship must only concern eligible hedging instruments and hedged items;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedging relationship must meet hedge effectiveness requirements, particularly in respect of a hedging ratio.

The hedging relationship ends when it ceases to satisfy the above criteria. This includes situations in which the hedging instrument expires or is sold, terminated or exercised, or when the risk management objectives initially documented are no longer met. If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The ineffective portion of a hedge, if any, is recognized in the consolidated income statement.

Only derivatives external to the Group, and internal derivatives that are matched with similar transactions external to the Group, qualify for hedge accounting.

Fair Value Hedges

Hedging instruments are classified as fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment. The change in fair value of the hedging instrument is recognized in the line of the consolidated income statement that is impacted by the underlying hedged item. The change in fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognized in the consolidated income statement.

Cash Flow Hedges

Hedging instruments are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction or the foreign currency risk in an unrecognized firm commitment. The effective portion of the gain or loss on the hedging instrument is recognized directly in other reserves, while any ineffective portion is recognized immediately in the consolidated income statement. When the hedged cash flows materialize, the amounts previously recognized in equity are either recycled to the consolidated income statement in the same way as for the hedged item, or are treated as an adjustment to the value of the asset acquired.

Net Investment Hedges

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. The effective portion of the gain or loss on the hedging instrument is recognized directly in other reserves while any ineffective portion is recognized immediately in the consolidated income statement. Amounts taken to equity are transferred to the consolidated income statement when the investment in foreign operations is sold or liquidated.

As of December 31, 2019 and December 31, 2018, derivative financial instruments are as follows:

	2019		2018 restated	
(in millions of US$)	Assets	Liabilities	Assets	Liabilities
Forward purchase and sale agreements	690	488	771	446
Forward foreign exchange contracts	359	298	432	441
Futures	172	334	231	85
Options	46	29	11	2
Swaps	5	127	33	133
Provision on derivative assets	(45)	–	(3)	–
Derivatives at fair value through profit and loss	**1,227**	**1,276**	**1,475**	**1,107**
Forward foreign exchange contracts	8	12	3	44
Swaps	–	20	6	(10)
Derivatives at fair value through OCI - cash flow hedges	**8**	**32**	**9**	**34**
Total derivatives	**1,235**	**1,308**	**1,484**	**1,141**

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 over-the-counter (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 either to 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 December 31, 2019, the Group recognized a provision on derivative assets of US$45 million on performance risk to offset unrealized gains on counterparties identified as being at risk. As of December 31, 2018, this provision was US$3 million.

Derivatives at Fair Value Through Other Comprehensive Income (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 Real (R$). Since 2018, the contracts also relate to the hedge of foreign currency risk of a long-term financing line (principal and interests) in R$. Such contracts represent as of December 31, 2019 a total US$564 million nominal value and are effective until 2035 with an average fixed exchange rate of R$4.04 to US$.

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 December 31, 2019 a total US$1,205 million nominal value effective until 2024 with an average three-month libor rate fixed at 2.28% per year.

In 2013, the Group entered into cross-currency swap contracts in order to hedge the currency and interest exposures of the two unrated senior bonds issued by LDC 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). In July 2018, LDC repaid the €400 million unrated senior bond and settled the corresponding cross-currency swap representing a total repayment amount of US$528 million. As of December 31, 2019, the remaining cross-currency swap is effective until 2020 and is linked to the €500 million unrated senior bond.

4.9 Offsetting of Financial Assets and Liabilities

The Group enters into derivative transactions under *International Swaps and Derivatives Association* (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances - e.g. when a credit event such as a default occurs - all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the consolidated balance sheet: the Group does not have any currently legally enforceable right to offset recognized amounts, considering that the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

The following table sets out the carrying amounts of recognized financial instruments that are subject to the above agreements as of December 31, 2019:

	Amounts set off in the balance sheet			Amounts not set off in the balance sheet				
(in millions of US$)	Gross amount of financial assets	Gross amount of financial liabilities	**Net amount recognized in the balance sheet**	Under master netting agreements and margin deposit	Not under master netting agreements	**Total presented in the balance sheet**	Amounts under master agreements not set off in the balance sheet and margin deposit - theoretical set off adjustment	**Total net amount**
Derivative assets	90	(43)	**47**	198	990	**1,235**	277	**1,512**
Derivative liabilities	(352)	563	**211**	188	909	**1,308**	(466)	**842**
Margin deposit assets				885		**885**	(782)	**103**
Margin deposit liabilities				42		**42**	(39)	**3**
	442	**(606)**	**(164)**	**853**	**81**	**770**	**–**	**770**

As of December 31, 2018, the offsetting of financial assets and liabilities was as follows:

	Amounts set off in the balance sheet			Amounts not set off in the balance sheet				
(in millions of US$)	Gross amount of financial assets	Gross amount of financial liabilities	**Net amount recognized in the balance sheet**	Under master netting agreements and margin deposit	Not under master netting agreements	**Total presented in the balance sheet**	Amounts under master agreements not set off in the balance sheet and margin deposit - theoretical set off adjustment	**Total net amount**
Derivative assets	283	(117)	**166**	189	1,129	**1,484**	16	**1,500**
Derivative liabilities	(10)	37	**27**	216	898	**1,141**	(273)	**868**
Margin deposit assets				407		**407**	(314)	**93**
Margin deposit liabilities				26		**26**	(25)	**1**
	293	**(154)**	**139**	**354**	**231**	**724**	**–**	**724**

4.10 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;
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

There was no transfer between levels during the year.

The following table shows an analysis of financial assets and liabilities recorded at fair value by level of the fair value hierarchy as of December 31, 2019 and December 31, 2018:

	2019				2018			
(in millions of US$)	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**
Trading inventories	1	4,280	114	**4,395**	62	3,869	155	**4,086**
Derivative assets	194	1,032	9	**1,235**	244	1,204	36	**1,484**
Forward purchase and sale agreements	*–*	*681*	*9*	***690***	*–*	*735*	*36*	***771***
Forward foreign exchange contracts	*2*	*365*	*–*	***367***	*3*	*432*	*–*	***435***
Futures	*172*	*–*	*–*	***172***	*231*	*–*	*–*	***231***
Options	*20*	*26*	*–*	***46***	*10*	*1*	*–*	***11***
Swaps	*–*	*5*	*–*	***5***	*–*	*39*	*–*	***39***
Provision on derivative assets	*–*	*(45)*	*–*	***(45)***	*–*	*(3)*	*–*	***(3)***
Other financial assets at fair value through profit and loss (current and non-current)	389	2	201	**592**	138	8	198	**344**
Cash and cash equivalents	–	417	–	**417**	–	332	–	**332**
Total assets	**584**	**5,731**	**324**	**6,639**	**444**	**5,413**	**389**	**6,246**
Derivative liabilities	339	964	5	**1,308**	92	1,041	8	**1,141**
Forward purchase and sale agreements	*–*	*483*	*5*	***488***	*–*	*438*	*8*	***446***
Forward foreign exchange contracts	*–*	*310*	*–*	***310***	*5*	*480*	*–*	***485***
Futures	*334*	*–*	*–*	***334***	*85*	*–*	*–*	***85***
Options	*5*	*24*	*–*	***29***	*2*	*–*	*–*	***2***
Swaps	*–*	*147*	*–*	***147***	*–*	*123*	*–*	***123***
Total liabilities	**339**	**964**	**5**	**1,308**	**92**	**1,041**	**8**	**1,141**

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 over-the-counter (OTC) markets and adjusted for differences in local markets and quality since the exchange quoted-price represents contracts that have 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 and Level 3 if they are not. They also include investments in structured deposits, classified as Level 2, and loans to commercial partners that do not meet the SPPI (Solely Payments of Principal and Interests) requirements, classified as Level 3.

5. Equity and Financing

5.1 Equity

(in millions of US$)	2019	2018 restated
Issued capital	1	1
Share premium	1,586	1,586
Retained earnings	3,318	3,512
Other reserves	(119)	(125)
Equity attributable to owners of the company	4,786	4,974
Non-controlling interests	12	8
Total equity	**4,798**	**4,982**

The stockholder's 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 December 31, 2019 and December 31, 2018, 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 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. These US$428 million dividends were distributed in relation to the results of the year 2018 as well as a remaining portion of the proceeds from the sale of the Metals business.

Other Reserves

Other reserves as of December 31, 2019 and December 31, 2018 relate to:

	2019				2018			
(in millions of US$)	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	(145)	(9)	(5)	**(149)**	(157)	1	(6)	**(150)**
Deferred compensation	30	–	–	**30**	25	–	–	**25**
Other reserves	**(115)**	**(9)**	**(5)**	**(119)**	**(132)**	**1**	**(6)**	**(125)**

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.

Fixed assets revaluation reserves correspond to the revaluation surplus recorded over certain classes of property, plant and equipment for which the Group has elected to apply the revaluation model under IAS16.

Pensions' reserves correspond to the remeasurement gains and losses arising on defined benefit pension plans in accordance with IAS 19 Employee Benefits as described in Note 6.1.

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 years ended December 31, 2019 and December 31, 2018 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, 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)	(40)	–	(2)	(3)	**(45)**
Reclassification to profit and loss	41	–	–	2	**43**
Others	–	–	–	3	**3**
Other comprehensive income for the year - owners of the company share	1	–	(2)	2	**1**
of which :					
Pre-tax	10	–	(1)	3	**12**
Tax	(9)	–	(1)	–	**(10)**
Non-controlling share	–	–	–	1	**1**
Balance as of December 31, 2019 - 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)**

(in millions of US$)	Available-for-sale financial assets	Cash flow and net investment hedges	Fixed assets revaluation reserve	Pensions	Foreign currency translation adjustment	**Total**
Balance as of January 1, 2018 - owners of the company share	4	(13)	6	23	(113)	**(93)**
of which :						
Pre-tax	5	(16)	7	29	(119)	**(94)**
Tax	(1)	3	–	(6)	–	**(4)**
Non-controlling share	–	–	1	–	(6)	**(5)**
Current year gains (losses)	–	(52)	–	(4)	(42)	**(98)**
Reclassification to profit and loss	–	44	–	–	1	**45**
Change in accounting policies	(4)	–	–	–	–	**(4)**
Other comprehensive income for the year - owners of the company share	(4)	(8)	–	(4)	(41)	**(57)**
of which :						
Pre-tax	(5)	(12)	–	(4)	(42)	**(63)**
Tax	1	4	–	–	–	**5**
Non-controlling share	–	–	–	–	(1)	**(1)**
Balance as of December 31, 2018 - 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)**

5.2 Long-Term Debt

As of December 31, 2019 and December 31, 2018, long-term debt consists of the following:

(in millions of US$)	Notes	2019	2018
Non-current portion of long-term financing		3,027	2,777
Non-current portion of lease liabilities	7.1	242	–
Non-current portion of long-term debt		**3,269**	**2,777**
Current portion of long-term financing		572	230
Current portion of lease liabilities	7.1	65	–
Current portion of long-term debt		**637**	**230**
Total long-term debt		**3,906**	**3,007**

The tables below only refer to long-term financing.

The long-term financing as of December 31, 2019 and December 31, 2018 is analyzed as follows:

(in millions of US$)	2019	2018
Debt capital markets	1,307	1,302
Revolving credit facilities	296	450
Term loans from banks	1,996	1,255
Total long-term financing	**3,599**	**3,007**

The maturity of long-term financing as of December 31, 2019 and December 31, 2018 is analyzed as follows:

(in millions of US$)	2019	2018
Maturity between 1-2 years	245	770
Maturity between 2-3 years[1]	1,173	539
Maturity between 3-4 years[2]	447	795
Maturity between 4-5 years	263	505
Maturity > 5 years	899	168
Non-current portion of long-term financing	**3,027**	**2,777**
Current portion of long-term financing[3]	**572**	**230**
Total long-term financing	**3,599**	**3,007**
of which:		
Fixed rate	2,576	2,296
Floating rate	1,023	711

1. As of December 31, 2019, 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 December 31, 2019, 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 December 31, 2019, 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$96 million as of December 31, 2019 and US$105 million as of December 31, 2018 are secured by mortgages on assets.

Certain senior debt and bank loans contain covenants that require maintenance of levels of working capital, net worth, ratios of debt to equity, dividend restrictions and limit of indebtedness.

The outstanding long-term financing is denominated in the following currencies as of December 31, 2019 and December 31, 2018:

(in millions of US$)	2019	2018
US Dollar	3,148	2,516
Euro	450	460
Canadian Dollar	–	29
Other currencies	1	2
Total long-term financing	**3,599**	**3,007**

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

(in millions of US$)	2019	2018
Bank loans, from 0.80% to 2.35% over LIBOR due through 2020	–	262
Bank loans, from 0.90% to 1.35% over LIBOR due through 2021	124	270
Bank loans, from 0.70% to 3.0% over LIBOR due through 2022	268	110
Bank loans, from 0.70% to 3.5% over LIBOR due through 2027	570	3
Bank loans, from 3.10% to 5.00% over TJLP due through 2035	59	63
Other variable rates through 2022	2	3
Fixed rate through 2028	2,576	2,296
Total long-term financing	**3,599**	**3,007**

As of December 31, 2019, the main difference between the fair value of long-term financing and its historical value amounts to US$57 million. It relates to the unrated senior bonds for which fair value is US$1,364 million compared to US$1,307 million net book value.

Changes in long-term financing for the years ended December 31, 2019 and December 31, 2018 are as follows:

(in millions of US$)	2019	2018
Balance as of January 1	**3,007**	**4,144**
Proceeds from long-term financing	1,175	330
Repayment of long-term financing	(562)	(1,447)
Foreign exchange	(20)	(12)
Change in other reserves	(4)	(12)
Others	3	4
Closing balance	**3,599**	**3,007**

5.3 Non-Current Financial Assets

Non-current financial assets mainly include:

- Non-current financial assets measured at amortized cost using the effective interest method such as long-term loans and deposits which meet the SPPI (Solely Payments of Principal and Interests) test requirements under IFRS 9;
- Investments in equity instruments not held for trading purposes that the Group intends to keep during more than 12 months after the closing date of the period and loans to commercial partners that do not meet the SPPI test requirements. Those investments and loans are measured at fair value through profit and loss. The Group did not elect for the irrevocable option to measure any investment in equity instruments at fair value through other comprehensive income (OCI) with no recycling through the consolidated income statement.

As of December 31, 2019 and December 31, 2018, non-current financial assets consist of the following:

(in millions of US$)	2019	2018
Non-current financial assets at amortized cost	1,139	1,113
Long-term loans to related parties	*1,059*	*1,059*
Deposits and others	*80*	*54*
Non-current financial assets at fair value through profit and loss	178	171
Non-current financial assets	**1,317**	**1,284**

As of December 31, 2019 and December 31, 2018, the 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 for a deep sea terminal for agricultural commodities at 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 December 31, 2019 and December 31, 2018, principal and accrued interests of the Loan total US$178 million and US$165 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 December 31, 2019 and December 31, 2018, 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 March 20, 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 rezoning 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 December 31, 2019 and December 31, 2018, short-term debt consists of the following:

(in millions of US$)	2019	2018
Commercial paper	63	51
Bank loans	3,406	4,426
Bank overdrafts	382	201
Repurchase agreements	38	26
Total short-term debt	**3,889**	**4,704**
of which:		
Fixed rate	1,312	1,418
Floating rate	2,577	3,286

The table does not include the following short-term debt items as they were reclassified to held for sale liabilities (refer to Note 1.4).

- The bank loan held by *LDC Fujian Refined Sugar Co. Ltd.* (Sugar business) amounting to US$73 million as of December 31, 2019;
- The bank overdraft held by *Macrofertil Ghana Ltd.* (Fertilizers & Inputs business) amounting to US$3 million as of December 31, 2018.

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 December 31, 2019 and December 31, 2018, there is no significant difference between the historical value of the short-term debt and its fair value.

The outstanding short-term debt is denominated in the following currencies as of December 31, 2019 and December 31, 2018:

(in millions of US$)	2019	2018
US Dollar	3,176	4,328
Chinese Yuan	309	202
Ukrainian Hryvnia	97	32
Indonesian Rupiah	87	26
Argentinian Peso	68	–
Euro	63	14
Russian Ruble	12	60
Other currencies	77	42
Total short-term debt	**3,889**	**4,704**

Changes in short-term debt for the years ended December 31, 2019 and December 31, 2018 are as follows:

(in millions of US$)	2019	2018
Balance as of January 1	4,704	3,200
Net proceeds from (repayment of) short-term debt	(741)	1,482
Foreign exchange	(4)	(2)
Change in the list of consolidated companies	–	27
Reclassification to held for sale liabilities	(70)	(3)
Closing balance	**3,889**	**4,704**

Net Proceeds From (Repayments of) Short-Term Debt

This line included changes in repurchase agreements (US$12 million in 2019 and US$26 million in 2018) and changes in securities short position (nil in 2019 and US$(7) million in 2018) which are reported as changes in derivatives in the consolidated statement of cash flows. This line excluded changes in related parties advances (US$(17) million in 2019 and US$(913) million in 2018) 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.

Change in the List of Consolidated Companies

As of December 31, 2018, this line included mainly US$29 million of short-term debt held by *LDC (Tianjin) Food Technology Limited Liability Company* at acquisition date (refer to Note 1.3).

Reclassification to Held for Sale Liabilities

As of December 31, 2019, the US$(70) million amount corresponds to the net of the US$(73) million bank loan held by *LDC Fujian Refined Sugar Co. Ltd.* (Sugar business) reclassified to held for sale liabilities and the US$3 million bank overdraft held by *Macrofertil Ghana Ltd.* (Fertilizers & Inputs business) no longer classified as held for sale (refer to Note 1.4).
As of December 31, 2018, the US$(3) million corresponded to the reclassification of *Macrofertil Ghana Ltd.* (Fertilizers & Inputs business) bank overdraft.

5.5 Other Financial Assets at Fair Value Through Profit and Loss

Other financial assets at fair value through profit and loss include short-term securities with an initial maturity greater than three months and bonds relating to the financial trading activity as well as other financial assets designated upon recognition at fair value through profit and loss. It also includes investments in non-consolidated equity instruments on which the Group does not exercise significant influence, joint control or control.

As of December 31, 2019 and December 31, 2018, other financial assets at fair value through profit and loss consist of the following:

(in millions of US$)	2019	2018
Financial assets held for trading purpose	89	93
Short-term securities (maturity > 3 months)	165	42
Investments in equity instruments	160	38
	414	**173**

Short-term securities include US$1 million of securities or cash deposits pledged as collaterals as of December 31, 2019 (US$6 million as of December 31, 2018) and US$75 million of US Treasury bills granted to *Bolsas y Mercados Argentinos S.A.* as collateral.

In 2019, the increase in investments in equity instruments is mostly attributable to *Luckin Coffee* and *Leong Hup International* (LHI) shares acquired during the year.

5.6 Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with a maturity of three months or less at the time of the acquisition. Treasury bills, money market funds, commercial paper, bank certificates of deposit and marketable securities having insignificant risk of change in value qualify under this definition. Short-term securities classified as "Cash equivalents" are recorded at fair value through profit and loss with changes in fair value recognized in the "Interest income" line of the consolidated income statement. Changes in bank overdrafts that form part of the financing activities are presented as an increase (decrease) in short-term debt in the consolidated statement of cash flows.

Cash and cash equivalents as of December 31, 2019 and December 31, 2018 are as follows:

(in millions of US$)	2019	2018
Short-term securities (maturity < 3 months)[1]	417	332
Cash	333	458
	750	**790**

1. Including US$1 million of securities pledged as collaterals for exchange as of December 31, 2019 and December 31, 2018.

As of December 31, 2019 and December 31, 2018, 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

Short-term employee benefits include wages, salaries, social security contributions, compensated absences, profit-sharing and bonuses and are expected to be fully settled within twelve months after the end of the reporting period. Short-term employee benefit obligations are measured on an undiscounted basis and are recognized in income statement as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

Pensions and Post-Retirement Benefits

Defined contribution plans are funded by contributions paid by employees and Group companies to the organizations responsible for managing the plans. The Group's obligations are limited to the payment of such contributions which include total social contributions incurred by the Group in order to secure for its employees the entitlement to defined contribution pension schemes. It covers contributions made compulsory by law as well as those resulting from supplementary collectively agreed, contractual and voluntary schemes.

Defined benefit plans consist of either funded or unfunded plans. Obligations under these plans are generally determined by independent actuaries using the projected unit credit method.

The Group measures and recognizes post-employment benefits in accordance with IAS 19:

- Contributions to defined contribution plans are recognized as an expense;
- Defined benefit plans are measured using actuarial valuations.

The Group uses the projected unit credit method as the actuarial method for measuring its post-employment benefit obligations, on the basis of the national or company-wide collective agreements effective within each entity.

Factors used in calculating the obligation include length of service, life expectancy, salary inflation, staff turnover, and macro-economic assumptions specific to countries in which the Group operates (such as inflation rate and discount rate).

Actuarial gains and losses relating to defined benefit plans (pensions and other post-employment benefits), arising from the effects of changes in actuarial assumptions and experience adjustments, are recognized net of deferred taxes in other comprehensive income.

The liability recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of each plan.

If the value of plan assets exceeds the obligation under the plan, the net amount is recognized as a non-current asset. Overfunded plans are recognized as assets only if they represent future economic benefits that will be available to the Group through future refunds from the plan or reductions in future contributions to the plan.

Other Long-Term Benefits

The Group's net obligation in respect of long-term benefits, other than post-employment plans, is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The value of the obligation is determined using the projected unit credit method.

Actuarial gains and losses are immediately recognized in the income statement as part of the commercial and administrative expenses.

Short-Term Employee Benefits

In 2019, personnel expenses related to continuing operations reached US$773 million (US$819 million in 2018).

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 December 31, 2019 and December 31, 2018, retirement benefit obligations are as follows:

	2019			2018		
(in millions of US$)	US	Other	**Total**	US	Other	**Total**
Long-term pension benefit	88	23	**111**	91	19	**110**
Post-retirement benefit	20	11	**31**	21	11	**32**
Other long-term employee benefits	5	–	**5**	5	–	**5**
Retirement benefit obligations	**113**	**34**	**147**	**117**	**30**	**147**
Net plan asset[1]	**–**	**(1)**	**(1)**	**–**	**(1)**	**(1)**

1. Included in "Trade and other receivables".

US

The Group has various defined benefit pension plans in the US covering substantially all employees, which provide benefits based on years of service and compensation during defined years of employment. The funding policy is to contribute amounts sufficient to meet the minimum funding requirements. The Group has also unfunded post-retirement plans in the US that cover substantially all salaried employees. These plans provide medical, dental and life insurance benefits.

Certain current and former employees of *Imperial Sugar Company* (ISC) are covered by retirement plans. Retirement benefits are primarily a function of years of service and the employee's compensation for a defined period of employment. In 2003, ISC froze the benefits under the salaried pension plan resulting in reductions in future pension obligations. ISC funds pension costs at an actuarially determined amount based on normal cost and the amortization of prior service costs, gains and losses over the remaining service periods. Additionally, ISC previously provided a supplemental non-qualified, unfunded pension plan for certain management members as well as a non-qualified retirement plan for former non-employee directors, which provided benefits based upon years of service as a director and the retainer in effect at the date of a director's retirement. Certain of ISC's employees who meet the applicable eligibility requirements are covered by benefit plans that provide post-retirement health care and life insurance benefits to employees.

Pension and post-retirement benefits liabilities recognized in the consolidated balance sheet are as follows as of December 31, 2019 and December 31, 2018:

	2019		2018	
(in millions of US$)	Pension benefit	Post-retirement benefit	Pension benefit	Post-retirement benefit
Present value of obligations	376	20	345	21
Fair value of plan assets	(288)	–	(254)	–
Liability in the balance sheet	**88**	**20**	**91**	**21**

The changes in the pension and post-retirement liabilities are as follows:

	2019		2018	
(in millions of US$)	Pension benefit	Post-retirement benefit	Pension benefit	Post-retirement benefit
Balance as of January 1	91	21	89	23
Net expense	7	1	6	1
Remeasurements	(8)	–	–	(1)
Contributions	(2)	(2)	(4)	(2)
Closing balance	**88**	**20**	**91**	**21**

The changes in the present value of the obligation in respect of pension and post-retirement benefits are as follows:

	2019		2018	
(in millions of US$)	Pension benefit	Post-retirement benefit	Pension benefit	Post-retirement benefit
Balance as of January 1	345	21	376	23
Interest cost	14	1	13	1
Remeasurements	37	–	(24)	(1)
Contributions	(20)	(2)	(20)	(2)
Closing balance	**376**	**20**	**345**	**21**

The changes in fair value of the plan assets are as follows:

(in millions of US$)	**2019**	2018
Balance as of January 1	(254)	(287)
Interest income	(10)	(10)
Administrative expenses	3	3
Return on plan assets excluding interest income	(45)	24
Employer contributions	(2)	(4)
Benefit payments	20	20
Closing balance	**(288)**	**(254)**

The amounts recognized in the consolidated income statement are as follows:

(in millions of US$)	2019 Pension benefit	2019 Post-retirement benefit	2018 Pension benefit	2018 Post-retirement benefit
Administrative expenses	3	–	3	–
Net interest expense	4	1	3	1
Total net expenses	**7**	**1**	**6**	**1**

The changes in other comprehensive income are as follows:

(in millions of US$)	2019 Pension benefit	2019 Post-retirement benefit	2018 Pension benefit	2018 Post-retirement benefit
Balance as of January 1	26	4	26	3
Return on plan assets excluding interest income	45	–	(24)	–
Effect of change in financial assumptions	(37)	–	23	1
Other actuarial assumptions	–	–	1	–
Closing balance	**34**	**4**	**26**	**4**

The plan assets are detailed as follows:

(in millions of US$)	2019	2018
Large US equity	(107)	(105)
Small/Mid US equity	(13)	(12)
International equity	(19)	(16)
Bond	(149)	(121)
Total plan assets	**(288)**	**(254)**

The discount rate is 3.10% as of December 31, 2019 (4.05% as of December 31, 2018).

Other

The long term pension benefits plans are mainly in the United Kingdom and Switzerland. Pension benefits liabilities recognized in the consolidated balance sheet are as follows as of December 31, 2019 and December 31, 2018:

(in millions of US$)	2019 United Kingdom	2019 Switzerland	2018 United Kingdom	2018 Switzerland
Present value of obligations	77	53	71	45
Fair value of plan assets	(66)	(45)	(61)	(40)
Liability in the balance sheet	**11**	**8**	**10**	**5**

6.2 Share-Based Payment

Share plans and stock-option plans are measured at fair value, corresponding to the value of the benefit granted to the employee on the grant date. The transactions are recognized in the line "Commercial and administrative expenses" in the consolidated income statement on a graduated basis over the vesting period, with a corresponding increase in other reserves in equity when the plan is deemed an equity plan.

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$20 million in 2019 (US$24 million in 2018) to LDCH relating to reimbursement agreements, and recorded a liability of US$95 million as of December 31, 2019 (US$90 million as of December 31, 2018).

During 2019, awards granted to employees are of US$54 million while awards forfeited by employees represent US$9 million. During the 2019 transfer window period, LDCH purchased shares from employees corresponding to US$63 million in attribution value bringing the attribution value of outstanding EPP awards granted to employees to US$184 million. As of December 31, 2018, the attribution value of outstanding EPP awards granted to employees was US$202 million, of which US$42 million corresponded to awards granted in 2018, while awards forfeited by employees during 2018 amounted to US$10 million. During the 2018 transfer window period, LDCH purchased shares from employees corresponding to US$59 million in attribution value.

As of December 31, 2019, EPP awards fully vested represent US$89 million and awards vesting ratably over periods ranging from three months to three years are of US$95 million. As of December 31, 2018, they were respectively of US$114 million and US$88 million vesting ratably over periods ranging from three months to three years.

Compensation costs recognized in commercial and administrative expenses are of US$39 million in 2019 (same amount in 2018). US$1 million was booked in 2018 in the line "Net income - discontinued operations".

Unrecognized compensation costs expected to be recognized from 2020 to 2023 are of US$39 million as of December 31, 2019 and of US$33 million as of December 31, 2018.

6.3 Number of Employees

The average number of employees related to continuing operations is as follows:

	2019	2018 restated
Managers and traders	1,669	1,645
Supervisors	1,358	1,286
Employees	4,126	4,035
Workers	7,706	8,148
Seasonal workers	3,299	3,309
	18,158	**18,423**

7. Leases and Other Information

7.1 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. The contract is a lease if it conveys the right to control the use of an identified asset for a period of time (lease term) in exchange for consideration, meaning the right to obtain substantially all economic benefits and the right to direct the use of such asset over the lease period.

The lease term is defined as the non-cancellable period for which a lessee has the right to use an underlying asset. The term shall include both option to extend the lease or option to terminate the lease if the lessee is reasonably certain to exercise those options, considering business continuity among others. When determining the lease term, Management reviewed existing renewal and termination options taking into account economic factors.

Lessor

The Group acts as a sub-lessor only in short-term leases of vessels, which are classified as operating leases. The corresponding lease payments received are recognized as income in "Gross margin" over the lease term.

Lessee

As a lessee, the Group is mainly involved in leases of lands, warehouses, production lines, harvesting machinery, tractors, railcars, office spaces, vessels and cars.

At commencement date, the Group recognizes a right-of-use asset and a lease liability. In the consolidated balance sheet, the Group presents right-of-use assets in "Property, plant and equipment" and lease liabilities in "Long-term debt" for the non-current part and "Current portion of long-term debt" for the current one.

The **right-of-use asset** is initially measured at cost, which corresponds to the initial amount of the lease liability adjusted for (i) any lease payment made at or before commencement date, (ii) any initial direct costs incurred by the lessee and (iii) an estimate of any obligatory costs to be incurred in dismantling and/or restoring the underlying asset or its site as per the contractual terms of the lease, (iv) less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those used for the underlying asset (i.e. property, plant and equipment). In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for remeasurements of the lease liability. The depreciation cost is recognized either through the "Cost of sales" or the "Commercial and administrative expenses" lines of the consolidated income statement, depending on the nature of the lease.

The **lease liability** is initially measured at the present value of future lease payments at the commencement date, discounted using the implicit interest rate in the lease or the lessee's incremental borrowing rate (when the previous one is not easily determined). Generally, the Group uses its incremental borrowing rate as the discount rate. By simplification, the incremental borrowing rate is calculated for each monetary zone using the risk-free rate applicable in the zone, plus the Group's risk premium for the local currency.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments depending on an index or rate;
- Residual value guarantees;
- Exercise price of a purchase option and penalties due to early termination option (if expected to be exercised).

The lease liability is subsequently measured at amortized cost using the effective interest method. Its carrying amount is increased to reflect interest on the liability, reduced to reflect lease payments and remeasured to reflect reassessment or lease modification. The "Interest expense on leases" is recognized through the "Other financial income and expense" line of the consolidated income statement.
The lease payments are reported in the line "Repayment of lease liabilities" of the consolidated statement of cash flows.

Some contracts contain both lease and non-lease components. The Group elects not to separate non-lease components from lease components except for vessel chartering contracts, for which the running costs are excluded from the lease in order to determine a bareboat equivalent lease component.

Low Value Assets and Short-Term Leases

The Group does not recognize right-of-use assets and lease liabilities for short-term leases (lease term of 12 months or less) and leases of individually low-value assets. The lease payments associated with these leases are recorded as an expense on a straight-line basis over the lease term through the "Cost of sales" or the "Commercial and administrative expenses" lines of the consolidated income statement depending on the nature of the lease.

The right-of-use assets are included within property, plant and equipment. Changes in the net value of the right-of-use assets for the year ended December 31, 2019 are as follows:

		2019					
(in millions of US$)	Notes	Land	Buildings and offices	Machinery and equipment	Vessels	Other tangible assets	Total
Balance as of January 1		42	143	114	–	4	**303**
New leases		1	39	20	24	2	**86**
Early terminations and disposals		(5)	–	(6)	–	(1)	**(12)**
Depreciation		(13)	(28)	(34)	(11)	(3)	**(89)**
Acquisitions through business combinations	1.3	4	–	–	–	–	**4**
Reclassification to held for sale assets	1.4	(3)	–	–	–	–	**(3)**
Others		63	–	–	–	–	**63**
Closing balance		**89**	**154**	**94**	**13**	**2**	**352**

Early Terminations and Disposals

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 sold ten Canadian grain elevators 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 December 31, 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

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).

The lease liabilities are included within long-term debt and current portion of long-term debt. Changes in the lease liabilities for the year ended December 31, 2019 are as follows:

	2019		
(in millions of US$)	Non-current portion	Current portion	Total
Balance as of January 1	241	60	**301**
New leases	54	36	**90**
Payments	–	(76)	**(76)**
Early terminations and disposals	–	(7)	**(7)**
Reclassification	(53)	53	**–**
Foreign exchange	–	(1)	**(1)**
Closing balance	**242**	**65**	**307**

The maturity of the non-current lease liabilities as of December 31, 2019 is analyzed as follows:

(in millions of US$)	2019
Maturity between 1-2 years	49
Maturity between 2-3 years	34
Maturity between 3-4 years	25
Maturity between 4-5 years	19
Maturity > 5 years	115
Non-current portion of lease liabilities	**242**

The amounts recognized in the consolidated income statement are as follows:

(in millions of US$)	2019
Variable lease expenses	(3)
Short-term lease expenses	(241)
Low-value asset lease expenses	(1)
Income from sub-leasing right-of-use assets	76

As of December 31, 2019, the total cash outflow for leases amounts to US$321 million.

At transition to IFRS 16, leases previously classified as operational leases under IAS 17 were considered when measuring the lease liabilities. As of December 31, 2018, the total leases and other commitments amounted to US$746 million, including US$346 million for operating leases. The reconciliation between this amount and the opening balance of leases liabilities as of January 1, 2019 is presented as follows:

(in millions of US$)	
Operating leases commitments as of December 31, 2018 - not discounted	346
Discount effect in accordance with IFRS 16	(97)
Adjustments	52
Lease liabilities recognized as of January 1, 2019	**301**

Adjustments include US$36 million of right-of-use of lands in Brazil in connection with agricultural partnership contracts, which were considered out of scope of IAS 17 and thus, not disclosed as operating lease commitments as of December 31, 2018. The remaining adjustments balance mainly related to the impact of the revision of assumptions for leases maturities.

7.2 Commitments and Contingencies

Commitments

Commodity contracts presented in commitments are purchase or sale contracts entered into and which continue to be held for the purpose of the receipt or delivery of the non-financial item in accordance with the entity's expected purchase, sale or usage requirements (including amount and timing of payments). Purchase contractual agreements are contracts to purchase goods or services, including sugar, orange boxes and fuel. Sale contractual agreements are contracts to sell goods, including sugar, hulls and glycerin, frozen concentrate or not-from-concentrate juice, juice by-products and apple juice.

Advance market commitments comprise bid and performance bonds in a tender. A bid bond ensures that on acceptance of a bid by the customer, the contractor will proceed with the contract and will replace the bid bond with a performance bond. A performance bond is issued to one party of a contract as a guarantee against the failure of the other party to meet obligations specified in the contract.

A letter of credit is a commitment issued by a bank on behalf of the Group to guarantee a payment that must be made to a third party as the result of an import/export transaction.

Capex commitment is the amount the Group has committed to spend on fixed assets in the future.

Guarantees and collaterals received aim at insuring advances to suppliers and trade receivables of the Group.

The Group has commitments to purchase or sell commodities that consist of the following as of December 31, 2019 and December 31, 2018:

		2019			2018	
(in millions of US$)	Quantities' unit	Quantities	Estimated amount	Maturity	Quantities	Estimated amount
Commitments to purchase						
Raw sugar	Ktons	68	**38**	2020	1,152	671
Orange boxes[1]	Million boxes	57	**332**	2029	86	441
Fuel	MMbtus[2]	7	**17**	2021	9	28
Other	Ktons	1	**4**	2021	2	7
			391			**1,147**
Commitments to sell						
Refined sugar	Ktons	493	**391**	2021	398	307
Hulls and glycerin	Ktons	48	**18**	2021	54	22
Frozen concentrate orange juice	Ktons	144	**241**	2021	160	329
Not-from-concentrate citrus juice	Ktons	404	**199**	2021	338	177
Juice by-products	Ktons	20	**45**	2021	25	81
Apple juice	Ktons	26	**30**	2021	25	29
		1,135	**924**		**1,000**	**945**

1. Of which US$116 million may fall in the following 12 months.
2. Million British Thermal Units.

Amounts in US Dollars (US$) are determined using the market prices at the balance sheet date.

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

	2019	2018
(in millions of US$)	Estimated amount	Estimated amount
Commitments given		
Letters of credit	536	617
Bid and performance bonds	97	102
Capex commitments	83	77
Guarantees given	78	151
Other commitments	13	28
	807	**975**
Commitments received		
Guarantees and collaterals received	429	461
	429	**461**

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 December 31, 2019, these tax assessments amounted to US$55 million, compared to US$66 million as of December 31, 2018.
LDC Argentina S.A. could receive additional tax notifications for subsequent years.
LDC Argentina S.A. also received tax assessments in connection with differences in export taxes paid in 2007 and 2008, amounting to US$90 million (unchanged compared to December 31, 2018).
Other large exporters and processors of cereals and other agricultural commodities have received similar tax assessments in this country.
LDC Argentina S.A. has appealed these tax assessments to the relevant jurisdictions, considering they are without merit and that *LDC Argentina S.A.* has complied with all the applicable regulations.
As of December 31, 2019, *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. 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 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 are reflected as follows:

Income statement (in millions of US$)	**2019**	2018
Sales[1]	99	100
Cost of sales[1]	(653)	(1,086)
Commercial and administrative expenses	6	6
Finance costs, net	58	62

Balance sheet (in millions of US$)	**2019**	2018
Non-current financial assets at amortized cost	1,059	1,059
Financial advances to related parties	5	1
Trade and other receivables[1]	307	90
Derivative assets	19	11
Total assets	**1,390**	**1,161**
Financial advances from related parties	184	202
Trade and other payables[1]	293	73
Derivative liabilities	–	4
Total liabilities	**477**	**279**

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

As of December 31, 2019 and December 31, 2018, 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$184 million as of December 31, 2019 (US$202 million as of December 31, 2018), including a liability relating to reimbursement agreements with LDCH of US$95 million as of December 31, 2019 (US$90 million as of December 31, 2018) (refer to Note 6.2).

Key management personnel compensation during the years ended December 31, 2019 and December 31, 2018 was as follows:

(in millions of US$)	**2019**	2018
Short-term benefits	8	7
Share-based payments – amount of vested shares	2	4
	10	**11**

7.4 Subsequent Events

As of March 20, 2020, the coronavirus (COVID-19) outbreak had not significantly affected the Group's operations and performance. At the stage prevailing on the approval date of these 2019 consolidated financial statements of LDC, it is too early to say what impact this outbreak may have on the Group's future performance.

Notes Continued

7.5 List of Main Subsidiaries

The main subsidiaries of LDC that are consolidated as of December 31, 2019 and December 31, 2018 are the following:

		2019		2018	
Company	Country	% 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.	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 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
Jin Xing Mianhua Pte. Ltd.	Singapore	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

		2019		2018	
Company	Country	% of control	% of ownership	% of control	% of ownership
Louis Dreyfus Company Africa Pty. Ltd.	South Africa	100.00	100.00	100.00	100.00
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 G&O Holdings LLC[1]	US	0.00	0.00	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. *Louis Dreyfus Company G&O Holdings LLC* was merged into *Louis Dreyfus Company LLC* as of December 2019.

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

Kristen Eshak Weldon
Head of Food Innovation &
Downstream Strategy

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

Michael Gelchie
Chief Operating Officer

Tim Harry
Global Head, Business Development

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

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

Anthony Tancredi
Trading Operations Officer

Jessica Teo
Global Head of Human Resources

Patrick Treuer
Chief Financial Officer

James Zhou
Head, North Asia Region

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