LDC.
Louis Dreyfus Company

Delivering on our strategy

2018

Annual Report & Audited Consolidated Financial Statements

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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.

At a glance

Louis Dreyfus Company is a leading merchant and processor of agricultural goods, leveraging its global reach and extensive asset network to deliver for our customers around the world – safely, responsibly and reliably.

North America
Calgary
Grand Junction
Norfolk
Chicago
Claypool
Wilton
Fresno
Kansas City
Cordova
Lubbock
Sugar Land
Port Wentworth
Winter Garden
Mexico D.F.
Villanueva

ca **18,000** Employees worldwide

North Latin America
Bogotá
Lima
South & West Latin America
Asunción
São Paulo
Santos
Rosario
Montevideo
Buenos Aires

Key
- Grains & Oilseeds
- Rice
- Coffee
- Cotton
- Sugar
- Juice
- Dairy
- Offices

Europe, Middle East & Africa
Rotterdam
Wittenberg
Moscow
Antwerpen
London
Warsaw
Kiev
Ghent
Paris
Geneva
Lyon
Milano
Sofia
Krasnodar
Lisbon
Madrid
Istanbul
Alexandria
Dakar
Abidjan
Lagos
Tema
Kampala
Nairobi
Mombasa
Lusaka
Johannesburg

North Asia
Ürümqi
Beijing
Shymkent
Shanghai
Gurgaon
Dubai
Karachi
Kunming
Bangalore
Ho Chi Minh
Klang
Singapore
Jakarta

South & Southeast Asia
Brisbane
Melbourne

6 Regions

Financial Highlights

Net Sales	Net Income – Continuing operations	Segment Operating Results[1]
US$36.5b	↑ 44.2%	↑ 25.8%
US$38.0 billion in 2017	**US$323 million** US$224 million in 2017	**US$1,330 million** US$1,057 million in 2017

EBITDA[2] from continuing operations	Net Income, Group Share
↑ 31.0%	↑ 12.0%
US$1,048 million US$800 million in 2017	**US$355 million** US$317 million in 2017

1. Gross margin plus share of income in associates and joint ventures.
2. Earnings Before Interest, Taxes, Depreciation & Amortization.

Value Chain Segment

- Grains
- Oilseeds
- Juice
- Freight
- Global Markets

Merchandizing Segment

- Coffee
- Cotton
- Sugar
- Rice
- Dairy

Sustainability Focus

100%
Mill-level traceability of LDC-processed palm

-57%
Incident frequency reduction since 2014

over 700%
growth in Better Cotton purchased

LDC's Value Chain

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

1 Originate & Produce

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

2 Process & Refine

Processing and refining the finest quality raw materials.

3 Store & Transport

Efficiently managing movements across the value chain.

4 Research & Merchandize

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

5 Customize & Distribute

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

Driven by our purpose

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Pursuing our purpose
Message from Margarita Louis-Dreyfus

LDC achieved excellent results in 2018, confirming the ability of our teams to adapt to change, focus on priorities and prepare for the long term.

Our performance positions us well for our next phase of growth, as we evolve into an integrated and diversified food and nutrition company, mastering the value chain from end to end.

Rising to pressing global challenges
This important evolution is key to our long-standing vision to work toward a safe and sustainable future, contributing to the global effort to provide sustenance for a growing population. It may sound grand, but as a key player in the agricultural commodities sector, that is what we strive to do – profitably, reliably and sustainably.

Our vision places us at the heart of some of the world's most pressing challenges, from climate change and environmental conservation, to the fight against poverty and for the protection of human rights.

I am extremely conscious that this puts a big responsibility on our shoulders, and it is within this context that our company purpose to create fair and sustainable value takes on its full meaning. This is important for LDC collectively, and for me personally in my role as chairperson.

Creating fair & sustainable value
To fulfill our purpose, LDC needs to master the value chain through greater integration and control, and to remain a strong economic actor. Together, these factors will drive our success in creating fair and sustainable value, and determine our ability to influence positive change.

Our 2018 results and the progress described in this annual report demonstrate that we are on the right track. And for that we can be extremely proud. At the same time, there is still quite a way to go, and we are acutely aware that finding solutions to pressing global challenges is a long journey. It is also complex and requires the participation of all stakeholders.

We are nevertheless determined to reach our destination and have traced the route we wish to take to address the broad repercussions of our company purpose:

- Providing our customers and business partners with products, tools and resources that help them prosper, while consistently balancing long-term value creation with short-term profitability.
- Running operations that go beyond compliance with safety and environmental regulations and requirements, measuring and constantly improving our impact.
- Providing attractive remuneration and growth opportunities for our people, and ensuring we attract the right talent in the market.
- Having a positive impact on the communities we touch, developing their economies, hiring and helping to grow their talent, and respecting their social context.

Defining actions together
As part of our work to structure and integrate our purpose, during 2018 we gave the opportunity to our people across the company to share their input, insights and suggestions on how to ensure that our purpose is part of our everyday actions. From that feedback, a framework has been developed to put fair and sustainable value at the core of everything we do.

The initiative explored challenges and opportunities, keeping in mind how we can leverage LDC's values, heritage and culture for success. Key action areas of global relevance were defined across four dimensions: developing people, growing with stakeholders, nurturing communities and protecting the environment.

By the end of the year, these dimensions had been translated into an action plan, aiming to drive positive change through 5 key areas: Industry Leadership, People Engagement, Business Excellence, Sustainability & SHE (Safety, Health, Environment) and Research & Innovation.

Taking the next steps
As a family enterprise operating since 1851, a long-term perspective and a strong set of values are part of our identity and have been crucial to our success over 168 years. I am determined to preserve and grow that heritage over the years to come.

I am therefore pleased and proud to say that LDC is becoming a purpose-driven company. We are linking our past and future, blending value creation with fairness and sustainability across our organization. I am convinced that this will be an integral part of our future success and in taking our responsibility to create win-win outcomes across our value chains – for people and for the environment.

At the same time, it is obvious that no one company, organization or individual can solve the many challenges alone. It is my personal conviction, and a strong part of LDC's culture, that only collaboration and teamwork achieve the best results. So we will continue to pay particular attention to partnerships and cooperation with a wide range of stakeholders – peers, governments, industry associations, international organizations, NGOs, and many others.

Our leadership team has embraced this vision with conviction and energy. Like me, they believe that a purpose-driven organization can better mobilize its people to focus on what really matters: reinforcing relationships with customers and other stakeholders, driving innovation and entrepreneurship, and successfully transforming our company for the long term. Our senior managers will drive the plans laid out in the coming pages, acting as the principal sponsors for a transformation that must take place in all aspects of our business and engage the commitment of all our people, everywhere. As an active and reliable global citizen, we at LDC take our responsibility in our everyday actions.

Our purpose in practice

Our company purpose mobilizes our people to focus on what really matters across all aspects of our business.

Blending value creation with fairness and sustainability, we want to connect the key pillars of our supply chain – our people, stakeholders, communities and environment – through several transformational work streams.

Industry leadership

As a leading global merchant and processor of agricultural goods, we have a key role to play in driving positive change and progress globally, leveraging our key industry position and scale. We will maintain that position through our business strategy, honing our trading edge and moving further down the value chain in existing businesses and related areas.

To drive progress, we are starting with a concerted and global effort to map out our business stakeholder ecosystem to identify new opportunities to join and drive the conversation at industry level – globally and locally – setting clear objectives and holding ourselves accountable to achieve these.

This will consolidate already ongoing work through:

- Partnerships and collaboration with customers, suppliers and peers through active membership of key industry and trade forums, like the World Business Council for Sustainable Development (WBCSD)'s Soft Commodities Forum, or sector-specific associations like ABIOVE (for vegetable oils in Brazil), CARBIO (for biofuels in Argentina) or FEFAC (for feed in Europe).
- Consultation with expert organizations and NGOs to promote transparency, traceability and sustainability across our value chains, through alignment with UN standards like the International Labour Organization (ILO)'s fundamental labor conventions, initiatives like the Better Cotton Initiative or certifications like the Rainforest Alliance.
- And discussion with governments and other leaders and authorities to influence key issues, for instance through participation in World Economic Forum summits and conferences, or engagement with government groups and chambers of commerce regarding local or regional social and economic development.

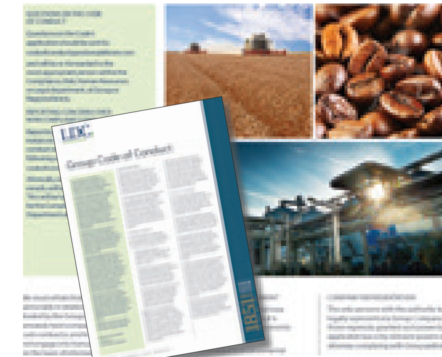
People engagement

Our success depends first and foremost on our people. While attracting, engaging and retaining them is an essential and existing part of our core activities, there are key areas in which we want to enact key step changes, as part of fulfilling our purpose.

While continuing to invest in training and development frameworks for all our people, and to define clear career paths to ensure our people achieve their full potential, we will place special emphasis on developing our managers as future leaders, training and equipping them to champion LDC's values, expected behaviors and business ethics across the company.

Investing in employee wellness and facilitating work-life integration is also a key focus area. We are working to create a more supportive, flexible and balanced work environment, and identifying opportunities to align policies, practices and commitments company-wide, while respecting local regulations and norms.

Finally, leveraging the diversity of our workforce remains a priority, ensuring in particular that we are a gender neutral company – in other words, that we can attract, retain and facilitate professional growth for top talents, regardless of gender. Success depends fundamentally on our ability to instill respect for diversity in all its forms, wherever we operate and at all levels of the company, while respecting regional practices and realities, and facilitating work-life integration, including family life. We are working on this through awareness training on key diversity and gender issues, and by making diversity and inclusion a central part of our recruitment frameworks and processes.

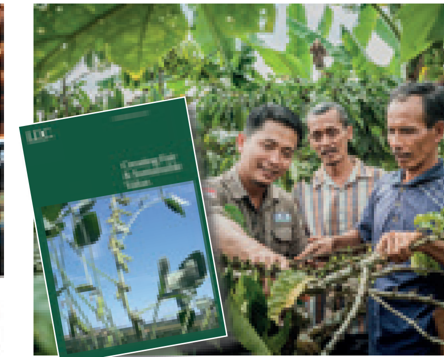


Business excellence

Delivering value of any kind – and fair and sustainable value even more so – requires that we target excellence in all our activities, right across the organization.

Excellence requires a clear framework of rules, standards and policies to guide business decisions, practices and behaviors, and to create a mindset for collective success. It also requires that we define clear indicators of business success and good performance, recognizing and rewarding good behaviors and best practice within our value chains, both within the organization and outside.

To achieve this, we are taking steps to enlarge our customer-centricity model, aiming to build long-term relationships with a broader group of stakeholders – our people, our partners, our suppliers, and many others. And importantly, we want to set clear criteria and expectations for selecting partners in any part of our business activities, aligned with the driving principle of our company purpose – to create long-term, mutually beneficial value.



Sustainability & SHE

Acting safely and sustainably is a core part of the way we do business at LDC – and a necessary part of fulfilling our purpose successfully. But, as in the area of people engagement, we also want to drive an accelerated change in this area.

LDC has long been "committed to zero", with a collective goal to achieve zero incidents impacting safety, health or the environment (SHE) in the workplace. Because this is our top priority, we want to take our commitment to the next level, formalizing our SHE leadership culture and policies as part of governance processes and management accountabilities at every level of the organization.

Supporting the communities we touch is also essential, and efforts are ongoing to define clear parameters and principles for community engagement, to ensure the relevance of local actions and initiatives.

Similarly, and recognizing that preserving our environment is key to securing the long-term future of our company and planet, we are investing in measures and technologies to reduce environmental impacts across our operations. Starting this year, we are measuring our success across key performance indicators, including waste generation, energy and water use, as well as GHG emissions.

We are also making good strides to put in place commodity-specific sustainability policies and frameworks to address challenges specific to key supply chains, such as coffee, palm and soy.

In parallel, we continue to support local producers and suppliers, contributing to their commercial autonomy and economic growth by sharing best practice and facilitating access to the technology, markets and financing that make sustainable development possible.

Research & innovation

To succeed in creating fair and sustainable value in a rapidly changing world, we must continually reinvent our business for operational and strategic excellence, anticipating and addressing new or shifting trends. That's why we are investing to complement our already strong research competencies with effective and efficient data management and analysis capabilities and resources.

We also have a dedicated division with a clear focus on identifying avenues for innovation in food. We want to leverage in-house ideas and expertise, but also explore opportunities presented by new technologies such as bioengineering, and sponsor and collaborate with a variety of external partners with complementary skills and know-how.

We are already exploring avenues in food innovation and the use of innovative technologies to drive operational efficiency and sustainability, for instance by:

- Investing in next-generation proteins and ingredients to help respond to consumer demand for more plant-based foods and address the challenge of feeding a growing world population sustainably.
- Defining and adopting common standards for the digitization of agri-commodities trade transactions using blockchain.
- Leveraging advances in AgTech to make agriculture more productive and sustainable, and facilitate market access for producers.
- Contributing to global efforts toward a more environmentally sustainable shipping industry.

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We are becoming the value chain
Message from our CEO Ian McIntosh

Ian McIntosh

Age
57

Nationality
British

1986
Joins the Group in the UK as a Trader, later appointed to run the UK grains desk.

1991
Moves to France to trade global feed grains, and then to Australia to lead Australasian grains activities.

1993
Returns to the UK as a Sugar Trader, and is appointed Global Head of Sugar in 1996.

2004 to 2007
Manages the Group's global coffee, cocoa, rice, ethanol and grains activities, supervises the integration of a metals business and contributes to the re-organization that led to LDC's current structure.

2008 to 2018
Creates Edesia Asset Management fund within the Louis Dreyfus Group, serving as CEO and CIO until its closure at the end of 2017, and returns to LDC as Chief Strategy Officer in 2018.

September 2018
Appointed Chief Executive Officer.

Looking back on 2018, we have every reason to be proud of our performance. It demonstrates our ability to deliver on our promises and confirms we are in a good position to drive our next phase of growth.

In my many years with the Group, I have seen several chapters of Louis Dreyfus Company's (LDC) journey unfold – none more exciting than the one that lies ahead. We have a clear roadmap, with a solid strategy to capture the attractive opportunities we see developing within our sector, and are set to consolidate our position as a key player for the long term.

Our ambitions and actions will be guided by our company purpose to create fair and sustainable value, while LDC's capacity for innovation and entrepreneurship will remain essential to our success.

Reflections on 2018
We delivered very good results for 2018, supported by a strong second half of the year, as expected. During the year, we also completed the divestment of 2 non-core businesses, continued to invest in core areas and successfully navigated a challenging market environment.

In early 2018, we closed the sale of our global Metals business and our Fertilizers & Inputs activities in Australia. This reflects the continued refocus of our business, aiming to set the right financial and operational conditions to deliver our long-term strategy. The announcement of our decision to end our Dairy activities by the end of the first half of 2019 is another step in that direction.

Overall, our operating results for 2018 were up 26% year-on-year at US$1,330 million, while our net income, Group share, rose 12% to US$355 million, despite lower sales and volumes due to divestments. These results were achieved thanks to our globally diversified portfolio and geographic footprint, together with active risk management, and demonstrate our ability to rise to the challenges of different trends among our business platforms and the fallout from US-China trade tensions.

Our Value Chain Segment's Operating Results increased by 16% compared to 2017 thanks to strong performances, particularly in Oilseeds. The Platform's approach illustrates LDC's agile response to events, by shifting physical flows, implementing the right hedging strategies and leveraging investments at destination, to respond to demand. Our Merchandizing Segment's Operating Results soared 46% versus 2017, with sales broadly flat, and Cotton and Sugar leading the way.

At the same time, we pursued our strategic investments for growth, acquiring an oilseeds crushing plant in Tianjin, China, expanding our logistics networks in the Black Sea and South America, and making our first investments in food innovation.

Our results and achievements in 2018 confirm my view that we have the right strategy to write a new and successful growth chapter for LDC.

Becoming the value chain
For a company like ours, a high degree of integration across the value chain has become fundamental. While this works slightly differently from one platform to another, it is clear that our margins lie across the full spectrum from producer to end consumer. It is our ability to seamlessly master and connect each step along the way that will allow us to create and leverage opportunities, and to mitigate risk over time. Finding the right breadth and balance of origination and destination markets also remains key in providing the necessary flexibility.

Our ambitions require that we focus on our customer-centric approach, maintaining a state-of-the-art logistics network, investing in our research and analysis capabilities, moving further downstream toward end-consumers, and nurturing our capacity for innovation across the organization.

Becoming the value chain is also essential to ensure that sustainability and traceability – which are mandatory today – are an integral part of doing business. The more integrated our supply chain, the higher our level of control.

Our focus on sustainability calls for continued action and ultimately greater impact on several key areas:

- Safety, health and environment (SHE) – limiting our energy and water usage, greenhouse gas emissions and waste generation, while continuing to strive for a zero-incident environment.
- Applying and expanding, where necessary, our policy frameworks for local action and partnerships – for example our "No Deforestation, No Peat, No Exploitation" efforts in palm, our new Soy Sustainability Policy and efforts to eradicate child labor from our supply chains.
- Collaborating with and influencing global stakeholders to improve practices – for example, our work with the World Business Council for Sustainable Development, the Sustainable Shipping Initiative and the International Labour Organization.
- Supporting local communities – driving economic development and improving quality of life in the communities where we operate, by creating jobs and through various programs to develop sustainable agriculture, food security and access to education, equipment and financing.

With our commitment to becoming the value chain, LDC sees commercial success intrinsically linked with the creation of fair and sustainable value, exactly as our purpose envisions.

The next chapter
As the well-known adage goes, successful companies are those that recognize and adapt to change. The next 5 years will see LDC become the value chain and evolve to become more of a diversified food and nutrition company.

Our strategy, which is laid out in more detail in the following section of this report, is built around 4 pillars that will steer LDC into the near future:

- Strengthening our edge in trading, honing this core activity for LDC, in which we will continue to lead and prove our depth of talent.
- Integrating vertically, moving up- and downstream as appropriate to each of our business lines.
- Diversifying revenue streams through value-added products, building outwards from our existing activities or forming partnerships and JVs to complement our capabilities.
- Innovating to remain a key industry player for the long term, leveraging new or disruptive innovations in technology, food or other areas related to our value chain.

If the history of LDC shows us anything, it is that our expertise, entrepreneurship and flexibility in adapting to change have been at the heart of our success for more than 168 years.

I am confident that the next 5 years will provide another growth chapter of that history, as we rise to the challenge of sustainably feeding a growing world population.

Strategy: looking to a future LDC

LDC's approach has evolved as we adapt to changes in the global context for agricultural commodities businesses.

Core trends supporting an origination-driven industry, such as population growth, demographic changes in China and emerging markets, the imbalance between population and available land, and improving farming technology all remain. At the same time, trends have evolved:

- Consumers seeking meat alternatives and health-conscious foods
- Low and more stable energy prices, with a potential effect on the long-term future for biofuels
- Traceability and sustainability becoming essential
- Increased use of algorithmic and data-centric approaches in trading
- Blockchain and digital documentation enabling more efficient execution

Industry players who can extend along the value chain, integrating the ability to meet the sustainability and traceability must-haves, and innovating to leverage emerging opportunities, will be positioned to succeed.

LDC's strategy continues to adapt to this evolving environment to make us a diversified food and nutrition company as well as an agri-commodity merchant. Our strategy is built on the following 4 pillars.

1 Strengthen our edge in trading

LDC's expertise and market presence can be leveraged by increasing our geographic footprint in key physical markets, strengthening our competitive advantage and increasing profitability. The primary building blocks are:

- A critical mass of information for innovative analysis and modelling
- Re-examining our research approach to better incorporate quantitative data
- Investment in human capital, identifying and retaining the best talent
- Appropriate geographic footprint to ensure market insight

This is about being strong at all stages of the value chain, from origin to destination. We are ensuring that all platforms have the right focus, geographic presence and resources, including new technologies, to capture all available trading opportunities. It also relies on capitalizing on our data and risk management expertise, with a structure that is perfectly adapted to the challenges all platforms face.

2 Increase focus on vertical integration

We are extending further up- and downstream within our existing business platforms, taking advantage of increased market disintermediation to become a more integrated value chain participant, maintain scale and capture higher margins. This involves responding to high-growth consumer demand in origin and destination markets, and extending further along the existing value chain (e.g. from crush to feed or oils).

Examples include:

- Moving closer to end consumers in Brazil by developing our Vila Velha (edible oil) and Kowalski (pet food) product brands.
- Rebalancing capacity at origin with investments at destination with the acquisition in 2018 of a processing plant in Tianjin, China, leveraging synergies from combining soy crushing and edible oil production in one location.

3 Diversify revenue through value-added products

LDC also aims to pursue transversal diversification in both new and existing business lines, as a more transformative move to add value, positioning LDC for further growth and enhancing revenue streams.

Examples include:

- Expansion into new value-added product lines in our oilseeds business, including pharmaceutical glycerin produced in Claypool (IN), US, and in Wittenberg, Germany, and food grade lecithin produced in Germany, Brazil, Argentina and China.
- Joint ventures and partnerships that complement our existing expertise to drive transformation in branded products, and alternative food and nutrition solutions for our customers. One example is our Allsome Brands joint venture with a leading FMCG business in South Africa, which packages and distributes several varieties of parboiled rice to wholesalers and supermarkets throughout the country, under the Allsome, Crown, Rica and D'lite brand names.
- Specialist, non-commoditized products, such as ingredients, animal feed and alternative protein sources. For instance, our first aqua feed joint venture, created in 2018 with Guangdong HAID Group Co. Ltd. in China, will build and operate a feed mill producing high-end aquatic feeds as well as fermented soybean meal.

We are seeking further partnerships in the food and nutrition sectors in all these areas, as a great opportunity to anchor our activities in existing business lines and to move further downstream.

4 Innovation

We are positioning LDC as a key agribusiness, food and nutrition participant for the next 10 years and beyond in a number of different ways. To a significant degree, this is about staying ahead of consumers' growing expectations for healthy, nutritious diets.

We will continue to invest in cutting-edge and disruptive technology impacting our value chains, including digital solutions like blockchain and ag-tech.

For example, we have already been involved in several leading blockchain initiatives:

- Completing the first ever agricultural commodity transaction in January 2018 (see page 33).
- Providing full transparency to Dutch orange juice consumers in partnership with bottler Refresco and distributor Albert Heijn (see page 33).
- Being part of the partnership between global agribusinesses to standardize and digitize global agricultural shipping transactions (see page 33).

We are also pushing forward with many other technical innovations, such as:

- Mobile apps for road freight hire in Brazil and farmer engagement (MyLDC) in the US, Canada, Brazil, Russia and Ukraine
- DNA tagging sustainable cotton in the US and Australia (see page 32) thanks to a traceability technology that tags, tests and tracks cotton
- Chartering new eco-vessels in freight

Increasingly, we will be exploring opportunities to address the world's protein challenge, helping to transform the global system toward safe, sustainable and healthy food.

We are seeking new avenues of growth, complementing LDC's core activities, across areas including:

- Plant-based alternative proteins and disruptive ingredients
- Specialized grains and plants with enhanced nutritional benefits
- Next-gen alternatives such as single-cell or insect proteins
- Sustainable innovative aquaculture production systems and technologies
- Novel technologies improving safety, traceability, access and efficiency of the supply chain.

We will examine the role that LDC can play in acting as a conduit for third party capital via private equity and venture capital vehicles, to identify and invest in new avenues of growth.

Our business fundamentals

Customer Focus

Our customer-centric approach is key to creating and maintaining long-term, sustainable relationships. It requires dynamic adaptability throughout the value chain.

People

We believe and invest in our people, who are at the heart of LDC's success

Safety Every Day

We work to guarantee a safe and healthy setting wherever we operate around the world, ensuring colleagues travel to and from work, and perform their professional duties, in safety, and that our activities have minimal impact on the environment and the communities around us.

Industrial Management

We are focused on continuously improving performance at our assets and the quality of our products.

Innovation

We fully embrace the technological changes that are reaching every corner of the agricultural industry, from input technologies to precision farming involving apps, drones and big data.

Financial Profile

LDC's access to liquidity and financial stability form the bedrock for executing our strategy.

Risk Expertise

Addressing risk is embedded in how we do business.

Ethics & Compliance

Rigorous compliance and ethics have always been a key focus.

Fundamentally Sustainable

Making our vision "To work towards a safe and sustainable future, contributing to the global effort of providing sustenance for a growing population" a reality through a global sustainability program and framework.

Our business fundamentals

Customer focus

Our customer-centric approach aims to build and maintain long-term, sustainable relationships with our key business stakeholders. This requires adaptability across the value chain, with the ability to embrace new trends and respond to consumer demands, in an environment where customers increasingly:

Seek to work with us as partners
We strive to develop long-term, collaborative solutions, going beyond key account management basics, notably in terms of innovation and sustainability.

- Working with bottler Refresco and Dutch supermarket Albert Heijn, we pioneered a blockchain project giving end consumers full supply chain transparency – from orange groves in Brazil to supermarket shelves in the Netherlands (see page 33).
- We are building strategic partnerships with key downstream juice customers in Asia, to expand our NFC volumes in the short term and to produce branded, bottled juice in the long term.
- Discussions are ongoing in Asia with a number of key players in the animal feed industry to meet their requirements for sustainable soybean products. LDC's recognized commitment as a responsible soy supplier, following our recently launched global Soy Sustainability Policy, positions us well and enables us to add value in a competitive market.

Want increasingly streamlined and tailored processes and services
We innovate and re-design solutions and processes to strengthen our relationship with customers and leverage an increasingly digitized and connected world.

- The ongoing rollout of our MyLDC mobile application continues, providing live customer access to their LDC account, with a 2018 launch in Ukraine. The application is now available in 5 countries in total (US, Canada, Russia, Brazil and Ukraine) for our grains and oilseeds customers.
- In the US, LDC brought innovative solutions and products to the juice market, such as the first lemon not-from-concentrate (NFC) bulk shipment in the world.
- In North Latin America, our mobile application facilitating the hire and management of road freight was well received during the pilot phase.
- Our Juice Platform developed a new CRM system to better manage its customers.
- In sugar, we started to offer contracts in local currencies to eliminate currency exposure for key customers in Indonesia. As the only player in the country to offer this option to date, the move put us ahead in the local market.
- In China, the Cotton Platform provided customized risk management support to core clients by sharing day-to-day market insights, using futures and options to help them mitigate market risks.

People

Because we recognize that talent drives LDC's success, the development of our people is one of the key dimensions of change that are at the heart of our work to fulfill our company purpose.

That's why we continuously invest in our learning and development frameworks and programs, to hone skills and capabilities across the organization, facilitate professional growth, and support our people in building the best possible careers.

Trading Academy
In place since 2016, our Trading Academy is LDC's main program for our people to learn and embed the core trading skills that are key to our businesses:

Trading Essentials: this is mandatory globally for all our traders with up to 3 years of experience, comprising several seminars led by senior LDC leaders and experts and covering areas such as trading, risk management, operations and negotiation.

Trading Advanced: this series of workshops for experienced traders is based on individual development needs.

Leadership Academy in the Spotlight

A bespoke leadership program created for our senior managers and leaders, the Leadership Academy is designed to guide leaders as their managerial roles evolve. It covers a wide range of topics and addresses individual challenges to facilitate successive leadership transitions and ensure continuous learning.

Initially developed in Brazil, the program has evolved into a six-month program run in partnership with IMD Business School in Lausanne, Switzerland. Launched for senior leaders based in EMEA and Asia in 2018, the program will continue to be rolled out, and a similar leadership scheme for middle managers is being developed for 2019.

Key principles
Organization-wide: we want to give every LDC manager access to training that fits their responsibility level, starting with the fundamentals of people management and progressively working toward strategic leadership.

Business Relevance: to equip leaders with relevant knowledge and skills, our model and program covers real context and challenges, and both soft and business skills.

LDC.learn
We continue to develop and expand our e-learning platform "LDC.learn", launched in 2016, adding a number of new online courses, carefully selected to support our people in developing skills across a wide range of topics – management, leadership, professional and personal effectiveness.

We also offer various technical courses through LDC.learn, for example relating to IT or international execution, enabling specific functions to train employees at their own pace.

This will continue into 2019, as part of our investment in dedicated online learning across LDC.

Safety Every Day

We strive to create a safe and healthy environment, wherever we operate, ensuring that colleagues travel to and from work, and perform their duties, in safety, and minimizing our impact on the environment and the communities around us.

This is the basis of LDC's efforts to make Safety, Health and Environment (SHE) the key priority at all levels of the organization, toward a "zero incident" level where no harm comes to our people, communities or environment.

Our new Global SHE Policy was deployed in 2018, setting expectations for each LDC employee and serving as the basis for the implementation of procedures and best practice at each of our locations. As part of our SHE Management System, global, regional and local SHE Committees drive policy execution by defining priorities, allocating resources and checking progress against targets in each of three areas:

Occupational safety
In 2018 we progressed on simplifying processes and improving efficiency, with several key accomplishments.

New KPI-reporting system for assets: we introduced a simpler, faster, more powerful tool to track performance in our assets around the world, helping employees to focus on what is most crucial to prevent incidents and injuries.

Wittenberg, Germany

High Risk Activities: we set standards and policies with clearly defined expectations for the highest risk activities.

SHE Management System: our new system sets minimum expectations for all our assets, aiming to make processes simpler, leaner and more effective.

These efforts have contributed to continuing improvements in our safety KPIs for workplace injuries over the last 5 years:

Frequency Index

↓57%

reduction since 2014

Gravity Index

↓66%

reduction since 2014

Severity Index

↓83%

reduction since 2014

Process safety
LDC's Process Safety Program (PSP) was launched in 2017 across all regions as a key measure to help prevent fires, explosions, collapses (of equipment or structures), toxic gas releases and environmental pollution. It has since evolved, with further investments in training for our people and upgrades at our assets.

An example from 2018 is the Critical Safety Devices Policy for biodiesel assets and tank farms, which gives us the newest and most effective protection against any deviation from operating parameters.

The PSP is a global corporate program with regional autonomy and authority. Combined with periodic performance reviews, this approach ensures greater accountability and effectiveness in implementation.

Safety Day
We held our 9th annual Safety Day in 2018, with the global campaign "Our Safety is My Priority". In addition to reinforcing key messages relating to SHE with all LDC employees globally, the event highlighted and recognized best practice and top performance in SHE across our regions. More than 11,000 employees and 2,000 joint-venture partners and contractors were involved.

Investing in Safety
We believe it is fundamental to maintain the pace of investment in our equipment, infrastructure and processes to increase safety levels. In 2018, we invested US$22 million in SHE improvements across our network of assets.

Industrial Management

LDC's Industry function is crucial to value creation by:

- Ensuring safe and sustainable operations through our SHE Management System.
- Promoting environmentally responsible practices.
- Securing reliable delivery through quality, yield and process monitoring.
- Supporting financial performance through optimized operating and capital expenditure.
- Improving efficiency by standardizing best practice and leveraging new technologies.

Efforts to create value by optimizing the management of our asset base cover quality, environmental sustainability and performance analyses.

Quality
In 2018 we created a new Quality and Food Safety Department to develop and standardize global quality systems at LDC, as part of our strategy to move downstream in our value chains.

In parallel, the development of a global LDC quality policy is ongoing to formalize our existing commitment to quality and support ongoing asset- or product-specific efforts in this area. For example, our pharmaceutical glycerin and food grade lecithin units in Wittenberg, Germany received FSSC 22000 food safety certification in 2018.

Environmental Sustainability
Our long-term environmental focus is reflected in the ambitious global targets we set in 2017 for reducing our environmental KPIs per metric ton of feedstock processed between 2018 and 2022:

Reduce greenhouse gas emissions by	**5%**
Reduce water consumption by	**5%**
Reduce energy consumption by	**5%**
Reduce solid waste by	**5%**

We have a granular, asset-by-asset plan to deliver on these goals, and we report on them in our annual Sustainability Report. As an example, projects commenced in 2018 to install solar panels at processing assets in Tianjin, China and Mato Grosso, Brazil that will both reduce costs and generate power from a 100% renewable source.

Performance analysis
We have two main mechanisms for performance analysis across our asset portfolio: a global maintenance competence center and platform competence centers.

Our global maintenance competence center is run by our Industry teams and focuses on our main performance indicators. A reporting portal allows a 360° view on Industry data, and provides insights from aggregated views into region-, plant- and platform-level benchmarks, right down to production line level. The global maintenance competence center also sets annual targets for Overall Equipment Efficiency (OEE) and best practice.

We started our platform competence centers with Oilseeds, which established KPIs for each processing activity (crushing, refining, biodiesel production) at every oilseeds asset. The Platform's competence center is now able to provide a detailed analysis for each process at each facility.

Innovation

Essential to our continued success in a rapidly evolving industry, and a key pillar of our strategy, we are embracing innovation across our activities in various ways.

Leveraging technology
Efficiency through blockchain: we completed the first-ever full agricultural commodity transaction with a blockchain platform in January 2018, in collaboration with external partners.

Despite blockchain being new for LDC, developing the platform took less than six months, from kick-off to go-live. The transaction demonstrated the immense potential of blockchain technology for commodity trading and financing. It created major efficiency improvements, notably reducing the risk of fraud, shortening the cash cycle and making data verification for the entire transaction five times faster than in the traditional process.

Adoption will not happen overnight. There is still a long way to go to scale it up across the value chain, and collaboration is an essential prerequisite to realize the full potential of this new technology for transforming the commodities sector.

Accordingly, in October 2018 we announced a joint effort with other agribusiness leaders to modernize post-trade operations through emerging digital technologies, including blockchain and artificial intelligence. The objective is to standardize and digitize global agricultural shipping transactions to reduce resource- and time-intensive processes.

Technology for sustainability: we have unleashed efforts to drive sustainability through innovation at a platform level, with salient examples in cotton (using DNA tagging, see page 32) and juice (for grove-to-glass traceability using blockchain, see page 33) this past year.

The Freight Platform has also been active on multiple fronts, actively participating in the Sustainable Shipping Initiative 2040 (SSI2040) workshop on biofuel feasibility and assessing avenues and solutions to meet international standards for pollution control, including emissions technology, cleaner fuels, smarter route-planning and more hydrodynamic vessels. In 2018, we also signed long-term agreements to integrate several new eco-vessels into LDC's fleet, as part of our commitment to more sustainable shipping.

Innovating in food
LDC is uniquely positioned to identify future food trends and help meet evolving consumer demand in a sustainable manner. We have a unique opportunity to build the right food system for generations to come, and the path toward this goal requires that we embrace alternative and disruptive solutions.

Our approach to food innovation relies on a balanced ecosystem of in-house capability building, ambitious partnerships and targeted investments in strategic ventures.

LDC is looking to pursue opportunities in five main areas of interest:

- Exploring novel forms of protein and ingredients for food and feed applications.
- Bringing specialized plants and products that form the building blocks for tomorrow's food to manufacturers and consumers.
- Releasing the great potential of sustainable aquaculture and aquafeed.
- Improving food safety, traceability, access and efficiency throughout the supply chain.
- Deploying technologies that support farmers across the world in improving their productivity, profitability and sustainability.

We are keen to work with start-ups that offer solutions in these areas, particularly those demonstrating scalable concepts that would benefit from the support of a global partner.

We want to foster participative and open innovation. This is why we are actively engaged in the vivid conversation around new food solutions, involving industry players, start-ups, public bodies and non-profit organizations. Examples include active stewardship of the World Economic Forum's initiative on alternative proteins, or sponsorship of the 2018 Future Food Awards Asia, which allows promising start-ups to showcase their talent and seek support.

Financial Profile

LDC's access to liquidity, financial stability and long-standing prudent funding model serve as the bedrock for the successful execution of the Group's strategy. Short-term debt is drawn to meet the most liquid portion of our working capital needs, while long-term resources finance both non-current assets and working capital requirements.

The Group actively manages its liquidity risk through its ability to diversify its financing in terms of markets, instruments and maturities.

Both short- and long-term financing are diversified by geography, with access to uncommitted lines through more than 150 banks worldwide, in more than 45 countries. Asia, EMEA and North America each separately enter into medium-term revolving credit facilities (RCFs) with staggered maturities meaning that the Group has access to 6 such facilities at any time, maturing at 1-year intervals in each region, for a total amount of US$3.3billion, and each renewed one year ahead of maturity.

LDC's long-term financing is a combination of loans and debt market securities. Also active in debt capital markets, we have successfully issued 4 senior bonds on the Luxembourg Stock Exchange since 2012.

In addition, the Group closely monitors its credit metrics and balance sheet structure through a 4-pronged approach:

Capex monitoring: the Group maintains a large degree of flexibility, with Capex mainly composed of discretionary investments with high granularity, particularly focused on core businesses, and strategic acquisitions.

Funding optimization: the funding mix is a point of focus to optimize our funding costs while serving business needs.

Working Capital management: LDC constantly works to enhance efficiency in its consumption of financial resources to support commercial operations.

Divestments and partnerships (including JVs): as demonstrated in recent years, the Group dynamically manages its asset portfolio through the disposal of non-core businesses and fixed assets, while pursuing strategic partnerships when needed.

Risk Expertise

Because we believe that risk management is central to delivering safely, reliably and responsibly for our customers, a balanced approach to risk is central to every aspect of our business.

LDC sees risk management as a holistic approach, not limited to a specific system but as one that combines multiple methods – VaR, sensitivity analysis, historical back-testing, scenarios, and many others – in order to triangulate well-bracketed risk and optimally deploy risk capital.

Our global reach, broad portfolio and complex trade flows make anticipating, assessing, controlling and mitigating risk exposure essential at every step of our operations and on a daily basis.

By the same token, the depth and breadth of our operations contribute greatly to our risk expertise, through the particularly broad wealth of information we receive, our substantial experience with the markets, and the trusted relationships we have built with numerous stakeholders and counterparts during our long-time position as a market leader in the agri-commodities sector.

Ethics & Compliance

LDC has always followed a strong set of ethical standards in dealing with the complex cultural, legal, political and economic landscape in which we operate.

We believe compliance is a key condition of being a leading merchant and processor of agricultural goods, not only due to our industry's constantly evolving regulatory landscape, but also as an essential part of building trusted relationships with a wide range of stakeholders – customers, suppliers, regulators, investors and many others.

We manage compliance through three programs:

- Regulatory Compliance, covering regulations applicable to commodity exchanges.
- Trade Compliance, with policies and controls to comply with sanctions, laws and regulations, and to adhere to ethical commercial and business practices.
- Compliance Monitoring, consisting in data-driven monitoring of compliance with LDC policies across our operations.

Our network of Compliance teams engages with a range of stakeholders, equipped thanks to detailed training and guided by LDC's Code of Conduct, which instructs employees (and external parties, where appropriate) on the application of our business principles and values, without compromising LDC's integrity and without prejudice to any applicable legal requirements.

Fundamentally sustainable

Global merchants of agricultural goods are at the forefront of one of the world's most pressing challenges: how to feed the world's rapidly growing population ethically and sustainably.

Because we recognize our key role in this challenge, the notion of sustainability has long been part of our identity as a company, with a long-term vision to work toward a safe and sustainable future, and a shared purpose that unites us in our drive to create fair and sustainable value.

As we move into our next chapter of growth, in which a highly integrated value chain is essential to success, treating sustainability as an integral and inseparable part of the way we manage our business is all the more important.

LDC's sustainability work is structured around 4 pillars that we believe to be central to the challenge: People, Environment, Partners and Community.

People

The safety, wellbeing and development of all our people, on whom our success ultimately depends, is LDC's top priority.

Ensuring that all our people, everywhere, return home to their families safely and without injury, each day, is the essence of our global "commitment to zero" and the objective of the robust policies and ambitious targets that form part of our Safety, Health and Environment (SHE) Management System (see pages 19-20).

We also work with a variety of value chain stakeholders, expert organizations and government authorities to ensure labor and human rights are respected across our supply chains.

With diversity as one of our core company values, promoting respect for diversity in all its forms and working to make LDC a truly gender-neutral company is also a key area of focus.

Community

Our global presence means we play an active role in many communities around the world, especially those living close to our operations and assets.

Each of our geographic regions invests in projects and initiatives supporting local social and economic welfare and development, mainly in relation to education, food and agriculture, and we encourage our employees to volunteer in community activities wherever they live and work.

We also partner with the Louis Dreyfus Foundation in a variety of sustainable micro-farming, education and environmental preservation projects across three continents. Our collaboration with the Foundation was reinforced and expanded starting in 2018, as part of its strategy for a new five-year cycle of activities, aiming to maximize positive impacts by leveraging LDC's expertise and established presence.

Environment

Our unique position in the value chain comes with the responsibility to carry out our work with as little environmental impact as possible.

We are making a difference in many areas – reducing our own emissions and resource consumption, helping farmers adapt to climate change, working with freight operators toward a more sustainable shipping industry, protecting ecosystems and communities that might be impacted by our operations, and more.

For the first time in 2018, we defined a full set of time-bound targets to reduce our environmental footprint based on the following global environmental KPIs, monitored through a purpose-built, asset-by-asset monthly tracking and optimization process:

- Greenhouse Gas (GHG) emissions
- Energy consumption
- Waste generation
- Water consumption

Indexes are calculated for each indicator, with 5% reduction targets on each index by 2022.

Partners

At LDC, we believe that, given the nature and complexity of the challenges facing our industry, working with others is the only way to achieve meaningful and lasting change. Partnerships are the essence of the UN's Sustainable Development Goal 17 – "working together towards the goals" – on which we place great emphasis in all our sustainability efforts.

Since 2017, we have been members of the World Business Council for Sustainable Development, a group of 200 companies working together toward a more sustainable world, contributing to the foundation of its Soft Commodities Forum to address key issues in the agricultural sector.

Over the last 5 years, we have also taken part in various commodity-specific initiatives such as Bonsucro, the Better Cotton Initiative (BCI), the Sustainable Rice Platform, the Round Table on Responsible Soy (RTRS) and the Roundtable on Sustainable Palm Oil (RSPO).

We also work with certification schemes such as Fairtrade, the Rainforest Alliance and International Sustainability and Carbon Certification (ISCC), and many of our policies and standards are defined in consultation with a variety of environmental organizations and other experts with whom we have built partnerships over time, such as the World Wildlife Fund (WWF) and Earthworm (formerly The Forest Trust). Their collaboration and advice remains invaluable.

With varying levels of presence along the value chain, our platforms each have their own approach to integrating sustainability in their operations.

Coffee

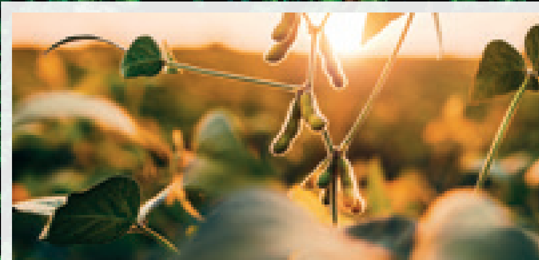
Recognizing that sustainable agriculture is closely linked with farmers' economic wellbeing, we choose to work directly with coffee farmers on the ground, through initiatives to improve their livelihoods through sustainable practices, aiming ultimately to secure coffee supply for future generations.

To achieve this, we work with a wide range of stakeholders – independent certification and verification programs (4C, Rainforest Alliance, UTZ and Fairtrade), non-profit organizations and our own supply chain partners.

Our work is structured around 3 key streams:

1. Boosting the production of certified and verified coffee
2. Supporting farmers through projects tackling specific local issues
3. Sourcing responsibly from farmers who adopt sustainable practices, whether their coffee is certified/verified or not

Our focus was on top producing countries such as Vietnam, Brazil, Colombia, Indonesia and Mexico until 2018, when we extended our sustainability programs into East Africa.



Soy

Soy is the single most important source of vegetable protein in the world, and a major source of biofuel. Expanding its production, however, could come with a cost for wildlife and biodiversity if areas of high ecological value are converted for agriculture. As one of the world's largest soy merchandizers, we have a responsibility to promote sustainable soy production.

That's why in 2018 we launched our industry-leading Soy Sustainability Policy, setting out our intent regarding environmental impact, human rights and labor practices, and anti-bribery and anti-corruption measures, in relation to soy cultivation and processing.

Through this policy, LDC commits to influence and collaborate with supply chain stakeholders to:

- Eliminate engagement in, or financing of, deforestation throughout our supply chain, and conserve biomes of proven high ecological value, such as the Cerrado, Brazil.
- Uphold the rights of local communities and/or indigenous people.
- Comply with all eight International Labour Organization fundamental conventions.
- Respect internationally and nationally designated protected areas.
- Not endanger threatened species, specifically referring to international or national systems of species classification.
- Abide by rigorous anti-bribery and corruption standards.

Palm

Although we have no palm plantations or mills of our own, we originate millions of metric tons of palm oil each year. Our dedicated Palm Sustainability Policy, in place since 2016, outlines our responsibility to address the challenges of deforestation and responsible palm oil production by working with our suppliers. It also sets out our principles, aims and ambitions for all palm oil-related activities: No Deforestation, No Peat, No Exploitation.

We work with non-profit organization Earthworm (formerly The Forest Trust) toward palm traceability back to the mill, and with the RSPO and ISCC on sustainable palm certification, which all our palm processing facilities have been granted by both entities.

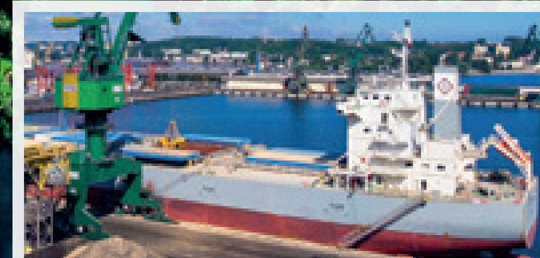
Juice

The juice industry faces many sustainability challenges, for instance in relation to workplace safety, deforestation and loss of biodiversity, waste generation and water scarcity.

Our extensive presence in Brazil, where 60% of all orange juice is sourced, gives us the opportunity and responsibility to work toward a more sustainable juice value chain.

In 2018, we pursued our efforts to comply with the Rainforest Alliance's standards at our farms, in relation to effective planning and management systems, biodiversity and natural resource conservation, and human rights and welfare.

80% of our farms are Rainforest Alliance certified as of the end of 2018, aiming ultimately for 100%.



Freight

Shipping activities generate pollution, and yet maritime transport remains the most environmentally friendly and efficient way to move products around the world in large quantities, from where they are produced to where they are needed.

Since the volumes involved mean that even small steps could make a vast difference, we make every effort to be a responsible charterer and operator across our bulk, container and tanker shipping activities.

Working with others in the industry, we are committed to the following goals:

- Reducing greenhouse gases and other emissions
- Providing safe and healthy work environments
- Proactively contributing to the responsible governance of our oceans

As part of our commitment, in 2017 we joined the Sustainable Shipping Initiative (SSI), an independent multi-stakeholder initiative bringing together leading companies in the maritime sector to create a sustainable and successful shipping industry by 2040. LDC is involved in SSI studies on ships of the future, targeting zero-emission shipping through various alternative propulsion methods.

In 2018, we also started measuring emissions from our freight activities, and will publish these in our next Sustainability Report. We are exploring a variety of options to reduce these, including the use of disruptive new technologies such as wind or dual liquid natural gas/gasoil propulsion.

Cotton

Issues in supplying cotton extend beyond our presence in the value chain, including improving working conditions at farm level, eliminating child and forced labor, and reducing water and pesticide usage in production.

However, we work closely with others, particularly the BCI and Cotton Made in Africa (CmiA), to improve the industry.

In 2013, we set ourselves the goal of increasing the Better Cotton we purchase by 125% by 2018. Our hard work paid off this year, with purchases over 700% higher in 2018 than 5 years ago.

Perhaps more importantly, beyond our own purchases, we have been promoting BCI and CmiA principles persistently in recent years, with major projects engaging farmers, gins and other stakeholders in Kazakhstan and Zambia. In 2018, we hit our target of reaching 700 Kazakh farmers in our BCI project.

This both improves practices in the supply chain by ensuring adherence to strict sustainability criteria, but also helps to promote these origins as reliably sustainable in international markets, with potential for further momentum building for BCI and CmiA demand.

2018 year in review

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Our regions in depth

2018 Milestones

2018 saw significant strides in our efforts to build up capacity across the value chain, drive sustainability and leverage new technologies. Some of the key milestones are outlined here.

Building capacity

As part of our strategic roadmap for growth, LDC is pursuing investments and projects to reinforce its already strong origination networks and capacity.

64
Barges

Early 2018

Start of fluvial fleet operations for northern arc exports in Brazil

As part of our long-term project to develop northern export routes in Brazil, LDC is pursuing investments that will benefit the country's producers through increased distribution networks and logistic capacity, including new warehousing facilities in Mato Grosso, a transshipment station with storage silos on the Tapajós river, a port solution in the Pará river region, and one of the most modern fleets in the region with 64 barges and 7 pushers. With all barges and almost all pushers complete, the fleet began operations in 2018, transporting soybeans, corn and fertilizers along the Tapajós River to northern port areas. The project is a major investment in grains and oilseeds operations, promising to secure supplies of Brazilian products for our customers around the world.

October 2018

Investing in origination logistics in Ukraine

LDC completed a critical investment in Ukraine in 2018, with the order of 330 grain railcars. Leveraging the country's extensive railway network to transport goods from farms to ports, this investment will increase LDC's already strong inland origination capacity for grains by an additional 600,000 tons annually, helping to reinforce commercial ties with local farmers, and building our capacity to deliver for customers.

Investing at destination

Growing with China is a fundamental part of LDC's strategy for growth, and 2018 saw key investments and efforts to reinforce our presence in this key market.

4,000
tons of crushing capacity

April 2018

New oilseeds processing facility in China

Acquired in April 2018, and officially inaugurated in September, our new oilseeds processing and refining plant is located in China's Binhai New Area District of the Tianjin Free Trade Zone. Spanning an area of some 300,000 m², it has a daily soybean crushing capacity of 4,000 tons to produce soybean meal and crude soybean oil, and a daily capacity of 1,200 tons for the production of refined edible vegetable oil. Complemented by bottling, filling and packaging lines, as well as substantial storage capacity, the facility is a key enabler of LDC's strategy to respond to growing demand for protein and safe, high-quality food products in China – a key destination and growth market for LDC.

November 2018

Attendance at China International Import Expo

The largest importer of grains and oilseeds in the world, China is a key growth market for LDC, and we are well positioned to move beyond the traditional B2B model to meet the changing needs of its growing population. Having supplied the country for over 40 years, LDC continues to focus on building strong relationships with local authorities and partners, among others, through active participation at major events such as the inaugural China International Import Expo in 2018, which was a key opportunity to promote LDC's product portfolio in China: sustainable palm oil, soybeans and fruit juice.

Leading the way in sustainability

Becoming the value chain creates opportunities for LDC to create fair and sustainable value by working with stakeholders at every step of the chain.

March 2018

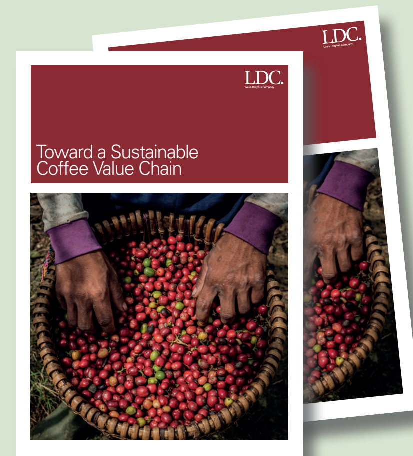
Funding research on sustainable coffee production

LDC made a donation to research and development program World Coffee Research, a non-profit collaborative research and development program, as part of our drive toward a sustainable coffee value chain and secure coffee supplies for the long-term. A joint initiative with producers and coffee scientists around the world, the program is complementary to our own initiatives, promoting best farming practices to grow, protect and boost supplies of quality sustainable coffee while improving farmer livelihoods.

May 2018

New cotton traceability system for Australian cotton

LDC partnered with Applied DNA Sciences and The Himatsingka Group in 2018 to install the SigNature® T cotton traceability system at our Moree gin in Australia, following successful implementation at our US gins. This robust, closed loop, supply chain traceability technology allows pure HomeGrown™ Australian cotton to be tagged, tested and tracked from farm to fabric, enabling LDC to match growing consumer and retailer demand for sustainable, responsibly sourced cotton.



July 2018

Soy sustainability policy launch

In this new, industry-leading Soy Sustainability Policy LDC commits to influence our soy supply chain stakeholders to eliminate engagement in, or financing of deforestation linked to soy cultivation, setting out our intent regarding the environment, human rights, labor practices, and bribery and corruption prevention. In parallel, we continue to work with a wide range of stakeholders, including certification bodies and the Soft Commodities Forum of the World Business Council for Sustainable Development, to effect positive change in this sense, while considering all stakeholder interests.

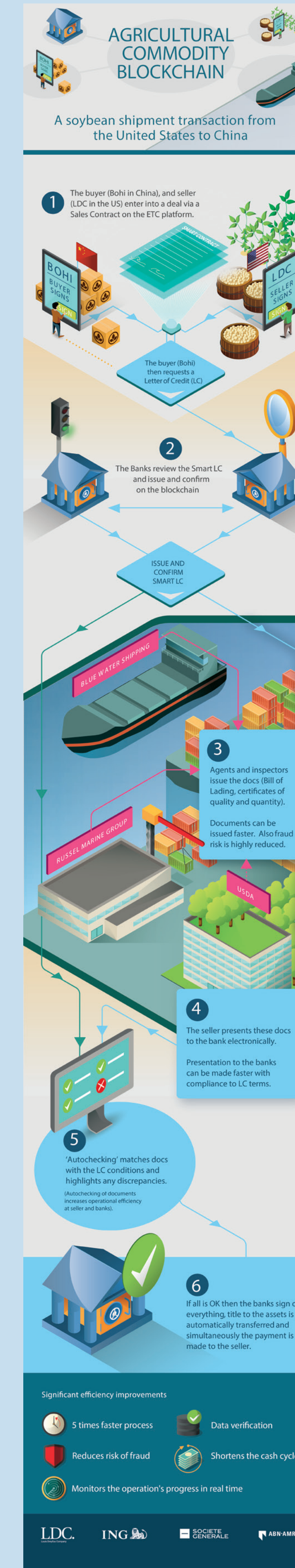
December 2018

Coffee Sustainability Report

We published our first-ever Coffee Sustainability Report in 2018, highlighting our unique approach to driving toward a more sustainable coffee value chain, going beyond certification and offering direct support to coffee farmers as part of our efforts to boost sustainable coffee production and commitment to sourcing responsibly grown coffee.

Embracing technology

Technological innovation is a central part of our strategy, as a key enabler of fair and sustainable value creation.



January 2018

First full-cycle agri-commodity transaction on blockchain

In January 2018, LDC, Shandong Bohi Industry Co. Ltd., ING, Société Générale and ABN Amro successfully completed the first full agricultural commodity transaction using a prototype blockchain platform.

LDC as seller and Bohi as buyer executed a complex transaction relating to a soybean shipment from the US to China, with banks issuing and confirming the letter of credit.

All aspects of the operation were conducted through the blockchain platform, designed to accommodate the sector's complex and rigorous documentation flows with a full set of digital documents (sales contract, letter of credit, certificates) and automatic data matching, thus avoiding task duplication and manual checks, and allowing real-time progress monitoring, data verification, reduced risk of fraud and a shorter cash cycle.

The platform's success demonstrates the immense potential of distributed ledger technologies to advance commodity trading and financing.

September 2018

Full supply chain transparency for orange juice consumers in the Netherlands

Leveraging technology to ensure traceability, LDC Juice teamed up with customer Refresco, the largest independent bottler of beverages for retailers worldwide, and Dutch supermarket Albert Heijn to make the supply chain of orange juice to consumers in the Netherlands fully transparent, using blockchain.

By scanning a QR code on their juice bottle, consumers can follow the journey of their preferred orange juice from Rainforest Alliance-certified orange farms managed by LDC in Brazil, through our pressing, shipping and processing operations, to Refresco's bottling facilities and on to Albert Heijn's distribution channels. The project brought growers, processors, bottlers, retailers and consumers together for the first time, making the entire fruit juice production process entirely traceable and transparent, from grove to supermarket shelf, with detailed information on quality, safety and sustainability standards.

The partnership demonstrated blockchain's immense potential to drive transformational efficiencies and traceability, allowing consumers to check that products meet their expectations and make informed purchase decisions.

October 2018

Joint initiative to modernize agricultural commodity trade operations

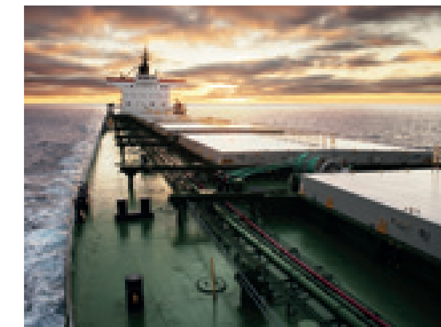
Recognizing the potential benefits of adopting common standards, LDC and other agribusiness leaders launched a joint effort to drive the modernization of post-trade operations for agri-commodities using emerging digital technologies, including blockchain and artificial intelligence options.

Aiming to reduce resource- and time-intensive processes in the global agricultural commodity value chain, work is ongoing with several peers to standardize and digitize agricultural shipping transactions, with an initial focus on automating grain and oilseed post-trade execution processes.

With a common goal to increase competitiveness, reduce barriers to entry and create value for the industry as a whole, we are engaging the collaboration of stakeholders of all sizes around the world, in the design of a solution that will facilitate global access and adoption.

Platforms

Value Chain Segment



Grains

Wheat / white corn / yellow corn / DDGS / sorghum / barley / rye / oats / chickpeas / fertilizers / inputs & seeds

Adapting to global trade flows
2018 was a challenging year, with Chinese tariffs on soybeans straining grains supply chains.

In this context, we made the most of our logistic assets across the Americas to meet market needs. As the Grains Platform increased loading volumes in North America and reduced those in Latin America, our robust geographic footprint was vital to optimize the use of logistic capabilities.

Strengthening origination
The Platform further strengthened its origination footprint in Brazil and the Black Sea region. In the former, it acquired a fleet of pushers and barges as part of its project to develop export routes in Brazil's northern arc. In the latter, it upgraded our port facility in Azov, Russia, and purchased our first consignment of railcars in Ukraine.

The Platform's excellent research team anticipated very early on the consequences of extremely dry weather conditions in both Australia and Europe, allowing us to adapt up front. This guaranteed sourcing for customers ahead of shortages and price movements.

LDC will continue to invest in origination and logistic capabilities in the Black Sea region, and will complete its fluvial transport project in Pará State, Brazil, to consolidate its foundations for responsive supply over the coming years.

600,000
ton increase in Ukraine rail export capacity

Oilseeds

Soybeans / canola / rapeseeds / cottonseeds / sunseeds / peanuts / palm / meals and oils (crude & refined, bulk & bottled) / lecithin / glycerin (crude & refined) / biodiesel / fertilizers / inputs & seeds

Expanding our reach
The Oilseeds Platform performed well in 2018, leveraging our global footprint and maximizing crushing and biodiesel margins.

Trade disputes between China and the US created demand for South American soybeans. While drought in Argentina hampered origination there, the Platform set a new record in volumes exported from Brazil.

These events allowed LDC to secure good margins for our crushing assets, maximizing utilized capacity. High crude oil prices also enabled us to realize improved profitability at our biodiesel assets, such as our plant in Lampung, Indonesia.

China and South America were the focus of capital expenditure this year. In April, the Group completed the acquisition of an oilseeds processing facility in Tianjin, China, that allows us to double LDC's soybean processing capacity in the country.

In Brazil, we started operating LDC's new fleet of barges as part of the export logistics project in Pará State, run in collaboration with the Grains Platform.

Sustainability focus
To ensure we continue to meet demand sustainably, we launched and began implementing our new Soy Sustainability Policy. Recognizing the sustainability challenges specific to soybean cultivation, the policy outlines our intent regarding environmental impact, human rights, labor practices and anti-bribery/corruption measures in all soybean-related activities.

Juice

Orange / lime / lemon / apple and the specialty products from fruit processing (citrus oils and aromas, dry peel, pulp pellets)

Sustainability, present and future
The Juice Platform showed its agility to navigate volatile orange supply conditions over the past 3 years. We pursued our stakeholder-centric strategy, building long-term relationships with farmers to guarantee sourcing of high quality raw material.

As growth in demand for premium, sustainable and traceable orange juice increases worldwide, LDC's ability to deliver quality products despite supply volatility differentiated us this year. We continued to secure this capacity and supply by running various programs to train farmers in sustainable agriculture trends and techniques.

At the leading edge
The Platform was also highly innovative in response to evolving demand trends.

In 2018, LDC and partner organizations pioneered a blockchain project providing full transparency to end consumers in the Netherlands. Working closely with other customers, we also invested heavily to offer more citrus specialty products such as essential oils, dry-peel, NFC lemon and lime juice.

To fulfil its ambitions in farming, logistics and product development in juice, LDC successfully completed the Platform's ring-fencing process in 2018. This provides the opportunity to bring on a strategic partner to pursue investments across the juice value chain.

80%
of LDC Juice farms are Rainforest Alliance certified™ (14 new in 2018)

Freight

Global footprint thanks to an extended network and involvement in major trade flows

Flexibility facing volatility
The Freight Platform posted solid results in a market that saw the highest volatility since 2014. In a context of trade tensions and regulatory uncertainties, the Platform relied on robust cargo demand from a range of industrial charterers and further diversified its sources of revenues.

Global seaborne flows surged again in 2018, with a 45% increase in hire rates before a slowdown later in the year. Forward freight contract values experienced a particularly abrupt correction during the fourth quarter.

The Platform collaborated closely with other LDC business lines to manage risk and facilitate distribution while navigating these fluctuations.

Building an advanced fleet
We constantly adapt our portfolio to maximize efficiency and reduce our environmental impact, by investing in modern fuel-efficient tonnage and equipment, in close cooperation with reputable ship-owners and vendors.

In support of new International Maritime Organization environmental protection regulations, particularly on water ballast treatment, low sulfur fuel oil and emissions, we began feasibility studies on alternative propulsion technologies, notably using biofuel or wind.

We also continued to improve our predictive analytical capabilities through data science, to optimize our voyage operations.

200
vessels under charter

Global Markets

Provision of foreign exchange risk mitigation

Profitably managing global risks
The Global Markets Platform reaped the rewards of a focus on mitigating risks inherent in LDC's global activities.

The Platform successfully weathered the effects of volatility generated by political events in several countries where we operate. In addition to the US-China trade dispute, effects were felt from several separate events in Argentina.

Performance in managing exchange exposure in Chinese Yuan, Malaysian Ringgit, Indonesian Rupiah and Indian Rupees was also particularly strong in 2018.

Maximizing speed and efficiency
Continually seeking ways to keep processes quick and lean, the team initiated the migration to a new version of its financial trading system, and centralized control and back-office services for three of LDC's regions in a single hub in Montevideo, Uruguay.

Platforms

Merchandizing Segment

Coffee

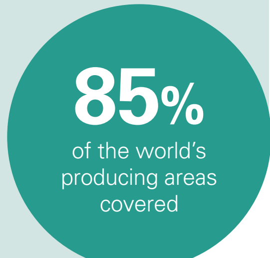
Arabica and robusta

Managing challenging conditions
While our results improved year-on-year in 2018, overall they were inhibited by the impact of lower farmer selling, which was due to low prices and exchange rate volatility. This was a major trend in 2018 across Brazil, Vietnam and Indonesia in particular, creating sourcing challenges for many operators.

The Platform took several steps to further improve from 2019 onwards. Expanded asset capacity in Brazil and Uganda should help to increase volumes in 2019, while adapting and restructuring processes and assets led to improved efficiency in West Latin America.

Future strategy
The Platform aims to further increase its volumes in the key origination locations of Brazil, Vietnam, Colombia, Honduras and Indonesia. Running customer-centricity efforts in parallel to this will help leverage our presence at origin and create long-term value through deep, long-term relationships with customers. Further to these efforts, we are seeking to make selective investments to extend our presence downstream.

With our global commitment to a sustainable future, 2018 saw the publication of LDC's first Coffee Sustainability Report, which sets out our strategy to promote responsible sourcing and supply chain traceability, beyond certification and project work.



Cotton

Sourced from all major producers

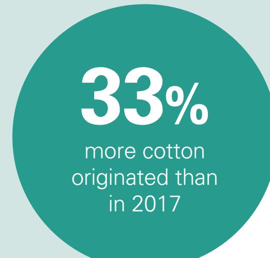
Increasing volumes and market share
2018 was an excellent year, with strong returns for the Cotton Platform. Leveraging our expertise and our assets in North America (logistics) and Australia (ginning), we grew both origination and sales volumes ahead of the significant increase in global production (16%) and consumption (6%) during the 2017/2018 crop year.[1]

This growth was supported by our ongoing customer-centricity programs to further strengthen relationships with key, strategic customers.

Network and expertise
In a context of significant production growth in the US, the country experienced a major shortage of available truck freight in 2018. We successfully leveraged our strong base of logistic assets in this key origination market to efficiently connect supply with demand, and extended our logistic network with the acquisition of 9 additional warehouses throughout the Mississippi Delta.

LDC's risk management expertise enabled us to maximize returns in the volatile conditions brought about by speculative activity by investors in the futures market and challenging weather conditions in the US.

1. USDA: World Agricultural Supply and Demand Estimates, November 2018



Rice

Paddy, brown, milled and parboiled (bulk & packed)

Adapting to challenges
The Platform made several moves to deal with slowing demand in our main destination markets in Africa. This flexibility allowed our team to secure a solid performance in 2018.

A number of external factors made this a particularly outstanding achievement, including significantly lower volatility overall, a very bearish environment, weaker currencies in several Asian countries and lower import volumes in Asia.

Leveraging LDC's strong commercial relationships in Asia, the Platform sourced increased volumes from the most price-competitive origins in the world, and maintained a leading market share in our top African destinations at respectable margins.

Realizing benefits of innovation
2018 saw significant benefits from an innovative approach to shipping rice in containers, started in 2015. This business line increased volumes significantly versus 2017, opening new flows to the Middle East and growing volumes shipped to destinations in Asia.

Sugar

Raw and white sugar

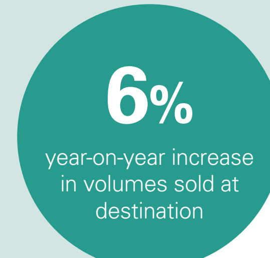
Dealing with market shifts
Despite a difficult business context, the Sugar Platform increased sales volumes by 6%. Dedication to fundamental analysis and research, increased dialogue with customers and a focus on developing new physical flows were the core capabilities that contributed to this strong performance in a volatile environment.

The market entered 2018 with record high stocks and a weak outlook. Early forecasts predicted continued surpluses, driving the market to 10-year lows over the first 9 months of the year. Rapidly changing production volumes in major producing areas and a volatile energy complex created ongoing uncertainty, causing a strong price rebound.

We started to reap the benefits of past restructuring, leveraging superior risk management, research and analysis to capture opportunities.

Value-added production
With US demand remaining flat and consumer preferences changing, LDC made a number of adaptations to its Imperial Sugar Company refining business.

The Platform prioritized sales of value-added products such as packaged sugar and focused on controlling costs, especially by investing in our Granulated Activated Carbon project that will reduce de-colorization costs and meet new consumer preferences.



Dairy

Milk powders, whey powders, fat-filled powders, fats and cheese

Adaptive origination strategies
Strong global demand for skim milk powder allowed prices to recover somewhat compared to 2017, despite high intervention stocks remaining in the market. The Platform therefore improved its operating results on overall rising prices, even though prices for whole milk powder and fats declined.

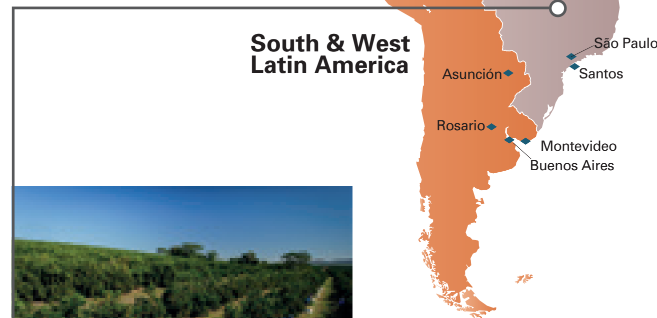
With high demand in China, the world's largest market, and in the face of tariffs imposed on US products, the Dairy team secured products from key producing regions in Europe and Australia, while also increasing imports into Mexico.

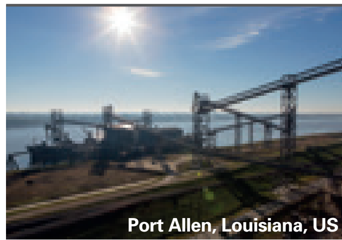
This environment created the opportunity to increase imports of skim milk powder into Asia. Our Union Dairy Company (UDC) joint venture in Australia exported to China for the first time in 2018, as well as to Vietnam, Malaysia, Thailand and Sri Lanka.

Despite drought in Australia reducing production, UDC managed to originate from farmers near its plant, reducing its transport costs and environmental footprint while increasing its milk intake.

Divesting dairy
As part of our strategy to refocus on core business lines, in January 2019, LDC announced its decision to exit the dairy business by mid-2019. After that point, the UDC joint venture will be LDC's only remaining involvement in dairy.

Regional overview





Port Allen, Louisiana, US

North America

2	13	10
countries	offices	platforms

2018 Highlights

Impact of US trade policy and retaliatory import tariffs from China.

Further asset expansion in cotton in the US: acquisition of land, buildings, machinery and warehouses, and 2 new JVs.

CAIASA, Paraguay

South & West Latin America

7	8	6
countries	offices	platforms

2018 Highlights

New storage facility acquired and rebuilt in Pozuelo, Paraguay, now the 2nd largest grains and oilseeds storage complex in the country.

Expansion of cotton activities in Argentina, with new processes and valuation of derived products.

Integration of regional fertilizers activities within the Grains and Oilseeds platforms completed.

Monte Belo, Brazil

North Latin America

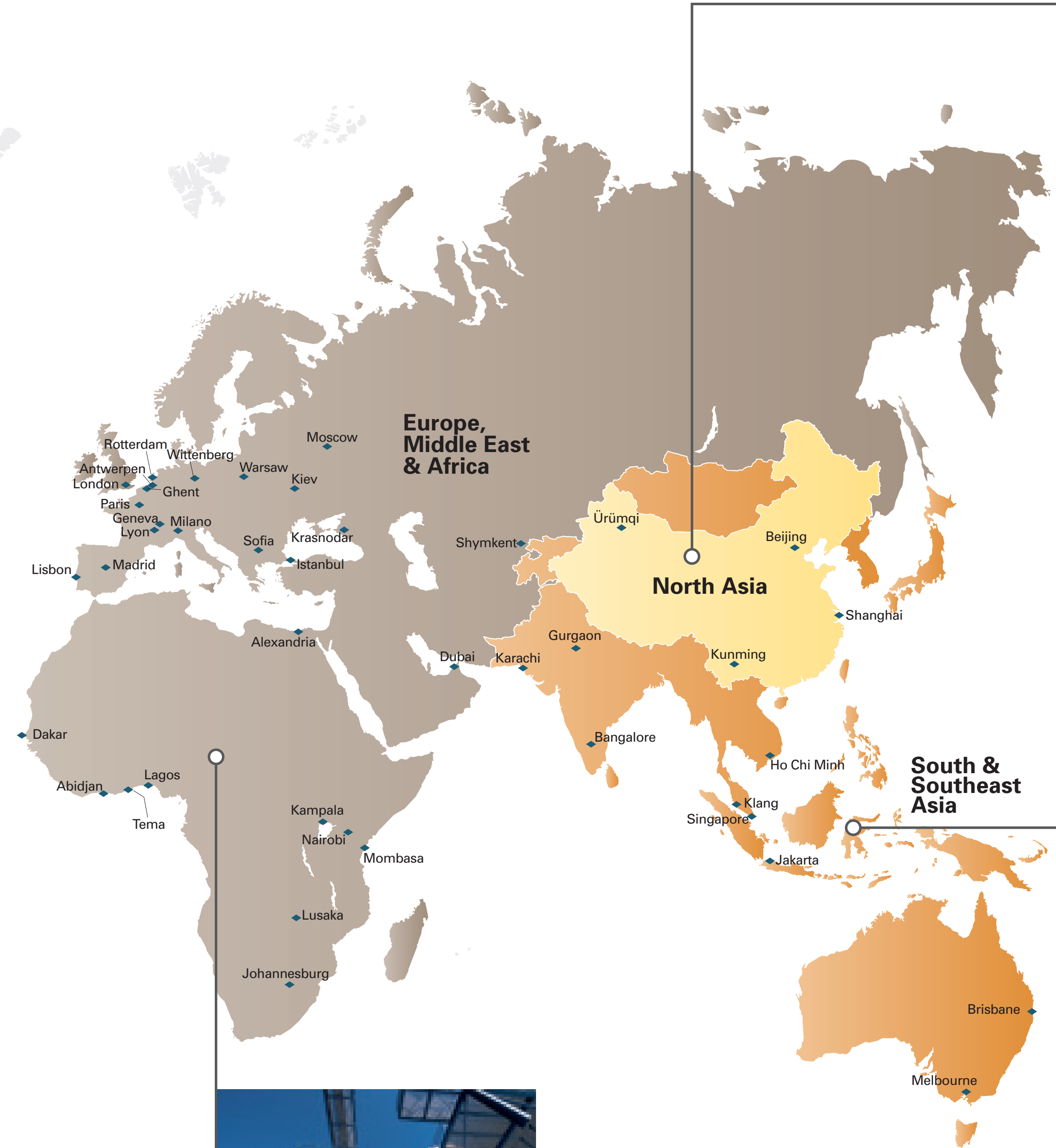
1	2	8
country	offices	platforms

2018 Highlights

LDC named among the "150 Best Companies to Work for" in Brazil.

All-time record year for volumes originated and exported.

A total of 29 farms Rainforest Alliance-certified as of the end of the year.



Aveiro, Portugal

Europe, Middle East & Africa

25	29	10
countries	offices	platforms

2018 Highlights

Record levels of feedstock handled and processed at several assets in Russia, Kenya, South Africa and Egypt.

FSSC 22000 (food safety certification) obtained by the Wittenberg plant in Germany, creating new opportunities for LDC's pharmaceutical glycerin and lecithin products.

Dongguan, China

North Asia

1	4	10
country	offices	platforms

2018 Highlights

LDC's newest region.

Acquisition of Tianjin oilseeds complex.

Participation in the 1st China International Import Expo (CIIE).

Lampung, Indonesia

South & Southeast Asia

7	9	9
countries	offices	platforms

2018 Highlights

Construction of new crude palm tanks at LDC's Balikpapan refinery complex in Indonesia.

Training programs delivered by LDC agronomists in Indonesia and Vietnam to encourage sustainable practices and support farmers on the ground.

Launch of Asia Industry Graduate Program, a joint initiative between the HR and Industry departments.

Our regions in depth

Europe, Middle East & Africa

2018 in brief
The financial crisis in Turkey, along with political uncertainties in South Africa and the Black Sea region, added to the global consequences of deterioration in US-China trade relations.

The Group capitalized on its long-standing presence in the region to efficiently rationalize its operational footprint and accelerate vertical integration at both origin and destination.

Efficiency bolsters margins
A testament to LDC's relentless focus on efficiency, several assets across EMEA set records this year for feedstock volumes handled or processed.

Our port facility in Mombasa, Kenya, loaded 8% more palm oil in 2018 than last year's record level.

LDC's oilseed processing complex in Wittenberg, Germany, exceeded previous highs in crushed volumes, as well as in glycerin, lecithin and biodiesel production. We also added new pharmaceutical glycerin tanks, expanding our capacity to serve a growing customer base in that sector.

Our EPKO oilseed processing joint venture in South Africa achieved its best ever utilization levels and our grain terminal in Azov, Russia, also reached full loading capacity for the first time in September 2018. Similarly, our grains and oilseeds complex in Abu Qir, Egypt, increased the volumes it handled by 40%.

Reshaping our presence in Africa
LDC continued to refocus its activities in Africa in 2018, exiting Nigeria, Tanzania and Angola, while investing in several projects to expand our origination, processing and logistic capacity in other key locations.

We established a maize milling joint venture in South Africa with a local partner, challenging the dominance of the country's large, well-established maize millers. The joint venture acquired two mills: Noordfed, in the northwestern maize growing region, and Progress, in Limpopo province.

We also took full ownership of our ginning joint venture in Zambia to boost our cotton operations in the region. With full control, we can better access sustainable CmiA (Cotton Made in Africa) certified cotton to meet demand for traceable, responsibly sourced products. Through these operations, we provide micro-financing to approximately 80,000 smallholder farmers and buy their seed cotton after harvest, enabling them to generate income.

Meanwhile, the Coffee Platform enhanced its capabilities to meet global demand for coffee originated in East Africa, with the purchase of new sorting and drying equipment for its processing plants in Kampala, Uganda, and Nairobi, Kenya.

Foundations in the Black Sea
We are reshaping our Black Sea origination model to improve efficiency between origination and trading activities.

Our efforts to build closer relationships with producers generated a new high in grain volumes originated from the area this year, setting a new record in Ukraine with a 12% increase year-on-year.

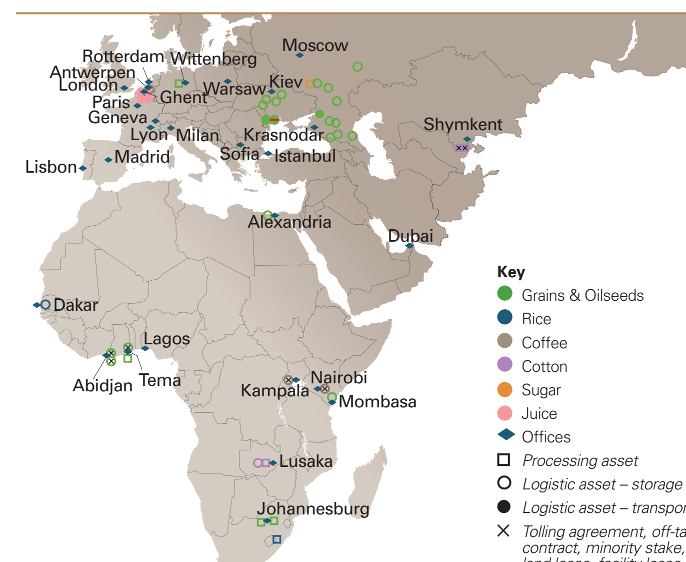
LDC is committed to further investments in Ukraine, building on our 20-year presence in the country. The purchase of 330 railcars in 2018, with the option to buy more in the next two years, positions us well for the future as our port terminal in Odessa moves toward completion.

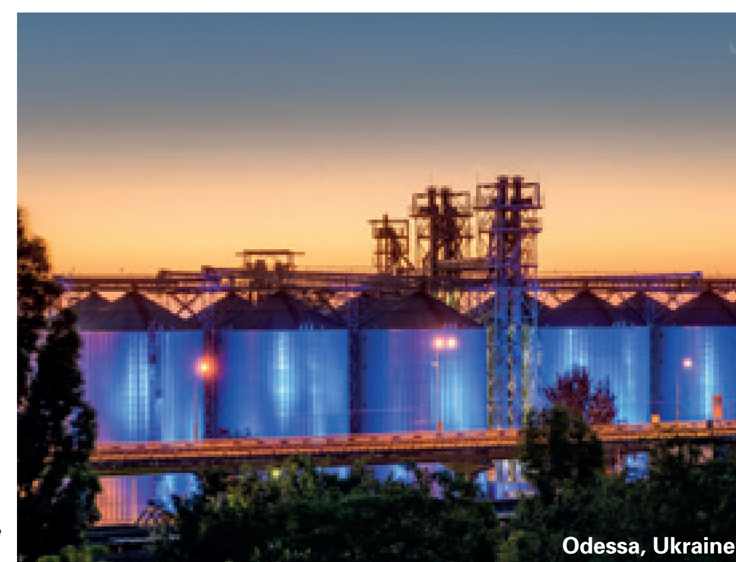
We also started to build a new ship loading and truck discharge unit at our port terminal in Azov, Russia, which will increase our loading capacity by approximately 35% or 300,000 tons per year. With completion due in May 2019, we expect the 2019/20 season to begin to show progress from strategic developments in the country.

Innovation
LDC is leveraging technology for improved service, traceability and efficiency.

In 2018, we partnered with Dutch supermarket chain, Albert Heijn, and our client Refresco, bottler of soft drinks and juices, to make the supply chain of Albert Heijn's own brand of orange juice fully transparent to consumers using blockchain technology.

We also launched the MyLDC application in Ukraine in November 2018, in a further effort to build closer ties with producers as part of our stakeholder-centric approach. The app helps local farmers manage their business with LDC more efficiently by giving them immediate visibility of their transactions via mobile or a web portal.




Odessa, Ukraine

North America

2018 in brief
Expert risk management and asset footprint repositioning formed LDC's core response to a challenging market environment in the Region.

The US-China trade dispute and resulting tariffs dominated the headlines, while heavy rainfall affected crops in the US southeast and logistics in the Gulf of Mexico.

Adapting to international trade shifts
Oilseeds was the platform most affected by US trade policy changes. Demand for US soybeans dropped from the third quarter of 2018 onwards, affecting export volumes. Nevertheless, the Platform more than offset these effects with favorable processing margins at all our assets across North America.

Sugar continued to benefit from the resolution of the anti-dumping suspension agreement between the US and Mexico in mid-2017. Availability of raw sugar feedstock improved in 2018, contributing to improved margins year-on-year.

On the other hand, our cane refining operations saw reduced sales volumes as a result of surplus beet stocks following record production in 2017-18 and flat consumer demand in the US. Consumption growth in the US will likely remain muted as people seek to reduce sugar in their diet.

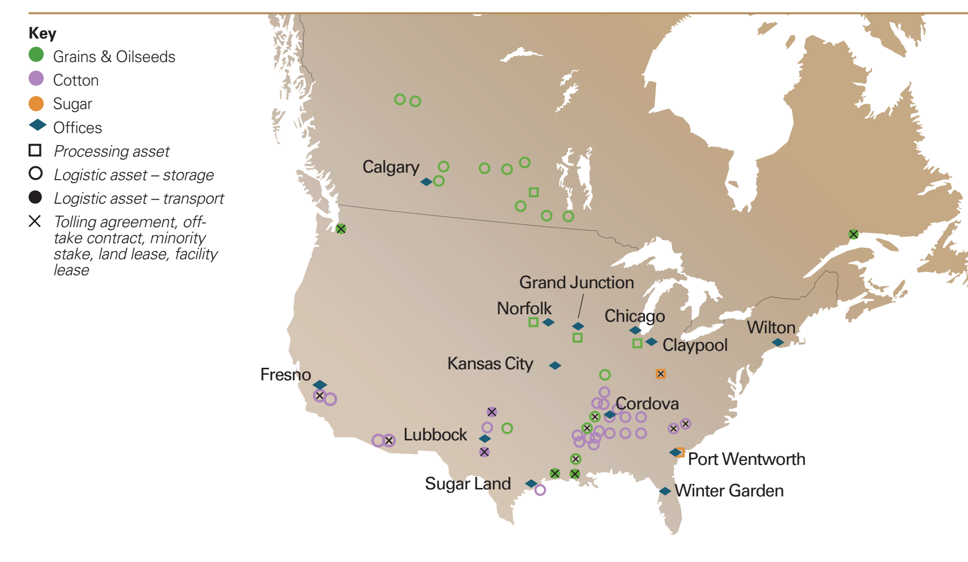
Strategic asset network
The Cotton Platform made several moves to make the most of US production and Asian demand increases. Overall, exports from the US were up 34% year-on-year in 2018, with increased prices, creating a range of opportunities.

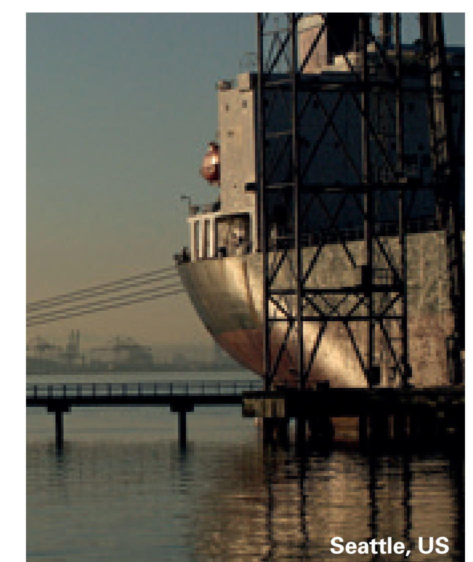
Looking ahead, the team expanded its footprint by acquiring:

- 9 warehouses in the Mississippi Delta, across Arkansas, Mississippi and Missouri
- Leases on 2 further warehouses, one in Arizona, the other in Mississippi
- Minority interests in 2 separate joint ventures, each owning 1 warehouse

Logistic challenges and pressure on wheat exports from competing origins led the Grains Platform to resize its export capacity, with the decision not to renew the lease on its facility at the Port of Houston, Texas, US.

Connecting with customers
Following a 2017 launch of the MyLDC app in North America, to connect easily with customers and suppliers, our community of users grew further in 2018. This was notably thanks to the development of new functionality, leveraging feedback from farmers in Indiana, US, and Saskatchewan, Canada, on new features.




Seattle, US

Balikpapan, Indonesia

South & Southeast Asia

2018 in brief
With overall economic growth projections of 5.6% in 2018 and 5.4% in 2019,[1] optimism remains high in Asia and opportunities arise for LDC as food demand grows and shifts.

Nonetheless, the Region faced challenges related to trade tensions, weather events, policy decisions, competition and tighter margins.

Foreign exchange volatility in a number of origination and destination markets impacted the business and some of our customers, for instance in grains, where we had to reduce prices to maintain trading volumes due to a strong US Dollar.

Trade policies influenced our approach in several ways, creating both issues and opportunities. For example, due to tariffs on US soybean imports into China, we sourced and crushed corn from the US instead, and then targeted corn sales to other markets such as Japan, South Korea and Taiwan.

On the other hand, expansion of the B20 biodiesel mandate in Indonesia, coupled with low palm oil prices making biofuel exports competitive, allowed us to operate our biodiesel plant in Lampung, Indonesia, at optimal capacity.

Building on strengths
Honing LDC's existing abilities to gain an edge made for a good performance in the Region in 2018.

The Grains Platform capitalized on its position by trading South American corn to expand its market share at destination in Malaysia and Vietnam. The Platform also repeated its successful program selling chickpeas and yellow peas into India, combining this with good results in domestic corn trading. With potential restrictions globally on wheat exports from Russia and the Black Sea, the team strategically built up stocks in anticipation of demand, selling significant volumes into Asia later in the year.

With Pakistan, Vietnam and Bangladesh still major importers of cotton, LDC continues to grow flows to those destinations, while seeking to expand our origination in India, the world's largest cotton producer.

The Rice Platform continued to forge partnerships and expand our business in key origins, to further secure supply and increase product variety for trading, especially from China to the African market. We increased our imports to the Philippines and Indonesia, while maintaining our customer base and volumes in Malaysia. We also progressed in building our container business to move stock faster than in the more traditional bulk market, and facilitated the first trade of non-basmati rice from India to China as import restrictions lifted.

In Oilseeds, we are diversifying our destination markets in Asia through successful marketing efforts. This year, we started soybean meal distribution trials in Vietnam and Indonesia, and soybean meal sales in Cambodia. We also expanded palm kernel expeller (PKE) distribution flows into China and grew our customer base in Indonesia.

Getting closer to customers
As part of its upstream strategies, the Coffee Platform made the most of the Arabica coffee bean washing station opened last year in Vietnam to meet customer requirements for greater supply chain control and traceability.

In Sugar, we expanded our customer base in key destinations, including South Korea, Malaysia and Indonesia, securing new business in the latter by offering contracts in local currencies to help major buyers reduce their risk exposure.

Growing sustainably
Sustainability is at the heart of LDC's growth strategy. This year, the Oilseeds, Cotton and Coffee platforms made particularly significant strides in this sense, within the Region.

As consumer and retailer demand for sustainable cotton increases, the Platform installed Applied DNA Sciences' SigNature® T cotton traceability system at our Moree gin in Australia, and is working on sustainable sourcing programs with retailers and mill customers in India.

Following the launch of LDC's Soy Sustainability Policy, we started discussions with several key regional players in the animal feed industry, to meet their requirements for sustainable soybean products. As part of our commitment to responsible supply, these efforts differentiate LDC by adding value to customers.

Within coffee, we continued to support local farmers in adopting sustainable agricultural practices through projects in the Central Highlands of Vietnam, as well as in Aceh, Lampung and North Sumatra in Indonesia.

1. International Monetary Fund: Keeping Asia at the Forefront Amid Growing Risks (October 2018)

Tianjin, China

North Asia

2018 in brief
Headline events, such as the US-China trade dispute and slowing Chinese economic growth, created both challenges and opportunities. In that context, overall performance was solid.

As 10 to 15 million people in China move from the countryside into cities every year,[1] and as eating habits shift, demand for animal protein continues to grow. This, in turn, drives demand for feed ingredients. Even with annual economic growth still over 6.5%, though lower than in previous years, these structural changes continue to push consumption upwards.

The Chinese government also drew down reserve stocks of various commodities, including corn, cotton and sugar. This created trading opportunities for a number of our platforms, in the cash market and looking ahead to replenishing stocks in the future.

Building capabilities
Trade restrictions particularly disrupted soybean flows from the US and generated unexpected risks. The resulting volatility allowed us to get closer to customers through a number of sessions to help them understand how best to manage risk. Oilseeds crush margins were also better than expected, and industry consolidation has opened up opportunities moving forward.

We completed the acquisition of our new oilseeds processing plant in Tianjin (see page 31), quickly and profitably running the Tianjin plant at full capacity, and secured a long-term tolling agreement with an oilseeds crushing plant in Rizhao, Shandong, at an excellent time to make the most of 2018's high crushing margins.

Combined, the two moves doubled our capacity, despite discontinued operations at our processing asset in Bazhou.

The Grains Platform increased our warehousing credit limit, enabling LDC to capture several transactions for larger volumes, and entered the auction to purchase corn from Northeast China. This helped us bolster relationships with key customers and expand our capabilities.

Customer-centricity in Cotton, with customized risk management and other premium client services, supported by new, online big data-backed processes, improved market penetration and strengthened customer loyalty.

Expanding downstream
LDC's strategy to move further downstream is gathering momentum in North Asia.

At Tianjin, we started operating the packaged oil production line in October 2018. This sets us up to enter a new market in 2019. Further, we concluded an agreement with Guangdong HAID Group Co. Ltd. at the end of 2018 to build an aquatic feed production plant and operate a joint venture at the Tianjin site. Again, this puts us well on the way to enter an innovative, growing downstream market, as we put LDC's strategy into action.

Our Juice Platform is also working on a number of strategic partnerships with key customers that will both increase our sold volumes of not-from-concentrate juice and, potentially, create bottled juice brands.

Developing people and partners
As well as providing customers with market information and risk management services to help them advance their businesses, and supporting other partners and stakeholders around our operations, the Region's growth strategy also involves onboarding and training many new LDC employees.

For example, since acquiring our processing plant in Tianjin, we have completed 4033 hours of training covering topics from safety, health and environment, compliance and other technical areas, to leadership skills and various aspects of LDC's culture.

1. McKinsey: Preparing for China's urban billion (2018)

North Latin America

2018 in brief
LDC's performance in North Latin America was solid in 2018. The trade standoff between the US and China led to Brazil exporting unprecedented volumes of agricultural products to China. With record soybean and coffee crops, and good corn, cotton, citrus and sugarcane crops, the Region benefited from a strong export market in this context.

With elections in the second half of the year and a truck driver strike in May, the environment was unusually volatile. However, our geographic reach and risk management expertise put us in an excellent position to succeed in 2018.

Maximizing opportunities
Thanks to LDC's origination and logistic capacity and strong industrial footprint, we hit another record for export volumes from the Region.

In a volatile year, having risk management rooted deeply in our operations and culture, with specific capabilities such as the foreign exchange risk expertise of our Global Markets Platform, was particularly important. The Brazilian Real's devaluation against the US Dollar could have dampened our results, for example, but we successfully navigated potential obstacles to secure good overall results.

Highlights include an increase of over 40% in the sales of our Vila Velha soybean oil brand versus 2017, as we increased production line capacity and pursued our strategy to move downstream by leveraging existing capabilities.

LDC handled record volumes of cotton, doubling its exports from the previous year. We continue to invest and strengthen our footprint in cotton, reinforcing our long-term commitment to the sector by providing high-level and diversified service to farmers and the industry.

Investing in further capacity
In spite of a challenging environment, LDC successfully started operating its barge and pusher fleet on the Tapajós river. In December 2018, we received the license to start building our own transshipment terminal on the river.

We are completing the Environmental Impact Study for our ongoing project on the Pará river, in order to begin the environmental licensing process at the Department of the Environment.

Our LDC Transportes road freight operations also transported large volumes, exceeding budgeted targets. The pilot mobile application for customers to hire and manage truck freight started very promisingly, with excellent feedback from drivers.

The Grains and Oilseeds platforms invested significantly to improve the efficiency and scale of our silo network in the states of Mato Grosso and Goiás, including solar panels to run the assets with lower costs and environmental impact. The Coffee Platform also concluded an important investment with the completion of a new Arabica coffee warehouse in Matipó, Minas Gerais State, that can store up to 500,000 bags.

Tegram grains terminal at the Port of Itaqui, Maranhão State, operated with joint venture partners, reached its peak volume in 2018 and is now ready to start its next phase of construction.

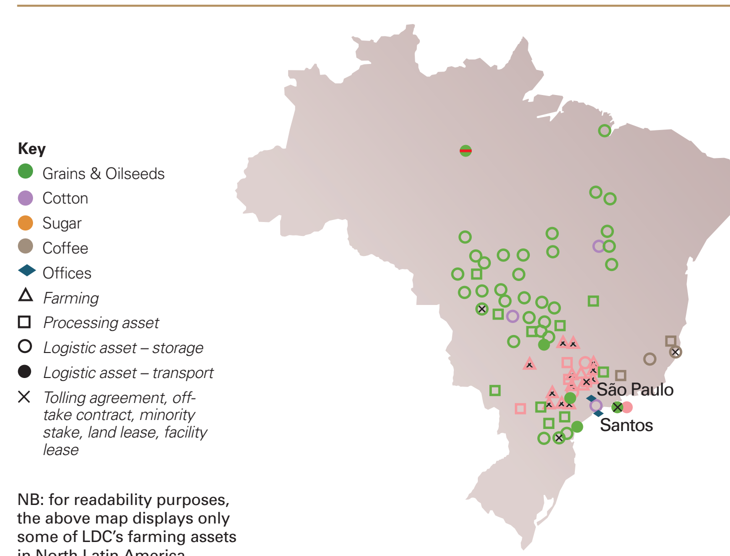
Setting high standards
In 2018, LDC launched its new Soy Sustainability Policy and a Conduct Manual for all raw material suppliers in Brazil.

We trained over 200 Oilseeds team members on the Soy Sustainability Policy, including how to apply it and communicate it to suppliers, equipping them to begin engaging with our partners on mutual commitments to responsible sourcing and transparency.

The Conduct Manual for raw material suppliers was published on our website and is now part of a non-negotiable clause in all new contracts. It sets out LDC's key principles regarding employment practices, occupational health and safety, environmental protection, as well as business ethics regarding issues such as anti-corruption, traceability or conflicts of interest.

We believe steps like these, which put our values into practice, are central to our sustained success and part of LDC's key role, as an industry leader, in setting the example and driving positive change in collaboration with our stakeholders.

Nova Venécia, Brazil



NB: for readability purposes, the above map displays only some of LDC's farming assets in North Latin America

South & West Latin America

2018 in brief
While changes in Argentinian tax policy, US-China trade relations and challenging weather had negative effects in the region, they also created new trading opportunities that we were able to capture.

Drought in the south of the continent significantly reduced corn and soybean crops. This affected exports and, consequently, asset usage, particularly in Argentina and Uruguay, but opened new, intra-regional opportunities as consumption remained strong.

On the other hand, tariffs on US soybean exports to China led to price volatility and a shift in global flows, as other origins satisfied Chinese demand.

Agile and responsive
Leveraging our global footprint and our origination network, we supplied processing assets in Argentina with inputs from Paraguay and Uruguay.

Flows between Uruguay and our crushing plant in Timbúes, Argentina also helped to capture new business opportunities. We supplied Argentinian corn to Uruguay, which suffered a supply shortage due to significantly reduced areas planted with corn.

The Oilseeds Platform's agility also allowed us to benefit from new global demand dynamics. In view of reduced Chinese demand for US soybeans, we moved US beans to South America to meet local demand and supplied China with Argentinian and Uruguayan soybeans, thus maintaining supply to all customers while capturing good margins.

During 2018, the EU continued to import biodiesel from Argentina without imposing tariffs, allowing us to increase our production by 18%.

So while grains and oilseeds asset usage at our General Lagos and Timbúes plants in Argentina was lower than in 2017, our responsiveness secured good results overall.

New products, methods & investments
The Cotton Platform opened up new product sales by installing machinery to recover lint and husk at our ginning plant in Quimilí, Santiago del Estero, Argentina. This prevents waste while adding value for LDC customers who use these by-products in their own processes, such as dairy farmers who use cottonseed husks in preparing cattle feed.

In 2018 we built on organizational realignment to integrate our grains, oilseeds and inputs operations in the region, and leveraged our barter system for inputs customers to pay with grains or oilseeds. The combination made 2018 a record year for input sales in Paraguay.

We also concluded a deal with Syngenta in Argentina, to acquire grain that they received in payment for their products. This streamlines origination for us and payment processes for them. With the arrangement, we bring farmers into our system while creating a comprehensive service for both farmers and Syngenta.

Partnerships for regeneration
We believe business plays a key role in making supplier operations more sustainable, for them and for the environment. As an example, our Coffee Platform launched a new project with the Starbucks Foundation in 2018 to offer a new coffee plant to producers for every bag of green coffee they supply. With new plants expected to be more productive for the farmers, the target is to replace all plants for over 6,000 growers within 3 years.

Alongside 30 other top companies, we signed an agreement to generate over 40,000 professional development opportunities for young people in Argentina, Uruguay and Paraguay by 2020, within the framework of Nestlé's "All 4 YOUth" alliance.

Paysandú, Uruguay

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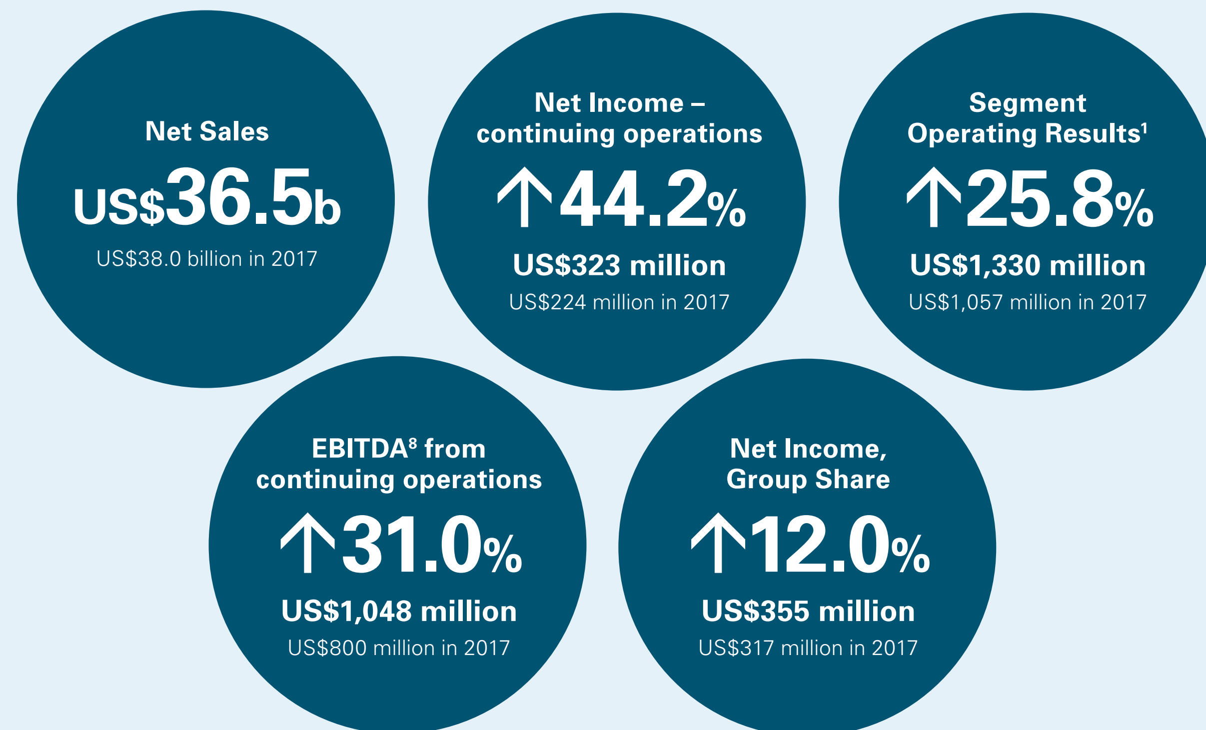
Period from January 1st, 2018 to December 31st, 2018

Financial highlights

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 at and for the year ended December 31st, 2018.



Income Before Tax – continuing operations	Volumes[2]	Working Capital Usage
↑34.5% US$409m	↓ 8.8%	US$6.6b
US$304 million in 2017	year-on-year	US$6.3 billion as at December 31st, 2017
Total EBITDA	**Total Assets**	**Liquidity[4] Coverage**
↑16.6% US$1,087m	US$18.4b	1.5x short-term debt
US$932 million in 2017	US$21.0 billion as at December 31st, 2017	compared to 2.1x as at December 31st, 2017
Total Income Before Tax	**Net proceeds from sale of investments and fixed assets**	**Adjusted Net Gearing[5]**
US$447m	US$521m	0.59
US$405 million in 2017		0.51 for 2017
Return On Equity,[7] Group Share	**Capital Expenditure[3]**	**Adjusted Leverage[6] Ratio**
6.9%	US$329m	2.9x
6.4% for 2017	US$271 million in 2017	compared to 3.3x as at December 31st, 2017

1. Gross margin plus share of income in associates and joint ventures.
2. Volumes shipped to destination.
3. Purchase of fixed assets and additional investments, net of cash acquired.
4. Cash and cash equivalents, other current financial assets at fair value, readily marketable inventories (RMI) and undrawn committed bank lines.
5. Adjusted net debt (net debt less RMI) to Total Stockholders' Equity and Non-controlling interests.
6. Adjusted net debt (net debt less RMI) to EBITDA from continuing operations.
7. Beginning of period Equity excluding perpetual hybrid capital securities.
8. Earnings Before Interest, Taxes, Depreciation & Amortization.

Income statement analysis

LDC achieved a strong performance in 2018, with 25.8% growth in Segment Operating Results. Our agility in adapting to a global environment that remained challenging for the agri-commodities sector proved key to delivering good results.

In 2018, the Group reorganized the allocation of its platforms (business lines) between its two segments. The Value Chain Segment now includes Grains, Oilseeds and Juice, along with Freight and Global Markets (formerly known as the Finance Platform), both of which are key facilitators of all Group businesses. The Merchandizing Segment comprises Sugar, Coffee, Cotton, Rice and Dairy, all platforms with more consumer-centric business models, and shared challenges and opportunities.

Net Sales

Net sales for the year ended December 31st, 2018, reached US$36.5 billion, compared to US$38.0 billion one year before. The 4.1% decrease year-on-year was mainly the result of an 8.8% decrease in volumes shipped as a consequence of non-core asset and business divestments, partially mitigated by improved average sales prices, mainly in Grains and Oilseeds.

- The Value Chain Segment's net sales were down 5.5%, largely due to a reduction in volumes shipped following the sale of the fertilizers & inputs business, non-core asset divestments in the Grains Platform, together with global trade tensions. Average sales prices improved as the platforms of this Segment focused their commercial efforts on higher value products.
- The Merchandizing Segment's net sales remained stable, with a 0.9% decrease reflecting mixed trends. Our Cotton and Rice platforms sold higher volumes, while other platforms' sales volumes went down, at lower average prices.

Segment Operating Results

In a year characterized by challenging market conditions for the products commercialized by the Group, Segment Operating Results rose 25.8% to US$1,330 million in 2018, up from US$1,057 million one year earlier. Tensions in US-China trade relations in particular resulted, on the one hand, in a rebound in price volatility for commodities like soybeans and, on the other hand, in a shift of global trade flows. Within this context, the Group captured improved margins thanks to its active risk management and globally diversified geographic footprint.

Value Chain

The Value Chain Segment's Operating Results reached US$830 million, up 16.3% from US$714 million in 2017.

The Oilseeds Platform's performance this year was driven by an efficient and successful hedging strategy, especially on soy crushing activities, as well as an enhanced geographic presence at destination that allowed it to capture improved crush margins compared to 2017. Trade tensions between the US and China in 2018, and particularly the new tariffs on agricultural products such as soybeans, led to greater price volatility and shifts in global physical flows. This context benefited the Platform thanks to its soybean origination footprint in South America and soy crushing capacity in China. The Group continued to secure future margins with hedges through board crush into the second half of the year. As of December 31st, 2018 the mark-to-market impact of such hedges amounted to a positive US$38 million. The Platform also ran its biodiesel and refining plants, as well as its North American elevation assets, profitably throughout the year, despite the impacts of US-China trade tensions. In addition, the Platform captured profit in early 2018 from the renewal of biodiesel blender credits in the US relating to volumes blended in 2017.

Supported by higher volatility in 2018, the Grains Platform improved its margins on recurring activities. The profitability of wheat and corn operations improved, especially in EMEA and South & West Latin America, thanks to a focus on building strong and long-lasting customer relations. Reduced activity in North American elevation assets, attributable to the US-China trade tensions and the closure of non-strategic assets there, was counterbalanced by improved asset utilization in our two South American regions, leading to satisfactory margins. The Grains Platform's performance was negatively impacted by a US$26 million impairment on some of its assets located in the US and in Australia.

Juice results improved year-on-year. After the usual slow, off-peak period in the first half of the year, the Platform started the season in the second half of the year with strong asset performances and processing margins, supported by high fruit yields following dry weather. In addition, the Platform benefitted from recent investments to improve operations and output with enhanced oil-capturing techniques. Juice recorded excellent profits on the sale of by-products, such as essential oils and aromas.

The Freight Platform profitably navigated a year with a number of ups and downs, to achieve an overall positive contribution from all ship segments. Positive results were recorded during the first half of the year, in a context of sustained market prices and low volatility. Strong market demand for iron ore and coal in the Pacific, and for steel in China, offered good opportunities across all vessel sizes, which were successfully captured by the Platform. Markets turned downwards as the year advanced, with declining activity as the effects of the tensions in US-China trade relations began to be felt. This had a particularly strong impact on expectations for larger ships, leading to a sharp correction in forward pricing, while smaller sizes saw more resilient demand for minor bulk. Logistics incidents in the iron ore mining industry, combined with restrictions on coal imports into China, sparked a more pronounced market correction in the last quarter.

Multiple geopolitical events during the year resulted in increased volatility in the financial markets. Against this backdrop, the Global Markets Platform supported the Group's other business lines in capturing and securing profits. The Platform's international foreign exchange and interest rate market expertise proved essential once again, especially in relation to Asian and South American currencies.

Income statement analysis continued

Merchandizing

The Merchandizing Segment posted Operating Results of US$500 million, up 45.8% from US$343 million one year before.

The Cotton Platform secured good results throughout the year. LDC's position among global market leaders enabled the Platform to navigate shifting trends and market moves, with a price surge during the first half and a downward correction toward the end of the year. During the first six months of 2018, prices increased due to higher global demand and low overall harvest forecasts, particularly following droughts in Texas, US. Volatility was fueled by China-US trade relations and speculative activity in the market. The Platform was able to improve its margins in this context by further diversifying cotton origins, especially through additional sourcing from Brazil and China, and by optimizing sales prices. The Group also captured strong logistics margins through its global network of warehouses, as well as good ginning margins on the back of a large crop in Australia.

Coffee operations were dominated in 2018 by an overall environment of slow farmer selling in key markets such as Vietnam, Indonesia and Brazil. As a consequence, business opportunities were limited, resulting in a contraction in purchases compared to 2017. The Platform nevertheless managed to improve its financial performance year-on-year, capturing good margins on Arabica. Profitability rose in the second half of the year, fueled by a weakening Brazilian Real that both supported coffee prices and ensured Brazilian farmers returned to the market. The Platform's focus on improving asset performance and operations contributed to a positive performance despite lower activity. The Group also leveraged its long-term presence in key origination countries around the world to support profitability.

The Sugar Platform's results improved significantly in 2018, by virtue of the commercial team's ability to identify new profitable growth drivers, especially in new destination markets such as the Middle East and Asia. A timely and efficient hedging strategy was also key to maximizing margins in a global sugar market still largely impacted by global oversupply and a continued bear market. Assets in both China and the US still struggled to run profitably in a low price environment, with high beet sugar inventories still being absorbed in the US market.

The Rice Platform delivered solid results despite a year that started out with slow demand at destination due to high stocks in most African markets. The focus in 2018 turned from growth in quantities to improved unitary profitability, made possible through enhanced understanding and anticipation of customer expectations and consumption habits. The Platform leveraged the increased flexibility in its distribution activities provided by the important container activity it has developed over the last three years. On the supply side, LDC continued to strengthen its origination footprint in Asia, particularly for rice exports from China to Africa, headlined by a recent agreement with long-time Chinese partner COFCO to increase export volumes in 2019.

The Dairy Platform improved its operating results as prices progressively recovered in the second half of the year. Its performance was primarily driven by profits on milk powder origination in Europe, combined with distribution in China and Mexico.

Commercial and Administrative Expenses

Commercial and administrative expenses totaled US$(627) million, compared to US$(597) million in 2017. This 5.0% increase was mainly the result of external factors, such as foreign exchange rates or inflation. These effects were partially offset by the sale of a large part of our fertilizers and inputs activities.

Net Finance Costs

Net finance costs reached US$(283) million, up from US$(190) million in 2017. This increase is attributable to the substantial year-on-year rise in US Dollar Libor rates and, to a lesser extent, to the full-year effect of the bonds LDC issued in the first semester of 2017 and a higher level of short-term debt throughout the year to support our business needs.

Income Before Tax – Continuing Operations

Income before tax from continuing operations increased 34.5% to US$409 million in 2018 from US$304 million for the year-ended December 31st, 2017.

Taxes

Taxes amounted to US$(86) million for the year ended December 31st, 2018, compared to US$(80) million in 2017 (both figures for continuing operations). This 7.5% year-on-year increase relates to the significantly improved Income Before Tax from continuing operations, partially compensated by a favorable geographical earnings mix. In 2018, LDC also benefitted from the positive impact of the option to apply for a revised fixed asset taxable basis in Argentina.

Net Income – Discontinued Operations

The US$34 million in Net Income – discontinued operations comprises the contribution of LDC's former Metals Platform for US$22 million until May 11th, 2018, along with a US$12 million net gain on the sale of that business.

Net Income Group Share

Net income, Group Share, settled at US$355 million as of December 31st, 2018, up 12.0% from US$317 million one year earlier.

Balance sheet analysis

Non-Current Assets

As of December 31st, 2018, total non-current assets amounted to US$5.9 billion, up from US$5.5 billion at December 31st, 2017.

- Fixed assets landed at US$3.8 billion, compared to US$3.9 billion as of December 2017;
- Investments in associates and joint ventures remained stable at US$0.2 billion compared to December 2017 levels;
- Other investments, deposits and sundry increased from US$1.2 billion in December 2017 to US$1.7 billion as at December 2018. This US$0.5 billion increase is attributable to the US$1.1 billion long-term loan granted by LDC to LDC Netherlands Holding B.V., net of full settlement of non-current export prepayments to Biosev for US$0.6 billion over the year.

Capital Expenditure And Divestments

In 2018, LDC invested US$329 million under its highly selective investment policy, supporting its strategic ambitions while ensuring solid cash flows. Once again, the majority of capital expenditure remained discretionary to ensure both adaptability and reactivity to opportunities. The Group also divested non-core assets and businesses during the year.

Capital expenditure was mainly directed toward industrial assets in China, the expansion of logistics assets in the Black Sea and South America and new food innovation investments. LDC also continued to invest in further Safety, Health and Environment improvements for its processing assets, as part of its "Committed to Zero" drive for incident prevention.

During the year, the Group invested in food innovation projects that focus either on aquafeed or on innovative ways to produce proteins in a healthier, more sustainable manner. Investment in China took place early in 2018, with the acquisition of a plant in Tianjin to expand soy crushing capacity. The Group's logistics network was strengthened through the continuation of its river export project in Pará state, Brazil, and with the acquisition of railcars in Ukraine.

The Group also invested in IT systems and process improvements, in particular with the launch of a new global back-office enterprise resource planning (ERP) system, alongside the ongoing upgrade of its existing front office system common to the Grains, Oilseeds, Sugar, Rice, Global Markets and Cotton platforms.

In 2018, the Group completed two key divestments.

On March 9th, 2018, the Group successfully completed the sale of its Australian fertilizers and inputs activities, namely Macrofertil Australia Pty. Ltd, to Landmark Operations Ltd. This important milestone marks the end of fertilizers and inputs activities as a standalone platform within LDC. Remaining fertilizers and inputs activities in South America were integrated into the Grains and Oilseeds platforms.

On May 11th, 2018, LDC also successfully completed the sale of its global metals business (LDC Metals) 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.

Value Chain

The Value Chain Segment invested US$285 million during the year, mostly in expanding processing and logistics capacity.

Investments related to food innovation consisted of taking non-controlling interests in recently incorporated entities and venture capital funds that are developing technologies and applications for alternative proteins and ingredients, notably in biotech, innovative aquaculture and plant-based solutions. These investments constitute a first step in building the Group's capabilities and knowledge in preparation for larger initiatives in the coming years.

In the first half of 2018, the Group made a third planned capital injection into our joint venture with Cargill to operate a berth at the solid bulk terminal at the port of Santos in Brazil. The joint venture commenced in 2015, and the first two planned capital injections were made in 2016 and 2017. LDC will continue to operate the berth until 2041, with the option to extend operations up to 25 additional years.

Joint investments for the Grains and Oilseeds platforms in 2018 focused on expanding common logistics assets. The Group invested in a fleet of barges and pushers as part of the river export project in Pará state, Brazil, initiated in 2015 with the aim to build a transshipment hub and a port terminal. LDC also acquired warehouses in Pozuelo, Paraguay, to reinforce local origination and storage capabilities for the two platforms. Other investments common to both platforms related to the improvement of existing assets across all regions, particularly in the Americas.

The Grains Platform invested in new railcars in Ukraine in 2018, aiming to bolster the Group's logistics network, and thus support its Odessa terminal activities, in this strategic origination market for LDC.

Balance sheet analysis continued

In China, the Oilseeds Platform completed, in April 2018, the acquisition of Sinarmas Natural Resources Foodstuff Technology (Tianjin) Co., Ltd, owner of a soybean crushing and refining facility in Tianjin. The acquired facilities have a daily soybean crushing capacity of 4,000 tons for the production of soybean meal and crude soybean oil, and a daily refining capacity of 1,200 tons for the production of refined edible vegetable oil, complemented by bottling, filling and packaging lines, as well as storage facilities. The acquisition expanded the Platform's presence and capacity in a strategic market, as part of the Group's plans for downstream integration. In early 2018, the Group also paid the last installment to acquire the remaining 50% share in its joint venture, Kencana LDC Pte. Ltd., which operates a palm oil refinery with a port berth in Indonesia. Further investments were then made to extend storage capacity at this asset. In Brazil, the Platform invested in an anchoring system as a first step in the construction of a transshipment hub on the Tapajós River. In North America, the Group invested in expanding the capacity of the refined glycerin line at its processing plant in Claypool, Indiana, US, and in adding storage capacity at its processing asset in Yorkton, Saskatchewan, Canada. The Group also made improvements to its processing plant in Wittenberg, Germany, acquiring a new seed-cleaning system and expanding storage capacity at the facility.

The Juice Platform invested in an irrigation system for the groves at its Monte Belo farm in Brazil, aiming to significantly increase volumes produced by reducing dependency on rainfall. The Platform also invested in renewing orange trees to further improve productivity at several farms, and in maintaining its industrial assets in Brazil. Other investments at industrial assets in Brazil include the installation of new, automated cleaning systems, and improvements to maximize yields for capturing oil as a by-product and enhance the quality of juice produced. The platform entered into a new ocean freight contract, as part of which two new modern, sustainable vessels are being adapted to start operating in early 2020. This will support increasing sales in a growing not-from-concentrate market, while helping to optimize costs.

Merchandizing

The Merchandizing Segment invested US$44 million in 2018.

The construction of a new warehouse in Matipó, Minas Gerais, Brazil was completed during the year, strengthening the Coffee Platform's logistics capabilities in this key Arabica origination area. The Platform started to run the asset in the second half of 2018.

The Cotton Platform invested in various logistics and warehousing assets to secure origination as part of its customer-centric strategy.

In addition to regular maintenance at its industrial assets, the Sugar Platform invested in an enhanced bleaching process to reduce sugar transformation costs at its Imperial Sugar refinery in Port Wentworth, Georgia, US.

Working Capital Usage

Working Capital Usage (WCU) for continuing operations increased to US$6.6 billion as at December 31st, 2018, from US$6.3 billion at the end of December 2017, driven mainly by carry opportunities in the Oilseeds and Cotton platforms, combined with an increase in prices:

- The Value Chain Segment set the overall trend for the Group through larger inventories held by the Oilseeds Platform, while the Grains Platform managed to close 2018 with lower inventories than at the end of 2017. The WCU needs of other platforms in the Segment remained stable;
- Merchandizing Segment WCU levels were close to those at prior year-end, due to mixed trends among platforms: larger inventories carried by the Cotton Platform and postponed activity in Coffee drove an increase in WCU, largely compensated by the lower needs of the Sugar and Rice platforms.

Due to their highly liquid nature, certain agricultural inventories are treated as Readily Marketable Inventories (RMI), 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 RMI if they can be sold in local markets without discount. At the end of 2018, RMI represented 81% of total inventories, below the 85% mark of end December 2017. This reflects a slightly different platform mix.

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 support long-term investments, while short-term debt is used to support ongoing business by financing its main working capital needs. To further enhance its funding model, the Group has implemented a sound and resilient strategy based on the following pillars:

- Diversified sources of funds: 47% of long-term debt came from debt capital markets as at December 31st, 2018.
- Well distributed debt maturity profile: the average maturity of long-term debt was 3.7 years as at December 31st, 2018.
- Sizeable amount of committed facilities: 31% of total Group facilities are committed, of which US$2.9 billion remained undrawn with maturities beyond 1 year, as of December 31st, 2018.

Debt And Leverage

The Group's funding approach aims to match long-term assets and long-term sources of capital. As of December 2018, the balance sheet showed long-term sources slightly exceeding fixed assets and non-liquid working capital items, down from a US$1.3 billion excess at December 2017. The reduction was the result of efficient and prudent long-term debt monitoring. As a result, long-term debt decreased to US$2.8 billion as at December 2018, down from US$3.5 billion as at December 2017.

In 2018, the growth in working capital usage inevitably increased the Group's short-term debt[1] from a particularly low US$4.0 billion at the end of December 2017, following two senior bond issuances, to US$5.1 billion as at December 31st, 2018.

Current financial assets stood at US$0.9 billion at the end of 2018, compared to US$0.8 billion as at December 31st, 2017. 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. This put total adjusted net debt at US$3.0 billion as at December 31st 2018, compared to US$2.6 billion in December 2017. As a consequence, adjusted net gearing was 0.59 at the end of December 2018, comparable to 0.51 in 2017, while adjusted leverage ratio[2] decreased from 3.3x as at December 2017 to 2.9x as at December 2018, thanks to the improved EBITDA.

1. Short-term debt is equal to bank loans, acceptances and commercial paper plus financial advances from related parties net of repurchase agreements.

Liquidity

The Group prudently manages financial risks, ensuring resilient access to liquidity. At the end of December 2018, the Group had US$2.9 billion of undrawn committed bank lines (all with maturities beyond 1 year). Available liquidity, which comprises Current Financial Assets, RMIs and undrawn committed bank lines, remained at a very strong level throughout the period and stood at US$7.9 billion as at December 31st, 2018, enabling the Group to cover 1.5x its short-term debt.

Financing Arrangements

The Group has six Revolving Credit Facilities (RCF) through three of its regional hubs, in the US, Switzerland and Singapore respectively, for a total amount of US$3.3 billion as of December 31st, 2018. 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.

Following the successful divestment of its metals business, and in order to efficiently monitor its funding costs, the Group decided to adjust the overall total committed under the RCFs. As a consequence, Louis Dreyfus Company Suisse S.A.'s RCFs were reduced by US$200 million overall in December 2017, while Louis Dreyfus Company LLC's RCF was reduced by US$200 million in May 2018.

In May 2018, Louis Dreyfus Company LLC renewed a syndicated RCF with a syndicate of local and international banks, for an amount of US$600 million. The loan matures in 2021 and is guaranteed by Louis Dreyfus Company B.V.

In August 2018, Louis Dreyfus Company Asia Pte. Ltd. signed a US$600 million RCF with a syndicate of regional and international banks in order to refinance a US$643 million RCF maturing in 2019. The new loan matures in 2021 and is guaranteed by Louis Dreyfus Company B.V.

In December 2018, 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 2020 and December 2021 respectively, while reinstating two one-year extension options for each RCF, so that the respective tenures may be extended twice more in the future. The facilities are guaranteed by Louis Dreyfus Company B.V.

Balance sheet analysis continued

In addition to the RCFs, Louis Dreyfus Company B.V.'s unrated EU Commercial Paper program allowed the Group to benefit from diversified access to short-term financing, with the amount of commercial paper outstanding during the period peaking above €305 million across maturities ranging up to twelve months.

On July 30th, 2018, Louis Dreyfus Company B.V. redeemed its €400 million unrated senior unsecured bond issued in July 2013.

Equity

Equity attributable to Owners of the Company reached US$5,026 million as of December 31st, 2018 (US$5,127 million as of December 31st, 2017), with total equity of US$5,034 million (US$5,135 million as of December 31st, 2017).

Despite the positive contribution of the Group's earnings over the year, equity attributable to Owners of the Company decreased by US$101 million. This was mainly as a result of the US$411 million dividend payment made in May 2018 (covering dividend payments from the 2016 and 2017 accounts, together with an extraordinary dividend payment related to the proceeds from the strategic divestment of the Metals business) and, to a lesser extent, due to the change in fair value of cash flow hedges on foreign exchange risk and unfavorable currency translation adjustments.

Risk

The identification and quantification of risks is deeply embedded in LDC's business, and the Group has long been committed to developing appropriate organizational structures to mitigate and manage them. In 2018, the Group further strengthened its market risk monitoring capabilities with the addition of new skilled talent in this discipline.

The Group also 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 2018 compared to 0.17% one year earlier. VaR is only one of the risk metrics within a wider risk management system at LDC.

Subsequent Events

On January 16th, 2019, the Group announced its decision to exit the dairy business by mid-2019, in line with the company's strategy over the past three years to exit non-core areas and refocus on its core businesses.

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. (the Group), which comprise the consolidated balance sheet as at December 31, 2018, and the 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 a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2018, and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

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. 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>

Refer to Note 2 under the heading Financial Instruments and under the heading Inventories, as well as to Notes 10 and 12.

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.

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>

Refer to Note 2 under the heading Revenue.

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

Independent Auditor's Report continued

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.

Other Investments (Infragos Consortium B.V.)

Refer to Note 2 under the heading Other Investments, deposits and sundry as well as to Note 9.

The long-term loans to commercial partners balance includes a US$165 million loan, included capitalized interests, granted to the joint venture partner Infragos Consortium B.V. for the development of a grain terminal on the Taman peninsula in Krasnodar, Russia. This project represents a total exposure of US$181 million for the Group at December 31, 2018 considering the related equity investment.

Due to specific circumstances described in Note 9 to the financial statements, there are actually certain events that cast doubt as to whether this loan will be repaid or converted into equity. There is consequently a risk that the loan and equity investment might be impaired if the construction of the deep sea terminal is not achieved.

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. We also reviewed the mutual claims that were filed as part of the arbitrage proceedings and involved our forensic specialists to assess the ability and willingness for Infragos Consortium B.V. to resume the construction of the deep sea port and consequently to meet its contractual obligations. The related disclosures provided in Note 9 to the financial statements have also been evaluated for adequacy.

Internal controls over financial reporting

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.

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.

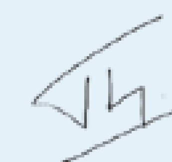
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 25, 2019

Consolidated Income Statement

Year ended 31 December

(in millions of US Dollars)	Notes	2018	2017
Net sales	25	36,465	38,041
Cost of sales		(35,135)	(36,975)
Gross Margin		1,330	1,066
Commercial and administrative expenses		(627)	(597)
Finance costs, net	26	(283)	(190)
Share of loss in investments in associates and joint ventures, net	8	–	(9)
Gain on investments	28	1	34
Gain (Loss) on sale of fixed assets		(14)	4
Other gains and losses		2	(4)
Income before tax – continuing operations		409	304
Current taxes	22	(77)	(92)
Deferred taxes	22	(9)	12
Net income – continuing operations		**323**	**224**
Attributable to:			
Owners of the Company		321	225
Non-controlling Interests		2	(1)
Net income – discontinued operations	3	**34**	**92**
Attributable to:			
Owners of the Company		34	92
Non-controlling Interests		–	–
Net income		**357**	**316**
Attributable to:			
Owners of the Company		**355**	**317**
Non-controlling Interests		2	(1)

Consolidated Statement of Comprehensive Income

Year ended 31 December

(in millions of US Dollars)	2018 Pre-tax	2018 Tax	2018 Net	2017 Net
Net income	**447**	**(90)**	**357**	**316**
Items reclassified from equity to net income during the year				
Available-for-sale financial assets	–	–	–	(4)
Cash flow and net investment hedges	58	(14)	44	(14)
Exchange differences recycled upon sale/liquidation of investments	1	-	1	7
Total	**59**	**(14)**	**45**	**(11)**
Items that may be reclassified subsequently from equity to net income				
Available-for-sale financial assets – change in fair value	–	–	–	2
Cash flow and net investment hedges – change in fair value	(70)	18	(52)	3
Exchange differences arising on translation of foreign operations	(43)	–	(43)	62
Total	**(113)**	**18**	**(95)**	**67**
Items that will not be reclassified subsequently from equity to net income				
Fixed assets revaluation reserve – change in fair value	–	–	–	(1)
Pensions	(4)	–	(4)	9
Total	**(4)**	**–**	**(4)**	**8**
Changes in Other Comprehensive Income	**(58)**	**4**	**(54)**	**64**
Total Comprehensive Income	**389**	**(86)**	**303**	**380**
Attributable to:				
Owners of the Company			**302**	**380**
Non-controlling Interests			1	–

Consolidated Balance Sheet

Year ended 31 December

(in millions of US Dollars)	Notes	2018	2017
Non-Current Assets			
Intangible assets	6	329	292
Property, plant and equipment	7	3,463	3,559
Investments in associates and joint ventures	8	197	210
Other investments, deposits and sundry	9	1,713	1,181
Deferred income tax assets	22	196	290
Total Non-Current Assets		5,898	5,532
Current Assets			
Inventories	10	4,997	4,833
Biological assets	11	56	60
Trade and other receivables	13	4,514	4,141
Derivative assets	12	1,490	957
Margin deposits	12	407	679
Current income tax assets		71	183
Financial advances to related parties	32	1	24
Available-for-sale financial assets	14	–	14
Other financial assets at fair value through profit and loss	15	173	262
Cash and cash equivalents	16	790	541
Total Current Assets		12,499	11,694
Assets classified as held-for-sale	3	43	3,750
Total Assets		**18,440**	**20,976**

(in millions of US Dollars)	Notes	2018	2017
Equity			
Issued capital and share premium		1,587	1,587
Retained earnings		3,564	3,607
Other reserves		(125)	(67)
Equity attributable to Owners of the Company		***5,026***	***5,127***
Equity attributable to Non-controlling Interests		*8*	*8*
Total Stockholders' Equity and Non-controlling Interests	17	5,034	5,135
Non-Current Liabilities			
Long-term debt	18	2,777	3,526
Retirement benefit obligations	20	147	143
Provisions	21	38	64
Deferred income tax liabilities	22	190	248
Other non-current liabilities	24	78	82
Total Non-Current Liabilities		3,230	4,063
Current Liabilities			
Bank loans, acceptances and commercial paper	19	4,934	3,818
Financial advances from related parties	32	202	221
Accounts payable and accrued expenses	23	3,845	3,439
Derivative liabilities	12	1,148	1,024
Provisions	21	2	4
Current income tax liabilities		42	59
Total Current Liabilities		10,173	8,565
Liabilities associated with non-current assets classified as held-for-sale	3	3	3,213
Total Liabilities		13,406	15,841
Total Equity and Liabilities		**18,440**	**20,976**

Consolidated Statement of Cash Flows

Year ended 31 December

(in millions of US Dollars)	Notes	2018	2017
Net income		357	316
Adjustments for items not affecting cash			
Depreciation, amortization and biological assets' change in fair value		321	303
Current taxes	22	77	92
Deferred taxes	22	9	(12)
Interests, net		278	188
Other provisions, net		(22)	(3)
Share of loss in investments in associates and joint ventures, net of dividends	8	10	11
Loss (Gain) on investments and on sale of fixed assets		13	(38)
Net expense arising from share-based payments	30	39	35
Non-cash items from discontinued operations		5	40
		1,087	932
Changes in operating assets and liabilities			
Inventories and Biological assets		(234)	344
Derivatives		(310)	87
Margin deposits net of margin deposit liabilities		273	(91)
Trade and other receivables		278	59
Trade and other payables		193	315
Interests paid		(411)	(305)
Interests received		82	98
Income tax paid		(22)	(48)
Net cash from (used in) operating activities, discontinued operations		733	(1,065)
Net cash from operating activities		1,669	326
Investing activities			
Purchase of fixed assets		(283)	(257)
Additional investments, net of cash acquired		(46)	(14)
Change in short-term securities		172	(92)
Proceeds from sale of fixed assets		40	39
Proceeds from sale of investments, net		481	116
Change in loans and advances made		(10)	(12)
Net cash used in investing activities, discontinued operations		(51)	–
Net cash from (used in) investing activities		303	(220)
Financing activities			
Proceeds from (repayments of) bank loans, acceptances, commercial paper and related parties loans and advances, net	19	537	(1,338)
Proceeds from long-term debt	18	330	1,071
Repayment of long-term debt	18	(1,447)	(359)
Redemption of perpetual capital securities		–	(350)
Dividends paid to equity owners of the Company	17	(411)	–
Dividends paid to non-controlling interests		(1)	–
Net cash from (used in) financing activities, discontinued operations		(753)	954
Net cash used in financing activities		(1,745)	(22)
Exchange difference on cash		(11)	7
Net increase in cash and cash equivalents		216	91
Cash and cash equivalents, at beginning of the year	16	541	465
Change in cash and cash equivalents reclassified to held-for-sale assets	3	33	(15)
Cash and cash equivalents, at end of the year	16	**790**	**541**

Consolidated Statement of Changes in Equity

Year ended 31 December

(in millions of US Dollars)	Issued Capital and Share Premium	Perpetual Capital Securities	Retained Earnings	Other Reserves	**Equity attributable to Owners of the Company**	Equity attributable to Non-controlling Interests	**Total Equity**
Balance at 1 January 2017	**1,587**	**350**	**3,306**	**(128)**	**5,115**	**12**	**5,127**
Net income			317		**317**	(1)	**316**
Other Comprehensive Income, net of tax				63	**63**	1	**64**
Total Comprehensive Income			317	63	380	–	380
Accrued capital securities distribution, net of tax and redemption		(350)	(12)		**(362)**		**(362)**
Deferred compensation plan, net of tax			(4)	(2)	**(6)**		**(6)**
Change in list of consolidated companies			–	–	**–**	(4)	**(4)**
Balance at 31 December 2017	**1,587**	**–**	**3,607**	**(67)**	**5,127**	**8**	**5,135**
Net income			355		**355**	2	**357**
Other Comprehensive Income, net of tax				(53)	**(53)**	(1)	**(54)**
Available-for-sale financial assets – change in accounting policies			4	(4)	**–**		**–**
Total Comprehensive Income			359	(57)	302	1	303
Dividends			(411)		**(411)**	(1)	**(412)**
Deferred compensation plan, net of tax			9	(1)	**8**		**8**
Balance at 31 December 2018	**1,587**	**–**	**3,564**	**(125)**	**5,026**	**8**	**5,034**

Notes to the Consolidated Financial Statements

Louis Dreyfus Company B.V. ("LDC" or the "Company") is a privately owned company incorporated in the Netherlands on 28 December 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 at 31 December 2011, LDC was a direct subsidiary of Louis Dreyfus Company Holdings B.V. ("LDCH"), a company incorporated in the Netherlands. Effective 4 December 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 was taken by employees in the execution of the equity participation plan described in Note 30.

In September 2012, LDC priced an inaugural hybrid capital securities issuance for US$350 million, 8.25% coupon (resettable every 5 years and with a 100 basis points step-up in 2022). The structure of the perpetual hybrid capital securities qualified the instrument to be classified as equity under IFRS. They were not rated, and were listed on the Official List of the Singapore Exchange. On 12 September 2017, the perpetual capital debt securities were fully redeemed by LDC.

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 Juice, Grains, Oilseeds, Freight, Global Markets (formerly named Finance platform), Sugar, Coffee, Cotton, Rice and Dairy.

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 11 May 2018 (Refer to Note 3).

1. Accounting Policies

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

The consolidated financial statements have been approved by the Board of Directors of LDC on 22 March 2019.

The December 2018 consolidated financial statements of LDC have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union at 31 December 2018. 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 at and for the year ended 31 December 2017, except for the adoption of new amendments, standards and interpretations at 1 January 2018 detailed below.

New and amended accounting standards and interpretations in effect starting from 2018

- IFRS 9 "Financial instruments". The standard replaces IAS 39 "Financial instruments – Recognition and Measurement". IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The Group decided not to restate comparative period as allowed by the transition provisions. At 1 January 2018, the impacts on the Group's consolidated balance sheet correspond to the reclassification of "Available-for-sale" financial assets to "Other financial assets at fair value through profit and loss" for US$14 million and to the reclassification of the related US$4 million Other Comprehensive Income (OCI) reserve to Retained Earnings.

- IFRS 15 "Revenue from Contracts with Customers" including amendments to IFRS 15 "Effective date". The new standard supersedes IAS 11 "Construction Contracts" and IAS 18 "Revenue" on revenue recognition.
- Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers". Those amendments clarify how to:
  - identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract;
  - determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
  - determine whether the revenue from granting a license should be recognized at a point in time or over time.

The IFRS 15 standard and amendments are applied fully retrospectively.

As part of the IFRS 15 analysis, the Group has reviewed all categories of transactions with customers. Certain transactions do not fall into the scope of the new Standard and consequently are no longer included in the "Net sales". The impacts on the Group's consolidated income statement as of 31 December 2017 correspond to a reclassification of US$5 billion from "Net sales" to "Cost of sales".

- IFRIC 22 "Foreign Currency Transactions and Advance Consideration". This interpretation addresses foreign currency transactions or parts of transactions where:
  - there is consideration that is denominated or priced in a foreign currency;
  - the entity recognized a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
  - the prepayment asset or deferred income liability is non-monetary.

  The interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date of the advance consideration (i.e. when the non-monetary asset or liability is recognized). This interpretation, which is applied for annual periods beginning on or after 1 January 2018, has had no effect on the balance sheet or performance of the Group.
- Amendments to IAS 40 "Transfers of Investment Property". Those amendments provide guidance regarding when transfers into, and out of, investment property are permitted. More specifically, an entity shall transfer a property to, or from, investment property when, and only when, there is a change in use. A change in use occurs if property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. Those amendments, which are applied for annual periods beginning on or after 1 January 2018, have had no effect on the balance sheet or performance of the Group.
- Annual improvements to IFRSs 2014-2016 including amendments to IAS 28 "Investments in Associates and Joint Ventures". They clarify that the election to measure at fair value through profit and loss an investment in an associate or a joint venture held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The amendments to IAS 28, which are applied for annual periods beginning on 1 January 2018, have had no effect on the balance sheet or performance of the Group.
- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions". The amendments provide requirements on the accounting for:
  - the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
  - share-based payment transactions with a net settlement feature for withholding tax obligations; and
  - a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

  Those amendments, which are applied for annual periods beginning on or after 1 January 2018, have had no effect on the balance sheet or performance of the Group.

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

- IFRS 16 "Leases". The new standard sets out the principles that both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'), shall apply to provide relevant information about leases in a manner that faithfully represents those transactions. To meet this objective, a lessee is required to recognize assets and liabilities arising from a lease, with a few exceptions defined in the standard. The new standard will come into effect at 1 January 2019.

As regards the application of IFRS 16 "Leases" on 1 January 2019, the Group intends 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;
- Use the following simplification measures provided by the standard in the transitional provisions:
  - Not apply the standard to contracts that the Group had not previously identified as containing a lease under IAS 17 and IFRIC 4;
  - Not take into account leases whose term ends within 12 months of the date of first application;
- Recognize each lease component of the lease as a separate lease, apart from non-lease components (services) of the lease.

Notes continued

On initial application of IFRS 16, for all leases, the Group will:

- Recognize right-of-use assets and lease liabilities in the consolidated balance sheet, initially measured at the present value of the future lease payments;
- Recognize depreciation of right-of-use assets and interest on lease liabilities in the consolidated income statement;
- Separate the total amount of cash paid into a lease liability principal portion (presented within cash used in financing activities) and interests (presented within cash used in operating activities) in the consolidated statement of cash flows.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group will opt to recognize a lease expense on a straight-line basis.

The Group is currently finalizing the analysis of the impact of IFRS 16 on the consolidated financial statements.

- Amendments to IFRS 9 "Prepayment features with negative compensation". Those amendments enable entities to measure at amortized cost some prepayable financial assets with so-called negative compensation. The assets affected, that include some loans and debt securities, would otherwise have been measured at fair value through profit or loss. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However, to qualify for amortized cost measurement, the negative compensation – i.e. the difference between the prepayment amount and unpaid amounts of principal and interest – must be "reasonable compensation for early termination of the contract". Those amendments to IFRS 9 are effective for annual periods beginning on 1 January 2019 but are not expected to have any impact on the Group's financial statements.
- IFRIC 23 "Uncertainty over Income Tax Treatments". This interpretation sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to determine whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, in its income tax filings:
  - if yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings;
  - if no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

  The entity is to assume that a taxation authority will examine any amounts reported and will have full knowledge of all relevant information when doing so. This interpretation is effective for annual periods beginning on 1 January 2019 but is not expected to have a significant impact on the Group's financial statements.
- Amendments to IAS 28 "Long-term interests in associates and joint ventures". Those amendments apply to "other interests" in an associate or joint venture to which the equity method is not applied: for example, long-term loans which, in substance, form part of the net investment in the associate or the joint venture. Those amendments clarify that such a financial instrument must first be recognized under IFRS 9, including its provisions on the impairment of financial assets, before applying any reduction of its carrying value by allocating the accumulated losses of the equity-accounted entity, where the equity value has already been reduced to zero. Those amendments are effective for annual periods beginning on 1 January 2019 but are not expected to have a significant impact on the Group's financial statements.

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:

- Annual improvements to IFRSs 2015-2017 including:
  - Amendments to IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements": those amendments clarify how an entity accounts for increasing its interest in a joint operation that meets the definition of a business:
    - if a party maintains (or obtains) joint control, then the previously held interest is not remeasured;
    - if a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interests at fair value;
  - Amendments to IAS 12 "Income taxes": those amendments remove the paragraph dealing with the obligating event and the recognition of the income tax consequences of the distribution of dividends from the Measurement section to the Recognition section. This does not alter the fact that the income tax consequences of the distribution should only be accounted for at the date the liability for the dividend is recognized and generally in profit and loss;
  - Amendments to IAS 23 "Borrowing costs": they clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, the borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement": if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

Those amendments and interpretation will come into effect for annual reporting periods beginning on or after 1 January 2019 with early application permitted.

- Amendments to IFRS 3 "Definition of a business" which aimed at resolving 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 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 are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.
- Amendments to the Conceptual Framework, published on 29 March 2018.
- Amendments to IAS 1 and IAS 8 "Definition of Material". Those amendments relate to a revised definition of "material" which becomes "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments are effective for annual reporting periods beginning on or after 1 January 2020 with early application permitted.

2. Summary of Significant Accounting Policies

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 at 31 December 2018 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.

Notes continued

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. 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 ten 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 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 Dollars 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 in income 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 income statement

Income and expenses are analyzed by function in the consolidated income statement. Cost of sales includes depreciation and employment costs relating to processing plants. 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.

Consolidated balance sheet

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.

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 31 December 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. When non-controlling interests were granted put option agreements exercisable without constraint from the Group, the excess share of equity over the fair value of these agreements was also recorded as goodwill.

For transactions concluded since 1 January 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.

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 the asset for impairment first, and recognizes any impairment loss for that asset before testing for impairment the cash-generating unit containing the goodwill.

Goodwill relating to the acquisition of shares in an equity investment is presented in investments in associates and joint ventures.

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. Intangible assets with finite life are amortized over periods ranging from one to ten years.

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.

Property, plant and equipment

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 most closely 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.

Other property, plant and equipment

Other 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.

The depreciation of other property, plant and equipment 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, as follows: Buildings, 15 to 40 years; Machinery and Equipment, 5 to 25 years; and Other Tangible Assets, 1 to 20 years.

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 income statement during the financial period in which they are incurred.

Notes continued

Impairment
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 so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

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. The Group's investment in associates and joint ventures includes goodwill identified on acquisition date, net of any accumulated impairment loss.

Financial instruments

Classification and measurement of financial instruments depend on the business model and the instruments' contractual characteristics. In application of IFRS 9, upon initial recognition, financial assets are carried at amortized cost, fair value through other comprehensive income (OCI), or fair value through profit and loss. Financial liabilities are carried at amortized cost or fair value through profit and loss.

Financial assets and liabilities are recorded in the 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.

Financial assets and financial liabilities
The **main financial assets** of the Group are presented within the following balance sheet lines:

"Other investments, deposits and sundry", which 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 test requirements;
- 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 the investments in equity instruments at fair value through OCI with no recycling;
- Other non-financial assets such as long term advances to suppliers and tax credits.

"Trade receivables" are initially recognized at the fair value of the consideration received or receivable, and subsequently 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.

"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. In 2018, Other financial assets at fair value through profit and loss also include investments in non-consolidated equity instruments on which the Group does not exercise significant influence, joint control or control. Such instruments were reported as Available-for-sale in prior periods.

"Cash and cash equivalents" include highly liquid investments with a maturity of three months or less at the time of the purchase. 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 "Finance costs, net" line of the income statement. Changes in bank overdrafts that form part of the financing activities are presented as an increase (decrease) in bank loans, acceptances and commercial paper in the consolidated statement of cash flows.

The **main financial liabilities** of the Group comprise long-term debt, bank loans, acceptances and commercial paper, financial advances from related parties and trade payables. All financial liabilities are recorded at amortized cost using the effective interest method.

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 income statement in "Finance costs, net" for the foreign exchange exposure on funding and in "Cost of sales", for the foreign exchange gains and losses related to working capital.

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

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 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 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 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 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 income statement. When the hedged cash flows materialize, the amounts previously recognized in equity are either recycled to the 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 income statement. Amounts taken to equity are transferred to the income statement when the investment in foreign operations is sold or liquidated.

Notes continued

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 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.

Biological assets

The bearer plants are accounted for as property, plant and equipment (see property, plant and equipment accounting policy). The produce growing on bearer plant is a biological asset 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 income statement in "Cost of sales". The produce growing on bearer plants consists of oranges in Brazil.

Perpetual capital securities

The structure of the perpetual hybrid capital debt securities qualified the instrument to be classified as equity under IFRS. The perpetual capital securities instrument was recorded at nominal value and classified as a component of equity in the consolidated balance sheet. The distribution on the perpetual capital securities was recorded net of tax and classified:

- As a separate allocation of retained earnings within the equity section of the consolidated balance sheet until the announcement of the Group's intention to redeem it; and
- In profit and loss after this date.

Provisions

Provisions for environmental restoration and decommissioning, restructuring costs and legal claims 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.

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.

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.

Share-based payment transactions
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 commercial and administrative expenses in the 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.

Income taxes

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 at year-end. 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. Tax assets and liabilities are offset when taxes relate to income taxes levied by the same taxation authority.

Non-current assets held-for-sale 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.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as "Net income – discontinued operations" in the income statement for all periods presented.

Finance leases

Leases that transfer substantially all the risks and rewards incidental to ownership are qualified as finance leases. When a tangible asset is held under a finance lease, it is recorded as an asset at fair value or, if lower, at the present value of the minimum lease payments determined at inception of the lease, and the corresponding lease obligation is recorded as a financial liability. The capital lease assets are depreciated over their expected useful life in accordance with Group policy net of residual value.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

Revenue arises from sale of goods, services rendered and use by others of entity assets, yielding interest, royalties and dividends.

The Group recognizes revenue to depict the transfer of promised goods or services to customers in amounts that reflect the payment to which the company expects to be entitled in exchange for those goods or services by applying the following steps:

- Step 1: Identify the contract with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract;
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

If the transaction price includes variable consideration, the estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Notes continued

Net sales
- Sale of goods

Physical sales of products are recorded in the line "Net sales" of the income statement at the time the control on such products is transferred to the customer, control being the ability to direct the use of and obtain substantially all of the remaining benefits from the assets.
Generally, depending on the incoterm, control is transferred at the point of shipment or at the point of delivery of the product being sold.

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".

- Services rendered

When the outcome of services rendered can be estimated reliably, revenue associated is recognized by reference to the stage of completion of the transaction at the balance sheet date.

Financial income
Interest income is recognized in the line "Finance costs, net" of the consolidated income statement on a time-proportion basis using the effective interest method.
Dividend income is recognized when the right to receive payment is established.

3. Assets classified as held-for-sale and liabilities associated with held-for-sale assets and discontinued operations

According to IFRS 5 - "Non-current assets held-for-sale and discontinued operations", Macrofertil Australia Pty. Ltd. (Fertilizers & Inputs business) was classified as held-for-sale as of 30 June 2017. On 9 March 2018, the Group finalized the sale to Landmark Operations Ltd.

As of 31 December 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. In December 2017, the Group agreed 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. This transaction was closed on 11 May 2018 at a selling price amounting to US$466 million.

Since 30 June 2018, Macrofertil Ghana Ltd. (Fertilizers & Inputs business) has been classified as held-for-sale.

The condensed assets and liabilities with third parties of these Metals and Fertilizers & Inputs businesses as of 31 December 2018 and 31 December 2017 were as follows:

	2018	2017		
(in millions of US Dollars)	Fertilizers & Inputs (Ghana)	Metals (Global)	Fertilizers & Inputs (Australia)	Total
Non-current assets	1	41	16	57
Current assets	16	3,600	82	3,682
Total Assets classified as held-for-sale	**17**	**3,641**	**98**	**3,739**
Non-current liabilities	–	(42)	–	(42)
Current liabilities	(3)	(3,072)	(99)	(3,171)
Total Liabilities associated with held-for-sale assets	**(3)**	**(3,114)**	**(99)**	**(3,213)**

As of 31 December 2017, the 33% share held in the Chinese joint venture Henan Huiyida Agribusiness Co. Ltd. was classified as held-for-sale for an amount of US$6 million. This transaction was closed on 22 January 2018.

Assets classified as held-for sale can be summarized as follows:

(in millions of US Dollars)	2018	2017
Metals and Fertilizers & Inputs businesses	17	3,739
Henan Huiyida Agribusiness Co. Ltd.	–	6
Others[1]	26	5
Total Assets classified as held-for-sale	**43**	**3,750**

1. As of 31 December 2018, it includes US$9 million related to network facilities in Portland used for grains transportation and US$7 million related to Bazhou oilseeds processing refinery based in China (Refer to Note 7).

The discontinued Metals operations excluded from the results of continuing operations are the following:

(in millions of US Dollars)	2018	2017
Net Sales	4,106	12,190
Cost of sales	(4,048)	(12,002)
Gross Margin	**58**	**188**
Commercial and administrative expenses	(17)	(62)
Finance costs, net	(15)	(32)
Others	–	7
Income taxes	(4)	(9)
Subtotal Net income – discontinued operations[1]	**22**	**92**
Gain on disposal of Metals business	**12**	**–**
Net income – discontinued operations	**34**	**92**

1. In 2018, the amount corresponds to the transactions of the global Metals business until 11 May 2018, when the sale was closed.

The cash and cash equivalents of these Metals and Fertilizers & Inputs businesses classified as held-for-sale as of 31 December 2018 and 31 December 2017 are as follows:

	2018			2017		
(in millions of US Dollars)	Metals	Fertilizers & Inputs	Total	Metals	Fertilizers & Inputs	Total
Cash and cash equivalents held-for-sale, at beginning of the period	33	1	**34**	–	19	**19**
Change in cash and cash equivalents held-for-sale	(33)	–	**(33)**	33	(18)	**15**
of which cash sold	*(37)*	*–*	***(37)***	*–*	*(17)*	***(17)***
Cash and cash equivalents held-for-sale, at end of the period	–	1	**1**	33	1	**34**

4. 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).

In 2018, the Group reorganized the allocation of its platforms between its two segments. The Value Chain Segment now includes the Juice, Grains and Oilseeds platforms, along with Freight and Global Markets (formerly called the Finance Platform) both of which are key facilitators of all Group businesses. The Merchandizing Segment comprises Sugar, Coffee, Cotton, Rice, and Dairy, all platforms with more consumer-centric business models, and shared challenges and opportunities.

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, net.

Notes continued

Inter-segment sales and transfers, where applicable, are generally valued at market.

Income Statement segment information for the years ended 31 December 2018 and 31 December 2017 is as follows:

	2018		
(in millions of US Dollars)	Value Chain	Merchandizing	Total
Net Sales	25,436	11,029	**36,465**
Depreciation	(224)	(47)	**(271)**
Share of profit (loss) in investments in associates and joint ventures, net	4	(4)	**–**
Segment Operating Results	830	500	**1,330**
Commercial and administrative expenses			**(627)**
Finance costs, net			**(283)**
Others			**(11)**
Income taxes			**(86)**
Non-controlling Interests			**(2)**
Net income attributable to Owners of the Company – continuing operations			**321**

	2017		
(in millions of US Dollars)	Value Chain	Merchandizing	Total
Net Sales	26,911	11,130	**38,041**
Depreciation	(207)	(46)	**(253)**
Share of loss in investments in associates and joint ventures, net	(5)	(4)	**(9)**
Segment Operating Results	714	343	**1,057**
Commercial and administrative expenses			**(597)**
Finance costs, net			**(190)**
Others			**34**
Income taxes			**(80)**
Non-controlling Interests			**1**
Net income attributable to Owners of the Company – continuing operations			**225**

Balance Sheet segment information at 31 December 2018 and 31 December 2017 is as follows:

	2018		
(in millions of US Dollars)	Value Chain	Merchandizing	Total
Segment Assets	10,496	5,001	**15,497**
Segment Liabilities	(3,384)	(1,612)	**(4,996)**
Other Assets[1]			**2,943**
Other Liabilities[2]			**(8,410)**
Total Net Assets	**7,112**	**3,389**	**5,034**
Additions to Fixed Assets – continuing operations[3]	**285**	**44**	**329**

1. Other Assets include other investments, deposits and sundry, deferred and current income tax assets, other financial assets at fair value through profit and loss, cash and cash equivalents.
2. Other Liabilities include non-current liabilities, bank loans, acceptances and commercial paper, financial advances from related parties, provisions (current), current income tax liabilities.
3. Additions to Fixed Assets include purchase of fixed assets and additional investments net of cash acquired.

	2017		
(in millions of US Dollars)	Value Chain	Merchandizing	Total
Segment Assets	10,148	4,716	**14,864**
Segment Liabilities	(3,408)	(1,154)	**(4,562)**
Other Assets[1]			**2,471**
Other Liabilities[2]			**(8,165)**
Net Assets and Liabilities associated to discontinued operations[3]			**527**
Total Net Assets	**6,740**	**3,562**	**5,135**
Additions to Fixed Assets – continuing operations[4]	**221**	**50**	**271**

1. Other Assets include other investments, deposits and sundry, deferred and current income tax assets, available-for-sale financial assets, other financial assets at fair value through profit and loss, cash and cash equivalents.
2. Other Liabilities include non-current liabilities, bank loans, acceptances and commercial paper, financial advances from related parties, provisions (current), current income tax liabilities.
3. Metals business, which was comprised in the Merchandizing segment, was classified as discontinued operations as of 31 December 2017 (Refer to Note 3).
4. Additions to Fixed Assets include purchase of fixed assets and additional investments net of cash acquired.

Net sales for continuing operations by geographical destination, based on the country of incorporation of the counterparty, are broken down as follows for the years ended 31 December 2018 and 31 December 2017:

(in millions of US Dollars)	2018	2017
Asia	17,013	16,048
North Latin America	1,525	1,609
South & West Latin America	2,732	2,486
Europe, Middle East & Africa[1]	10,327	12,398
North America	4,868	5,500
	36,465	**38,041**

1. Net sales to Europe & Black Sea geographical area amounted to US$6,038 million for the year ended 31 December 2018 (US$7,050 million a year before). Net sales to Middle East & Africa geographical area amounted to US$4,289 million for the year ended 31 December 2018 (US$5,348 million a year before).

The Group's fixed assets (intangible assets and property, plant and equipment) are located in the following geographical areas at 31 December 2018 and 31 December 2017:

(in millions of US Dollars)	2018	2017
Asia	320	298
North Latin America	1,221	1,221
South & West Latin America	623	632
Europe, Middle East & Africa	424	412
North America	1,204	1,288
	3,792	**3,851**

Notes continued

5. Change in List of Consolidated Companies

On 9 March 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 28). As of 31 December 2017, it was classified as held-for-sale (Refer to Note 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 income statement within the line "Cost of sales". The purchase price allocation is as follows:

(in millions of US Dollars)	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	–
Bank loans, acceptances and commercial paper	29	29
Accounts payable and accrued expenses	60	60
Current Liabilities	89	89
Total Liabilities	**99**	**89**
Net Equity	**53**	**44**
Consideration transferred		32
Gain from bargain purchase		**12**

On 11 May 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 31 December 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 3).

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

In May 2017, the Group acquired the remaining 50% shares of its joint venture Kencana LDC Pte. Ltd.,[2] primarily comprised of a palm oil refinery and storage tanks in Indonesia, for a purchase price of US$14 million. Before the acquisition, the joint venture was accounted for the equity method in the Group consolidated financial statements and the book value amounted to US$6 million. In accordance with IFRS 3 (revised), the Group recognized a US$8 million gain on sale of investments related to the 50% shares previously held in Kencana LDC Pte. Ltd. (fair value amounted to US$14 million less book value) (Refer to Note 28) and subsequently accounted for the purchase price allocation as follows:

(in millions of US Dollars)	Book value at date of acquisition under local GAAP	Fair value under IFRS
Intangible assets	1	4
Property, plant and equipment	36	46
Non-Current Assets	37	50
Current Assets	29	29
Total Assets	**66**	**79**
Long-term debt	3	3
Deferred income tax liabilities	2	5
Non-Current Liabilities	5	8
Current Liabilities	49	49
Total Liabilities	**54**	**57**
Net Equity	**12**	**22**
Consideration transferred @ 100%		28
Goodwill		**6**

In November 2017, LDC finalized the sale of its Africa-based Fertilizers and Inputs operations, Fertilizers and Inputs Holding B.V., to Africa-focused private investment firm, Helios Investment Partners. The gain derived from the sale amounted to US$9 million, out of which US$2 million were booked in 2017 and US$7 million were booked in 2018. In accordance with the signed agreement, adjustments were performed following the reception of the final closing notice (Refer to Note 28).

No other significant change in the list of consolidated companies occurred in 2018 neither in 2017.

6. Intangible Assets

At 31 December 2018 and 31 December 2017, intangible assets consist of the following:

	2018			2017		
(in millions of US Dollars)	Gross value	Accumulated amortization/ Impairment	**Net value**	Gross value	Accumulated amortization/ Impairment	**Net value**
Goodwill	74	(31)	**43**	75	(31)	**44**
Other intangible assets	552	(266)	**286**	462	(214)	**248**
	626	**(297)**	**329**	**537**	**(245)**	**292**

As of 31 December 2018, the Group tested the value of goodwill allocated to its cash generating units as described in Note 2, using a perpetual growth rate of 2% and an annual discount rate (weighted average cost of capital of the Group before tax) of 7.6%. 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.

2. During the second-half of 2017, the Group renamed this new fully-owned entity LDC Balikpapan Pte. Ltd.

Notes continued

Changes in the net value of intangible assets for the years ended 31 December 2018 and 31 December 2017 are as follows:

	2018			2017
(in millions of US Dollars)	Goodwill	Other intangible assets	**Total**	**Total**
Balance at 1 January	44	248	**292**	**277**
Disposals	(1)	(5)	**(6)**	(3)
Acquisitions and additions[1]	–	71	**71**	82
Amortization of the year	–	(53)	**(53)**	(54)
Goodwill recognized through business combinations[2]	–	–	**–**	6
Other intangible assets acquired through business combinations[3]	–	29	**29**	4
Foreign currency translation adjustment	–	(5)	**(5)**	5
Reclassification to held-for-sale assets[4]	–	(1)	**(1)**	(29)
Other reclassifications	–	2	**2**	4
Closing Balance	**43**	**286**	**329**	**292**

1. During the year ended 31 December 2018, acquisitions and additions mainly consisted of capital expenditure related to a new global back-office enterprise resource planning (ERP) system, alongside the ongoing upgrade of its existing front-office system.
During the year ended 31 December 2017, acquisitions and additions included the Atalaya Metals offtake contract for US$26 million, which was reclassified to held-for-sale as of 31 December 2017.
2. In May 2017, the Group acquired the remaining 50% shares in its joint venture Kencana LDC Pte. Ltd. (Refer to Note 5).
3. 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 license to use land for the amount of US$29 million (Refer to Note 5).
4. As of 31 December 2017, the Group classified as held-for-sale assets the intangible assets owned by Metals business and Macrofertil Australia Pty. Ltd. (Fertilizers & Inputs business) for respectively US$28 million and US$1 million. In May and March 2018, respectively, the Group finalized the sale of these businesses (Refer to Note 3).

7. Property, Plant and Equipment

At 31 December 2018 and 31 December 2017, the consolidated property, plant and equipment, consist of the following:

	2018			2017		
(in millions of US Dollars)	Gross value	Accumulated depreciation	**Net value**	Gross value	Accumulated depreciation	**Net value**
Land	229	–	**229**	234	–	**234**
Buildings	1,976	(649)	**1,327**	1,940	(589)	**1,351**
Machinery and equipment	2,828	(1,330)	**1,498**	2,677	(1,185)	**1,492**
Bearer plants	211	(46)	**165**	210	(38)	**172**
Other tangible assets	209	(153)	**56**	199	(142)	**57**
Tangible assets in process	188	–	**188**	253	–	**253**
	5,641	**(2,178)**	**3,463**	**5,513**	**(1,954)**	**3,559**

Changes in net value of property, plant and equipment for the years ended 31 December 2018 and 31 December 2017 are as follows:

	2018							2017
(in millions of US Dollars)	Land	Buildings	Machinery and equipment	Bearer plants	Other tangible assets	Tangible assets in process	**Total**	**Total**
Balance at 1 January	234	1,351	1,492	172	57	253	**3,559**	**3,595**
Disposals[1]	(5)	(18)	(28)	–	(1)	–	**(52)**	(30)
Acquisitions and additions[2]	1	7	28	4	10	158	**208**	206
Depreciation of the year	–	(88)	(144)	(11)	(17)	–	**(260)**	(255)
Impairment[3]	–	(18)	(7)	–	(1)	–	**(26)**	–
Acquisitions through business combinations[4]	–	35	50	–	1	–	**86**	46
Foreign currency translation adjustment[5]	(1)	(16)	(12)	–	–	–	**(29)**	26
Reclassification to held-for-sale assets[6]	–	(11)	(8)	–	–	(1)	**(20)**	(25)
Other reclassifications	–	85	127	–	7	(222)	**(3)**	(4)
Closing Balance	**229**	**1,327**	**1,498**	**165**	**56**	**188**	**3,463**	**3,559**

1. In 2018, disposals relate mainly to the sale of Krishna oilseeds processing refinery based in India with a net book value of US$31million, cotton and grains storage facilities in Australia with a net book value of US$11 million and other assets individually not material.
2. During the year ended 31 December 2018, the Group invested in an anchoring system in Brazil as part of a wider transshipment hub construction project, that is expected to extend its logistic capacities in the country. In addition, a new project was initiated in Ukraine with a first step in the acquisition of a railcars fleet. The Group also invested in its coffee storage facilities in Brazil and its grains and oilseeds processing plants in Argentina, Brazil and US. Other investments include improvements in the acquired soybean crushing plant in Tianjin (China), Port Wentworth (US) installation, new seed-cleaning system and extended storage capacity in Wittenberg (Germany), and new irrigation system of Juice's farm in Monte Belo, Brazil.
During the year ended 31 December 2017, the main acquisitions and additions included the development of a fleet of barges and pushers in Brazil (Pará State) as well as improved logistic capabilities with the construction of new storage facilities in Brazil and Egypt. In addition, investments to increase productivity of the German plant in Wittenberg were performed. Some investments were also carried out in Port Wentworth installation in the United States to enhance the sugar transformation system, and for the maintenance of processing and agricultural juice assets in Brazil.
3. A US$(23) million impairment has been recognized at 31 December 2018 on network facilities used for grains transportation, based in Portland. The US$9 million residual value of these assets has been reclassified to held-for-sale assets at the same date.
4. 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 (Refer to Note 5).
In May 2017, the Group acquired the remaining 50% shares in its joint venture Kencana LDC Pte. Ltd. (Refer to Note 5).
5. In 2018, the foreign currency translation adjustment is mainly due to depreciation of the Chinese Yuan, the Russian Ruble and the Euro. In 2017, the variation was mainly due to the appreciation of the Euro.
6. As of 31 December 2018, the Group classified as held-for-sale assets the network facilities in Portland used for grains transportation for US$9 million, the Bazhou oilseeds processing refinery based in China for US$7 million and other individually not significant property, plant and equipment.
As of 31 December 2017, the Group classified as held-for-sale assets the property, plant and equipment owned by Metals business and Macrofertil Australia Pty. Ltd. (Fertilizers & Inputs business) for respectively US$11 million and US$14 million (Refer to Note 3).

Notes continued

8. Investments in Associates and Joint Ventures

Changes in investments in associates and joint ventures for the years ended 31 December 2018 and 31 December 2017 are as follows:

(in millions of US Dollars)	2018	2017
Balance at 1 January	210	241
Acquisitions and additional investments[1]	11	4
Capital reduction[2]	–	(7)
Disposals[3]	(10)	(13)
Reclassification	4	(2)
Share of loss	–	(9)
Dividends	(10)	(2)
Change in Other Reserves[4]	(8)	4
Change in list of consolidated companies[5]	–	(6)
Closing Balance	**197**	**210**

1. In 2018, the Group 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 United States and operate cotton warehouses. The Group also performed a new US$6 million capital injection in the joint venture Terminal Exportador de Santos S.A. (concession in the Santos port Terminal in Brazil) in which capital injections were made in 2016 and in 2017.
2. In 2017, Kromdraai Best Milling Pty. Ltd. reduced its capital by ZAR100 million and Calyx Agro Ltd. by US$18 million, representing respectively US$2 million and US$5 million for the Group.
3. In 2018, the Group sold its 30% stake in Kromdraai Best Milling Pty. Ltd and its 25% stake in PT Andalan Furnindo. In 2017, the Group sold a 16.66% stake in the Brazilian joint venture Amaggi Louis Dreyfus Zen-Noh Holdings S.A.
4. The change in Other Reserves is mainly due to the depreciation of the Australian Dollar, the Brazilian Real and the South African Rand for the year ended 31 December 2018 and to the appreciation of the Australian Dollar and the South African Rand for the year ended 31 December 2017.
5. In 2017, the Group acquired the remaining 50% share in its joint venture Kencana LDC Pte. Ltd., which then became fully consolidated (Refer to Note 5). Profit and loss information presented in the tables below include the figures generated by this entity before the Group took control.

In 2018, the Group sold its 33% share in the joint venture Henan Huiyida Agribusiness Co. Ltd. which was reclassified to held-for-sale assets as of 31 December 2017. Accordingly, balance sheet information of this joint venture is not included in the tables below. Nevertheless, profit and loss information is included for the year ended 31 December 2017.

Investments in associates and joint ventures are detailed as follows:

Investment	Activity	2018		2017	
		Ownership	Net value	Ownership	Net value
All Asian Countertrade Inc. (Philippines)	Sugar merchandizing	18%	7	18%	7
Amaggi Louis Dreyfus Zen-Noh Grãos S.A. (Brazil)	Grain and Soya storage and processing	33%	14	33%	10
Amaggi Louis Dreyfus Zen-Noh Terminais Portuarios S.A. (Brazil)	Logistics facilities	33%	14	33%	14
Calyx Agro Ltd. (Cayman Islands)	Land fund	29%	13	29%	17
Cisagri Holland Cooperatief U.A. (The Netherlands)[1]	Logistics facilities	10%	16	10%	16
Complejo Agro Industrial Angostura S.A. (Paraguay)	Soybean crushing plant and facilities	33%	33	33%	34
Epko Oil Seed Crushing Pty. Ltd. (South Africa)	Sunflower seeds and maize germ crushing lines	50%	8	50%	8
Kromdraai Best Milling Pty. Ltd. (South Africa)[2]	Wheat mill plants	N/A	–	30%	4
LDC – GB Terminais Portuários e Participações Ltda. (Brazil)	Logistics facilities	50%	5	50%	5
Namoi Cotton Alliance (Australia)	Cotton packing and marketing	49%	30	49%	33
Orient Rice Co. Ltd. (Vietnam)	Rice procurement and processing	33%	4	33%	4
PT Andalan Furnindo (Indonesia)[2]	Sugar refinery	N/A	–	25%	8
Riddoch Holdings Pty. Ltd. (Australia)	Dairy processing plant	30%	6	30%	9
TEG – Terminal Exportador Do Guarujá Ltda. (Brazil)	Logistics facilities	40%	32	40%	32
TES – Terminal Exportador De Santos S.A. (Brazil)[3]	Logistics facilities	60%	6	60%	5
Subtotal			**188**		**206**
Others			9		4
			197		**210**

1. The Group's percentage of control in Cisagri Holland Cooperatief U.A is 25% and the percentage of ownership is 10%.
2. In 2018, the Group sold its 30% stake in Kromdraai Best Milling Pty. Ltd and its 25% stake in PT Andalan Furnindo. Profit and loss information is included for the year ended 31 December 2018 in the tables below.
3. The governance rules of Terminal Exportador De Santos S.A meet the definition of a joint control, therefore this investment qualifies as a joint venture.

Investments in associates and joint ventures include a goodwill of US$7 million at 31 December 2018 (US$10 million at 31 December 2017). The decrease in 2018 is linked to the sale of PT Andalan Furnindo.

Income statement (in millions of US Dollars)	2018	2017
Entities as listed above	4	(3)
Other entities[1]	(4)	(6)
Share of loss in investments in associates and joint ventures	**–**	**(9)**

1. In 2018 and 2017, mainly relates to losses incurred in South-African associates and joint ventures.

Notes continued

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

Balance sheet (in millions of US Dollars)	**2018**	2017
Non-current assets	780	891
Current assets	593	563
Total Assets	1,373	1,454
Non-current liabilities	286	222
Current liabilities	451	530
Total Liabilities	737	752
Net Equity	636	702
Equity – Owners of the Company share	**188**	**206**

Income statement (in millions of US Dollars)	**2018**	2017
Revenue	2,513	2,118
Net Income	20	(2)
Owners of the Company's share of profit (loss)	**4**	**(3)**

9. Other Investments, Deposits and Sundry

At 31 December 2018 and 31 December 2017, other investments, deposits and sundry consist of the following:

(in millions of US Dollars)	**2018**	2017
Non-current financial assets at amortized cost	1,123	652
Long-term loans to related parties	*1,059*	*578*
Deposits and others	*64*	*74*
Non-current financial assets at fair value through profit and loss	171	154
Total non-current financial assets	1,294	806
Tax credits	*411*	*359*
Long-term advances to suppliers	*8*	*16*
Total non-current non-financial assets	419	375
	1,713	**1,181**

At 31 December 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. At 31 December 2017, this line mainly included the non-current portion of the exports prepaid to Biosev S.A. and its subsidiaries ("Biosev", an indirect subsidiary of LDCH) regarding the 2017/2018 to 2019/2020 sugar crops amounting to US$569 million (Refer to Note 32).

At 31 December 2018 and at 31 December 2017, the non-current financial assets at fair value through profit and loss include, respectively, US$165million (US$123 million of principal plus US$42 million of accrued interests) and US$154 million, related to loans granted to the joint venture partner Infragos Consortium BV (whose rights and obligations have now been transferred to Infracis Holding N.V. ("IH")) for the development and construction of a deep sea grains terminal at the Taman peninsula in southern Russia (the "Project" and the "Loan").
The Loan (which is repayable cash or convertible into additional 15% membership interests in the Dutch joint venture vehicle, and was due at the terminal completion date or at 31 December 2018, whichever was the sooner) was granted under a Basis Joint Venture Agreement between Louis Dreyfus Company Logistics Holland B.V. ("LDCLH") and IH, dated 9 March 2012, a Long Form Joint Venture Agreement between Louis Dreyfus Company Suisse S.A., LDCLH (together, "LDC"), Cisagri Holland Cooperatif U.A., Agroholding Taman LLC and IH, dated 26 July 2012 and a Loan Agreement between LDCLH, IH and Isler Resources Limited, also dated 26 July 2012.
As of 22 March 2019, the Loan has not been repaid and the membership interests have not been transferred to LDCLH.
The Project is currently delayed, and the parties have commenced arbitration proceedings in London, dealing with mutual claims by LDC and IH arising out of the Project to date. In accordance with our LDC external legal counsel opinion, the Group considers that this legal dispute shall not interfere with the Project activities and that LDC has good prospects of successfully asserting and defending the claims brought by and against it in the arbitration.

10. Inventories

At 31 December 2018 and 31 December 2017, inventories consist of the following:

(in millions of US Dollars)	**2018**	2017
Trading inventories	4,518	4,393
Finished goods	238	205
Raw materials	244	240
Inventories (gross value)	5,000	4,838
Depreciation of non-trading inventories	(3)	(5)
Inventories (net value)	**4,997**	**4,833**

Cost of goods sold and cost of derivatives held for trading purposes are presented in cost of sales. The breakdown of this information is not meaningful due to the activity of the Group.

The inventories held by Macrofertil Ghana Ltd. (Fertilizers & Inputs business) amounting to US$10 million were reclassified to held-for-sale assets as of 31 December 2018 (Refer to Note 3) and therefore not included in above table. These inventories consist of finished goods.

The inventories held by Metals business and Macrofertil Australia Pty. Ltd. (Fertilizers & Inputs business), respectively amounting to US$1,995 million and US$65 million, were reclassified to held-for-sale assets as of 31 December 2017 (Refer to Note 3) and therefore not included in above table. These inventories consist of trading inventories for Metals business and finished goods for Macrofertil Australia Pty. Ltd.

11. Biological Assets

The Group owns biological assets located in Brazil consisting of oranges growing until point of harvest. At 31 December 2018 and 31 December 2017, the Group owns respectively 39 and 40 mature orange groves, which generally sustain around 17 years of production.

Changes in biological assets, for the years ended 31 December 2018 and 31 December 2017, are as follows:

(in millions of US Dollars)	**2018**	2017
Balance at 1 January	60	58
Acquisitions and capitalized expenditure	62	69
Decrease due to harvest	(73)	(59)
Change in fair value	7	(8)
Closing Balance	**56**	**60**

Biological assets are measured at fair value less cost to sell using the discounted expected future cash flow method, as detailed in Note 2 under heading "Use of estimates".

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:

	2018	2017
Number of trees (in thousands)	13,076	12,573
Expected yields (in number of boxes)	23,145	22,515
Price of a box of oranges (in US$)	6.25	6.60
Discount rate	7.38%	8.37%

Notes continued

12. Financial Instruments

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 strong 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.

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.

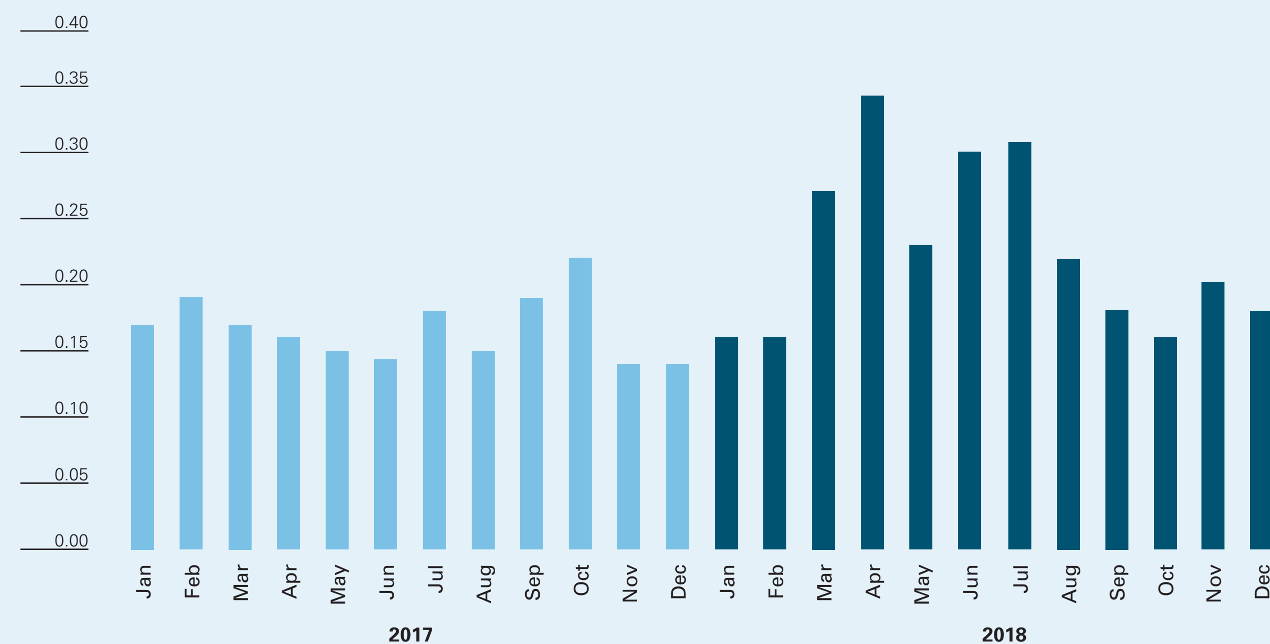
Limits are based on a daily measure of market risk exposure referred to as value at risk (VAR). The VAR that the Group measures is a model-based estimate grounded upon various assumptions such as that the long-normality of price returns; and on conventions such as the use of exponentially weighted historical 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 twenty (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 31 December 2018 and 31 December 2017, 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 2018, compared to 0.17% in 2017.

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

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 at 31 December 2018 and 31 December 2017:

2018 (in millions of US Dollars)	US Dollar	Chinese Yuan	Euro	Brazilian Real	Other currencies	Total
Inventories – gross value	4,066	733	131	11	59	**5,000**
Biological assets	56	–	–	–	–	**56**
Trade and other receivables – gross value	3,436	164	324	227	463	**4,614**
Derivative assets – gross value	1,370	98	7	3	15	**1,493**
Margin deposits	247	138	6	–	16	**407**
Current income tax assets	–	2	3	4	62	**71**
Assets	**9,175**	**1,135**	**471**	**245**	**615**	**11,641**
Accounts payable and accrued expenses	2,886	205	125	290	339	**3,845**
Derivative liabilities	1,101	22	11	3	11	**1,148**
Current income tax liabilities	2	5	5	4	26	**42**
Liabilities	**3,989**	**232**	**141**	**297**	**376**	**5,035**
Net Current Assets and Liabilities	**5,186**	**903**	**330**	**(52)**	**239**	**6,606**

2017 (in millions of US Dollars)	US Dollar	Chinese Yuan	Euro	Brazilian Real	Other currencies	Total
Inventories – gross value	3,725	689	286	19	119	**4,838**
Biological assets	60	–	–	–	–	**60**
Trade and other receivables – gross value	3,126	116	376	209	442	**4,269**
Derivative assets – gross value	898	33	13	–	19	**963**
Margin deposits	485	152	5	–	37	**679**
Current income tax assets	1	2	3	101	76	**183**
Assets	**8,295**	**992**	**683**	**329**	**693**	**10,992**
Accounts payable and accrued expenses	2,452	106	140	311	430	**3,439**
Derivative liabilities	981	22	3	–	18	**1,024**
Current income tax liabilities	2	3	12	21	21	**59**
Liabilities	**3,435**	**131**	**155**	**332**	**469**	**4,522**
Net Current Assets and Liabilities	**4,860**	**861**	**528**	**(3)**	**224**	**6,470**

At 31 December 2018 and 31 December 2017, around 90% of the Net Current Assets and Liabilities are denominated in the same currency before hedge as the functional currency of the legal entity they relate to.

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.

Notes continued

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$456 million that are past due at 31 December 2018. The credit quality of financial assets that are neither past due nor impaired is assessed by reference to credit ratings or to historical information about counterparty default rates.

	2018			2017		
(in millions of US Dollars)	Gross value	Provision	Net value	Gross value	Provision	Net value
Not due	3,537	(7)	**3,530**	3,467	(3)	**3,464**
Due since < 3 months	309	(6)	**303**	432	(7)	**425**
Due since 3-6 months	33	(3)	**30**	45	(4)	**41**
Due since 6 months-1 year	70	(8)	**62**	49	(10)	**39**
Due since > 1 year	137	(76)	**61**	149	(104)	**45**
Closing Balance	**4,086**	**(100)**	**3,986**	**4,142**	**(128)**	**4,014**
Including:						
Trade receivables	*2,345*	*(78)*	***2,267***	*2,293*	*(89)*	***2,204***
Prepayments and advances to suppliers	*833*	*(3)*	***830***	*596*	*(7)*	***589***
Staff and tax receivables	*392*	*(15)*	***377***	*325*	*(29)*	***296***
Other receivables	*108*	*(4)*	***104***	*225*	*(3)*	***222***
Margin deposits	*407*	–	***407***	*679*	–	***679***
Financial advances to related parties	*1*	–	***1***	*24*	–	***24***

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.

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 derivative contracts for the sale of physical commodities and derivative assets that are expected to generate cash inflows that will be available to meet cash outflows on purchases and 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 financial assets and liabilities carrying amounts at 31 December 2018 and 31 December 2017.

	2018				2017			
(in millions of US Dollars)	Under 3 months	3 to 6 months	Over 6 months	Total	Under 3 months	3 to 6 months	Over 6 months	Total
Trading inventories	4,030	475	13	**4,518**	4,105	263	25	**4,393**
Derivative assets	1,236	82	172	**1,490**	821	53	83	**957**
Trade and other receivables	3,792	402	320	**4,514**	3,689	217	235	**4,141**
Derivative liabilities	(996)	(61)	(91)	**(1,148)**	(906)	(42)	(76)	**(1,024)**
Accounts payable and accrued expenses	(3,671)	(122)	(52)	**(3,845)**	(3,279)	(109)	(51)	**(3,439)**
Total Assets net of Liabilities	**4,391**	**776**	**362**	**5,529**	**4,430**	**382**	**216**	**5,028**

The schedule below analyses the Group's financial interests that will be settled on future periods based on the short and long-term financial debt at 31 December 2018 and 31 December 2017. These interests are grouped into maturity based on the contractual maturity date of the interests.

(in millions of US Dollars)	2018	2017
Maturity < 1 year	186	189
Maturity between 1-2 years	122	157
Maturity between 2-3 years	82	117
Maturity between 3-4 years	50	74
Maturity between 4-5 years	26	46
Maturity > 5 years[1]	73	28
Interests future cash outflows related to short and long-term financial debt existing at closing date	**539**	**611**
of which:		
Fixed rate	372	513
Floating rate	167	98

1. It includes future interests on a financial debt contracted in Brazil in 2018 and maturing up to 2035.

Interest Rate Risk

At 31 December 2018 and 31 December 2017, the allocation of Group financing between fixed and floating interest rates is as follows:

(in millions of US Dollars)	2018	2017
Fixed rate	3,713	4,055
Floating rate	3,998	3,289
Total short and long-term financing	**7,711**	**7,344**

(For further details, refer to Notes 18 and 19).

The Group considers as floating rate any short-term debt, which initial contractual maturity is below six months.

Notes continued

Categories of Financial Assets and Liabilities

At 31 December 2018, the different categories of financial assets and liabilities are as follows:

(in millions of US Dollars)	Assets at fair value through profit and loss	Assets at amortized cost	Non-financial assets	Total
Other investments, deposits and sundry	171	1,123	419	**1,713**
Total Non-Current Assets	**171**	**1,123**	**419**	**1,713**
Financial advances to related parties	–	1	–	**1**
Trade and other receivables	–	3,471	1,043	**4,514**
Margin deposits	–	407	–	**407**
Other financial assets at fair value through profit and loss	173	–	–	**173**
Cash and cash equivalents	332	458	–	**790**
Total Current Assets	**505**	**4,337**	**1,043**	**5,885**
Total Assets	**676**	**5,460**	**1,462**	**7,598**

(in millions of US Dollars)	Liabilities at fair value through profit and loss	Liabilities at amortized cost	Non-financial liabilities	Total
Long-term debt	–	2,777	–	**2,777**
Other non-current liabilities	–	78	–	**78**
Total Non-Current Liabilities	**–**	**2,855**	**–**	**2,855**
Bank loans, acceptances and commercial paper	–	4,934	–	**4,934**
Financial advances from related parties	–	202	–	**202**
Accounts payable and accrued expenses (except Margin deposit liabilities)	–	3,515	304	**3,819**
Margin deposit liabilities	–	26	–	**26**
Total Current Liabilities	**–**	**8,677**	**304**	**8,981**
Total Liabilities	**–**	**11,532**	**304**	**11,836**

At 31 December 2017, the different categories of financial assets and liabilities were as follows:

(in millions of US Dollars)	Assets at fair value through profit and loss	Assets at fair value through OCI	Other financial assets	Total
Other investments, deposits and sundry	154	–	1,027	**1,181**
Total Non-Current Assets	**154**	**–**	**1,027**	**1,181**
Financial advances to related parties	–	–	24	**24**
Trade and other receivables	–	–	4,141	**4,141**
Derivative assets	949	8	–	**957**
Margin deposits	–	–	679	**679**
Available-for-sale financial assets	–	–	14	**14**
Other financial assets at fair value through profit and loss	262	–	–	**262**
Cash and cash equivalents	169	–	372	**541**
Total Current Assets	**1,380**	**8**	**5,230**	**6,618**
Total Assets	**1,534**	**8**	**6,257**	**7,799**

(in millions of US Dollars)	Liabilities at fair value through profit and loss	Liabilities at fair value through OCI	Other financial liabilities	Total
Long-term debt	–	–	3,526	**3,526**
Other non-current liabilities	–	–	82	**82**
Total Non-Current Liabilities	**–**	**–**	**3,608**	**3,608**
Bank loans, acceptances and commercial paper	–	–	3,818	**3,818**
Financial advances from related parties	–	–	221	**221**
Accounts payable and accrued expenses (except Margin deposit liabilities)	–	–	3,422	**3,422**
Margin deposit liabilities	–	–	17	**17**
Derivative liabilities	1,031	(7)	–	**1,024**
Total Current Liabilities	**1,031**	**(7)**	**7,478**	**8,502**
Total Liabilities	**1,031**	**(7)**	**11,086**	**12,110**

Other financial assets (for which the net booked value is deemed to correspond to the fair value) and Other financial liabilities are measured at amortized cost, except for listed available-for-sale financial assets that are measured at fair value.

At 31 December 2017, Other financial assets include US$940 million of non-financial assets (US$375 million in line Other investments, deposits and sundry and US$565 million in line Trade and other receivables) and Other financial liabilities include US$330 of non-financial liabilities (included in line Accounts payable and accrued expenses).

Classification of Derivative Financial Instruments

At 31 December 2018 and 31 December 2017, derivative financial instruments are as follows:

	2018		2017	
(in millions of US Dollars)	Assets	Liabilities	Assets	Liabilities
Forward purchase and sale agreements	777	453	503	380
Forward foreign exchange contracts	432	441	327	334
Futures	231	85	114	177
Options	11	2	6	2
Swaps	33	133	5	138
Provision on derivative assets	(3)	–	(6)	–
Derivatives at fair value through profit and loss	**1,481**	**1,114**	**949**	**1,031**
Forward foreign exchange contracts	3	44	7	1
Swaps	6	(10)	1	(8)
Derivatives at fair value through OCI – Cash Flow Hedges	**9**	**34**	**8**	**(7)**
Total Derivatives	**1,490**	**1,148**	**957**	**1,024**

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.

The derivative assets and liabilities held by Metals business as of 31 December 2017, respectively amounting to US$199 million and US$379 million, were reclassified to held-for-sale assets and liabilities (Refer to Note 3) and therefore not included in above table.

Notes continued

At 31 December 2018, the Group recognized a provision on derivative assets of US$3 million on performance risk to offset unrealized gains on counterparties identified as being at risk by the credit management department. At 31 December 2017, this provision was US$6 million.

Derivatives at fair value through OCI – Cash flow hedges
Forward foreign exchange contracts mainly relate to the hedge of foreign currency risk of future capital expenditure, production costs and commercial and administrative expenses in Brazilian Real. Since 2018, the contracts also relate to the hedge of foreign currency risk of a long-term financing line (principal and interests) in Brazilian Real. Such contracts represent at 31 December 2018 a total US$643 million nominal value and are effective until 2035 with an average fixed exchange rate of 3.83 Brazilian Real to US Dollar.

The Group enters into interest-rate swap contracts in North America to hedge against fluctuation in international interest rates (Libor) on the floating rate exposure of its debt. These operations represent at 31 December 2018 a total US$1,330 million nominal value effective until 2024 with an average three-month libor rate fixed at 2.57% 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 "Finance Costs, net" in the income statement (Refer to Note 26). At 31 December 2018, the remaining cross-currency swap is effective until 2020 and is linked to the €500 million unrated senior bond. 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 (Refer to Note 19).

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 balance sheet. This is because the Group does not have any currently legally enforceable right to offset recognized amounts, because 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 at 31 December 2018:

	Amounts set off in the balance sheet			Amounts not set off in the balance sheet				
(in millions of US Dollars)	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	1,135	**1,490**	16	**1,506**
Derivative liabilities	(10)	37	**27**	216	905	**1,148**	(273)	**875**
Margin deposit assets				407		**407**	(314)	**93**
Margin deposit liabilities				26		**26**	(25)	**1**
	293	**(154)**	**139**	**354**	**230**	**723**	**–**	**723**

At 31 December 2017, 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 Dollars)	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	96	(29)	**67**	178	712	**957**	194	**1,151**
Derivative liabilities	(12)	151	**139**	186	699	**1,024**	(265)	**759**
Margin deposit assets				679		**679**	(465)	**214**
Margin deposit liabilities				17		**17**	(6)	**11**
	108	**(180)**	**(72)**	**654**	**13**	**595**	**–**	**595**

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

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

There was no transfer between levels during the year.

The following table shows an analysis of assets and liabilities recorded at fair value by level of the fair value hierarchy at 31 December 2018 and 31 December 2017:

	2018				2017			
(in millions of US Dollars)	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**
Biological assets	–	–	56	**56**	–	–	60	**60**
Trading inventories	62	3,869	587	**4,518**	96	3,575	722	**4,393**
Derivative assets	244	1,204	42	**1,490**	122	770	65	**957**
Forward purchase and sale agreements	–	*735*	*42*	***777***	–	*438*	*65*	***503***
Forward foreign exchange contracts	*3*	*432*	–	***435***	*4*	*330*	–	***334***
Futures	*231*	–	–	***231***	*114*	–	–	***114***
Options	*10*	*1*	–	***11***	*4*	*2*	–	***6***
Swaps	–	*39*	–	***39***	–	*6*	–	***6***
Provision on derivative assets	–	*(3)*	–	***(3)***	–	*(6)*	–	***(6)***
Available-for-sale financial assets[1]	–	–	–	**–**	10	4	–	**14**
Other financial assets at fair value through profit and loss (current and non-current)[1]	138	8	198	**344**	151	64	201	**416**
Total Assets	**444**	**5,081**	**883**	**6,408**	**379**	**4,413**	**1,048**	**5,840**
Derivative liabilities	92	1,041	15	**1,148**	181	810	33	**1,024**
Forward purchase and sale agreements	–	*438*	*15*	***453***	–	*347*	*33*	***380***
Forward foreign exchange contracts	*5*	*480*	–	***485***	*2*	*333*	–	***335***
Futures	*85*	–	–	***85***	*177*	–	–	***177***
Options	*2*	–	–	***2***	*2*	–	–	***2***
Swaps	–	*123*	–	***123***	–	*130*	–	***130***
Total Liabilities	**92**	**1,041**	**15**	**1,148**	**181**	**810**	**33**	**1,024**

1. Investments in equity instruments previously considered as available-for-sale (US$14 million as of 31 December 2017) were reclassified to "Other financial assets at fair value through profit and loss" as of 1 January 2018 due to application of IFRS 9 (Refer to Note 14).

Notes continued

Biological assets are valued using a financial model based on discounted cash flows (income approach) that is developed by an external valuation firm (Refer to Note 11).

Trading inventories are valued at fair value based on observable prices (if and when available) such as commodity futures exchange quotations, broker or dealer quotations, or market transactions in either listed or OTC markets and adjusted for differences in local markets and quality since the exchange quoted-price represents contracts 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 requirements, classified as Level 3.

13. Trade and Other Receivables

At 31 December 2018 and 31 December 2017, trade and other receivables consist of the following:

	2018			2017		
(in millions of US Dollars)	Gross value	Provision	**Net value**	Gross value	Provision	**Net value**
Trade receivables	2,345	(78)	**2,267**	2,293	(89)	**2,204**
Accrued receivables	888	–	**888**	791	–	**791**
Prepayments and advances to suppliers	833	(3)	**830**	596	(7)	**589**
Staff and tax receivables	392	(15)	**377**	325	(29)	**296**
Prepaid expenses	48	–	**48**	39	–	**39**
Other receivables	108	(4)	**104**	225	(3)	**222**
	4,614	**(100)**	**4,514**	**4,269**	**(128)**	**4,141**

Trade and other receivables include US$11 million with Biosev S.A. and its subsidiaries ("Biosev", an indirect subsidiary of LDCH) at 31 December 2018 (US$262 million at 31 December 2017, of which US$176 million consisted of the current portion of the exports prepaid regarding the 2017/2018 and 2018/2019 sugar crops) (Refer to Note 32).

The trade and other receivables held by Macrofertil Ghana Ltd. (Fertilizers & Inputs business) amounting to US$5 million were reclassified to held-for-sale assets as of 31 December 2018 (Refer to Note 3) and therefore not included in above table.

The trade and other receivables held by Metals business and Macrofertil Australia Pty. Ltd. (Fertilizers & Inputs business), respectively amounting to US$1,014 million and US$16 million, were reclassified to held-for-sale assets as of 31 December 2017 (Refer to Note 3) and therefore not included in above table.

At 31 December 2018, the amount of the provision for trade and other receivables is US$100 million (US$128 million at 31 December 2017). The changes in the provision on trade and other receivables are as follows:

(in millions of US Dollars)	**2018**	2017
Balance at 1 January	(128)	(134)
Increase in provision[1]	(19)	(31)
Reversal of provision[2]	46	32
Reclassification to held-for-sale assets[3]	–	4
Change in list of consolidated companies	(1)	–
Other reclassifications	–	3
Foreign currency translation adjustment	2	(2)
Closing Balance	**(100)**	**(128)**

1. During the year ended 31 December 2018, the increase in provision mainly corresponded to default risk on customers for US$16 million for their estimated non-recoverable portions (US$20 million at 31 December 2017) and to provisions on VAT for US$3 million (US$7 million at 31 December 2017).
2. During the year ended 31 December 2018, the reversal of provision mainly corresponded to provisions for receivables reversed for US$25 million and to provisions on fiscal receivables for US$15 million. During the year ended 31 December 2017, the reversal of provision mainly corresponded to provisions for receivables reversed for US$26 million and to provisions on VAT for US$4 million.
3. As of 31 December 2017, the reclassification to held-for-sale assets was related to US$(4) million provisions on trade and other receivables held by Metals business (Refer to Note 3).

14. Available-For-Sale Financial Assets

As of 1 January 2018, the financial assets previously reported as Available-for-sale are reclassified to "Other financial assets at fair value through profit and loss" due to the application of IFRS 9 (Refer to Note 1).

At 31 December 2017, the consolidated available-for-sale financial assets consist of the following:

	2017	
(in millions of US Dollars)	Ownership	Balance
Namoi Cotton Limited, publicly traded in Australia	10.0%	6
InterContinental Exchange, Inc., publicly traded in the United States	less than 1%	1
CME Group, Inc., publicly traded in the United States	less than 1%	3
Listed Available-For-Sale Financial Assets		10
Others		4
Unlisted Available-For-Sale Financial Assets		4
		14

15. Other Financial Assets at Fair Value Through Profit and Loss

At 31 December 2018 and 31 December 2017, other financial assets consist of the following:

(in millions of US Dollars)	**2018**	2017
Financial assets held for trading purpose	93	11
Short-term securities (maturity > 3 months)[1]	67	251
Investments in equity instruments[2]	13	–
	173	**262**

1. Including US$6 million of securities pledged as collaterals for exchange both at 31 December 2018 and 31 December 2017.
2. Investments in equity instruments previously reported as available-for-sale are reclassified to "Other financial assets at fair value through profit and loss" as of 1 January 2018 due to the application of IFRS 9 (Refer to Note 1).

Notes continued

16. Cash and Cash Equivalents

Cash and cash equivalents at 31 December 2018 and 31 December 2017 are as follows:

(in millions of US Dollars)	**2018**	2017
Short-term securities (maturity < 3 months)[1]	332	169
Cash	458	372
	790	**541**

1. Including US$1 million at 31 December 2018 of securities pledged as collaterals for exchange (US$23 million at 31 December 2017).

Short-term securities are valued based on adjusted quoted prices and therefore classified as level 2 in the fair value hierarchy defined in Note 12.

At 31 December 2018 and 31 December 2017, there is no material difference between the historical value of cash and cash equivalents and their fair value.

17. Equity

(in millions of US Dollars)	**2018**	2017
Issued capital	1	1
Share premium	1,586	1,586
Retained earnings	3,564	3,607
Other reserves	(125)	(67)
Equity attributable to Owners of the Company	5,026	5,127
Non-controlling Interests	8	8
Total Equity	**5,034**	**5,135**

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.

At 31 December 2018 and 31 December 2017, the capital of LDC is composed of 100,000,000 shares, with a 0.01 euro nominal value each, that are issued and fully paid. During the year ended 31 December 2018, LDC distributed US$411 million as dividends to LDCNH, corresponding to a dividend payment of US$4.11 per share (no dividend was paid during the year ended 31 December 2017). These US$411 million dividends were distributed in relation to the results of the years 2016 and 2017 as well as a portion of the proceeds from the sale of Metals business.

Other Reserves

Other Reserves at 31 December 2018 and 31 December 2017 relate to:

	2018				2017			
(in millions of US Dollars)	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	(157)	1	(6)	**(150)**	(94)	(4)	(5)	**(93)**
Deferred compensation	25	–	–	**25**	26	–	–	**26**
Other reserves	**(132)**	**1**	**(6)**	**(125)**	**(68)**	**(4)**	**(5)**	**(67)**

Other Comprehensive income

Changes in other comprehensive income for the years ended 31 December 2018 and 31 December 2017 are as follows:

(in millions of US Dollars)	Available-for-sale financial assets	Cash flow and net investment hedges	Fixed assets revaluation reserve	Pensions	Foreign Currency translation adjustment	**Total**
Balance at 1 January 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 at 31 December 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)**

(in millions of US Dollars)	Available-for-sale financial assets	Cash flow and net investment hedges	Fixed assets revaluation reserve	Pensions	Foreign Currency translation adjustment	**Total**
Balance at 1 January 2017 – Owners of the Company share	6	(2)	7	14	(181)	**(156)**
of which :						
Pre-tax	7	(2)	8	20	(188)	**(155)**
Tax	(1)	–	–	(6)	–	**(7)**
Non-controlling share	–	–	1	–	(7)	**(6)**
Current year gains (losses)	2	3	(1)	9	61	**74**
Reclassification to profit and loss	(4)	(14)	–	–	7	**(11)**
Other comprehensive income for the year – Owners of the Company share	(2)	(11)	(1)	9	68	**63**
of which :						
Pre-tax	(2)	(14)	(1)	9	69	**61**
Tax	–	3	–	–	–	**3**
Non-controlling share	–	–	–	–	1	**1**
Balance at 31 December 2017 – 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)**

Notes continued

18. Long-term Financing

The Group's long-term financing includes senior debts, bank loans and financial lease commitments. The maturity of long-term financing at 31 December 2018 and 31 December 2017 can be analyzed as follows:

(in millions of US Dollars)	2018	2017
Maturity between 1-2 years[1]	770	831
Maturity between 2-3 years	539	965
Maturity between 3-4 years[2]	795	265
Maturity between 4-5 years[3]	505	815
Maturity > 5 years	168	650
Non-Current portion of long-term financing	2,777	3,526
Maturity < 1 year[4]	230	618
Current portion of long-term financing *(presented in bank loans, acceptances and commercial paper)*	230	618
Total Long-term Financing (including current portion)	**3,007**	**4,144**
of which:		
Fixed rate	2,296	3,039
Floating rate	711	1,105

1. At 31 December 2018, it includes a €500 million, 7-year, 4.00% coupon unrated senior bond listed on the Luxembourg Stock Exchange issued by LDC on 4 December 2013 (swapped to US Dollars, refer to Note 12 under heading "Classification of Derivative Financial Instruments").
2. At 31 December 2018, it includes a €400 million, 5-year, 4.00% coupon unrated senior bond listed on the Luxembourg Stock Exchange issued by LDC on 7 February 2017. This senior bond is partially used as a hedging instrument to hedge the net investments in the Euro subsidiaries of the Group.
3. At 31 December 2018, it includes a US$300 million, 6-year, 5.25% coupon unrated senior bond listed on the Luxembourg Stock Exchange issued by LDC on 13 June 2017 and out of which the equivalent of US$26 million nominal value was bought back during 2018.
4. At 31 December 2017, it includes a€400 million, 5-year, 3.875% coupon unrated senior bond listed on the Luxembourg Stock Exchange issued by LDC on 30 July 2013 (swapped to US Dollars, refer to Note 12 under heading "Classification of Derivative Financial Instruments"), which became current in July 2017 and was repaid in July 2018.

The long-term debt financing held by Metals business amounting to US$2 million as of 31 December 2017 was reclassified to held-for-sale liabilities (Refer to Note 3) and therefore not included in above table.

Certain portions of this debt, aggregating US$105 million at 31 December 2018 and US$29 million at 31 December 2017 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 debt outstanding is comprised of loans in the following currencies at 31 December 2018 and 31 December 2017:

(in millions of US Dollars)	2018	2017
US Dollar	2,516	3,656
Euro	460	484
Canadian Dollar	29	–
Other currencies	2	4
Total Long-term Financing (including current portion)	**3,007**	**4,144**

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

(in millions of US Dollars)	2018	2017
Bank loans, from 0.80% to 3.05% over LIBOR due through 2019	82	350
Bank loans, from 0.95% to 3.33% over LIBOR due through 2020	180	566
Bank loans, from 0.90% to 1.35% over LIBOR due through 2021	270	–
Bank loans, from 0.70% to 3.00% over LIBOR due through 2024	113	178
Bank loans, from 3.10% to 5.00% over TJLP due through 2035	63	7
Other variable rates through 2022	3	4
Fixed rate through 2027	2,296	3,039
Total Long-term Financing (including current portion)	**3,007**	**4,144**

At 31 December 2018, the main difference between the fair value of long-term financing and its historical value amounts to US$3 million. It relates to the unrated senior bonds for which fair value is US$1,305 million compared to US$1,302 million net book value.

The non-current portion of long-term financing at 31 December 2018 and 31 December 2017 can be analyzed as follows:

(in millions of US Dollars)	2018	2017
Debt capital markets	1,302	1,372
Revolving credit facilities	450	425
Term loans from banks	1,025	1,729
Non-current portion of Long-term Financing	**2,777**	**3,526**

Changes in long-term financing for the years ended 31 December 2018 and 31 December 2017 are as follows:

(in millions of US Dollars)	2018	2017
Balance at 1 January	4,144	3,233
Proceeds from long-term debt	330	1,071
Repayment of long-term debt	(1,447)	(359)
Foreign exchange	(22)	190
Reclassification	1	8
Change in list of consolidated companies	1	3
Reclassification to held-for-sale liabilities[1]	–	(2)
Closing Balance	**3,007**	**4,144**

1. As of 31 December 2017, the long-term debt financing held by Metals business amounting to US$2 million was reclassified to held-for-sale liabilities.

Notes continued

19. Bank Loans, Acceptances and Commercial Paper

The Group finances most of its short-term requirements with 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.

At 31 December 2018 and 31 December 2017, bank loans, acceptances and commercial paper consist of the following:

(in millions of US Dollars)	2018	2017
Commercial paper	51	105
Bank loans	4,426	2,857
Bank overdrafts	201	231
Repurchase agreements	26	–
Securities short positions	–	7
Total Short-term Financing	**4,704**	**3,200**
Current portion of long-term financing[1]	230	618
Total Bank Loans, Acceptances and Commercial Paper	**4,934**	**3,818**
of which:		
Fixed rate[1]	1,548	1,509
Floating rate	3,386	2,309

1. At 31 December 2017, it includes a €400 million, 5-year, 3.875% coupon unrated senior bond listed on the Luxembourg Stock Exchange issued by LDC on 30 July 2013 (swapped to US Dollars, refer to Note 12 under heading "Classification of Derivative Financial Instruments"), which became current in July 2017 and was repaid in July 2018.

The bank overdraft held by Macrofertil Ghana Ltd. (Fertilizers & Inputs business) amounting to US$3 million as of 31 December 2018 was reclassified to held-for-sale liabilities (Refer to Note 3) and therefore not included in above table.

The bank loans and acceptances held by Metals business and Macrofertil Australia Pty. Ltd. (Fertilizers & Inputs business) respectively amounting to US$2,285 million and US$85 million as of 31 December 2017, were reclassified to held-for-sale liabilities (Refer to Note 3) and therefore not included in above table. The US$2,285 million comprised US$2,044 million of bank loans (of which US$1,998 million secured on LDC Metals Suisse S.A. inventories and trade receivables) as well as US$241 million of bank overdrafts.

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.

At 31 December 2018 and 31 December 2017, there is no significant difference between the historical value of bank loans, acceptances and commercial paper and their fair value.

The debt outstanding is comprised of loans in the following currencies at 31 December 2018 and 31 December 2017:

(in millions of US Dollars)	2018	2017
US Dollar	4,525	3,116
Chinese Yuan	202	269
Euro	17	110
Russian Ruble	60	179
Other currencies	130	144
Total Bank Loans, Acceptances and Commercial Paper	**4,934**	**3,818**

Changes in short-term financing for the years ended 31 December 2018 and 31 December 2017 are as follows:

(in millions of US Dollars)	2018	2017
Balance at 1 January	3,200	5,469
Proceeds from (repayments of) bank loans, acceptances and commercial paper[1]	1,482	(956)
Foreign exchange	(2)	15
Reclassification	–	(8)
Change in list of consolidated companies[2]	27	65
Reclassification to held-for-sale liabilities[3]	(3)	(1,385)
Closing Balance	**4,704**	**3,200**

1. At 31 December 2018, includes changes in securities short position (US$(7) million) and repurchase agreements (US$26 million) which are reported as changes in derivatives in the Cash Flow Statement.
Excludes changes in related parties advances amounting to US$(926) million which are reported as Proceeds from (repayments of) bank loans, acceptances, commercial paper and related parties loans and advances, net in the Cash Flow Statement.
At 31 December 2017, includes changes in securities short position (US$(22) million) and repurchase agreements (US$(12) million) and excludes changes in related parties advances amounting to US$(416) million.
2. At 31 December 2018, includes mainly US$29 million of Bank loans, acceptances and commercial paper held by LDC (Tianjin) Food Technology Limited Liability Company on acquisition date (Refer to Note 5).
3. At 31 December 2018, the bank overdraft held by Macrofertil Ghana Ltd. (Fertilizers & Inputs business) amounting to US$3 million was reclassified to held-for-sale liabilities (Refer to Note 3).
At 31 December 2017, the bank loans and acceptances held by Metals business and Macrofertil Australia Pty. Ltd. (Fertilizers & Inputs business), respectively amounting to US$1,300 million and US$85 million, were reclassified to held-for-sale liabilities.

20. Retirement Benefit Obligations

At 31 December 2018 and 31 December 2017, retirement benefit obligations consist of the following:

(in millions of US Dollars)	2018	2017
Long-term pension benefit	110	104
Post-retirement benefit	32	33
Other long-term employee benefits	5	6
Retirement benefit obligations	**147**	**143**
Net plan asset[1]	**(1)**	**(2)**

1. Included in "Trade and other receivables"

Current pension benefit and net plan asset are almost nil at 31 December 2018 and 31 December 2017.

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.

	2018			2017		
(in millions of US Dollars)	United States	Other	Total	United States	Other	Total
Long-term pension benefit	91	19	**110**	89	15	**104**
Post-retirement benefit	21	11	**32**	23	10	**33**
Other long-term employee benefits	5	–	**5**	6	–	**6**
Retirement benefit obligations	**117**	**30**	**147**	**118**	**25**	**143**
Net plan asset	**–**	**(1)**	**(1)**	**–**	**(2)**	**(2)**

Notes continued

United States

The Group has various defined benefit pension plans in the United States 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 United States that cover substantially all salaried employees. These plans provide medical, dental and life insurance benefits.

Certain of the Imperial Sugar Company's ("ISC") current and former employees 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 balance sheet are as follows at 31 December 2018 and 31 December 2017:

	2018		2017	
(in millions of US Dollars)	Pension benefit	Post-retirement benefit	Pension benefit	Post-retirement benefit
Present value of obligations	345	21	376	23
Fair value of plan assets	(254)	–	(287)	–
Liability in the balance sheet	**91**	**21**	**89**	**23**

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

	2018		2017	
(in millions of US Dollars)	Pension benefit	Post-retirement benefit	Pension benefit	Post-retirement benefit
Balance at 1 January	89	23	103	24
Net expense	6	1	6	1
Remeasurements	–	(1)	(11)	1
Contributions	(4)	(2)	(9)	(3)
Closing Balance	**91**	**21**	**89**	**23**

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

	2018		2017	
(in millions of US Dollars)	Pension benefit	Post-retirement benefit	Pension benefit	Post-retirement benefit
Balance at 1 January	376	23	364	24
Interest cost	13	1	14	1
Remeasurements	(24)	(1)	18	1
Contributions	(20)	(2)	(20)	(3)
Closing Balance	**345**	**21**	**376**	**23**

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

(in millions of US Dollars)	**2018**	2017
Balance at 1 January	(287)	(261)
Interest income	(10)	(10)
Administrative expenses	3	2
Return on plan assets excluding interest income	24	(29)
Employer contributions	(4)	(9)
Benefit payments	20	20
Closing Balance	**(254)**	**(287)**

The amounts recognized in profit and loss are as follows:

	2018		2017	
(in millions of US Dollars)	Pension benefit	Post-retirement benefit	Pension benefit	Post-retirement benefit
Administrative expenses	3	–	2	–
Net interest expense	3	1	4	1
Total Net expenses	**6**	**1**	**6**	**1**

The changes in other comprehensive income are as follows:

	2018		2017	
(in millions of US Dollars)	Pension benefit	Post-retirement benefit	Pension benefit	Post-retirement benefit
Balance at 1 January	26	3	15	4
Net return on plan assets excluding interest income	(24)	–	29	–
Effect of change in financial assumptions	23	1	(20)	(1)
Effect of change in demographic assumptions	1	–	3	–
Effect of experience adjustments	–	–	(1)	–
Closing Balance	**26**	**4**	**26**	**3**

The plan assets are detailed as follows:

(in millions of US Dollars)	**2018**	2017
Large US Equity	(105)	(120)
Small/Mid US Equity	(12)	(15)
International Equity	(16)	(20)
Bond	(121)	(132)
Total plan assets	**(254)**	**(287)**

The discount rate is 4.05% at 31 December 2018 (3.48% at 31 December 2017).

Other

The other defined benefit pension plans are mainly in the United Kingdom and Switzerland. Pension benefits liabilities recognized in the balance sheet are as follows at 31 December 2018 and 31 December 2017:

	2018		2017	
(in millions of US Dollars)	United Kingdom	Switzerland	United Kingdom	Switzerland
Present value of obligations	71	45	77	60
Fair value of plan assets	(61)	(40)	(71)	(55)
Liability in the balance sheet	**10**	**5**	**6**	**5**

Notes continued

21. Provisions

At 31 December 2018 and 31 December 2017, provisions consist of the following:

(in millions of US Dollars)	**2018**	2017
Current provisions	2	4
Non-current provisions	38	64
	40	**68**

Changes in provisions for the years ended 31 December 2018 and 31 December 2017 are as follows:

(in millions of US Dollars)	**2018**				2017
Provisions for:	Tax and social risks	Litigations	Other	**Total**	**Total**
Balance at 1 January	50	9	9	**68**	76
Allowance	6	5	1	**12**	24
Reversal of used portion	(13)	(9)	(1)	**(23)**	(19)
Reversal of unused portion	(16)	(1)	–	**(17)**	(17)
Reclassification	1	(1)	–	**–**	4
Closing Balance	**28**	**3**	**9**	**40**	**68**

22. Income Taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset the potential future equivalent of current tax assets and liabilities.

The consolidated deferred income tax assets (liabilities) at 31 December 2018 and 31 December 2017 are as follows:

(in millions of US Dollars)	**2018**	2017
Deferred income tax assets	196	290
Deferred income tax liabilities	(190)	(248)
	6	**42**

The consolidated net deferred income tax assets (liabilities) recorded at 31 December 2018 and 31 December 2017 arise from:

(in millions of US Dollars)	**2018**	2017
Tax benefits from carry forward losses	294	358
Unrealized exchange gains and losses	131	120
Non-monetary balance sheet items – Difference between tax and functional currencies	(276)	(251)
Fixed assets (other temporary differences)	(155)	(232)
Other temporary differences	66	86
Valuation allowance for deferred tax assets	(54)	(39)
	6	**42**

The valuation allowance for deferred tax assets is fully ascribed to available loss carry forwards at 31 December 2018 and 31 December 2017.

Changes in net deferred income tax assets (liabilities) are as follows:

(in millions of US Dollars)	**2018**	2017
Balance at 1 January	42	(12)
Deferred tax recognized in income – continuing operations	(9)	12
Deferred tax recognized in Net income – discontinued operations	–	(4)
Change in list of consolidated companies[1]	1	(5)
Reclassification from current income tax assets (liabilities)	–	8
Transfer to the head legal entity of Dutch tax unit	(28)	–
Deferred tax recognized in equity	2	10
Reclassification to held-for-sale assets/liabilities[2]	–	32
Foreign currency translation adjustment	(2)	1
Closing Balance	**6**	**42**

1. 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. In May 2017, the Group acquired the remaining 50% shares in its joint venture Kencana LDC Pte. Ltd. (Refer to Note 5).
2. As at 31 December 2017, the amount relates to net deferred income tax (assets) liabilities held by Metals business (Refer to Note 3).

The reported tax expense differs from the computed theoretical income tax provision using the Netherlands's income tax rate of 25% during the years ended 31 December 2018 and 31 December 2017 for the following reasons:

(in millions of US Dollars)	**2018**	2017
Theoretical income tax	(102)	(76)
Differences in income tax rates	30	7
Difference between local currency and functional currency[1]	29	(13)
Change in valuation of tax assets and net operating losses	(20)	14
Permanent differences on investments	8	(1)
Other permanent differences	(31)	(11)
Reported income tax	**(86)**	**(80)**

1. The functional currency impact is booked in non-US entities whose functional currency is the US Dollar instead of their local respective currencies and largely regarded the Group's Brazilian entities. Within these entities, most of the impact derived from the conversion, in US Dollars, of net current and deferred tax assets denominated in Brazilian Reals. In 2018, the Brazilian negative functional currency impact is offset by a positive impact reported in Argentina following the tax reform enacted in December 2017 (see below).

Taxes amounted to US$(86) million in 2018 compared to US$(80) million one year before (continuing operations). The increase in the reported tax expense is attributable to:

- A higher income before tax – continuing operations;
- Additional valuation allowances booked notably in Italy, Colombia and South Africa; partially offset by
- Positive functional currency effects mainly because of the Argentinian tax reform enacted on 29 December 2017 that allows to do a revaluation of fixed and movable assets leading to change their tax basis in Argentinian peso.

Notes continued

23. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at 31 December 2018 and 31 December 2017 consist of the following:

(in millions of US Dollars)	**2018**	2017
Trade payables	1,840	1,763
Accrued payables	1,430	1,128
Staff and tax payables	229	216
Prepayments and advances received	209	200
Margin deposits	26	17
Deferred income	30	35
Payable on purchase of fixed assets and investments	7	19
Other payables	74	61
	3,845	**3,439**

The accounts payable and accrued expenses recorded by Macrofertil Ghana Ltd. (Fertilizers & Inputs business) and amounting to US$1 million as of 31 December 2018 were reclassified to held-for-sale liabilities (Refer to Note 3) and therefore not included in above table.

The accounts payable and accrued expenses recorded by Metals business and Macrofertil Australia Pty. Ltd. (Fertilizers & Inputs business), amounting respectively to US$380 million and US$14 million as of 31 December 2017, were reclassified to held-for-sale liabilities (Refer to Note 3) and therefore not included in above table.

24. Other Non-Current Liabilities

Other non-current liabilities at 31 December 2018 and 31 December 2017 consist of the following:

(in millions of US Dollars)	**2018**	2017
Non-current tax and social liabilities	10	10
Debts associated to business combinations and put options	58	58
Others	10	14
	78	**82**

25. Net Sales

Net sales consist of the following:

	2018			2017		
(in millions of US Dollars)	Value Chain	Merchandizing	**Total**	Value Chain	Merchandizing	**Total**
Sales of goods	25,102	10,893	**35,995**	26,646	10,994	**37,640**
Income from services rendered	159	123	**282**	175	128	**303**
Other income	175	13	**188**	90	8	**98**
	25,436	**11,029**	**36,465**	**26,911**	**11,130**	**38,041**

26. Finance Costs, Net

Finance costs, net in the income statement can be analyzed as follows:

(in millions of US Dollars)	**2018**	2017
Interest expense	(398)	(294)
Interest income	74	60
Foreign exchange	62	(154)
Net gain (loss) on derivatives	(68)	136
Other financial income and expense	47	62
	(283)	**(190)**

Foreign exchange and Net gain (loss) on derivatives lines need to be read jointly, totaling the net amount US$(6) million in 2018 and US$(18) million in 2017. The foreign exchange result is mainly attributable to the Euro depreciation in 2018 and appreciation in 2017, impacting the unrated 2018 and 2020 Euro-denominated bonds; these impacts are offset in Net gain (loss) on derivatives line due to the Cross Currency Swaps in place (Refer to Note 12 under heading "Classification of Derivatives Financial Instruments").

27. Foreign Exchange

Foreign exchange results, excluding results from derivatives used for hedging foreign currency exposure, are allocated in the following lines of the income statement:

(in millions of US Dollars)	**2018**	2017
Net sales	9	45
Cost of sales	(158)	19
Commercial and administrative expenses	(1)	1
Finance costs, net	62	(154)
	(88)	**(89)**

28. Gain on Investments

Gain on investments in the income statement can be analyzed as follows:

(in millions of US Dollars)	**2018**	2017
Gain on sale of consolidated companies[1]	8	3
Gain on investments in associates and joint ventures[2]	5	38
Loss on other financial assets at fair value through profit and loss	(12)	(4)
Impairment on other investments, deposits and sundry	–	(3)
	1	**34**

1. 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$2 million gain on sale were already recognized in 2017) (Refer to Note 5). This gain was partially offset by the US$(2) million loss derived from the sale of LDC Mountain Industries Pty. Ltd.
2. 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. In 2017, the gain derived from the sale of a 16.66% stake in the Brazilian joint venture Amaggi & LDC holding S.A. amounted to US$30 million. In addition, in May 2017 the Group acquired the remaining 50% shares of its joint venture Kencana LDC Pte. Ltd., and in accordance with IFRS 3 (revised), a US$8 million gain was recognized related to the 50% shares previously held and subsequently accounted for the purchase price allocation (Refer to Note 5).

Notes continued

29. Commitments and Contingencies

The Group leases facilities, warehouses, offices and equipment under operating leases, and vessels under time charter agreements. Certain of the Group's leases include renewal options and most leases include provisions for rent escalation to reflect changes in construction indexes.

The Group has future minimum payments and rentals under non-cancellable operating leases, with initial or remaining terms of more than one year, that consist of the following at 31 December 2018 and 31 December 2017:

(in millions of US Dollars)	**2018**	2017
Leases and other commitments:		
< 1 year	171	152
Between 1-5 years	406	236
> 5 years	169	155
	746	**543**

For the year ended 31 December 2018, the operating leases expenses and expenses related to other commitments reported in the income statement, amounted to US$(735) million (US$(298) million in 2017), including short-term leases expenses (agreements < 1 year).

The Group is contingently liable on open letters of credit as follows:

(in millions of US Dollars)	**2018**	2017
Letters of credit:		
Bid and performance bonds	102	111
Commodity trading	617	355
	719	**466**

At 31 December 2018, the Group has a commitment to purchase a minimum of 86 million boxes of oranges until 2034 (92 million boxes at 31 December 2017), which at 31 December 2018 price levels may represent a total amount of US$441 million (US$452 million at 31 December 2017), out of which US$207 million may fall in the following year.

At 31 December 2018, the Group has a commitment to sell 21 thousand tons of frozen concentrate orange juice until 2020 (30 thousand tons at 31 December 2017), which at 31 December 2018 price levels may represent a total amount of US$26 million (US$43 million at 31 December 2017).

At 31 December 2018, the Group has a commitment to purchase 1,152 thousand tons of sugar (1,184 thousand tons at 31 December 2017), which at 31 December 2018 price levels may represent a total amount of US$671 million (US$690 million at 31 December 2017). The Group also has a commitment to sell 398 thousand tons of refined sugar (258 thousand tons at 31 December 2017) for US$307 million (US$203 million at 31 December 2017).

At 31 December 2018, the Group has a commitment to purchase fuel until August 2021 for 9 MMBtus (Million British Thermal Units) (4 MMBtus at 31 December 2017) for an estimated amount of US$28 million (US$13 million at 31 December 2017).

At 31 December 2018, the Group has a commitment to sell 54 thousand tons of hulls and glycerin (49 thousand tons at 31 December 2017) for an estimated amount of US$22 million (US$22 million at 31 December 2017).

At 31 December 2018 and 31 December 2017, the Group has an approximate US$77 million of commitments mainly related to export terminals and to investments.

At 31 December 2018, the Group received US$461 million of guarantees and collaterals (US$459 million at 31 December 2017).

In addition, there are US$186 million of other commitments at 31 December 2018 (US$173 million at 31 December 2017), including US$151 million guarantees at 31 December 2018 (US$123 million at 31 December 2017).

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 2014 (with the last three received for 2011, 2012 and 2014 still at a preliminary stage). As of 31 December 2018, these tax assessments amounted to US$76 million, compared to US$426 million as of 31 December 2017, mainly due to clearance of 2006, 2007 and 2008 assessments during 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.
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 31 December 2018, 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 United States 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 U.S. state and federal courts arising out of Syngenta AG and its affiliates' (Syngenta) marketing and distribution of genetically modified corn seed (containing the MIR 162 trait) in the United States. The Louis Dreyfus Company 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 U.S. state and federal courts beginning in the fourth quarter of 2015, alleging that the Louis Dreyfus Company 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 Louis Dreyfus Company companies and the other grain companies in all cases where Louis Dreyfus Company 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 October 2016, a subsidiary of LDC LLC brought an action in U.S. federal court against Syngenta for damages arising out those companies' marketing and distribution of genetically modified corn seed (containing the MIR 162 trait) in the United States. The action seeks damages in excess of US$30 million. Syngenta moved to dismiss the action, which the court granted in part. The case is in pre-trial proceedings and LDC cannot predict its ultimate outcome.

In 2017, Syngenta filed claims in federal and state court in Illinois and in state court in Iowa against Louis Dreyfus Company 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 Louis Dreyfus Company defendants, along with other grain companies, have moved to dismiss the actions.

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.

Notes continued

30. Share-Based Payment

In December 2006, the terms of a stock-based compensation arrangement referred to as the Equity Participation Plan ("EPP"), which is sponsored by LDCH, became operational and the arrangement was fully implemented in December 2007 with the issuance of the first shares relating to the awards. The EPP provides for the granting 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 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$24 million in 2018 (US$2 million in 2017) to LDCH relating to reimbursement agreements, and recorded a liability of US$90 million at 31 December 2018 (US$100 million at 31 December 2017).

During 2018, awards granted to employees are of US$42 million while awards forfeited by employees represent US$10 million. During the 2018 transfer window period, LDCH purchased shares from employees corresponding to US$59 million in attribution value bringing the attribution value of outstanding EPP awards granted to employees to US$202 million. At 31 December 2017, the attribution value of outstanding EPP awards granted to employees was US$229 million, of which US$36 million corresponded to awards granted in 2017, while awards forfeited by employees during 2017 amounted to US$12 million. During the 2017 transfer window period, LDCH purchased shares from employees corresponding to US$63 million in attribution value.

At 31 December 2018, EPP awards fully vested represent US$114 million and awards vesting ratably over periods ranging from three months to three years are of US$88 million. At 31 December 2017, they were respectively of US$120 million and US$109 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 2018 and of US$35 million in 2017. US$1 million was booked in 2018 (US$2 million in 2017) in the line "Net income – discontinued operations".

Unrecognized compensation costs expected to be recognized from 2019 to 2022 are of US$33 million at 31 December 2018 and of US$35 million at 31 December 2017.

31. Number of Employees and Personnel Expenses

For the year ended 31 December 2018, personnel expenses related to continuing operations reached US$821 million for an average number of employees of 18,439. For the year ended 31 December 2017, they were of US$833 million for 18,988 employees.

The average number of employees is as follows:

	2018	2017
Managers and traders	1,650	1,727
Supervisors	1,286	1,295
Employees	4,046	4,216
Workers	8,148	8,194
Seasonal workers	3,309	3,556
	18,439	**18,988**

The decrease in the average number of employees mainly resulted from the disposal of the Fertilizers and Inputs business in Africa and the disposal of Krishna oilseeds processing refinery in India. It was partially offset by the acquisition of a soybean crushing plant and refining facilities in Tianjin (China). The decrease in the average number of seasonal workers mainly resulted from the reduction in the volume of oranges available for harvest during the 2018 juice crop season in Brazil.

32. Related Parties Transactions

Transactions with related parties are reflected as follows:

Income Statement (in millions of US Dollars)	2018	2017
Sales[1]	100	172
Cost of sales[1]	(1,086)	(1,155)
Commercial and administrative expenses	6	5
Finance costs, net[1]	62	68
Discontinued operations	(1)	2

1. Mainly correspond to transactions with associates and joint ventures and/or with Biosev.

	2018			2017		
Balance Sheet (in millions of US Dollars)	Biosev[1]	Others	Total	Biosev[1]	Others	Total
Other investments, deposits and sundry[2]	–	1,059	**1,059**	569	9	**578**
Financial advances to related parties	–	1	**1**	–	24	**24**
Trade and other receivables	11	79	**90**	262	24	**286**
Margin deposits	–	–	**–**	–	2	**2**
Derivative assets	11	–	**11**	–	1	**1**
Total Assets	**22**	**1,139**	**1,161**	**831**	**60**	**891**
Financial advances from related parties[3]	–	202	**202**	–	221	**221**
Trade and other payables	31	42	**73**	22	13	**35**
Derivative liabilities	–	4	**4**	3	5	**8**
Total Liabilities	**31**	**248**	**279**	**25**	**239**	**264**

1. Biosev S.A. is an indirect subsidiary of LDCH and a Brazilian company listed on the Brazilian stock exchange.
2. As of 31 December 2018, it comprises a loan granted by LDC to LDCNH in the amount of US$1,051 million with maturity in 2023.
3. Comprises financing from LDCH of US$202 million at 31 December 2018 (US$220 million at 31 December 2017), including a liability relating to reimbursement agreements with LDCH of US$90 million at 31 December 2018 (US$100 million at 31 December 2017) (Refer to Note 30).

Key management personnel compensation during the years ended 31 December 2018 and 31 December 2017 was as follows:

(in millions of US Dollars)	2018	2017
Short-term benefits	7	6
Share-based payments – amount of vested shares	4	2
	11	**8**

33. Subsequent Events

On 16 January 2019, the Group announced its decision to exit the dairy business by mid-2019, in line with the Company's strategy over the past three years to exit non-core areas and refocus on its core businesses.

Notes continued

34. List of Main Subsidiaries

The main subsidiaries of LDC that are consolidated at 31 December 2018 and 31 December 2017 are the following:

	2018		2017	
Company	% of control	% of ownership	% of control	% of ownership
LDC Argentina S.A. (Argentina)	100.00	100.00	100.00	100.00
Louis Dreyfus Company Australia Holdings Pty. Ltd. (Australia)	100.00	100.00	100.00	100.00
Louis Dreyfus Company Grain Storage and Handling 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 Bulgaria Eood. (Bulgaria)	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 Investment 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
LDC (Bazhou) Feedstuff 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 (Shanghai) Metals Company Ltd. (China)[1]	0.00	0.00	100.00	100.00
LDC (Tianjin) Food Technology Limited Liability Company (China)[2]	100.00	100.00	0.00	0.00
Louis Dreyfus Company (Shaanxi) Juices Co. Ltd. (China)[3]	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 Citrus S.A.S. (France)[4]	0.00	0.00	100.00	100.00
Louis Dreyfus Company Silos S.A.S. (France)[5]	61.12	100.00	61.12	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 Trading Indonesia (Indonesia)	99.99	99.99	99.98	99.98
PT LDC East Indonesia (Indonesia)	100.00	100.00	100.00	100.00
Louis Dreyfus Company Italia S.P.A. (Italy)	100.00	100.00	100.00	100.00
Gulf Stream Investments Ltd. (Kenya)	100.00	100.00	100.00	99.33
Louis Dreyfus Company Kenya Ltd. (Kenya)	100.00	100.00	99.33	99.33
Louis Dreyfus Company Mexico S.A. de C.V. (Mexico)	100.00	100.00	100.00	100.00
Ecoval Holding B.V. (Netherlands)	100.00	100.00	100.00	100.00
LDC Food Innovation B.V. (Netherlands)[6]	100.00	100.00	0.00	0.00
Louis Dreyfus Company Metals B.V. (Netherlands)[1]	0.00	0.00	100.00	100.00
Louis Dreyfus Company Participations B.V. (Netherlands)	100.00	100.00	100.00	100.00
Nethgrain B.V. (Netherlands)	100.00	100.00	100.00	100.00
Coinbra International Trading N.V. (Netherlands Antilles)	100.00	100.00	100.00	100.00

	2018		2017	
Company	% of control	% of ownership	% of control	% of ownership
LDC Paraguay S.A. (Paraguay)	100.00	100.00	100.00	100.00
Louis Dreyfus Company Peru S.R.L. (Peru)	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 Portugal Lda. (Portugal)	100.00	100.00	100.00	100.00
Louis Dreyfus Company Vostok LLC (Russia)	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 Metals Asia Pte. Ltd. (Singapore)[1]	0.00	0.00	100.00	100.00
Louis Dreyfus Company Africa Pty. Ltd. (South Africa)	100.00	100.00	100.00	100.00
Coffee Agency S.A. (Spain)	100.00	100.00	100.00	100.00
Louis Dreyfus Company Espana S.A. (Spain)	100.00	100.00	100.00	100.00
Louis Dreyfus Company Metals Suisse S.A. (Switzerland)[1]	0.00	0.00	100.00	100.00
Louis Dreyfus Company Suisse S.A. (Switzerland)	100.00	100.00	100.00	100.00
Sungrain Holding S.A. (Switzerland)	100.00	100.00	100.00	100.00
Louis Dreyfus Company Tanzania Ltd. (Tanzania)	100.00	100.00	100.00	100.00
Louis Dreyfus Company Uganda Ltd. (Uganda)[7]	100.00	100.00	100.00	100.00
Louis Dreyfus Company Ukraine Ltd. (Ukraine)	100.00	100.00	100.00	100.00
Louis Dreyfus Company MEA Trading DMCC (United Arab Emirates)	100.00	100.00	100.00	100.00
Ruselco LLP (United Kingdom)	100.00	100.00	100.00	100.00
LDC Uruguay S.A. (Uruguay)	100.00	100.00	100.00	100.00
Urugrain S.A. (Uruguay)	100.00	100.00	100.00	100.00
Elkhorn Valley Ethanol LLC (U.S.A.)	100.00	100.00	100.00	100.00
Imperial Sugar Company (U.S.A.)	100.00	100.00	100.00	100.00
Louis Dreyfus Company Agricultural Industries LLC (U.S.A.)	100.00	100.00	100.00	100.00
Louis Dreyfus Company Biofuels Holdings LLC (U.S.A.)	100.00	100.00	100.00	100.00
Louis Dreyfus Company Citrus Inc. (U.S.A.)	100.00	100.00	100.00	100.00
Louis Dreyfus Company Claypool Holdings LLC (U.S.A.)	100.00	100.00	100.00	100.00
Louis Dreyfus Company Dairy Merchandising LLC (U.S.A.)	100.00	100.00	100.00	100.00
Louis Dreyfus Company Holding Inc. (U.S.A.)	100.00	100.00	100.00	100.00
Louis Dreyfus Company Interior Elevators LLC (U.S.A.)	100.00	100.00	100.00	100.00
Louis Dreyfus Company Investment LLC (U.S.A.)[8]	0.00	0.00	100.00	100.00
Louis Dreyfus Company LLC (U.S.A.)	100.00	100.00	100.00	100.00
Louis Dreyfus Company Norfolk LLC (U.S.A.)	100.00	100.00	100.00	100.00
Louis Dreyfus Company Port Allen Elevator LLC (U.S.A.)	100.00	100.00	100.00	100.00
Term Commodities Inc. (U.S.A.)	100.00	100.00	100.00	100.00
Louis Dreyfus Company Vietnam Trading and Processing Co. Ltd. (Vietnam)	100.00	100.00	100.00	100.00

1. The Group sold its global Metals business on 11 May 2018 (Refer to Note 3).
2. In April 2018, the Group acquired Sinarmas Natural Resources Foodstuff Technology (Tianjin) Co. Ltd., renamed LDC (Tianjin) Food Technology Limited Liability Company (Refer to Note 5).
3. Louis Dreyfus Company (Shaanxi) Juices Co. Ltd. is the new name of Shaanxi Sanchuan Juice Co. Ltd.
4. Louis Dreyfus Company Citrus S.A.S. was liquidated in 2018.
5. Louis Dreyfus Company Silos S.A.S. is the new name of Louis Dreyfus Commodities Silos S.A.S.
6. LDC Food Innovation B.V. was created in 2018.
7. Louis Dreyfus Company Uganda Ltd. is the new name of LD Commodities Uganda Ltd.
8. Louis Dreyfus Company Investment LLC was liquidated in 2018.

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Louis Dreyfus Company Holdings B.V.

Margarita Louis-Dreyfus
Non-Executive Chairperson

Jean-René Angeloglou

Michel Demaré

Mehdi El Glaoui

Andreas Jacobs

Marwan Shakarchi

Victor Balli

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Audit Committee

Jean-René Angeloglou Chairperson

Mehdi El Glaoui

Victor Balli

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
Tim Bourgois	Global Trading Manager, Cotton Platform
Miguel Catella	Head, Global Markets Platform
Federico Cerisoli	Group Chief Financial Officer
Thomas Couteaudier	Head, South & Southeast Asia Region
Kristen Eshak Weldon	Head of Food Innovation & Downstream Strategy
Jean-Marc Foucher	Head, Dairy Platform
Tim Harry	Global Head, Business Development
Adrian Isman	Senior Head, Grains and Value Chain Platforms, Head, North America Region, Chairman of the Board, Calyx Agro Ltd.
Sebastien Landerretche	Head, Freight Platform
Andrea Maserati	Chief Operating Officer
Guy de Montulé	Head, Rice Platform
Joe Nicosia	Head, Cotton Platform
Pedro Nonay Vela	Head, Europe, Middle East & Africa Region, Regional Head of Grains for EMEA
Murilo Parada	Head, Juice Platform, Head, North Latin America Region
Javier Racciatti	Head, South & West Latin America Region, Regional Head of Oilseeds for SWLA
Markus Reis	Head, Coffee Platform
André Roth	Senior Head, Oilseeds and Value Chain Platforms, Chairman, North Latin America Region
Anthony Tancredi	Head, Sugar Platform
Jessica Teo	Global Head of Human Resources
Patrick Treuer	Chief Strategy Officer
James Zhou	Head, North Asia Region

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