Group Annual Report 2019

# SHAPING THE FUTURE TOGETHER

AGRAVIS RAIFFEISEN AG

# SHAPING THE FUTURE TOGETHER

The term "AGRAVIS" always refers to the AGRAVIS Group in this annual report. If reference is made to the AG, this is indicated by the company name "AGRAVIS Raiffeisen AG".

For reasons of better legibility, only the masculine form is used in this annual report. However, both genders are generally implied.

# Content

# SHAPING THE FUTURE TOGETHER

> "For the plants segment, this means: Plant cultivation operates in the market in an efficient and solution-oriented manner with know-how, regional presence and digital services."

# Foreword by the Board of Directors


| Johannes Schulte-Althoff | Hermann Hesseler | Dr Dirk Köckler | Jörg Sudhoff |
|---|---|---|---|
| Member | Member | Chairman | Member |

Dear Shareholders, Ladies and Gentlemen,

Together, let us look back on what was a challenging and tough financial year 2019, in which we experienced plenty of change and only limited success. Operationally speaking, AGRAVIS performed well in the market, as reflected in a turnover figure of EUR 6.5 billion, meaning that we managed to meet our planned turnover target. This was made possible thanks to our expertise in sales, our market knowledge, our customer focus and the know-how of our approx. 6,500 employees, who did a solid job. Performance in terms of profits was less impressive, however. There are many reasons for this: poor crop yields regionally in the east of our operational area yet again, the well-established margin pressure caused by tough competition, losses in agricultural commodities as well as in individual companies and holdings, not to mention the low willingness to invest in agriculture as a whole. Despite these difficult circumstances, however, we were still able to report a positive result from the business.

At the end of 2019, in full agreement with the Supervisory Board, we made the conscious decision to reach an amicable out-of-court settlement, bringing to an end the antitrust proceedings in connection with allegations of illegal price fixing in crop protection. This settlement included a fine payment of EUR 43.7 million. This figure is painful. As a result, we ended financial year 2019 with pre-tax profits of minus EUR 20.5 million. Nevertheless, AGRAVIS Raiffeisen AG remains on a solid footing, continues to maintain reserves and has an adequate equity capital base despite having had to absorb this fine in the closing accounts of 2019. Furthermore, the annual result of 2019 will not have a negative impact on our share value – the AGRAVIS share is and remains valuable. For once, however, following this negative pre-tax result, we cannot pay you, our dear shareholders, any dividends for financial year 2019.

The following continues to apply without restriction: The objective of AGRAVIS is to be a profitable agricultural trade and service company, one which is capable of issuing dividends and retaining profits. We will achieve this objective with a clear focus and direction in 2020. We plan to make pre-tax profits of EUR 30 million in the current financial year. You as our shareholders can expect us to deliver on our promises.

AGRAVIS has changed over the years and will continue to have to be adaptable if we want to be successful in the long term. Financial year 2019 proved that AGRAVIS is ready for the challenge. We have our homework to do in the new Board of Directors, together with the Supervisory Board and Management, and have already initiated changes in many areas – to ensure more business, more operational excellence and more cost discipline. As a solution provider and driver of innovation, we see ourselves as the market-relevant agricultural trade company whose key market is Germany. We need to forge new, different paths to ensure that this remains the case into the future, too. That is our AGRAVIS DNA. "Shaping the future together" – the heading above this annual report intentionally stretches beyond a simple review and looks ahead with purpose. Because, using this cooperative concept, we are focusing our actions towards achieving collective success with our partners – the cooperatives and farmers – and, side by side, we are working together to shape the future of agriculture. We also see ourselves as part of the solution when it comes to the controversial social question of the direction modern agriculture is taking. No other competitor can match what we can do in the cooperative association.

Therefore, together with us, we invite you to mobilise all of your forces. This effort will be needed now more than ever in the face of the Corona pandemic. Corona is a challenge of unknown proportions for all of us. On the one hand, we need to protect customers and employees, on the other, we need to maintain our infrastructure as a system-relevant company so that the population can continue to receive food supplies.

We look forward to your support.

Dr Dirk Köckler (Chairman)

Hermann Hesseler

Johannes Schulte-Althoff

Jörg Sudhoff

# Executive bodies

## Supervisory Board

**Chairman**

Franz-Josef Holzenkamp, Farmer, President – Deutscher Raiffeisenverband e.V.

**Deputy Chairwoman**

Friederike Brocks*, Chairwoman of the Works Council released of normal duties – AGRAVIS Raiffeisen AG

Birgit Buth, Managing Director – Deutscher Raiffeisenverband e.V.

Martin Duesmann-Artmann, Executive Member of the Managing Board – Raiffeisen Hohe Mark Hamaland eG

Uwe Erschens*, Managing Director – ver.di district of Uckermark-Barnim (elected union representative for ver.di)

Theresa Hukriede*, Advisor General Works Council – AGRAVIS Raiffeisen AG

Urban Jülich, Farmer

Christian Junker, Chairman of the Supervisory Board – Ceravis AG

Manfred Korf*, Head of Crop Protection – AGRAVIS Raiffeisen AG (until 12 December 2019)

Axel Lohse, Executive Member of the Managing Board – RAISA eG

Günter Lonnemann, Managing Director – Raiffeisen agrar

Lutz Lüking*, Team Leader Asset Management – AGRAVIS Raiffeisen AG

Reinhard Mester*, Workshop Manager – AGRAVIS Technik Lenne-Lippe GmbH

Jürgen Osteroth*, Silo Manager – AGRAVIS Niedersachsen-Süd GmbH (elected union representative for DHV – Die Berufsgewerkschaft)

Arno Schoppe, Executive Member of the Managing Board – Raiffeisen-Warengenossenschaft Niedersachsen Mitte eG

Manfred Schulze Baek*, Dispatcher – AGRAVIS Technik BvL GmbH

Susanne Schulze Bockeloh, Farmer

Thomas Simon*, Chairman of the Works Council released of normal duties – AGRAVIS Raiffeisen AG

Friedrich Steinmann, Farmer

Thomas Wiesner*, Head of Retailing Division – AGRAVIS Raiffeisen AG (since 12 December 2019)

Annette Wolters*, Laboratory Manager – AGRAVIS Raiffeisen AG (elected union representative for DHV – Die Berufsgewerkschaft)

(* Employee representatives)

## Advisory Board

**Chairman**

Torsten Wojahn, Farmer, Chairman of the Supervisory Board – VR PLUS Altmark-Wendland

**Deputy Chairman**

Folkert Groeneveld, Chairman of the Board of Directors – VR-Bank in Südniedersachsen eG

Theo Averbeck, Executive Member of the Managing Board – Raiffeisen Warengenossenschaft Vechta-Dinklage eG (since 9 May 2019)

Friedrich Becker, Farmer, Chairman of the Supervisory Board – Raiffeisen Sauerland Hellweg Lippe eG

Dr Henning Behrens, Farmer

Maik Bilke, Farmer, Chairman of the Supervisory Board – Raiffeisen Waren- und Dienstleistungsgenossenschaft eG

Volker Bormann, Executive Member of the Managing Board – Vereinigte Saatzuchten eG

Dr Hauke Bronsema, Executive Member of the Managing Board – Raiffeisen Weser-Elbe eG

Hartmut Brunkhorst, Farmer, Chairman of the Board of Directors – Raiffeisen Landbund eG

Ronald Buchholz, Farmer

Ingo Busch, Executive Member of the Managing Board – Raiffeisen-Warengenossenschaft Kirchwistedt

Karl-Heinz Eikenhorst, Executive Member of the Managing Board – Raiffeisen Lübbecker Land AG

Johannes Freundlieb, Executive Member of the Managing Board – Genossenschaftsverband Weser-Ems

Peter Götz, Member of the Board – Genossenschaftsverband Verband der Regionen e.V. (since 26 February 2019)

Paul Graé, Executive Member of the Managing Board – Raiffeisen-Warengenossenschaft Emsland Süd eG (until 9 May 2019)

Kasper Haller, Farmer, Member of the Supervisory Board – AGRAVIS Förderungs- und Beteiligungs eG

Karl-Theo Hamm, Managing Director – Raiffeisen Wittgenstein-Hallenberg eG

Andreas Hansen, Farmer, Member of the Supervisory Board – Raiffeisen Waren- und Dienstleistungsgenossenschaft eG

Christoph Heer, Farmer, Member of the Supervisory Board – Raiffeisen Lippe-Weser AG
Jan-Gerd Hoegen, Executive Member of the Managing Board – Raiffeisen Obergrafschaft eG
Dieter Hülstede, Farmer, Chairman of the Board of Directors – Raiffeisen-Warengenossenschaft Butjadingen-Seefeld eG
Ulrich Kemmer, Farmer, Chairman of the Supervisory Board – Raiffeisen-Warengenossenschaft Osthannover eG
Hugo Lohmann, Executive Member of the Managing Board – Raiffeisen Warengenossenschaft Hunte-Weser eG
Bernhard Mährlein, Executive Member of the Managing Board – Raiffeisen Warengenossenschaft Vechta-Dinklage eG (until 9 May 2019)
Hermann Mammen, Executive Member of the Managing Board – Raiffeisen-Warengenossenschaft Ammerland-OstFriesland eG
Clemens Meißner, Farmer
Wilhelm Meyer, Farmer, Member of the Supervisory Board – AGRAVIS Förderungs- und Beteiligungs eG
Steffen Mogwitz, Farmer, Member of the Supervisory Board – AGRAVIS Förderungs- und Beteiligungs eG
Frank Niemer, Member of the Board – Raiffeisenverband Westfalen-Lippe e.V. (since 26 February 2019)
Stefan Nießing, Executive Member of the Managing Board – AgriV Raiffeisen eG
Andreas Pape, Executive Member of the Managing Board – RAISA eG
Bernward Resing, Executive Member of the Managing Board – Raiffeisen Emscher-Lippe eG
Johannes Röring, Farmer, President – Westfälisch-Lippischer Landwirtschaftsverband e.V. (until 17 February 2020)
Stephan Sander, Executive Member of the Managing Board – Landwirtschaftliche Bezugsgenossenschaft eG Damme
Hermann Schartmann, Executive Member of the Managing Board – Raiffeisen Warengenossenschaft Emsland-Süd eG (since 9 May 2019)
Hermann Schmidt, Farmer, Member of the Supervisory Board – VR Bank eG Osnabrücker Nordland
Joachim Schoth, Farmer, Chairman of the Supervisory Board – Raiffeisen Centralheide eG
Maren Schröder-Meyer, Farmer, Chairwoman of the Supervisory Board – Heidesand Raiffeisen Warengenossenschaft eG
Carsten Schruck, CEO – Westfleisch SCE mbH
Kai Schubert, Member of the Board – Raiffeisenbank Südstormarn Mölln eG
Jürgen Schulte-Schüren, Farmer, Chairman of the Board of Directors – AGRAVIS Förderungs- und Beteiligungs eG
Johannes Schulze Höping, Farmer, Chairman of the Supervisory Board – Raiffeisen Steverland eG
Werner Schwarz, Farmer, President – Bauernverband Schleswig-Holstein e.V.
Gerhard Schwetje, Farmer, President – Landwirtschaftskammer Niedersachsen
Manfred Tannen, Farmer
Günter Teichmann, Farmer
Paul Uppenkamp, Managing Director – Raiffeisen Beckum eG
Frank Wagner, Chairman of the Executive Board – Raiffeisen Handels- und Dienstleistungsgenossenschaft Oder/Spree eG
Karl Werring, Farmer, President – Chamber of Agriculture for North Rhine-Westphalia

## Board of Directors

Dr Dirk Köckler, Chairman of the Board of Directors (since 14 March 2019), Member of the Board of Directors (since 1 March 2019)
Hermann Hesseler, Member of the Board of Directors (since 1 May 2019)
Johannes Schulte-Althoff, Member of the Board of Directors
Jörg Sudhoff, Member of the Board of Directors (since 1 January 2020)

Andreas Rickmers, Chairman of the Board of Directors (until 14 March 2019)
Maria-Johanna Schaecher, Member of the Board of Directors (until 30 April 2019)

# Supervisory Board's report

## Supervisory Board of AGRAVIS Raiffeisen AG

(from left) Friedrich Steinmann, Urban Jülich, Axel Lohse, Susanne Schulze Bockeloh, Franz-Josef Holzenkamp (Chairman), Manfred Korf, Annette Wolters, Lutz Lüking, Theresa Hukriede, Martin Duesmann-Artmann, Uwe Erschens, Thomas Simon, Birgit Buth, Günter Lonnemann, Arno Schoppe, Friederike Brocks, Christian Junker, Manfred Schulze Baek, Reinhard Mester, Jürgen Osteroth.

***Turnover***

EUR **6.5** billion

Dear Shareholders,

2019 was a financial year full of great challenges for AGRAVIS. The market environment demanded everything of us, starting with the continuing consolidation, through the climatic phenomena and their effects, not to mention the social and political framework conditions which further restricted the scope of action for our customers. At the same time, there were a lot of changes in our organisation. Most significantly: The AGRAVIS Board of Directors underwent a reshuffle, and the antitrust investigation into allegations of price fixing concluded with an amicable out-of-court settlement against payment of a fine.

However, before I look at that situation in closer detail, I'd first like to emphasise: From my perspective, the changes implemented by AGRAVIS over the course of the financial year make one thing crystal clear: AGRAVIS is identifying the challenges and tackling them with great determination. The company is again moving forward resolutely towards commercial stability. There is a clear plan in place for the future direction of the business, and legacy issues are being dealt with. That makes both myself and the entire Supervisory Board optimistic about the financial year ahead, which we expect to remain both demanding and challenging for agriculture and agricultural trade alike.

On a positive note, annual turnover in 2019 stood at EUR 6.5 billion. This shows that AGRAVIS has retained a strong foothold in the market. However, the overall result fell well short of our planned targets. The operating EBIT* of EUR 45 million is a good indicator of what would have been possible in terms of profits under "normal" circumstances. But we all know that 2019 was far from normal. Profits in the first six months were still suffering as a result of the drought year of 2018, and the 2019 harvest did not quite meet our expectations, either. Volumes and service revenues were down in the east in particular. In addition, deficits in agricultural commodities as well as in individual companies and holdings had an impact on the result. Nevertheless, despite all these challenges, AGRAVIS was still able to report a positive result prior to the cartel fine and taxes. After careful consideration, however, the Board of Directors and the Supervisory Board decided to draw a line under the investigation proceedings of the Federal Cartel Office in relation to price fixing in the crop protection market. We needed to avoid a "never-ending story". This involved having to pay a fine of EUR 43.7 million, mean-

** an EBIT adjusted for the neutral result and additional one-off, non-recurring costs and income* ing that the Group's year-end balance sheet for 2019 showed a net loss for the year of EUR 26.4 million. We are unable to pay any dividends due to this negative result. This is something we regret and did not anticipate. But we are counting on your understanding. Although the severity of the fine and the one-off effects for you, the shareholders, might be difficult to stomach: An open-ended case against the Federal Cartel Office’s decision would have had negative ramifications for the AGRAVIS organisation, caused years of high process costs and interest and required further – already scarce – personnel resources. And in the end, the fine could have been much more severe than it actually was. I would like to expressly emphasise that this issue has had no impact on the stable and high value of the AGRAVIS share. AGRAVIS, as has been clearly stated, must again be capable of paying dividends with retained earnings from the current financial year onwards. I repeat: 2019 must remain an absolute exception in this regard.

The Supervisory Board spent a large portion of the financial year dealing with the antitrust proceedings. The Board of Directors provided regular and comprehensive updates on the state of affairs. In this case, we even sought legal advice and had our work checked for compliance so that we could fully meet our responsibilities and avert any damage to the company. We managed to come to an agreement on how to proceed following constructive discussions.

In addition, there were some important decisions to be made by AGRAVIS concerning the future composition of the Board of Directors. Due to differences of opinion on the future strategic orientation and organisation of AGRAVIS, it was decided by mutual consent to bring to an end the cooperation with the previous chairman Andreas Rickmers in February 2019. In his successor, Dr Dirk Köckler, we gained an expert in the cooperative scene and national agricultural trade, who will continue to promote the cooperative corporate philosophy of AGRAVIS in the association. In Hermann Hesseler, we welcomed a new member of the board on 1 May. He is very familiar with AGRAVIS from his years of management experience in various cross-departmental roles. Maria-Johanna Schaecher handed in her resignation from the AGRAVIS board on 30 April 2019. The board line-up is completed by Jörg Sudhoff, an experienced manager from the agricultural technological industry, who joined AGRAVIS on 1 January 2020 and is well-equipped to deal with the challenges ahead. Our company is now back on the right track.

The Supervisory Board has been impressed by the fact that many changes have been initiated and implemented since the change in the make-up of the Board of Directors in spring 2019, with things progressing in the direction of economic soundness and market orientation. At this point, by way of example, I would like to mention the orientation of the plant cultivation, animal nutrition and agricultural products segments, which focus on the relevant market requirements. AGRAVIS has also made clear progress in the field of digitisation over the past financial year. Activities have been grouped accordingly and are evolving towards a business model. The aim of AGRAVIS's digital strategy is to have an open platform solution in the association. To this end, myfarmvis has been further developed to become a comprehensive cooperative portal for agriculture and enhanced to include Delos software and various NetFarming products. As a result, myfarmvis delivers measurable added value and offers users practical benefits – while ensuring that farmers and the cooperative retain control over their own data.

In the same breath, the first steps have been taken towards operational excellence at AGRAVIS, with leaner structures and processes as well as faster decisions in place – all for the benefit of our customers. Investment in a Group-wide system landscape – as part of project “DOCK” – and the consolidation of AGRAVIS activities for the Hanover region at the site in Isernhagen are also playing their part in achieving these goals. Over the past financial year, the Supervisory Board at AGRAVIS has also been examining these topics in great depth, taking into account economic viability and long-term competitiveness, and has passed the necessary resolutions.

Collaboration with the Danish DAVA Group remained a central component of AGRAVIS’s international activities in 2019. This cooperation stood firm in the face of a difficult market environment over the past financial year. Turnover of around EUR 2 billion was achieved in the three associated joint ventures – with consolidated profit for AGRAVIS of EUR 2.4 million. In turn, the ROS of the joint ventures was well above the AGRAVIS level, thanks, in particular, to the solid profitability of Vilomix Holding A/S. 2019 saw additional restructuring measures implemented for Ceravis AG, which continues to run at a loss.

***Turnover** of the three associated companies with the DAVA Group:*

*EUR* **2** *billion*

*EUR* **49** *million is the **investment amount** approved by the Supervisory Board for 2020*

As part of its control function, the Supervisory Board regularly discussed business policy, business development, economic circumstance, HR development, corporate and financial planning, risk and opportunity management and investments and acquisitions made by AGRAVIS. The Supervisory Board cooperated constructively with the Board of Directors again in 2019. It diligently performed the duties for which it is responsible according to the law, the articles of association and the rules of procedure. It continuously advises the Board of Directors on the leadership and control of the company, challenges procedures in individual cases and monitors its business management. The Supervisory Board was involved early on in all major decisions that were of fundamental importance to AGRAVIS. The Board of Directors provided regular, timely and comprehensive information in both written and oral form. The reports of the Board of Directors contained all relevant information on planning, business development and the position of AGRAVIS.

As the Chairman of the Supervisory Board, I communicated closely with all board members, in particular with the Chairman – also outside of our periodic meetings. Important events and upcoming decisions were discussed together. The close cooperation between the Supervisory Board and the Advisory Board of AGRAVIS was also utilised in financial year 2019.

We bade farewell to long-serving employee representative Manfred Korf at the Supervisory Board meeting on 12 December 2019. Manfred Korf supported the Supervisory Board with plenty of foresight and entrepreneurial perspective over the past almost two decades. We thank him for his constructive and valuable cooperation. As arranged, elected substitute representative Thomas Wiesner assumed his mandate.

## Meetings of the Supervisory Board

The Supervisory Board held nine periodic meetings during the financial year. Resolutions in writing were not required. As a result of a training session in June 2018, where the requirements profile for members of the AGRAVIS Supervisory Board was the main topic on the agenda, in 2019, an efficiency review for improving the quality of work and ability to act of the Supervisory Board was conducted. This took the form of a self-assessment according to the requirements of the German Corporate Governance Code. The derived measures were prioritised and are gradually being implemented.

During the regular meetings, the Supervisory Board convened to consider all measures requiring approval and passed the necessary resolutions. These sessions dealt with business in the operating areas, staffing policy and the economic and financial performance of AGRAVIS. In addition, the Supervisory Board carried out an extensive evaluation of financial and investment planning, the opportunities and risk situation of the AGRAVIS Group, the development of the shareholder structure as well as the strategy development of individual business segments and companies. Details on the antitrust proceedings and changes to the AGRAVIS Board of Directors are referred to.

At the meeting on 27 March 2019, the Supervisory Board reviewed the annual results for 2018, following a recommendation of the Audit Committee and its own audit, whilst the agenda and the resolution proposals for the 2019 Annual General Meeting were approved. It also included, in addition to the usual proposals, a resolution on the revision of the articles of association: Proposals included setting the authorised capital to EUR 12 million for two years and giving authorisation to issue further profit participation rights up to a total of EUR 100 million for the next five years. Both changes to the articles of association were accepted by the Annual General Meeting.

## Committees of the Supervisory Board

In order to perform its various duties efficiently, the Supervisory Board has established four committees: the Personnel Committee, the Accounting and Audit Committee, the Investments Committee and the Mediation Committee. The Mediation Committee, to be formed in accordance with the provisions of the Co-Determination Act, was once again not required to convene during the past financial year.

According to the by-laws for the Supervisory Board, the Supervisory Board Chairman also presides over all committees. Consultations in the Personnel Committee focused on the personnel changes in the Board of Directors. In the first quarter of 2019, the Accounting and Audit Committee reviewed the 2018 annual and consolidated financial statements for AGRAVIS Raiffeisen AG, the respective management reports and the Board of Directors' profit distribution recommendation. The Investment Committee discussed the investment plan for 2020 and a figure of EUR 49 million was recommended to the Supervisory Board for resolution. The Supervisory Board approved the investment plan on 12 December 2019. An additional meeting took place in the middle of the year; an interim report and a review on investments were the topics on the agenda.

The Valuation Committee for Shares recommended, in view of the continued growth of the company, that the share value be raised by EUR 0.50 to EUR 61.50. The recommendation was based on a company valuation from previous years and the data regarding the continued development of AGRAVIS. The Board of Directors and the Supervisory Board confirmed this recommendation during the Supervisory Board meeting on 27 March 2019. The Supervisory Board is regularly given reports on the work of the various committees.

## 2019 Annual and consolidated financial statements

Deloitte GmbH, the Munich auditing company chosen by the Annual General Assembly and appointed by the Supervisory Board, audited the annual financial statements of the AG (public company) and the Group for the 2019 financial year and the management reports of the AG and the Group, including the accounting and business management (according to Section 53 GenG [Industrial and Provident Societies Act]). All of the material was prepared by the Board of Directors. The audit foci as agreed with the Supervisory Board were taken into account. The financial statements were each subject to unlimited audit opinions.

The auditors had previously reported on the specific details of the audit on 24 March 2020 at a meeting of the Accounting and Audit Committee. The committee also recommended that the Supervisory Board approve the financial statements. The annual financial statements, the management reports of the AG and the Group, the audit reports of the auditor and the proposal for the appropriation of profits were submitted to the Supervisory Board in good time and were discussed at a meeting on 25 March 2020 with the auditor. All questions were comprehensively answered by the Board of Directors and the auditors. The early warning system of AGRAVIS more than complies with legal requirements. The documents were subjected to an independent review by the Supervisory Board, who did not raise any objections against them. The Supervisory Board approved the annual financial statements of AGRAVIS Raiffeisen AG and the AGRAVIS Group. They are thus deemed established.

The proposal for the appropriation of earnings was also checked and found to be a balanced one. The Board of Directors proposed offsetting AGRAVIS Raiffeisen AG's net loss for the year of EUR 29,221,412.52 with profit carried forward of EUR 180,215.92 and other retained earnings of EUR 29,041,196.60. The Supervisory Board approved this proposal.

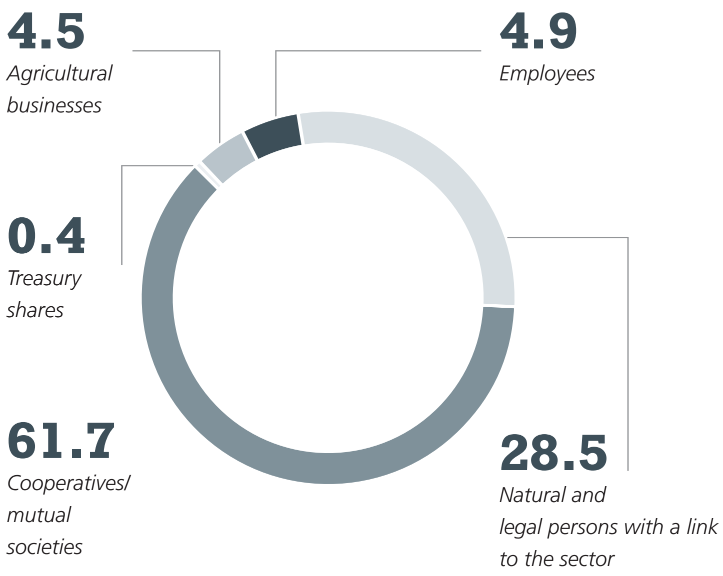
The Supervisory Board thanks the Board of Directors, the area managers and management team and all AGRAVIS Raiffeisen AG employees and those of AGRAVIS Group companies for their work in 2019.

Münster/Hanover, 25 March 2020
Franz-Josef Holzenkamp, Chairman

F.-J. Holzenkamp

# AGRAVIS shares

Shareholder structure as of 31 December 2019 *(data in per cent)*




AGRAVIS Raiffeisen AG's subscribed capital remained unchanged at EUR 205.5 million in financial year 2019. It is divided into 8.03 million registered shares as in the previous year. Furthermore, in accordance with an amendment to the articles of association, the AGRAVIS Annual General Meeting 2019 provided for an increase of EUR 12 million in registered capital up to 2021 in order to further strengthen equity capital.

The calculated value is EUR 25.60 per share. However, as a result of company development in recent years, the market value of the AGRAVIS share is much higher. It was raised once again in May 2019 – by EUR 0.50 to EUR 61.50 per share. Since AGRAVIS Raiffeisen AG was founded in October 2004, the original share price has thus risen by EUR 35.90. This represents an increase of around 140 per cent.

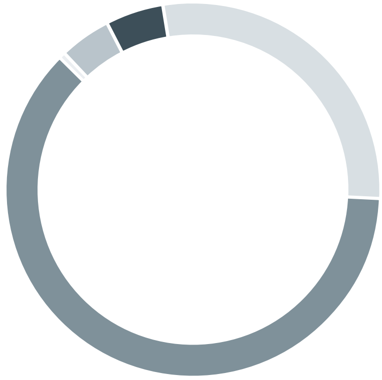
Being able to issue dividends and retain profits is part of the basic philosophy of AGRAVIS because funds are then channelled back into the cooperatives and agriculture through dividends. Profit retention is the foundation for targeted growth in the core business. For the first time in the company's history, shareholders will not be receiving dividends for financial year 2019. This is solely down to the losses suffered as a result of settling the antitrust proceedings. This must remain an one-off event. AGRAVIS is thus following a banking requirement in the context of the syndicated financing concluded in 2019 to refrain from paying dividends for the preceding financial year. The high value of the AGRAVIS share remains unaffected by this.

The requirement under the articles of association that at least 60 per cent of AGRAVIS shares must remain in the hands of the cooperatives or cooperative companies was also met at all times in financial year 2019.

**8.03** *million registered shares of AGRAVIS are currently outstanding*

*EUR* **61.50** *isthecurrentissueprice of the AGRAVIS share*

**Approx. 140** *per cent increase in original AGRAVIS share price over the past 15 years*



*The lion's share of AGRAVIS shares (61.7 per cent) is distributed across* **140** *Cooperatives/ mutual societies*

*EUR* **544** *million is the current equity capital of AGRAVIS*

# Corporate governance

## Corporate culture

To achieve the strategic and corporate objectives of AGRAVIS, responsible and transparent corporate governance and control within the Group is required. AGRAVIS has defined the values associated with the term "corporate governance" for itself with trust, reliability and responsibility. These are fixed components of the corporate culture. In implementing the AGRAVIS strategy, work continues on another aspect of the AGRAVIS corporate culture – working towards greater transparency, innovative capacity and lean, competitive processes. Here, basic principles such as courage, honesty, directness, efficiency and maximum customer focus apply. AGRAVIS conducts business with sustainability and integrity in mind and is committed to the rural environment.

Aspects such as management and control of the company are based on the Stock Corporation and Co-Determination Act as well as additional relevant legal regulations, the company's articles of association and the by-laws of the Supervisory Board and Board of Directors. AGRAVIS has established compliance rules for all management and staff that go beyond these requirements. In order to improve guidance for employees, a "compliance circle" was established in financial year 2019 in which all measures going forward will be collected and documented.

## Interaction amongst the bodies

The Board of Directors and the Supervisory Board are the management and supervisory bodies of AGRAVIS. The Advisory Board supports the Board of Directors in an advisory capacity. These bodies are equally committed to both the interests of shareholders and the best interests of the company. The Annual General Meeting, which is the body enacting the wishes of the shareholders, is responsible for the company's key decisions.

### Board of Directors

The Board of Directors directs its business according to the principle of overall responsibility. It is bound to the company's interests and the cooperative idea (Section 2(1) of the articles of association) and to increasing the sustainable value of the company. The AGRAVIS Board of Directors consisted of three members at the end of financial year 2019: Dr Dirk Köckler (Chairman), Johannes Schulte-Althoff (Financial Director) and Hermann Hesseler. On 1 January 2020, Jörg Sudhoff was added as a fourth member, returning the board to its usual size over the years.

Cooperation with the previous chairman Andreas Rickmers came to a mutual end on 14 March 2019. On 1 March 2019, the Supervisory Board initially named Dr Dirk Köckler as a new Member of the Board and then appointed him Chairman of the Board with effect from 14 March 2019. Financial Director Johannes Schulte-Althoff had assumed the role of Chairman of the Board on an interim basis.

Hermann Hesseler, former Member of the Management Committee and Head of Controlling, became a member of the AGRAVIS board on 1 May 2019. On 30 April 2019, Maria-Johanna Schaecher resigned and asked the Supervisory Board to cancel her contract of employment.

The Members and the Chairman of the Board of Directors are appointed by the Supervisory Board. The duties of the Board of Directors are divided into divisions by function. The Board of Directors was supported in the exercise of their duties until the end of 2019 by the members of the management committee, which included area managers Markus Menne, Dr Philipp Spinne and Thomas Wiesner. Following Jörg Sudhoff's appointment to the Board of Directors, the management committee was dissolved – with area managers becoming more heavily involved in decision-making at the same time.

The Board of Directors develops the corporate objectives and implements them at an operational level. It also lays down the Group's strategic orientation and coordinates this with the Supervisory Board. The Board of Directors controls and monitors the Group and is responsible for business planning for the following years, for preparing the annual and consolidated financial statements and for the Group's financing. Furthermore, the Board of Directors is also responsible for risk management and control and for compliance with legal requirements and internal company policies.

The Board of Directors reports to the Supervisory Board regularly, promptly and comprehensively on all issues relevant to the company. Matters of particular importance to AGRAVIS are subject to prior approval from the Supervisory Board. The Supervisory Board is immediately informed by members of the Board of Directors of any potential conflicts of interest. Board meetings are usually held on a weekly basis and are convened and headed by the Chairman of the Board.

### Supervisory Board

The Supervisory Board of AGRAVIS has 20 members, including 5 women. Under the Stock Corporation and Co-Determination Act, members are elected by the company shareholders at the Annual General Meeting and by the employees in equal measure. A term lasts five years. The duties of the Supervisory Board are governed by the Companies Act, the articles of association and the rules of procedure for the Supervisory Board. Periodic meetings of the Supervisory Board are held at least four times per year. They will meet as frequently as required if pressing business matters necessitate this. The meetings are normally convened by the Chairman.

The Supervisory Board appoints and advises the Board of Directors and monitors its business management on the basis of the law, the articles of association and by-laws. In matters that are of particular importance to the company, the consent of the Supervisory Board is required in accordance with the law and with the rules of procedure for the Board of Directors. On 12 December 2019, employee representative Manfred Korf left the Supervisory Board. Following election in March 2018, his replacement candidate Thomas Wiesner assumed the role.

17 Supervisory Board members are over the age of 50, and three are between the ages of 30 and 50.

### Advisory Board

The AGRAVIS Advisory Board acts as an advisory body. The board includes farmers, directors of Raiffeisen cooperatives and representatives of mutual societies, cooperative unions and agricultural organisations. The Advisory Board currently consists of 46 members, 39 of whom were appointed by the Annual General Meeting and 7 as co-opted members from the Supervisory Board. The Advisory Board has 1 female member; 12 members are between the ages of 30 and 50, and 34 are over the age of 50.

## Annual General Meeting

The AGRAVIS shareholders receive detailed information about the economic development of the company during the Annual General Meeting. In addition, the Annual General Meeting passes resolutions on the topics from the agenda published in advance. The Annual General Meeting for the previous financial year is held in the spring of the following year. All shareholders who are entered on the share register can participate. Each share carries one vote. The Annual General Meeting passes resolutions, among other things, on the appropriation of distributable profits, the discharging of the members of the Board of Directors and the Supervisory Board and the appointment of the auditor; elects members to the Supervisory Board and the Advisory Board and passes amendments to the articles of association and on measures which change the company's structure and capital.

# SHAPING THE FUTURE TOGETHER

"For the animals business segment, this means: The new structures ensure greater customer proximity and increased ability to act in sales and product development."

# Group management report

## 6.1. Foundations of the Group

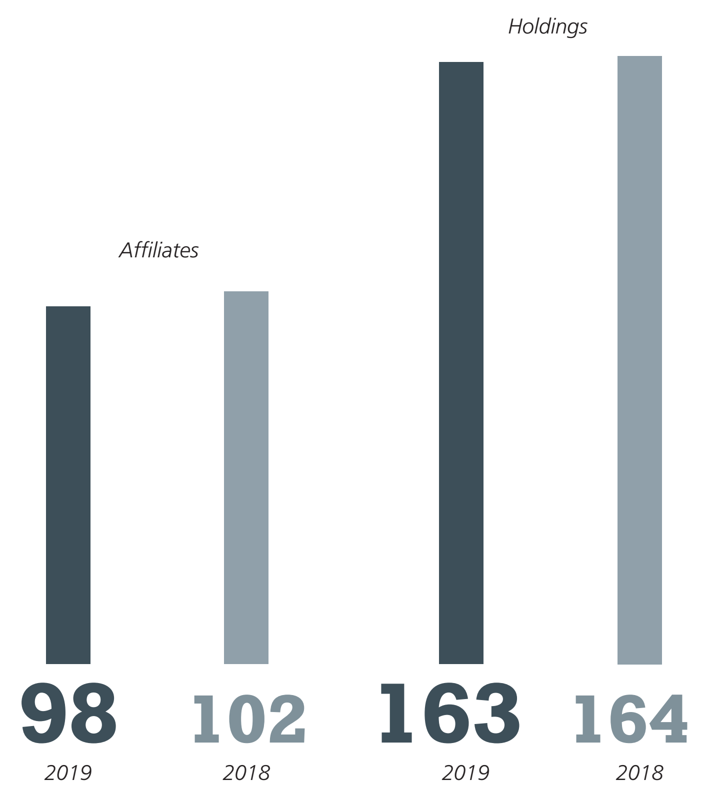
### Group structure and business

#### Headquarters, self-image and ownership structure

AGRAVIS Raiffeisen AG as a parent company of AGRAVIS was founded in 2004. It is the product of a merger between Raiffeisen Hauptgenossenschaft Nord AG in Hanover and Raiffeisen Central-Genossenschaft in Münster. Both cities remain the headquarters to this day. AGRAVIS sees itself as a national agricultural trader and therefore prioritises the German market, in particular the geographical region stretching from the Dutch to the Polish border. It is also active on the international stage through its Group and affiliated companies as well as cooperation and sales partners. On key date 31 December 2019, 98 affiliates (previous year: 102) and 163 holdings (previous year: 164) belonged to AGRAVIS.

Business activities are based on the requirements of customers. AGRAVIS wants to help them succeed in business through convincing added-value concepts and by providing excellent products and services, and achieve maximum customer retention through service and know-how. With this consistent customer focus, AGRAVIS wants to maintain its status as the market leader in the German agricultural sector and create the basis for a sustainable ability to pay dividends through profitable growth within the cooperative association.

Affiliates and holdings




For employees and potential applicants, AGRAVIS sees itself as an attractive employer in rural areas, one which imparts knowledge with respect and nurtures its top performers. With 6,458 employees (as of key date 31 December 2019, previous year: 6,528) at more than 400 locations, AGRAVIS generated a turnover of EUR 6.5 billion in 2019 (previous year: EUR 6.6 billion). AGRAVIS was thus able to reinforce its strong position in the German agricultural market, remaining one of the highest revenue-generating agricultural trade and service companies in Germany and Europe. To strengthen its position in the market and with customers, AGRAVIS also utilises strategic partnerships. For profitable growth – and also to remain competitive against internationally operating competitors going forward – a policy of targeted internationalisation is required at the same time. Our strong and successful long-standing alliance with our Danish partners Danish Agro and Vestjyllands Andel (DAVA) plays a key role here.

AGRAVIS sees itself as a cooperative company firmly anchored in domestic agriculture. Cooperatives or mutual societies are the main shareholders of AGRAVIS and at the same time customers in the two-stage association. AGRAVIS wants to develop further together with the cooperatives and provide future-proof solutions for the business. According to the articles of association, the cooperatives hold at least 60 per cent of the share capital. The other shares are held by agricultural operations, employees and other natural and legal persons. Only a small percentage of treasury shares are held by AGRAVIS Raiffeisen AG (0.4 per cent).

AGRAVIS is a diversified company with a decentralised structure. Operational activities are divided into the five business segments of plants, animals, machinery, retailing and energy. AGRAVIS is also active in project construction.

#### Business segment: Plants

In the plants segment, AGRAVIS trades in grain, oilseeds and raw feed materials, handles the entire supplies business with crop protection and foils, fertilisers and seeds and offers its customers plant cultivation sales consultation (product turnover 2019: EUR 2,684 million, previous year: EUR 2,782 million). Comprehensive collective trading is carried out together with the regional Raiffeisen cooperatives. An AGRAVIS-internal trial involving more than 20 locations and the specialist expertise of the plant cultivation sales consultants enables seasonally- as well as regionally-adjusted and cross-industry recommendations to be made. This information is spread across various media and reaches customers via a variety of communication channels – both online and offline.

### Business segment: Animals

The compound feed, special feed and animal health divisions are served in the animals segment (product turnover 2019: EUR 1,268 million, previous year: EUR 1,259 million). AGRAVIS is a leading compound feed manufacturer for all types of livestock in Germany. The special feed sector offers a wide range of its own feeding and hygiene concepts across all types of livestock and the hobby sector. AGRAVIS complies with the standards of various quality management systems (DIN EN ISO 9001, GMP+, QS and VLOG) throughout the production of feedstuff. The AGRAVIS affiliate Livisto Group GmbH, together with its subsidiaries, produces a broad range of animal health products at six locations around the world and sells these in more than 100 countries.

### Business segment: Machinery

Sales of new machinery with main brands such as Claas, Agco/Fendt and New Holland, marketing of second-hand machinery – in terms of national and international, bricks-and-mortar and online trade – as well as a comprehensive, effective spare parts and repair shop service are all part of the machinery business segment (product turnover in 2019: EUR 868 million, previous year: EUR 946 million). 26 regional companies (including holdings) operate in 127 locations under the umbrella of AGRAVIS Technik Holding GmbH. They serve customers with an extensive portfolio of products and services covering agricultural technology.

### Business segment: Retailing

In the retailing business segment (product turnover 2019: EUR 293 million, previous year: EUR 285 million), AGRAVIS bundles its activities in trade in construction materials and as a retailer, wholesaler and concept provider for Raiffeisen markets. AGRAVIS is active in this segment with 59 of its own markets, approx. 410 markets for which the AGRAVIS affiliate Terres Marketing + Consulting GmbH is a franchisor and 1,000 wholesale customers. The online shop raiffeisenmarkt.de complements bricks-and-mortar retailing as a digital sales channel in the cooperative association. In the affiliated company Regio Baustoffe GmbH, a buying syndicate is operated together with regional cooperatives and industry partners. terres'agentur is also included in the retailing segment.

### Business segment: Energy

As an independent energy supplier in the energy business segment (product turnover 2019: EUR 1,255 million, previous year: EUR 1,241 million), AGRAVIS supplies its customers with warmth, mobility, electricity and services. AGRAVIS operates as a wholesaler and is also active for private and commercial end consumers through subsidiaries and affiliated companies. The AGRAVIS Group also operates more than 97 of its own petrol stations via several affiliates and is commercially active in the petrol station business. A petrol station network is offered with partners nationwide.

## Corporate strategy and management

### Market environment and influencing factors

Agriculture in Germany is facing major challenges – economically after yet another below-average harvest and socio-politically with topics such as animal well-being and acceptance being discussed. In addition, there are increasingly stricter regulatory requirements such as the Fertilizing Ordinance, which has been further tightened. This all means that agriculture is likely to continue evolving, and the number of agricultural operations, including upstream and downstream companies, is expected to fall considerably in the coming years. At the same time, we can expect to see growth for those exploiting technological innovations, allowing them to work more professionally with the resources available.

While the number of conventional farming operations is falling, organic farming is on the up. Organic farmers now represent 12 per cent of all operations. However, economic pressure can also be felt in this segment, with organic grain prices struggling to provide a sustainable income.

Digitisation in agriculture and in the agricultural supply chain will continue to accelerate. AGRAVIS wants and needs to cement its claim to leadership through the implementation of digital processes and smarter applications. There is a need to make economic processes with practical benefits ready for use by cooperatives and farmers. In addition, in November 2019, the Federal Government created the prerequisites for an efficient, nationwide digital infrastructure in agriculture through a funding programme.

At the same time, competition for qualified employees is increasing. As an employer, AGRAVIS must therefore be an attractive proposition to top performers to ensure that the company can meet customer requirements even at remote locations and continue to impress with its knowledge and expertise.

All in all, the pressure to change is relentless for agricultural trade in Germany. Contributing factors include the structural change with tough competitive pressure and increasing social demand for sustainable farming practices as well as the associated stricter legal requirements. Together with cooperatives, AGRAVIS sees good opportunities to maintain its market share and therefore secure its position.

An outbreak of African swine fever, which was confirmed in Poland and Belgium towards the end of 2019 and came very close to the German border, had very negative effects on agriculture and also on agricultural trade as a whole. Furthermore, at the time of printing this annual report, the rapidly developing corona crisis was already having a seriously negative impact on agricultural trade and raw materials markets.

## Strategic orientation

AGRAVIS sees itself in a good position in terms of scale and range of services and capacity. It has recognised the challenges of consolidation and will take an active role in this process. Using this cooperative concept, AGRAVIS is directing its actions towards achieving collective success with its partners – the cooperatives and farmers – and aims to shape the future of agriculture together with them. In its core business, it strives to become the market leader through a high level of expertise and customer focus and sees itself as a driver of innovation responsible for providing customers with holistic concepts. Sustainability and digitisation are utilised for the benefit of customers, to increase efficiency and to supply application-ready solutions. To this end, the cooperative portal myfarmvis was further developed in financial year 2019 and enhanced to include Delos applications for determining fertiliser requirements and NetFarming modules for geo-referenced land management. Operational excellence is being further improved on a continuous basis by streamlining processes and dismantling duplicate structures in order to provide customers with the best quality in terms of service and results. Using the headline "Sales offensive", AGRAVIS wants to be the leading agricultural trader and preferred business partner in the association.

## Sustainability

AGRAVIS has been focusing on sustainability topics for around ten years now. As a leading national agricultural trade and service company, it is pushing development towards a more sustainable brand of agriculture. The aim is to offer AGRAVIS customers, cooperatives and farmers the products and services that enable them to operate both more sustainably and more successfully. Sustainability has been an integral part of corporate strategy for some time now and offers AGRAVIS commercial opportunities and advantages to stand out from the competition. The focus on sustainable activities is based on actionable and marketable concepts, such as the "Eco-Efficiency Manager for Pigs".

AGRAVIS has continuously reported on its efforts and successes regarding sustainability over a period of several years. The aim is to provide transparent and comprehensive information about the company and its responsibility to find a balance between economic profitability, ecological compatibility and social acceptance. A fact sheet on sustainability appeared online in the reporting year, in which sustainability-relevant figures from 2018 were evaluated. Stakeholder dialogue with industry partners was also intensified in financial year 2019.

## Climate protection

AGRAVIS is committed to protecting the climate. It offers a wide range of services in order to reduce the emission of climate-relevant gases, manure and dung as well as the use of pesticides and fertilisers. Examples include the "Feeding the future" concept, which reduces $CO_2$ and nitrogen emissions by around 20 per cent and the software solution Delos – implemented together with its partner Odas GmbH – which can be used to show the nutrient and material flow balance in the agricultural operation. The AGRAVIS NetFarming modules for the area-specific use of agricultural land are also part of this.

### Strategic goals

Stable, positive company results with the ability to pay dividends and retain profits ensure corporate growth. The aim is to achieve secure profitability in all areas, which requires a sustainable business model in the relevant core segments of agriculture, technology, energy and retailing, all the while increasing service share, actively exploiting market opportunities and minimising market risks. We are targeting annual pre-tax profits of at least EUR 30 million.

An equity ratio of 30 per cent – a strategic goal for many years – has generally always been achieved since 2016. The drop in 2019 to 27.4 per cent is primarily due to the fine from the plant protection price-fixing case. The equity ratio is expected to return to 30 per cent.

# 6.2. Economic report

## Macroeconomic environment

The trade conflict between the USA and China again affected the global economy in 2019. According to the International Monetary Fund (IMF), global economic growth stood at 3 per cent – the poorest value since the economic crisis. In 2019, the price of crude oil fluctuated between USD 3 and around USD 74 per barrel and finished the year at USD 66.8 per barrel. The value of the dollar compared to the euro fluctuated over the course of the year between 1.1570 in January 2019 and 1.1221 at the end of the year.

According to IMF figures, economic growth in Europe stood at 1.4 per cent in 2019, compared to a growth rate of 2.3 per cent in the previous year. The zero-interest policy continued, and some banks turned to credit to collect penalty interest.

The economy also slowed down in Germany. In 2019, it stood at just 0.6 per cent, compared to a growth rate of 1.5 per cent in the previous year. Here, we saw the economy develop down two separate tracks: While the export industry suffered significant losses, not least because of the aforementioned trade conflict, the domestic economy and therefore purchasing behaviour at home remained at a high level. Exports of German agricultural products represented an exception. At EUR 79.5 billion, they grew by 2.1 per cent compared to the previous year. The German Retail Association (HDE) spoke of a 3.2 per cent increase in sales compared to the previous year. The construction industry also grew despite a slight decrease in construction permits. In the energy sector, the consolidation of the market continued at the wholesale level. In the combustibles and fuels segment, the catch-up effects from the precarious supply situation in the second half of 2018 still lingered. Domestic sales of lubricants stagnated.

The number of people in employment in Germany grew again in 2019 and reached a record high of 45.3 million at the end of the year. The unemployment rate fell to 4.8 per cent. At 1.4 per cent in 2019 (previous year: 1.8 per cent), the inflation rate also fell.

## Economic conditions in the sector

The price index of the FAO (Food and Agriculture Organization) for the most important agricultural commodities rose by 1.8 per cent compared to the previous year and reached a five-year high in December 2019. The global grain harvest achieved its second best result ever with 2.16 billion tonnes, thanks in no small part to the above-average harvests in the Black Sea region.

Figures for the grain harvest in the European Union stood at 316 million tonnes, well above the long-standing average.

Agriculture in Germany again had to deal with low harvests in 2019, especially in the east of the country. The grain harvest stood at 44.4 million tonnes including corn maize and CCM. While this represented a 17 per cent increase on the drought year of 2018, it was still below the long-standing average.

Similarly, at 85 million tonnes, the silo maize harvest in Germany was higher than the previous year (78 million tonnes) but still 15 million tonnes below the multi-annual average. This made things difficult for the feed supply and further exacerbated the economic challenges for dairy farmers in particular.

Corn maize stood at 4.2 million tonnes in Germany, a figure close to the long-standing average and approx. 26 per cent above the result from the previous year.

Against the backdrop of a 30 per cent reduction in acreage, rapeseed harvest was again 24 per cent below the historically low result from the previous year and at 2.8 million tonnes fell well short of the five-year average figure of 4.7 million tonnes.

Sugar beet cultivation in Germany again fell in 2019. The acreage size only stood at 375,000 hectares. Revenues remained at the level of the drought year of 2018.

After the drought year of 2018, Germany again became a net exporter of grain in 2019, exporting

2 million tonnes in total, a figure still well below the historical average. Despite the low production volumes in Germany, the prices remained fairly stable because sufficient imports were available to customers. However, this relative price stability has been at a modest level for some time – grain prices rose significantly at the end of the year. This was due to the strong demand for wheat in the export markets – from China in particular – and the intensification of the trade conflict between the USA and China.

It was a similar story in the oilseed market: The price of rapeseed increased considerably at the end of the year, reaching a two-year high. The price index for palm oil was driven up by the fixed palm oil prices in particular. But soya, sunflower and rapeseed oil also increased substantially. There was no additional stimulus for prices from the biodiesel market. Prices stood at a moderate level for soybean meal due to the high soya bean supply in the USA and the trade conflict between the USA and China. The harvest of grain legumes was much better in 2019 than in the previous year. This was the case in particular for the four most important pulses, namely forage peas, broad beans, soya beans and sweet lupins.

The prolonged drought, which lasted until September 2019, also had a significant impact on the use of resources. The lack of precipitation and the low rapeseed acreage resulted in a drop in sales figures of 6.4 per cent to EUR 1.334 billion in the crop protection market in Germany. In the fertiliser segment, up to 20 per cent less mineral fertiliser was consumed, owing in part to the fact that the widespread drought ensured that nitrogen use on certain grassland was not required. Sales figures for cereal seed were down on the previous year. Cereal sowing had a relatively trouble-free 2019 in most regions; however, there was a lack of precipitation for oilseed sowing in many regions.

Organic farming in Germany also witnessed growth in the last year. Organically farmed land grew to 1.6 million hectares or a good 10 per cent of the German agricultural area. This meant that almost one-eighth of agricultural holdings in Germany worked according to organic guidelines. The increasing supply ensured that prices for organic grain stood at 10 to 25 per cent below those from the previous year.

Meat production in Germany fell by around 2.6 per cent in the first six months of the year. The increasingly difficult political and economic situation for agriculture in Germany led to a significant decrease in livestock farming operations and in livestock figures in almost all areas with a main focus on cattle and pig farming. Cattle numbers in Germany stood at 11.9 million in 2019, some 800,000 animals fewer than five years previously. The pig population fell to 25.9 million animals, a 2 per cent drop on the previous year. The number of pig farming operations dropped by more than a third to 21,600 in the period from 2010 to 2019.

The outbreak of African swine fever (ASF) in China caused a significant increase in pork prices. Again in 2019, Germany ranked number one in the list of European pork exports. An annual average price of EUR 1.75 per kilogram of slaughter meat (grade E) – 32 cent per cent per kilogram or 22 per cent higher than the figure from the previous year – ensured adequate operating results in this agricultural sector again in 2019. Piglet prices, too, were much higher in 2019 compared to previous years. At the same time, the concentration process in pig farming accelerated. Compound feed and protein could also be purchased at a much-reduced price compared to 2018. While prices for staple feed such as hay and straw were above the historical average, they remained well below the previous year's high prices caused by the drought.

The situation for dairy farmers in 2019 was described as a “state of permanent crisis” by the German Federal Dairy Farmers Association (BDM) because at 33 cents per kilo of conventionally produced milk, the average milk price was 10 cents below the full cost. The number of dairy farm operations continued to fall.

The net increase (new builds minus closures) in biogas plants in Germany remained at a moderate level, with an increase of 80 sites in 2019. Nevertheless, the total number of biogas plants exceeded 9,500 for the first time. With regard to the very low growth figures, the industry spoke of the threat posed by agriculture to climate protection. In addition, numerous operations had to deal with problems in substrate supply and plant operation in 2019 due to the drought-damaged maize and grass harvest.

The agricultural technology industry consolidated its production turnover in 2019 (domestic and export business) at EUR 8.6 billion up 0.3 per cent on the previous year. However, figures in German trade fell by 5.3 per cent. Nevertheless, at 28,979, the number of newly registered tractors in 2019 exceeded the figure from the previous year by 4.7 per cent. The winners here were tractors in the lower performance range; figures for the upper performance range fell dramatically by more than 18 per cent in some cases.

The economic situation remained tense for German farmers in 2019. The operating result of an agricultural enterprise stood at just EUR 54,900. Here, on average, crop farming businesses showed a slight improvement on the previous year. Meanwhile, incomes for livestock farming operations fell quite severely. The further tightening of the Fertilizing Ordinance and the so-called "agricultural package" increased the concerns of many farmer families about their future.

The "Green Deal", which was announced by the new EU Commission in December, brought further uncertainty, as its potential effects on agriculture in Europe were still unknown.

The structural change in German agriculture was again in full swing in 2019. The number of agricultural operations has fallen from 470,000 in 1999 to 267,000 in 2019, generally in favour of larger units. This trend is set to continue. DZ Bank predicts that this number will drop to 100,000 companies by 2040. At the same time, this is expected to involve an increasing shift away from the traditional family farm model.

The number of liquidations of agricultural operations grew by almost 24 per cent from 92 to 114 between January and October 2019 compared to the same period from the previous year. At the same time, the price of agricultural land in Germany reached new record highs despite the difficult economic environment, in some cases approaching EUR 100,000 for one hectare of acreage.

In 2019, more and more farmer families bemoaned not only the poor yield situation in agriculture but also the lack of political support, not to mention the introduction of yet more regulations and especially the declining social acceptance of the profession, often resulting in abuse and denigration. The "agricultural package" approved by the federal government for more animal and environmental protection in agriculture, including the insect protection action programme, was also negatively received by farmers. In addition to the unsatisfactory trend in incomes, 2019 also brought with it the potential threat of cheap imports as a result of the planned Mercosur agreement.

The structural change not only hit agricultural operations in 2019 but also agricultural trade in Germany. Drivers of this consolidation remain the anticipated changes in the use of agricultural chemistry and fertilisers as well as the stagnating or sinking levels of livestock, especially in sow farming and pig fattening.

With regard to the energy market: Sales of light heating oil grew significantly compared to the previous year. However, the long-term trend of sinking sales volumes continues. Fuel prices remained just below the previous year's level.

## Significant events during the financial year

### AGRAVIS settles proceedings with the Federal Cartel Office

In light of an investigation into antitrust price fixing in the crop protection market, which was instigated by the Federal Cartel Office against AGRAVIS Raiffeisen AG, the company decided to bring proceedings to an end by way of a settlement – in other words, the antitrust case was settled amicably and out of court. AGRAVIS Raiffeisen AG came to an agreement with the Cartel Office to pay a fine of EUR 43.7 million.

In March 2015, the Federal Cartel Office conducted a series of raids on all relevant private and cooperative agricultural trade companies and secured evidence. AGRAVIS Raiffeisen AG's site in Hanover was one of the locations visited by the authorities. The investigations initiated were based on the suspicion that company employees may have been involved in anticompetitive agreements in crop protection trade. The company and its employees cooperated fully with the Federal Cartel Office over the course of the proceedings initiated against AGRAVIS Raiffeisen AG. Against this backdrop, the case was finally settled and a fine imposed on the company.

AGRAVIS Raiffeisen AG felt the best option was to draw a line under the investigation proceedings and settle the matter out of court. At the same time, the settlement enabled the company to avoid further disadvantages. This way, it managed to avert lengthy court proceedings with an unknown outcome and excessive interest charges, which would likely have required considerable financial and personnel resources over many years. AGRAVIS Raiffeisen AG is convinced that it was never about harming customers – e.g. cooperatives or farmers – and setting binding prices for the crop protection market. Against the backdrop of intensive competition, the actual sales prices are individually negotiated between seller and buyer directly and are dependent on many factors. As no damage had been suffered, AGRAVIS was not required to make further provision for risks, either.

### Special feed business has been bundled

The new Profuma Spezialfutter GmbH & Co. KG was officially launched on 1 September 2019. It was formed from the merger of the former Vitavis GmbH, the former Höveler Spezialfutterwerke GmbH & Co. KG and Blattin Seitschen GmbH & Co. KG. By pooling the activities in the special feed business, AGRAVIS can now optimally serve all sales channels and better exploit market and customer potential. Production and logistics at the six locations are gradually becoming more closely intertwined in order to meet customer requirements faster, most efficiently and more cost-effectively. National sales of the established sales brands has now been split into four regions in order to gain market share. Profuma also aims to make gains in the export market. Equovis GmbH in its new structure was already active in the market on 1 January 2019, driving development of the special feed business forward in the "horse and hobby" segment.

### Foundation of biovis agrar GmbH

By establishing biovis agrar GmbH in June 2019 as an independent company, AGRAVIS is highlighting its ambition in the growing market of ecological agriculture. Together with the Raiffeisen cooperatives, it also wants to become the number one representative in this segment for organic farmers and companies ready to switch and plans to do so by offering sound consultation, high marketing reliability and a good product and service programme. The feedstuff, plant cultivation, machinery, agricultural trade and grain collection segments are all being served. The requirements specified for the EU's organic certification and the relevant organic food associations are being met. biovis agrar GmbH can build on the existing organic measures utilised within AGRAVIS and its cooperative partners, such as the feedstuff production with Raiffeisen Hohe Mark Hamaland eG in Biomühle Hamaland in Gescher/North Rhine-Westphalia and the collection and marketing of organic grain.

### Personnel changes at board level

Changes at board level made in financial year 2019 are having an impact on the strategic direction of AGRAVIS. Dr Dirk Köckler became Chairman of the Board of Directors on 14 March 2019. Hermann Hesseler was named as a new Member of the Board on 1 May 2019. The AGRAVIS Board of Directors was completed by Jörg Sudhoff on 1 January 2020.

### Restructuring of Construction material traders

Trade in construction materials at AGRAVIS has been restructured in order to expand market share and generate additional profit opportunities. The three companies Theodor Elbers GmbH & Co. KG, AGRAVIS Baustoffhandel Nord GmbH and AGRAVIS Baustoffhandel Niedersachsen GmbH have merged to become AGRAVIS Baustoffhandel GmbH, based in Münster. Holzhandlung Gundelach continues to operate as an independent company in the market. In order to implement leaner and more efficient structures in the retailing segment and increase opportunities for further growth, Baustoffhandel Holding has also been integrated into Raiffeisen-Markt Holding.

## Research and development

Total investment in research and product development was a solid EUR 6.2 million in the past financial year. A share of 8 per cent of this amount was entered as assets in 2019. In the animal health segment, the Livisto Group obtained new authorisations for 173 products worldwide in 2019.

## Overview of the course of business

The economic situation for agriculture and therefore also for agricultural trade remained a challenging one in financial year 2019 after a harvest which varied strongly from region to region but in the whole was again below average. As large areas of the AGRAVIS commercial region again experienced very warm weather at the end of June and no rainfall for weeks on end, heavy crop losses were once more recorded in some of these regions. For the second year in a row, the AGRAVIS financial year was negatively impacted by the drought. Compared to the historical average, this led to a significantly reduced harvest intake, especially in the east, fall in service revenues, e.g. for drying and storage, and a steady decline in the sales of operating materials. Sales quantities at 12.2 million tonnes were also down slightly compared to the previous year (minus 1.3 per cent).

Operationally speaking, AGRAVIS still performed well in the market, as reflected in a turnover figure of EUR 6.5 billion for 2019 (previous year: EUR 6.6 billion). The cartel fine cost AGRAVIS EUR 43.7 million. As a result, it was unable to achieve its target EBT of EUR 30 million. In addition to the fall in service revenues from the harvest, this failure was caused by crippling competition in some areas, low willingness of farmers to invest and also losses in agricultural commodities as well as in individual companies and holdings. The balance sheet result stood at EUR 543,000 following withdrawal from the free reserves.

By setting the course in evolving markets at an early stage, in 2019, AGRAVIS managed to secure its future position as a leading cooperative agricultural trader in Germany. Specific examples include the merger of the special feed business in Profuma Spezialfutterwerke GmbH & Co. KG, the targeted strengthening of compound feed sales in 2019 through the establishment of AGRAVIS Mischfutter West GmbH on 1 April 2020, the ongoing reorganisation of the agricultural products segment through leaner structures and closer coordination for collections at the agricultural centres and subsequent processing in the compound feed companies. Strong positioning in purchasing and sales with cooperative customers continues to be a main focus.

When it comes to digitisation, too, for example the development of myfarmvis into a cooperative platform, as well as sustainability and climate protection, AGRAVIS has been able to introduce its own solutions. To this end, Delos as an IT solution for nutrient management and the NetFarming solutions have been established in the market. In the context of the amended Fertiliser Ordinance, AGRAVIS expects to see a breakthrough in the practical application of Delos in 2020.

The consolidated turnover figure does not include the activities of around 163 affiliated companies and joint ventures, which are operating primarily in the German but also in the international market. As associated companies, the joint ventures with the Danish DAVA (DV AGRAVIS International Holding A/S, DA AGRAVIS Machinery Holding A/S and Vilomix Holding A/S) are also being operated. Together, they achieved a turnover figure of EUR 2 billion in 2019 (previous year: EUR 1.9 billion). With an ROS of 1.0 per cent (previous year: 0.8 per cent, share in earnings of AGRAVIS: EUR 2.4 million), they were again more profitable compared to AGRAVIS. However, the affiliated company Ceravis AG again finished the year with a clearly negative result – a turnaround is needed.

With a volume of EUR 47 million, investments in the core business, customer benefits and effective locations again reached a high level but fell somewhat short of investment planning targets set at the start of the year.

## Business segment trends

### ■ Plants

The plants segment was particularly affected by another very dry year in many regions. Product turnover stood at EUR 2,684 million in the crop protection, fertiliser, seed, agricultural products and plant cultivation consultation segments, down 3.5 per cent on the previous year. AGRAVIS confirmed its strong market position in the crop protection and fertiliser segments. Customers appreciate the company's market and product knowledge as well as its logistics expertise.

The drought suffered regionally in the early summer meant another crop year after 2018 characterised by difficult circumstances for the crop protection segment, so that grain fungicides especially could only be used at a reduced level. In the case of potato fungicides, sugar beet and rapeseed – caused by much-reduced acreage – sales in the crop protection market also fell in the AGRAVIS core areas by 3.0 per cent compared to the previous year. The aggressive competitive environment gained further momentum due to the restricted market. However, the exclusive products offered by AGRAVIS helped stabilise the volatile business environment and consolidate the company's leading position in its core business area.

The foil business enjoyed positive turnover figures and exceeded expectations. AGRAVIS benefited from the demand for high-quality foil and the second grass cutting, which was again possible this year. The positive foil figures compensated somewhat for the losses in the crop protection segment. This meant that overall turnover was not far off the level from the previous year. The drought ensured that the ambitious increase forecast could not be achieved.

The overall result in the crop protection segment was in line with expectations.

Despite another extended period of drought, the fertiliser segment posted a 20 per cent increase in turnover on the previous year and therefore met expectations. Here, it benefited from much higher price levels than in 2018 – prices were driven by urea including the urease inhibitors required under the Fertiliser Ordinance from 2020 onwards – and by an expected increase in sales of mineral fertiliser. Increases in sales were achieved in the nitrogen-sulphur and potash fertiliser markets. However, potash fertilisers suffered the biggest decline in sales. Reluctance to buy among farmers since the end of the harvest had a negative impact on business. The poor harvest yields in many regions, alongside the drought, ensured high $N_{min}$ values in the soil. They were also the reason why there was no second nitrogen dose applied on grassland in many cases. Results in the fertiliser segment were in line with expectations and at the level of the previous year.

Thanks primarily to the extensive grassland renewal as a result of the very dry previous year, the area exceeded turnover expectations with a 4 per cent increase. As a result of the staple feed shortage which persisted in 2019, the demand for permanent grassland mixes remained at the level of the previous

# SHAPING THE FUTURE TOGETHER

"For the machinery segment, this means: Through operational excellence and an increase in services, AGRAVIS will increase customer satisfaction."

year and was again twice as high as figures from years without extreme drought. Mixed blooms also enjoyed a successful year. In the case of seed grains, the focus of production, purchasing and sales was on innovative new varieties and exclusive varieties in terms of grain in order to safeguard value creation; turnover here was up on the previous year's figure. The maize seed segment saw an increase in sales volumes; own focus varieties were successfully positioned, in conjunction with gains in market share. As expected, sales of seed rape dropped in comparison to 2018 due to the smaller sowing area.

Overall, the AGRAVIS seed segment managed to secure and strengthen its market position in financial year 2019 by increasing and consolidating sales potential among farmers and cooperatives – through strong own brands and product management in sales and consulting. International cooperation in the First Seed Group also strengthened the area as planned. In line with forecasts, contribution to earnings was above the previous year and met expectations.

In financial year 2019, sales consultation in plant cultivation again utilised its specialist expertise and practical experience at its 20-plus test locations in order to provide customers with practical cultivation recommendations for various cultures. As planned, testing mainly focused on the exclusive varieties and concepts of AGRAVIS, such as the winter wheat variety “Informer”, which rose to become the second most popular variety in the country in business year 2018/2019. Consulting activities were shaped by the effects of the drought on plant cultivation and the general uncertainty surrounding agriculture given the constraints caused by policy and public debate.

The agricultural products area continued to focus on the core business. Overall, lowers sales (minus 2.3 per cent) and turnover (minus 4.2 per cent) were generated than in the previous year. An increase in sales (plus 4.7 per cent) in the grain product group, in the maize segment in particular, could not make up for the drop in sales of raw feed material (minus 8.8 per cent) and oilseed (minus 31.9 per cent). In particular the dramatic decline in prices on the futures exchanges and spot markets in the first quarter of the year prevented a positive contribution to earnings being achieved in this area.

In the grain segment, the focus was on the provision of cooperative plants with feed grain and the development of sustainable supply and sourcing relationships with processors and cooperatives. Low sales in feed wheat and barley were balanced by maize imports.

In the raw feed material market, reluctance to buy soya products meant that the sales target for protein feed materials was not reached. However, sales of the other individual feeds exceeded expectations.

The significant drop in quantities in oilseed trade can be explained by the fact that Europe’s oil mills processed less rapeseed after the small harvest, and the area of agricultural products did not participate in imports, having weighed up risks involved.

## ■ Animals

Product turnover in this segment – consisting of the three pillars of compound feed, special feed products and animal health – increased slightly by 0.7 per cent to EUR 1,268 million in the reporting year.

Efforts focused on protecting the company’s own production capacities in the compound feed area. Cooperative participation in Genossenschafts-Kraftfutterwerk GmbH took place as planned. The positive development of volumes in the first six months levelled off as the year progressed, to the extent that, in 2019, production tonnage of 3.2 million tonnes at the affiliates’ plants represented a slight decrease on the previous year; the Borgholz site of AGRAVIS Kornhaus Ostwestfalen GmbH was closed in 2019 due to increasing competitive pressure and the required investment in the business. If you include the holdings, production tonnage of almost 4.9 million tonnes was again close to the figure from the previous year. Despite falling animal numbers, the expected positive impetus from the staple feed shortage was felt in the compound feed market. Pig feed production at Group sites fell by 3.2 per cent as forecast. This area witnessed a shift from complete (fattening) feeds to protein concentrates and supplements. Cattle feed production also fell compared to the previous year; Group plants

**Product turnover – plants business segment** *(in millions of EUR)*

**2,684** *2019*    **2,782** *2018*

enjoyed a positive development of volumes in poultry feed. Contribution to earnings in the compound feed market was lower than the previous year due to low margins.

In 2019, AGRAVIS set the course for more efficient sales in order to further improve customer and market orientation against the backdrop of overcapacities and falling animal numbers. On 1 April 2020, the three sales companies AGRAVIS Mischfutter Westfalen GmbH, AGRAVIS Mischfutter Emsland GmbH and AGRAVIS Futtermittel Rhein-Main GmbH merged to become AGRAVIS Mischfutter West GmbH.

The year was shaped by restructuring measures in the special feed segment. With the formation of Equovis GmbH from the former Derby Spezialfutter GmbH at the start of 2019, competencies in the horse feed and hobby farming segment were restructured. The umbrella brands Höveler, Derby and Raiffeisen are now all marketed and developed from a single source under company law. The company has made a successful start both in terms of sales and market presence. Profuma Spezialfutterwerke GmbH & Co. KG was launched on 1 September. Since then, it has been bundling the special feed business of AGRAVIS. The aim is to increase sales by utilising the production sites, applying the same quality standards and carrying out lean, customer-oriented logistics processes. The specialist products area has progressed steadily despite regional compromises in the milk replacer and mineral feed markets. Positive developments were observed here thanks to the merger of the sales units. The hygiene area in particular has been a nice addition to the product range. The earnings situation fell short of expectations and also the level of the previous year, which was helped by exceptional incomes in the vitamin area.

In the services business related to the topic of biogas, the AGRAVIS affiliate Terravis GmbH did indeed manage to achieve the increase in turnover that was expected for 2019. Income also increased in line with forecasts. Almost all sales regions enjoyed growth.

In the animal health segment, there was a clear increase in turnover of 6 per cent compared to the previous year, thanks in particular to the international markets in Eastern Europe, Central America, Asia and Switzerland. Business in Russia was also well above levels from the previous year. Similarly, sales in South America also showed good progress over the previous year. Business in Germany was affected by reduced use of antibiotics with regional variations. The result was up on the previous year, in line with forecasts.

**Product turnover – animals business segment** *(in millions of EUR)*

**1,268** *2019*

**1,259** *2018*

## ■ Machinery

Sales in the machinery segment suffered more than most, owing to the difficult economic situation caused by yet another weak harvest and persistent political discussions surrounding agriculture. Nevertheless, product turnover of EUR 868 million almost matched the planned figure (previous year: EUR 946 million, minus 8.2 per cent). Pressure was felt in the sales segment of new and second-hand machinery, both nationally and internationally. The backlog of orders, however, indicates that a turnaround is coming, and figures by the end of the year were clearly up on those from the previous year.

The workshop service area enjoyed a welcome upswing. Sales of spare parts almost matched last year's level – contrary to the market trend. There was a welcome increase in gross profit in spare parts trade, which can be attributed to the various initiatives undertaken by AGRAVIS Technik over the past few years in pricing, purchasing, logistics, engagement with Menke Agrar and many other measures.

The targeted contribution to earnings of AGRAVIS Technik did not quite meet expectations for the specified reasons.

The option to rent machinery – a new offer introduced last year – was very well received by the market. Utilisation was consistently above forecasts. The fleet was increased to include telescopic handlers and transport troughs due to the strong demand. Short-term rentals appear to be as popular as long-term ones.

Since August 2019, AGRAVIS has held a 100 per cent stake in the spare parts wholesaler Menke Agrar. At the same time, strategic partnerships have been further developed in order to generate better purchasing conditions and significantly expand the service portfolio.

Product turnover – machinery business segment *(in millions of EUR)*

**868** 2019

**946** 2018

Despite the difficult framework conditions and increasingly fierce competition, the AGRAVIS Technik Group continued to pursue a strategy of growth and invested in its locations. AGRAVIS Technik Sachsen-Anhalt/Brandenburg GmbH opened a twelfth facility in Perleberg, while a ninth branch of AGRAVIS Technik Heide-Altmark GmbH opened in Wittingen. AGRAVIS Technik Weser-Aller GmbH opened its own site for municipal and small-scale equipment while in Syke, the branch of Newtec West Vertriebsgesellschaft für Agrartechnik mbH enjoyed a major upgrade.

The AGRAVIS Technik Group not only invested in its products, services and qualified employees but also in digital processes and concepts – in line with customer needs and requirements. The NetFarming modules of AGRAVIS Digital GmbH and the nutrient management tool Delos are linked together on the myfarmvis portal provided by AGRAVIS Raiffeisen AG and cooperative partners. The new agricultural technology online shop is also integrated on myfarmvis.

The AGRAVIS Future Farm concluded a successful first season. This live operation utilises all available digital technologies and services of AGRAVIS in the networked association.

## Retailing

The retailing business segment saw a further increase in product turnover of 2.8 per cent to EUR 293 million. This increase can be attributed primarily to the positive development in the wholesale sector because of restructuring activities in construction materials trade and the closer cooperation with the cooperatives in the area of RWZ Rhein-Main eG. Traditional retail trade was characterised by consolidation measures taken internally and in cooperatives which masked the above-average market growth enjoyed in Raiffeisen cooperative markets. This meant the closure of three sites of former RWZ markets in Raiffeisen-Markt GmbH. As a result, contrary to forecasts, the target figures for the overall retailing result could not be achieved.

As planned, 17 Raiffeisen markets from the Terres cooperation were reorganised in line with the shopfitting concept. In the RWZ area, the first new building according to the Terres concept was successfully started at the Emmelshausen site. In addition, the range of Terres own brands was extended to around 500 products. The online shop raiffeisenmarkt.de, operated together with 31 Raiffeisen cooperatives, managed to increase its turnover to EUR 4.2 million in 2019; the number of articles sold there increased to 13,000.

The year was characterized by the merger of the various Baustoffhandel Holding companies in the building materials sector. The merger also meant extra clout for the enterprise vis-à-vis the suppliers. Prior to this, Theodor Elbers GmbH & Co. KG ceased its agricultural trade activities. Turnover in construction materials trade failed to meet expectations mainly because of the majority takeover of the cooperative business in Regio Baustoffe GmbH & Co. KG.

Product turnover – retailing business segment *(in millions of EUR)*

**293** 2019

**285** 2018

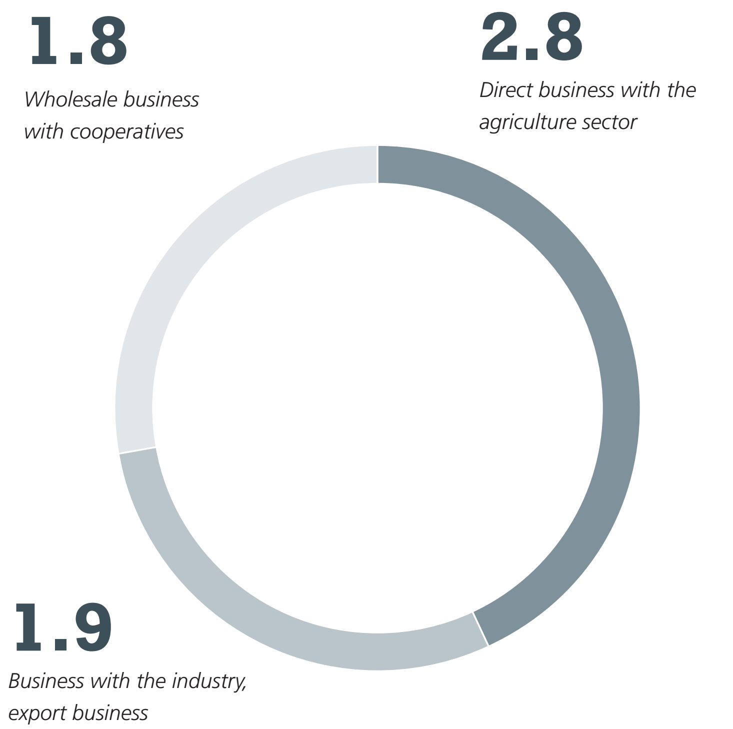
Product turnover – energy business segment *(in millions of EUR)*

**1,255** 2019 | **1,241** 2018

■ **Energy**

Increased sales volumes and stables prices were the main reasons why the energy business segment managed to achieve a 1.1 per cent increase in turnover in 2019 compared to the previous year. It increased to EUR 1,255 million (2018: EUR 1,241 million).
The contribution to earnings was above expectations, thanks in no small part to the successful heating oil and diesel business. Both product groups enjoyed increases in sales volumes compared to the previous year, with heating oil figures up by an impressive 15.7 per cent. As forecast, sales activities in this segment were successfully expanded in the south and south-west of Germany during the past financial year. Project business in the petrol station segment also continued to expand. The new structure with the petrol station service centre provided extra stimulus. Sales of wooden pellets also enjoyed some growth in accordance with forecasts. Raiffeisenagrar joined affiliated company Raiffeisen Bio-Brennstoffe GmbH as a new associate; in addition, a new cooperation for the marketing of wooden pallets commenced with Danpower Pellet-produktion GmbH from the site in Heidegrund, Saxony-Anhalt. Such strategic partnerships to safeguard business had also been formulated as a target at the start of the year. Activities focused more on agriculture when it came to the sale of lubricants with own brand Tectrol; however, the market segment of biogas plants was under pressure. The competitive situation in the lubricants market remained tense. The grid-bound energy business of electricity and natural gas via affiliated company Raiffeisen Energie GmbH & Co. KG developed in line with expectations.

Turnover by distribution channel *(in billions of EUR)*




## Sales channels

AGRAVIS serves three major sales channels within which digital sales channels are also used: Wholesale retail with regional Raiffeisen cooperatives achieved turnover of EUR 1.8 billion in financial year 2019 (previous year: EUR 1.7 billion). Direct agricultural trade and the technology sector with agriculture produced a turnover figure of EUR 2.8 billion (previous year: EUR 2.9 billion). In trade with industry and mills, along with exports, AGRAVIS generated a total turnover of EUR 1.9 billion (previous year: EUR 2.0 billion).

For the regional Raiffeisen cooperatives, AGRAVIS is active within the two-tier system as wholesaler. The legally independent primary cooperatives trade on-site with the agricultural sector and consumers in rural areas. AGRAVIS sees the cooperative association under the model "2 stages = 1 process" as a decisive advantage over the competition. Because together, both in terms of breadth and depth, there is expertise in all areas of agriculture and direct access to customers. AGRAVIS has therefore identified securing and building upon its success in the cooperative association as one of the objectives of its Group strategy.

AGRAVIS regularly assumes a financing function for the agricultural partners, here in particular for the regional Raiffeisen cooperatives. Common in the agricultural sector, this allows cash flows between sowing and harvesting periods to occur in the form of supplier credits to farmers in particular. The risks associated with this are closely monitored and managed by a Group-wide claims management system with system-supported credit assessment.

In regions without regional Raiffeisen cooperatives, AGRAVIS does business with the farmers directly. The six companies that form "AGRAVIS Ost" in the federal states of Saxony-Anhalt, Brandenburg, Thuringia and Saxony achieved a turnover figure of EUR 1.6 billion in 2019 (previous year: EUR 1.8 billion). This decline is mainly due to lost revenues in the grain and oilseed trade as well as reduced service revenues after yet another drought-induced below-average harvest in various regions of the commercial area. The result was lower than the figure from the previous year and below expectations.

The four subsidiaries and seven associated companies of AGRAVIS Agrarholding GmbH that chiefly cover the central and western commercial area of AGRAVIS ("AGRAVIS Mitte-West") achieved an annual turnover of EUR 0.9 billion (previous year: EUR 0.8 billion). Here, too, there was a lack of revenues from grain trade. Stimulus came from the energy segment and the regional Raiffeisen markets. The result was lower than the previous year and below expectations.

AGRAVIS Süd GmbH achieved an annual turnover of EUR 9.1 million with AGRAVIS Bamberg GmbH (previous year: EUR 7.9 million). The increase in turnover can generally be attributed to the development of the grain business. VR Agrarcenter Wittelsbacher Land GmbH as an affiliated company of AGRAVIS Süd GmbH achieved an annual turnover of EUR 9.7 million.

## Financial performance indicators

AGRAVIS uses the following key figures to monitor the Group:

- Turnover
- EBT/earnings before tax
- Operating EBIT
- Equity capital ratio

As already shown, turnover amounted to EUR 6.5 billion in financial year 2019 (previous year: EUR 6.6 billion, planned: EUR 6.5 billion). AGRAVIS therefore underlined its strong position in the German agricultural market and managed to keep its turnover at a high level as expected. A turnover figure of EUR 6.3 billion is the target for 2020.

Pre-tax profits of minus EUR 20.5 million (previous year: EUR 30.4 million) fell well short of the planned EUR 30 million. The section "Overview of the course of business" deals with the reasons for this. AGRAVIS is basing its plans for financial year 2020 on earnings before tax of EUR 30.2 million.

Operating EBIT (also referred to as EBIT for short), introduced in 2017, means that a more relevant picture of the Group's earning potential can be provided. In the case of operating EBIT, this is EBIT used in financial reporting that is adjusted for the neutral result as stated in the annex as well as additional one-off, non-recurring costs and income. For the reporting year, operating EBIT was EUR 45 million (previous year: EUR 81 million, planned: EUR 65 million). The aim is to increase this value to EUR 56 million in 2020.

The equity capital ratio of 27.4 per cent achieved in 2019 (previous year: 29.1 per cent) is the result of having to absorb the cartel fine. That is why the company failed to reach the forecast value of 31.1 per cent. Equity capital ratio of close to 30 per cent is the target for 2020.

The financial performance indicators are continuously monitored and optimised. Furthermore, AGRAVIS uses non-financial performance indicators as assessment criteria (see Section 6.3 "HR report").

## Earnings situation

Turnover at AGRAVIS stood at approximately EUR 6.5 billion – 1.9 per cent below the previous year. Turnover growth was therefore in line with expectations. Other operating income fell by almost EUR 4.6 million to EUR 34.0 million. This is chiefly down to the reduced service revenues. Provisions accrued in previous years were released in the order of EUR 7.8 million (previous year: EUR 6.8 million).

Gross profit of EUR 587 million – down EUR 24 million on the previous year – represented a significant drop once again. In particular agricultural trade suffered in the grain market as a result of high price volatility in February 2019. Furthermore, the second poor harvest year in a row caused a reduction in service revenues. Personnel costs increased to EUR 326 million due to tariff adjustments and restructuring measures. Write-downs of intangible assets and tangible fixed assets of EUR 50 million were slightly below the level from the previous year. The planned investment volume is expected to result in a further reduction in the depreciation value over the next few years.

Other operating expenses increased by EUR 25 million to EUR 203 million, in particular as a result of the cartel fine, increased consulting and proceedings costs and increased expenditure from the valuation of assets.

The financial result continues to have a significant influence over the overall results for the Group. At minus EUR 26 million, it remains unchanged compared to the previous year.

The Group recorded a net loss for the year of EUR 26.4 million due to the cartel fine (previous year: annual net profit of EUR 18.4 million). Key figures such as ROS or return on equity capital are not to be included. The tax rate is not to be shown either due to the non-deductibility of the cartel fine.

## Financial position

### Investments 2019

Investments in intangible assets and property, plant and equipment reached EUR 47 million in financial year 2019 (previous year: EUR 48 million). AGRAVIS had originally planned its activities on the basis of an investment amount of EUR 51 million. This difference is mainly due to the tense earnings situation of the past year. Depreciation stood at EUR 50 million as described. With its investments in 2019, the Group further strengthened its core business and expanded customer proximity and customer benefit – this was also helped by digital projects such as the implementation of the uniform ERP landscape for AGRAVIS. Expenditure in 2019 went on the major investment projects including various construction projects such as the expansion of the Newtec branch in Syke, a new site for Technik Center Alpen GmbH in Kottenheim, the expansion of the fertiliser hall at Agri Futura GmbH in Querfurt as well as new silos at AGRAVIS Niedersachsen-Süd GmbH in Beddingen and FGL Handelsgesellschaft mbH in Schwedt.

## Cash flow

The cash flow of the financial year, generated according to German accounting standard no. 21 (DRS 21), shows improved cash inflow from ongoing business activities, continued restraint in the Group's investment activities and a reduction in the provision of external finance in the balance.

Cash flow from operational activities increased, in comparison to last year, by EUR 83.9 million. This is mainly down to the increase in Group liabilities, consistent stock levels in relation to the balance sheet date and a slight increase in receivables and other assets.

Cash flow from investment activities showed a net payout of EUR 11.7 million in 2019 (previous year: EUR 32.9 million). There were changes compared to the previous year, including in particular the EUR 10.1 million increase in investments in intangible assets and the EUR 15.4 million overall drop in investment readiness in property, plant and equipment and in financial assets. The reduction in reserves at IGS Immobiliengesellschaft Sachsen mbH totalling EUR 17.0 million was the main reason for the increase in payments from disinvestments in financial assets.

The negative cash flow (minus EUR 57.6 million) from financing activities in the reporting period was characterised by the balance situation, which saw a positive balance of EUR 63.7 million in the previous year – from the issuance of new and repayment of existing financial credit – become a negative balance of minus EUR 23.1 million. In 2019, interest payments stood at EUR 23.8 million, dividend payments, including dividends paid to minority interests, at EUR 8.9 million compared to figures of EUR 23.9 million and EUR 7.5 million respectively in 2018. Furthermore, the cash flow from financing activities includes the payments for acquiring treasury shares of EUR 1.9 million.

## Liquidity and financing

Financial management at AGRAVIS provides the necessary financial resources for the Group at all times. Risks from changes in interest rates, currencies and prices are limited using appropriate hedging instruments. At no time does the finance division take up speculative positions. Its task is rather to achieve optimisation through the use of Group-wide measures such as cash pooling.

A fundamental principle of financial management at AGRAVIS is the consideration of matching maturities. Long-term loans to finance investment in fixed assets are structured as repayment loans without the risk of a change in the interest rate. Borrowing is almost exclusively in EUR, whilst foreign subsidiaries take on smaller loans in local currency (CHF, RUB) and in the reserve currency (USD). The limitation of the interest rate risk is managed exclusively via simple derivative instruments ("plain vanilla" instruments). The hedge ratio was 83 per cent (previous year: 84 per cent).

The financing sources of the Group are the aforementioned recently secured syndicated loan of now EUR 650 million (maturing in December 2024 with two one-year renewal options and a variable rate based on Euribor), the unchanged promissory note bond for a total of EUR 88 million (previous year: EUR 88 million; terms of five and seven years, without the risk of a change in the interest rate), EUR 95 million from the likewise unchanged accounts receivable facility (asset-backed securities) and an again unchanged EUR 180 million from reverse repurchase agreements in connection with products. The financing structure is continually reviewed and is appropriate for the company. Solvency was and is ensured at all times, the existing liquidity headroom having never fully been utilised during the reference year. The extensive regulatory framework is meticulously complied with.

The relationship with the funding partners is unchanged in terms of both partnership and trust. Follow-up financing is jointly organised in this way in good time.

## Asset position

In 2019, AGRAVIS invested EUR 47 million (previous year: EUR 48 million) in intangible assets and property, plant and equipment: EUR 16 million in intangible assets, EUR 7 million in land, land rights and buildings and EUR 17 million in plant, machinery and office furniture and equipment as well as EUR 7 million in advance payments. Across the business segments, the focus remained on expanding locations at the agricultural centres and machinery companies. The ultimate objective of investment activities is still to increase efficiency and quality.

In 2019, the balance sheet structure was primarily characterised by the reduction in fixed assets. Current assets without liquid assets increased only slightly by 1 per cent to EUR 1,241 million (previous year: EUR 1,228 million). The growth in equity capital was negative for this first time in the history of AGRAVIS as a result of the settlement reached in the cartel case. It dropped from EUR 581 million to the current figure of EUR 544 million. Nevertheless, the equity capital ratio of 27.4 per cent remained on a more than satisfactory level. Provisions fell by 5.6 per cent to EUR 202 million (previous year: EUR 215 million). Only the pension provisions increased again due to the fall in the discount rate. The other provisions decreased following confirmation of the cartel fine as another liability.

The liabilities owed to credit institutes reduced slightly by 3 per cent to EUR 698 million (previous year: EUR 722 million). This is due to stricter working capital management.

## Composition of capital

AGRAVIS Raiffeisen AG's subscribed capital had a nominal value of EUR 205.5 million at the end of financial year 2019. The capital is divided into 8.03 million registered shares (par value shares). The calculated value is unchanged at EUR 25.60 per share. Furthermore, the company further approved registered capital of EUR 12 million with a term until 8 May 2021 following a resolution of the General Meeting in 2019. No further shares were issued in 2019 and after the balance sheet date.

The issuance of new shares has been taking place at a price of EUR 61.50 since 9 May 2019. The value of the AGRAVIS share has therefore increased by around 140 per cent since the establishment of the company. At the end of financial year 2019, the subscribed capital of the company stood at 61.7 per cent in the ownership of the cooperatives or cooperative companies. Natural and legal persons close to the industry held a share of 28.5 per cent in total on the balance sheet date 31 December 2019. In addition, farms held 4.5 per cent and employees 4.9 per cent stakes in AGRAVIS Raiffeisen AG at this time. At the end of 2019, the company held 0.4 per cent of its treasury shares. These details are referred to in the annex. No dividends were distributed for financial year 2019.

The acquisition of registered shares, in accordance with Section 68(2) of the Stock Act in connection with Section 3(3) of the Articles of Association from the AGRAVIS Raiffeisen AG, are subject to the consent of the Board of Directors. Other restrictions are regulated in detail in the articles of association, in particular: capping of voting rights, minimum participation level for cooperatives and cooperative entities as well as maximum participation levels.

## Overall assessment of the Board of Directors regarding the development of the business and the Group's position

AGRAVIS was operationally successful in financial year 2019. Extremely tough competition, continuing trends of consolidation, the effects of climate change, increasingly stricter political requirements and the social discussion surrounding agriculture: Most AGRAVIS business segments and companies performed well in this challenging environment. However, AGRAVIS business suffered the effects of yet another below-average harvest at regional level and a loss of service revenues, especially in the company's eastern commercial area (see: "Overview of the course of business"). This took its toll on earnings, especially following a tough first six months of the year, where the effects of the extreme drought of 2018 were still being felt. Market volatility in agricultural trade as well as losses suffered by individual companies and holdings also reduced income figures. In addition, the settlement with the Federal Cartel Office was absorbed in the annual accounts of 2019. As a result, earnings before tax for AGRAVIS fell to minus EUR 20.5 million in 2019. This meant that the company fell well short of the target figure of EUR 30 million. Key figures such as ROS or return on equity capital cannot be represented in any meaningful manner.

Despite the disappointing result in 2019, AGRAVIS remains on a solid footing and continues to be the market-relevant agricultural trade company whose key market is Germany. It has to and will continue to adapt in order to meet the rapidly changing requirements of the market and live up to its status as a solution provider and driver of innovation for cooperatives and farmers. In financial year 2019, plans were put in place in many areas to improve the operational excellence of AGRAVIS and enable it – together with the cooperatives – to exploit the opportunities presented by the continual shifts in agricultural trade and in agriculture itself in order to expand its core business.

# SHAPING THE FUTURE TOGETHER

“For the retailing business segment, this means: The Raiffeisen markets want to be known as the ‘third location’ alongside work and family.”

## 6.3. HR report

### Non-financial performance indicators

In what is a labour-intensive business model, AGRAVIS takes due consideration of the role of employees in the form of the following non-financial performance indicators:

- Trainee quota
- Staff turnover rate
- Occupational safety.

#### Trainee quota

As a modern and attractive employer, AGRAVIS offers many eligible young people based in rural areas an introduction to apprenticeship and working life. This means that the Group simultaneously fulfils its social responsibility as a strong regional employer.

Sustainable personnel management at AGRAVIS pursues the objective of appointing each employee according to their abilities and interests so that they are challenged during their professional lives but also receive individual advancement in their professional and personal development. This advancement already begins during the apprenticeship. With 591 trainees at the end of 2019 and a nearly identical trainee quota of 9.1 per cent when compared to the previous year, AGRAVIS emphasises its desire to bind young people to the company early on in order to confront the increasing lack of specialists. The aim is to maintain a trainee quota of around 9 per cent going forward, too.

#### Staff turnover rate

AGRAVIS managed to keep staff turnover rates to a minimum in 2019, too, despite the current change process. The staff turnover rate dropped to 6.5 per cent in line with forecasts (previous year: 8.2 per cent). The aim is to keep the rate as stable as possible in 2020.

#### Work safety

AGRAVIS is continuously working on improving workplace safety. In 2019, however, the number of reportable accidents increased significantly from 127 to 151 in comparison to the previous year. The main causes of accidents involved the use of ladders, stairs and lifts, persons slipping or tripping, use of tools, uncontrolled moving parts and machines while some traffic accidents were also reported. The highest number of accidents (104, previous year: 86) occurred in agricultural technology workshops, followed by the agricultural trade division (28, previous year: 19).

The workplace safety campaign was continued in financial year 2019 in order to further raise awareness among managers and employees. The measures and checks implemented have helped increase safety awareness, and this push continues. As in other fields, occupational health and safety training is provided to employees via an e-learning platform, which saves both time and money.

Here, the main focus has been on aspects such as care and prevention of accidents. Employees were made particularly aware of these topics through extensive internal communication. The aim of the prevention campaigns is to help to once again reduce the number of workplace accidents in 2020.

### Other personnel topics

#### Employees

On key date 31 December 2019, AGRAVIS had a total of 6,458 employees on its books, 70 fewer than the same time the previous year. They work in over 400 locations in a variety of career fields.

In terms of personnel, AGRAVIS operates in an environment where it is important to position oneself as an attractive and trustworthy employer for applicants and existing staff. AGRAVIS needs to highlight and communicate these employer benefits both externally and internally in order to boost appeal and loyalty. Particularly in a trade and service company, employees play a crucial role in both the success of customers and the company itself. Only by employing the right people with the right qualifications can customers receive proper service and advice both in terms of face-to-face engagement and contact through the digital sales and communication channels.

It is therefore massively important for AGRAVIS to find the right employees, foster company loyalty and help the workforce develop professionally. In addition to investing in target-group-oriented personnel marketing and recruitment measures as well as further increasing the appeal of the company as an employer, HR development also continued to focus on digital learning platforms for the development and advancement of staff. Significant preparations and plans were made in this area in financial year 2019. Thus, the "AGRAVIS Learning World", featuring the company's first e-learning content, was launched at the end of 2019. This gives AGRAVIS employees, even those in regional locations, access to a growing number of e-learning and classroom courses in the area of personnel development. The "AGRAVIS Learning World" will act as a central communication and management platform for new forms of learning and work.

Another important development in financial year 2019 was the piloting of the "HR annual review". The objective of these talks on personnel management and personnel development with the decision-makers at area manager and director level is to put the focus on medium and long-term personnel planning. It essentially deals with the analysis and conclusions drawn in relation to age fluctuation and looks at what can be learned going forward for the internal development of young talent and succession management.

Plans are in place to set up an "innovation team" from 2020 onwards in order to further exploit the existing potential of the workforce and focus on the future of AGRAVIS. The team will meet in a type of ideas workshop several times a year, apply agile methods to their work and at the same time develop concepts and ideas for the success of the business.

### Appreciation as an employer

AGRAVIS positions itself as a highly efficient employer in order to retain existing employees within AGRAVIS and make the company an attractive proposition to external applicants. Internships and trainee programmes, on-the-job training in 15 professions, 2 dual degree programmes, the continuous advanced training of specialists and management as well as Health & Safety management: AGRAVIS offers a wide range of benefits as an employer. This is also adapted to the requirements of employees and allows flexible working hours as well as the option of working from home. The Board of Directors and the works council are looking to put in place a Group-wide regulation for this. However, crucial to the appeal of AGRAVIS as an employer is to foster a culture of respect and appreciation at all levels within the company.

The good reputation of AGRAVIS as an employer has once again received nationwide recognition as part of the "Best Employer Award" run by German news magazine Focus in collaboration with professional career portal Kununu. AGRAVIS received this award for yet another year at the start of financial year 2020. It managed to jump 18 places in the overall classification. Its position in the "Services" category was the same as the previous year.

### Diversity at AGRAVIS

The percentage of female managers at AGRAVIS stood at almost 10 per cent at the end of financial year 2019. It is one of the Board of Directors' declared goals to increase the proportion of female managers. This is intended to serve as a guarantee and to make it clear that career success is possible at AGRAVIS irrespective of sex and that AGRAVIS is an attractive employer for both men and women.

The company has defined the following fields of action to achieve this objective:

- Career Opportunity field of action,
- Networking field of action.

The "Career Opportunity" field of action aims to achieve greater transparency over decision criteria for promotion. In the "Networking" field of action, a framework is being created to promote dialogue between female managers and employees. This includes aspects such as mentoring programmes or lecture events with female managers. Alongside measures in the described fields of action, the trend in the percentage of female managers is evaluated on a regular basis and is taken into account in the company-wide talent management.

## Efficient rendering of services and production processes

The objective of greater profitability can only be achieved through streamlined processes and efficient rendering of services. AGRAVIS has recognised this and is in the process of monitoring its portfolio and previous procedures with the objective of defining new, more efficient cross-segment processes and bundling together tasks. To this end, a multi-year project entitled "DOCK" was started in 2019 with the aim of introducing standardised processes for the entire AGRAVIS Group.

The goal is to:

- increase customer focus through more intensive networking of common processes,
- increase efficiency and quality through the use of standardised processes from initial offer to payment of services,
- create a standardised system landscape,
- create and use a platform for innovative further development of business.

## 6.4. Corporate social responsibility

### Responsible corporate governance

Trust is the foundation of all of AGRAVIS business activities – this applies both to its relationship with business partners, customers and shareholders and to contact with the authorities and the general public. The company's value system is characterised by honesty, mutual respect and loyalty to its partners as well as sustainable business activity for people, animals and plants. Capable and responsible employees are committed to upholding these values. This is the basis for transparent, responsible corporate governance at AGRAVIS.

### Integrity and trust

AGRAVIS stands for trust and integrity. As a prerequisite for this, employees need to be aware of our shared values and know what rules they need to observe. The Board of Directors has therefore introduced a compliance management system for the whole of AGRAVIS. The code of conduct "Doing business in the green zone" is binding for all employees, as their appearance and actions have a particular effect on the image of AGRAVIS, both internally and externally. In order to ensure an honest compliance culture within the company, management and executives in particular must be fully on board with compliance and practise it in their communications and conduct. They are the ones responsible for implementing the relevant rules in their respective areas of responsibility and for ensuring that no violations of the law occur which could have been avoided had the proper information and care been provided. At the same time, all Group employees are encouraged to bring up their concerns openly and directly. An internal compliance officer was appointed a few years ago to deal with such issues. An external ombudsman may be contacted at any time – anonymously, if desired.

### Responsibility for the environment, nature and people

The sustainable conservation of natural resources plays an important role in product development at AGRAVIS and is a requirement within the company. For example, AGRAVIS concepts such as "Feeding the future" are resulting in much lower nutrient accumulation.

Reducing energy consumption by improving efficiency is both economically and ecologically necessary and useful. In the long term, efforts to become more energy efficient will also provide a competitive advantage. Illustrative of the efforts made by AGRAVIS in this area are reduced energy consumption and carbon dioxide emissions in the fully consolidated feedstuff plants. Energy consumption decreased by 2.2 per cent to 183,268,834 kilowatt hours in reporting year 2019 compared to the previous year. Carbon dioxide emissions at these sites fell by 2.5 per cent to 62,199,365 kilograms in 2019. Energy consumption fell by 0.8 per cent and greenhouse gas emissions by 1.1 per cent per tonne of feedstuff produced compared to the previous year.

The future availability of raw materials, energy and food are subjects that concern all of us and our future. AGRAVIS' corporate and ethical requirement is to counteract fluctuations in the markets through sustainable business and to secure the supply of food for people through its own products.

### Responsibility for the community

The AGRAVIS Group is engaged in the regions where it does business through the sponsorship of clubs, associations and events. On the one hand, the AGRAVIS brand should be strengthened through presence at, for example, horse riding tournaments, with the goal of being successful in personnel recruiting. At the same time, the company believes it appropriate to appeal to adolescents, young adults and families at sports events and to garner enthusiasm for AGRAVIS. A good example of this is the AGRAVIS Cup in Oldenburg. Among other things, this boosts sales at affiliated feedstuff companies and the regional Raiffeisen markets, thus benefiting the Raiffeisen cooperatives. Values such as teamwork, responsibility and readiness to perform are particularly essential for success in horse riding. These values are also important components of the AGRAVIS corporate culture.

AGRAVIS also demonstrated how seriously it takes social responsibility through the continuation of its "Donations, not presents" project. Instead of giving Christmas presents to customers, AGRAVIS Raiffeisen AG as a parent company of the Group supported the not-for-profit child welfare organisation "Plan International".

# 6.5. Risk report

AGRAVIS distinguishes between the following types of risks:

- External risks
  - Macroeconomic risks
  - Foreign currency risks
- Industry and market price risks
- Financial-sector risks
  - Liquidity and financial risks
  - Credit risks
  - Interest rate risks
- Legal and regulatory risks
- Other risks
  - IT risks
  - HR risks
  - Political risks

## Principles of risk management

Risk management is one of the central components in corporate management at AGRAVIS. Guidelines in accordance with the company's defined risk-bearing capacity apply to all areas of trade and finance. They specify the maximum limits of risk to be taken. The individual areas regularly report on these risks.

In addition, AGRAVIS managers are obliged to immediately inform the Board of Directors as well as controlling/process management of any new risks that arise.

## Risk management

Risk management is organised centrally at AGRAVIS. Against the backdrop of varying risk profiles, the responsibilities are regulated at all company levels and in all functional areas irrespective of value limits. Risk management features the following process steps:

### Risk identification

AGRAVIS constantly reviews macroeconomic and sectoral economic developments as well as internal corporate processes which may have an impact on the company's position. AGRAVIS management uses the risk catalogue to identify individual risks.

### Risk analysis and assessment

The risks are assessed for their potential extent of damage and probability of occurring. The extent of potential damage is expressed, as far as this is possible, in cost figures, and the effects are examined in view of the consequences for the financial position of AGRAVIS.

### Risk management

Assessment of identified risks forms the decision-making basis for AGRAVIS management to control risks. In particular, the assessment looks at whether risks can be avoided or mitigated through the adoption of suitable measures, transferred through the conclusion of certain agreements or whether they simply have to be accepted.

### Reporting and risk monitoring

The risk reports drawn up by the trading units and by the controlling and finance departments aid the AGRAVIS management team by documenting the risk-related processes and by continuously monitoring the potential risk existing within the Group.

The European regulation "EMIR" (European Market Infrastructure Regulation) has introduced extensive obligations on strategy, organisation, processes and IT technology in the area of derivative management. AGRAVIS is subject to audits as a non-financial counterparty (Art. 2(9) EMIR) and is audited by Deloitte.

The company has taken appropriate measures and precautions when dealing with currency and interest derivatives to effectively control operational risks and the risk of default. The reporting obligations for new transactions, modifications and the early termination of derivative contracts were delegated to the register of transactions, to the banks or financial counterparties, and this was checked by means of a random sample by the responsible areas.

## Risks

- **External risks**

**– Macroeconomic risks**

With its core business in plants, animals and machinery, AGRAVIS operates in the traditional agricultural business and is part of the agricultural value creation chain. Demand for animal and vegetable products and the topic of heat from the energy segment are largely insensitive to economic developments. The retailing segment has, due to its focus on customer proximity in rural areas and a tailored range of products with a local supplier function, a unique selling point within the retail landscape.

In addition, AGRAVIS is also integrated in a network of sales, purchasing and financial connections. As a result, it is exposed to developments in international agriculture and capital markets. The company adjusts its risk management to combat these developments through professional market research and analysis.

**– Foreign currency risks**

As a national agricultural trader, AGRAVIS operates predominantly in Germany but is also exposed to currency risks through its international activities, including global commodities trading. These risks are hedged by derivative hedging transactions. These are directly related to commodity futures in foreign currencies and are therefore grouped together in the form of micro-hedges into valuation units with the underlying transactions. The opposing changes in cash flows from currency hedging and underlying transactions are completely equalised over the period of the term of the hedging transactions.

## ■ Sector and market price risks

The volatility of agricultural and crude oil products was again clear for all to see in financial year 2019. In terms of trading with its customers, especially Raiffeisen cooperatives, AGRAVIS often assumes the price risk through secured contracts. To this end, both traditional hedging transactions and common hedging instruments are used on the commodity futures markets. The risks from these transactions are limited by upper limits and are continuously reported to the relevant bodies. If necessary, risk positions are also closed before reaching the approved limits. The various markets will continue to be closely monitored and analysed.

The spread of African swine fever, in particular in neighbouring Poland and Belgium, continues to present a serious risk to German agriculture. An outbreak in Germany, which at the time of printing this annual report had not yet occurred, could collapse the market completely, and prices could also fall dramatically. This would have serious economic consequences for AGRAVIS, too. Falls are expected in compound feed sales in case livestock has to be culled. Production would have to be reduced. This could mean reduced working hours or even temporary shutdowns at the individual regional plants. Affected pig farmers could withdraw planned investments, which AGRAVIS presumably would also notice in the machinery business segment. A close-knit cross-sector crisis management system has been implemented to mitigate risks for AGRAVIS as much as possible. At the start of 2020, the outbreak of the highly pathogenic avian influenza H5N8 in Poland and the danger of further spread of the virus represented another risk for AGRAVIS.

Similarly, at the start of 2020, the risk factors associated with the dynamic spread of the coronavirus began to emerge. Generally speaking, it can be assumed that the coronavirus will shape the market in different ways over the coming months – on the one hand, bottlenecks in active ingredients for veterinary medicines and feed additives are likely to have a negative impact towards the middle of the second quarter of 2020; on the other hand, the influx of grain and meat to China will result in increasing demand according to AGRAVIS experts.

## ■ Financial-sector risks

**– Liquidity and financial risks**

In addition to the syndicated loan, AGRAVIS hedges its liquidity requirements through the use of an asset-backed securities programme (ABS), a trading line for (reverse) repurchase agreements in the area of agricultural commodities and through promissory note bonds. As part of the ABS programme, trade receivables were sold to a financing company in the form of structured financing, so as to strengthen liquidity. This allows AGRAVIS to refinance itself at money market conditions. Management of the receivables transferred to the financing company will remain the responsibility of AGRAVIS. In order to improve short-term liquidity, structured financing has been concluded for various agricultural products (agricultural commodities) in the form of reverse repurchase agreements.

The rules of the syndicated loan and of the promissory note bond as well as the ABS programme and the line in agricultural commodities form a stable financial structure. The contractual arrangements take into account seasonal fluctuations in liquidity needs and ensure the required level of planning dependability. No special liquidity and financial risks have been identified.

**– Credit risks**

As part of its business activities, AGRAVIS performs an important financing function for its agricultural trading partners. In the agricultural sector, the Group incurs financing risks, particularly from the financing of agricultural resources, the repayment of which is made through the acquisition and selling of the harvest. In addition, AGRAVIS grants trade credit to commercial customers in the form of appropriate payment terms.

A centrally-installed credit management system monitors and controls these risks. The system-based ratings analysis is the central component of this, combined with the ongoing monitoring of credit limits with documented approval procedures. The credit management team informs the risk management bodies of the total receivables and of significant individual receivables on a weekly basis. In addition, ordinary default risks on trade accounts receivable are secured by specific and general provisions.

No special credit risks have been identified. The currently ascertainable extension of the collection periods is closely monitored.

Furthermore, commercial credit insurance with deductibles has been taken out.

**– Interest rate risks**

In order to limit interest rate risks on variable interest loans, AGRAVIS Raiffeisen AG undertakes interest-rate-hedging transactions as the parent company of the Group. This exclusively involves interest-rate swaps for the purposes of hedging future cash flows. Coinciding with the assumption of long-term loans, micro-hedges are undertaken in the form of maturity-matched interest rate swaps, whereby synthetic fixed rate borrowings are incurred. Interest rate swaps are also entered into in order to hedge exposure to loan drawdowns under the syndicated loan which has existed since 2004. The syndicated loan was secured again in 2019 and now stands at EUR 650 million. The swaps provide a portfolio hedge with regard to the Group's working capital.

AGRAVIS has operated a modern risk management system for interest rate risk since 2011. Control in this respect occurs via the so-called "fair value" or changes to it from now on. The fair value for the various debt-financing sources is determined on a monthly basis. AGRAVIS receives the fair value from our finance partners, just like its predecessor the "value at risk". Both concepts are recognised internationally and give comparable values, in particular in consideration of changes. Upon reaching or exceeding certain thresholds, the various risk management bodies are informed.

Particular interest rate risks cannot be identified at present.

## ■ Legal and regulatory risks

AGRAVIS companies are exposed to risks in connection with legal disputes that they are involved in currently or potentially in the future. Such legal disputes arise within the scope of the normal business activities, for example, from the assertion of claims from mistakes and incorrect deliveries or from payment disputes.

Legal risks may also result from employee violations of the compliance provisions. As a result, AGRAVIS companies may have to pay fines, damages or other sanctions due to the authorities or as a result of civil or criminal proceedings. Corresponding legal risks are continuously monitored by company departments as well as the compliance organisation of AGRAVIS.

AGRAVIS establishes provisions for process risks if it is probable that an obligation applies and the scope of economic burden can be properly assessed. In individual cases, the actual use may exceed the reserved amount. According to forecasts by the Board of Directors, the known legal and regulatory risks at the time of drawing up balance sheet provisions were accounted for through the allocation of reserves at a sufficient level.

Changes in the regulatory environment may influence the Group development. This includes in particular actions in the basic conditions for the agriculture sector. Negative influences may result in particular from the redesign, reduction or elimination of support measures or fundamental changes in agriculture policies that may impact trade with customers.

Following conclusion of the cartel case, a liability was accrued in the form of a fine as part of the settlement arrangement, which was paid at the start of 2020.

## ■ Other risks

**– IT risks**

The in-house IT department ensures reliable data processing at AGRAVIS in two of its own data centres. The experts look after the IT infrastructure and the specific application systems. In order to be able to continuously ensure the IT division's services, a number of security mechanisms have been put in place. These include access control systems, building surveillance, permanent power supplies for central systems, redundant systems and mirrored data storage. AGRAVIS uses firewall systems, virus scanners, web filters, etc. to effectively secure systems against unauthorised access and protect against attacks. To ensure that the impact of potential failure scenarios is minimised, there is an emergency plan in place which is constantly updated. In addition, regular emergency drills are carried out.

From 2020 onwards, as part of the "DOCK" project, SAP S/4HANA is also being implemented in merchandise management at AGRAVIS in order to standardise the system landscape. The return on investment should be expected through process efficiencies and standardisation. In addition, the project to implement Office 365 started in 2019 will make processes and cooperation within the Group more efficient in financial year 2020. IT will continue to pursue cloud-based solutions going forward while taking into account required aspects of security. No special IT risks have been identified.

**– HR risks**

In the labour-intensive agricultural trade environment and agricultural machinery business, AGRAVIS seeks to attract and bind suitable employees to the company – this applies to both trainees as well as qualified specialists and managers. Given the demographic change and fierce competition for good employees, recruiting is becoming more and more important. AGRAVIS responds by ensuring a stronger presence at job fairs and developing “active sourcing” in recruiting. Here, social media and modern presentation formats such as 360 degree videos are being used more and more for target group communications. Even taking into account the framework conditions provided by other companies, AGRAVIS needs to push even harder than before to establish itself as an attractive employer. Investment in employee training and development will continue in 2020 in order to further increase loyalty and commitment to the company. No special HR risks have been identified.

**– Political risks**

The Federal Government’s legislative activities as part of the “Agriculture and Climate Package” in 2019 and the Fertilizing Ordinance which has been further tightened at the urging of the EU mean further restrictions for agriculture as a whole. The mood within the industry is tense owing to these uncertainties. In addition, the crucial negotiations on the reform of the Common Agricultural Policy (CAP) and the multiannual financial framework 2021 to 2027 are due to take place in 2020. Furthermore, the “Green Deal” announced by the new EU Commission is also likely to further restrict agriculture’s room for manoeuvre. These political framework conditions could again reduce farmers’ willingness to invest going forward.

Britain’s exit from the EU, which took place on 31 January 2020, may also result in a significant shift in trade flows. For example, we might see volume and price pressure in the EU’s internal market. AGRAVIS is anchored in an international trade network via grain trade, agricultural technology purchasing and as a producer of feedstuff.

### Board of Directors statement on the Group’s risk situation

With regard to the risks described above and based on the findings arising in medium-term planning, the Board of Directors currently expects no serious risks for future development which, alone or in combination with other risks, could lead to a lasting and existence-jeopardising impairment of the position in terms of company assets, liabilities, finances and results. The continued existence of AGRAVIS is not in jeopardy.

## 6.6. Opportunities report

### Macroeconomic opportunities

Agriculture will continue to be extremely important in the future – with the production of high-quality food, it provides food security for a growing population in the face of increasingly scarce land resources. However, the pressure is growing – for agricultural trade, too. Change is needed if we consider matters such as predatory competition, market consolidation, new sales channels, digital transformation, climate change and the long-term effects on yield security, not to mention increasing political and social requirements.

AGRAVIS is responding to these challenges through rigorous customer focus, high-performance processes as well as offers. Changes in the market, including the progress of digitisation, result in opportunities that require AGRAVIS to take concerted action in order to become “best in class”. This applies to products, prices, expert ability to develop comprehensive solution concepts, reliability and, of course, also in processes and efficiency.

Despite low market dynamism in 2019, the organic segment remains a growth market. That is why AGRAVIS, with its lean organisational profile, wants to meet customer requirements via biovis agrar GmbH and is also seeking to deepen cooperative partnerships in this segment. A clear focus on market and customer requirements means AGRAVIS sees good opportunities for sustainable, profitable growth within the cooperative association.

### Strategic opportunities

#### Cooperative collaboration

AGRAVIS is part of the cooperative world. Over 60 per cent of AGRAVIS’ capital is in the hands of regional cooperative owners. This represents not only an opportunity for AGRAVIS but also a duty to do more business together. According to AGRAVIS, the cooperative association can be considered a successful model if it is capable of strengthening the cooperatives regionally in terms of sales and contact with farmers. To this end, AGRAVIS must clearly demonstrate its own competence in wholesale retail, in consultation and in administrative tasks and thus show itself to be the preferred strategic partner for the cooperatives. Therefore, there is a need to further develop cooperation with the cooperatives – on equal footing and with a focus on solutions and speed.

### Internationalisation

AGRAVIS has a clear focus on the German agriculture market, in particular in the region stretching from the Netherlands in the west to Poland in the east. It also continues to pursue its internationalisation strategy at an appropriate level. The joint ventures with the Danish DAVA Group are an important cornerstone of international activities. Potential for further internationalisation can be found in the animal medicine, special feed and agricultural technology segments. The activities are being developed primarily in markets that promise high growth and where a sustainable advantage over the competition appears to be realistic. Investments are only made if the know-how required for international business and the network of the foreign company can be ensured. The rules of the AGRAVIS risk management system also apply to international business.

### Flexibility and diversification

The five business segments of AGRAVIS – plants, animals, machinery, retailing and energy – prevent economic overdependence on one particular division. This also had a positive impact in reporting year 2019. The extensive product and service portfolio and the customer-oriented sales structure simultaneously offer AGRAVIS the opportunity to network its know-how, services and problem-solving skills. Synergies can be used from which AGRAVIS and the cooperative partners can profit in the long run. The objective is to penetrate deeper into existing markets with its core business. Further diversification via products or new markets should only take place where there are above-average opportunities for growth with regard to core business. At the same time, there will be enhanced business activities common to primary cooperatives and to AGRAVIS, with the aim of strengthening and expanding cooperative trade in the given region. The willingness to take part in strategic alliances with other partners is still evident.

### Company development

The “Strategic Company Development” area supports AGRAVIS in its strategic growth course. It covers the fields of activity of strategic development, M&A, programme management office and sustainability management. The team pays close attention to the market and competition, supports strategy development, regularly revises the strategic orientation with the areas and pushes strategy implementation. Central project management supports project initiation and is responsible for regular reporting on the Group’s entire project portfolio. Corporate investments as well as acquisitions and disinvestments are supported along all process steps. This ensures the basis for the further external growth of AGRAVIS. 18 A and B projects were managed as part of the strategy implementation in financial year 2019.

## 6.7. Forecasting report

### Future Group direction

AGRAVIS aims to further increase its competitiveness in its core business and thereby consolidate its position as a leading national agricultural trade and service company. To this end, it wants to grow its core business in a qualitative, sustainable and solid manner. In particular, the focus is on a consistent rise in profitability. Consistent ability to pay dividends and retain profits is required to ensure organic growth. Both must be guaranteed.

AGRAVIS remains firmly committed to the cooperative spirit and wants to enjoy commercial success and gain market share together with the regional Raiffeisen cooperatives in the German agricultural market. The marked structural change in the low-margin agricultural industry and the tough predatory competition at trading level offer the cooperative association the chance to expand available market share thanks to lean processes, innovation and market access. Increased service through the use of new technologies and data management offers further opportunities for adding value. Such opportunities should be exploited together and effective, sustainable business models developed in order to meet customer requirements.

The company will continue to consistently align and adjust its own services and processes to customer requirements, both as part of a cooperative association as well as in direct business with farmers so that excellent solutions can be offered. Going forward too, AGRAVIS will – by harnessing the power of innovation and by bundling its expertise – continue to develop new products and services that offer added value to its customers and lead to the sustainable development of agriculture. In this case, it continues to rigorously exploit the opportunities provided by digitisation. This requires a constant willingness to change. In addition to its main focus on the German agricultural market, AGRAVIS will continue to pursue its international activities at a modest level, in particular the long-standing close cooperation with the Danish DAVA Group.

At the same time, AGRAVIS intends to further increase its operative excellence. That is why internal structures and processes as well as products and services are being continuously optimised in order to be able to serve customers more quickly and efficiently. Standardised, lean processes are an important basis for the future commercial success of AGRAVIS. As part of the internal "DOCK" project, the merchandise management systems used to date are being migrated into a reliable, needs-based and future-oriented system landscape.

With investment for 2020 almost at the same level as last year, AGRAVIS continues to pursue a strategy of investment in order to further improve its own performance. The share of digital projects in the investment volume will continue to increase.

Seen from the company's perspective, there is potential for qualitative and quantitative growth, especially in the plants, animals, machinery and retailing business segments.

## Economic environment

### The economic situation in general

Market foreclosures, tariff barriers and other elements of trade conflicts may restrict global trade and stifle economic improvements. In addition, the effects of the spread of the coronavirus on the Chinese economy and on international commodities and agricultural trade are difficult to estimate; however, we can safely say that the markets will suffer. Nevertheless, according to forecasts by the International Monetary Fund, the global economy will see average economic growth of 3.4 per cent in 2020. With the confirmation of Brexit on 31 January 2020, negotiations on the future trading and other relations between the EU and Great Britain are likely to run until at least the end of 2020. The exit of the United Kingdom has consequences for the future organisation of the Common Agricultural Policy (CAP). Moreover, Great Britain is an important export market for German agriculture; for example, EUR 4.5 billion of agricultural products are exported annually, which equates to a trade surplus of EUR 3.2 billion. Nevertheless, according to the Thünen Institute, the effects for German agriculture will be less severe than originally feared.

For Germany, in comparison to the global economy, much lower growth is forecast. According to the annual economic report, the Federal Government expects economic growth of 1.1 per cent for the current year. The Bundesbank expects further growth of 1.4 per cent for 2021. At the same time, the Institute for Employment Research in Nuremberg predicts a stable labour market overall with seasonal fluctuations.

Oil production outside of OPEC, particularly in the USA, is expected to continue to grow and exceed growth in demand in 2020. However, it is impossible to provide reliable forecasts on continued price development due to the numerous factors influencing the oil market.

### Growth in sector

Agribusiness is expected to remain a growing future market globally over the next few years. The Organization for Economic Cooperation and Development (OECD) and the Food and Agriculture Organization of the United Nations (FAO) predict an increase of 15 per cent in the demand for agricultural products up to 2028. At the same time, productivity in the agricultural sector should continue to improve. According to forecasts, global agricultural production will increase as a result of higher earnings and higher intensity. However, meteorologists warn that another weather phenomenon like "El Nino" might occur in the Pacific region again in 2020, which could lead to flooding and drought scenarios around the world.

Digitisation and networking will again grow in importance in 2020. This was clearly reflected in the orientation of world's largest agricultural machinery fair Agritechnica, which took place in Hanover in November 2019. The sector expects further simplification and standardisation in terms of data exchange and concrete measures in mobile network development for 2020.

At the same time, willingness to invest among German farmers is declining. In the first half of 2020, only one third of farming operations want to invest in new agricultural machinery. The investment volume in the specified period is expected to be EUR 3.8 billion, some EUR 500 million below the figure from last year.

The OECD and FAO forecast relative stability or a slight fall in prices for agricultural products over the next decade because both organisations believe that global agricultural production will not only keep pace with the growth of the world's population but also lead to increases in efficiency at lower production costs. While the per capita consumption of agricultural products will generally remain stable, the proportional consumption of meat is expected to rise, especially in emerging countries. According to the OECD and FAO, this will lead to a shift in grain use towards feedstuffs and as a result towards the expansion of maize and soya crops in particular.

The United States Department of Agriculture (USDA) forecasts an increase in global grain production to around 2,665 million tonnes for 2020 (previous year 2,629 million tonnes). Global production of oilseeds is expected to decline – from 596.6 million tonnes to 574.6 million tonnes, whereby soya will continue to play the biggest role as an important source of protein by some distance, both for human consumption and especially as a feedstuff.

Forecasts for the grain harvest in Europe stand at around 310 million tonnes for business year 2019/2020 (previous year: 290.3 million tonnes), nearly 7 per cent more than the previous year. This slight upturn is also expected for Germany. However, soil moisture levels will need to be replenished in many regions for the new harvest. Indications of price increases are difficult to predict due to the comfortable global supply situation.

According to a study conducted by the Union for the Promotion of Oils and Protein Plants (UFOP), the sowing area for winter rapeseed stood at 880,500 hectares in total for harvest 2020. This was 12 per cent below the acreage size of the previous year. Relatively independent of the harvest quantities, imports are expected to remain at a high level, which in turn will lead to more trade volume.

From an AGRAVIS perspective, political framework conditions and capital funds continue to have an influence on the grain markets. The trend of rising logistics costs further increases the trade requirements. Comfortable supply balances are expected for wheat. Stocks of barley are predicted to rise dramatically, and rye acreage is also expected to increase considerably.

The further tightening of the Fertiliser Ordinance in particular will have a significant impact on the AGRAVIS business segment of plant cultivation. The relevant Federal Ministries have confirmed this action. To balance things out and in accordance with EU requirements, the Federal Government announced funding of EUR 1 billion for agricultural environment programmes and investments over four years. Irrespective of this, predatory competition is showing no signs of abating, as traditional compound feed manufacturers crowd the plant cultivation market. The reduced use of N and P fertilisers may lead to a drop in sales and earnings. Another "normal" crop year is expected in the crop protection segment in 2020, i.e. the intensity of measures due to more infections in grain and potatoes is expected to rise again after the dry years of 2018 and 2019, making increased use of fungicides necessary. The expansion of cultivation areas for winter grain and winter rapeseed is likely to result in increased use of herbicides. The seed business for this year is likely to be characterised by large volumes of imported goods for grain, maize and rapeseed as well as extreme competition. Uncertainty in crop rotations and many other factors, including the lack of specialists, lack of clarity surrounding the future CAP and the resulting grant guidelines, will lead to largely stagnant markets.

The trade war between the United States and China and the associated customs policies are also influencing the global markets, particularly for amino acids, vitamins and trace elements, and such disputes are increasingly difficult to predict. This may have considerable effects on feedstuff production.

Beef production in Germany is expected to fall again in 2020. Germany could once again benefit in this financial year from China's massive import demand in the pork segment. According to experts, the associated high prices for pork could persist until the end of 2020 and beyond, assuming, of course, that there is no outbreak of African swine fever (ASF) in Germany. According to Rabobank, the ASF is likely to cause uncertainty in the global market for animal protein and inhibit market development. Together with the likelihood of continuing trade wars, this factor and the increase in the use of protein of plant origin will leave an indelible mark on the market. A large meat producer is expecting a fall of 20 per cent in cattle and pig populations in Western Europe over the next 10 years and cites the expected reduction in meat consumption in this part of the world as the main reason.

The EU budget for 2020 has a total of EUR 153.6 billion earmarked for payments in the agricultural sector. As part of the CAP reform, subsidies are to be capped at EUR 100,000 per farming operation, and funding is to be moved from the first to the second pillar. Agricultural funding is to be reduced overall by 5 per cent.

Confidence within the agricultural sector in Germany remains low. In addition to the already subdued economic outlook for the overall economy in Germany, Europe and the rest of the world, which, of course, is also relevant to the development of farming operations, the increased tightening of regulations, the increased number of provisions and further as yet unknown developments such as the EU's "Green Deal" ensure uncertainty and restraint when it comes to economic forecasts and – very specifically – when it comes to planned investments, too. The future development of the industry is viewed with a good deal of scepticism according to economic barometer Agrar.

The agricultural technological industry expect turnover figures to drop in 2020. Meanwhile, manufacturers of foodstuffs and feedstuffs are somewhat more optimistic about the industry's future prospects. The Future Commission for Agriculture appointed by the Federal Government is tasked with drafting a contract of association on the future of agriculture in Germany with the aim of ensuring planning security and competitiveness in equal measure. Initial proposals from the livestock farming competence network (Borchert commission) have been well received. On the production side, there is great interest in economically and ecologically sustainable models as well as a willingness to change for the future of livestock farming.

In the energy sector, competition in the market for fuels and combustibles is again characterised by consolidation trends and accompanied by a very intensive price battle. A structural drop of a further 3 per cent in sales of heating oil is likely to occur. Diesel sales are expected to drop by 1 per cent compared to last year. Motor fuels should benefit slightly from positive registration numbers. The lubricant market is expected to remain stable.

## Expected turnover and earnings

As the impact of the drought in 2019 will still be evident across the entire grain marketing year, AGRAVIS also expects another challenging year in 2020. Concrete operational and strategic planning decisions are absolutely essential to achieve its goals. AGRAVIS expects Group turnover of around EUR 6.3 billion in 2020. The high operational capabilities of AGRAVIS should also be reflected in the operating EBIT, which is expected to stand at EUR 56 million in 2020. A stable value of EUR 30.2 million is expected for earnings before tax. Shareholders can expect to be paid dividends again this year. Risk management is applied consistently, and loss-makers are to be eliminated.

Currently, AGRAVIS expects its business segments to develop as follows:

### Business segment: Plants

Product turnover in the plants business segment is expected to increase again slightly in 2020. The result is predicted to improve significantly due in no small part to the new direction taken in the area of agricultural products. In order to bring the operational areas in this business segment closer together and increase efficiency through leaner processes, on 1 January 2020, a centre of excellence for plant cultivation was created under overall area management. This pooling of expertise aims to increase customer and market focus, bring sales and consulting closer together and at the same time exploit the possibilities of digitisation – also in collaboration with other business areas.

The crop protection area intends to consolidate its leading market position in the AGRAVIS core business area; further growth is the goal in the other regions. The area wants to increase customer loyalty for cooperatives. Market segments are to be defined for the use of biological crop protection products. Turnover in crop protection is expected to remain at a similar level to last year; the aim is to increase turnover in the sub-segment foils, nets, yarns through, among other things, exclusive product lines and own brands for yarns. In the future, a key disposal service from AGRAVIS for plastic products will be connected with the sale of foils. New fields of customer loyalty can be utilised here. Contribution to earnings for this area is expected to be slightly below the previous year's figure.

As a result of the further tightening of the Fertiliser Ordinance, the fertiliser segment expects to see a decline in mineral fertiliser storage in autumn 2020 because further restrictions will apply in what are known as red areas in particular. A drop of 10 per cent is expected for nitrogen and 5 per cent for phosphates. The anticipated drop in quantities should be balanced out by gains in market share. The area sees potential through intelligent alternative products for urea. There are also plans to increase the product range for organic fertilisers. Turnover is expected to increase slightly based on a stable result.

The seed segment intends to further expand its market position and its market share in financial year 2020. A slight increase in turnover and earnings is expected compared to the previous year. Especially in view of the tough predatory competition and the tendency of breeders to form their own sales structures, the area wants to continue moving forward in terms of managing and positioning the varieties. As previously, the focus will be on the range of own exclusive varieties. After two very strong years of sales in the grass segment, turnover here is expected to fall in 2020. Stable development is predicted for the maize seed segment; an increase in turnover is forecast for seed grains and seed rape.

Sales consultation in plant cultivation is aiming to further streamline the range and expand the portfolio of exclusive products in 2020. In terms of product management, it wants to promote the sale of digital products and implement joint consultation concepts with the cooperatives and also use the wholesale retail portal myfarmvis for this. Sales consultation in feed composition is planned as a new addition to the services portfolio in 2020.

In financial year 2020, under new management, the area of agricultural products aims to increase focus on the supply of own and cooperative compound feed plants with raw materials. Furthermore, the plan is to bundle collected harvest yields – both from own agricultural centres and from the cooperative side. To this end, efficient processes and coordinated logistics will be used. In addition to the expansion of the cooperative business, the goal is also to make further gains in market share with respect to supply relationships with mills and key customers in the industry. Part of the sales offensive will also be to expand the organic grain business together with the AGRAVIS affiliates biovis agrar GmbH and AGRAVIS Niedersachsen-Süd GmbH as well as the AGRAVIS Ost companies. As a service provider, from 2020, the area will take over the handling of brewing barley contracts for the affiliate Graincom, which will also help to dismantle duplicate structures. Restrictive risk management and consistent position management will underline the pursuit of operational excellence. The area expects to achieve a positive contribution to earnings in 2020.

## Business segment: Animals

In the compound feed division, AGRAVIS expects slightly reduced development in turnover and volumes compared to last year as a result of the further fall in animal numbers. Furthermore, additional production capacities in the market are increasing competitive pressure. AGRAVIS is therefore banking on leadership in terms of quality, innovation and processes in feedstuff production. The goal remains to achieve high utilisation of workshop capacity while safeguarding production tonnage. This will be done by forging further strategic alliances with affiliated cooperative partners; a cooperative participation model is planned for AGRAVIS Kraftfutter Rhein-Main GmbH, as already successfully practised in various other regions. Contribution to earnings is expected to increase further compared to last year.

AGRAVIS aims to consolidate its leading market position in the special feed products segment through innovation and consultation expertise. To this end, the strong brands of Equovis GmbH and Profuma Spezialfutterwerke GmbH & Co. KG will be positioned in the market across the country. Profuma is planning, among other things, to increase sales activities in southern Germany in conjunction with increasing production tonnage in the Straubing plant of AGRAVIS affiliate DoFu Donaufutter GmbH. Export sales are also set to increase. Equovis GmbH is looking to intensify collaboration with the retailing area and the Terres cooperation partners as well as specialist trade in the private horse and hobby segment. In addition, the online brand store is set for further expansion. Increases in turnover and earnings can be expected thanks to strong market penetration.

Terravis GmbH wants to consolidate its services business for operators of biogas plants in its core commercial areas of Lower Saxony and North Rhine-Westphalia and achieve further growth in the other regions and in exports. Cooperation should be intensified with potential future cooperatives in order to improve joint presence with the end customer. Further growth in turnover is the goal for 2020; earnings are expected to remain at the same level as the previous year.

In the animal medicine segment, a slight increase in turnover and earnings is the aim for 2020. The proportion of small animal products should be increased further. This is part of the product range's evolution towards more non-antibiotics.

## Business segment: Machinery

The AGRAVIS Technik Group is supporting the changes in its core business through operational excellence in the internal organisation, continued efforts in the Human Resources area, various different technical innovations and a continuation of organisational development. The strategic goals of being attractive to top talent and providing customers with integrated added-value concepts remain firmly in place.

In anticipation of a normal season without any extreme weather and an easing of political controversies surrounding the future of agriculture, overall turnover is expected to increase slightly, which should also mean a corresponding increase in contribution to earnings. Initiatives on the part of manufacturers to assist the new machines business will support the rejuvenation of sales volumes.

For the services area and spare parts trade, a slight increase in turnover and gross profit compared to 2019 is expected despite increasing competition in the parts market. AGRAVIS Technik will continue to pursue its omnichannel strategy and go live with its own web shop in 2020, where seven million articles will be available for purchase round the clock.

### Business segment: Retailing

The steady growth in turnover enjoyed over several years is expected to continue in the retailing business segment in 2020. Earnings should remain at the same level as 2019. After a successful consolidation period, AGRAVIS Raiffeisen-Markt GmbH plans to resume its growth strategy of entering three to five new markets per year. The aim is also to achieve growth in the third-party business by way of brand utilisation. Furthermore, the sales offensive plans to increase the proportion of own brands to 35 per cent in terms of turnover and achieve higher sales and a greater turnover rate on the floor. Digital sales via the online shop raiffeisenmarkt.de as well as wholesale business with the cooperatives in the sales region of Raiffeisen Waren-Zentrale Rhein-Main eG are also set for further expansion in 2020. Based on comparable average figures, growth of around 2.5 per cent is expected for the Raiffeisen markets from the Terres cooperation.

### Business segment: Energy

In 2020, the energy business segment will stick to its chosen strategy of consolidating its market position through active participation in the structural change, forming further strategic partnerships, pursuing additional sales activities and continuing to focus on professionalism. Networking within the cooperative association should also be further developed. Sales volumes are expected to be down slightly on 2019 figures in the fuels and combustibles market. The synthetic diesel fuel GTL is to be added to the product range. Project business in the petrol station segment will see further expansion with greater focus on cooperatives because willingness to invest remains high in this market. Raiffeisen Bio-Brennstoffe GmbH also wants to continue its growth in the wood pellets business. In the lubricants market, sales activities will again focus on agriculture; the plan is also to exploit new market segments.

## Non-financial performance indicators

As described in Section 6.3 (HR report), AGRAVIS uses the following non-financial performance indicators:

- Trainee quota
- Staff turnover rate
- Occupational safety.

The trainee quota is set to remain at a healthy approx. 9 per cent in 2020. The aim is to achieve a similar staff turnover rate to the previous year. The various preventive measures should help further reduce the number of workplace accidents at AGRAVIS in 2020 and therefore increase occupational safety.

## Planned investment

### Investment budget

AGRAVIS will also invest in its locations and their efficiency in 2020 to further increase customer proximity and customer benefit as well as improve its own processes. The planned investment figure is EUR 49 million (previous year: EUR 51.3 million). Write-downs of intangible assets and tangible fixed assets equal EUR 50 million. Close to EUR 23 million in investment will flow into the core business of AGRAVIS with the agricultural trade, agricultural technology, animals and plants segments. EUR 5.6 million has been earmarked for the complementary retailing and energy business segments and EUR 9.6 million for service areas and services. AGRAVIS wants to invest around EUR 11 million in digitisation including the implementation of a new ERP system.

AGRAVIS distinguishes between three investment categories:

- Strategic investments in locations and markets: EUR 20.6 million (share: 41.9 per cent),
- Excellence investment for process optimisation and increased impact: EUR 9.7 million (19.8 per cent),
- Replacement/wear: EUR 18.8 million (38.2 per cent).

### Major investment projects in locations

In the agricultural trade segment, the rail connection at Kyritz has been re-established, and a petrol station in Nauen is also in the pipeline for Baro Lagerhaus GmbH & Co. KG. AGRAVIS Niedersachsen-Süd GmbH would like to build a new fertiliser hall in Gronau.

AGRAVIS is planning to set up new sites in northern Poland and in Grimma for New-Tec Ost Vertriebsgesellschaft für Agrartechnik mbH in order to strengthen its agricultural technology business. Also under consideration is investment in the construction of three centres of excellence as a requirement of manufacturers.

The feedstuff plant of DoFu Donaufutter GmbH in Straubing should receive a bagging facility in order to further expand the production of special feed products; an office building is also planned.

AGRAVIS Raiffeisen Tankstellen GmbH wants to implement the concept of a compact petrol station in Northeim – an idea which it developed itself.

The largest investments in the service area segment will be made at the Isernhagen site. Plans are in place to build a new office building as a future operational location for the Hanover region and also set up a new dangerous goods warehouse.

## Expected financial and assets position

AGRAVIS remains on a solid financing footing. The reduced equity ratio in 2019 is expected to grow again in 2020 to close to 30 per cent.

## Board of Directors' overall statement on the expected development of the Group

AGRAVIS is aware that negative conditions as a consequence of the poor harvest year of 2019 will affect the business, at least in the first half of 2020.

Nevertheless, in 2020 and in subsequent years, with a clear focus, AGRAVIS will systematically pursue the chosen strategic path and implement changes to actively seize the opportunities presented by the evolving agricultural market. On the basis of the cooperative idea, it aims to shape the future of agriculture with its partners and establish itself as the market-relevant agricultural trade company whose key market is Germany. The core region in northern, eastern and central Germany remains the focus.

AGRAVIS will continue to concentrate on its core business in the plants, animals, machinery, energy and retailing business segments. The aim is to gain market share in these areas. Digital services will be further developed to become a practical business model for customers. Maximum customer retention will be achieved through service and know-how.

Following the out-of-court settlement to conclude the cartel investigation into price fixing in the crop protection market, in 2020, AGRAVIS will again be capable of paying dividends and retaining profits with earnings before tax of at least EUR 30 million in order to safeguard the long-term prospects of current business. The new syndicated loan of EUR 650 million ensures that the company will remain on a steady financing footing for the next five years at least.

Measures to reduce costs and improve earnings will continue to be necessary. To this end, AGRAVIS is increasing its operational excellence through lean processes and reducing duplicate structures. In addition, AGRAVIS is positioning itself as an attractive employer in rural areas, one which imparts knowledge with respect and nurtures its top performers.

The Board of Directors shall consider such statements on the basis of the current consolidation of the Group and the described assumptions as to the political, economic and industry-specific conditions and all the information available at this time. This also presumes weather conditions without extreme weather events, such as in 2019, as well as average annual harvests. If the market environment should change or if risks arise – as explained for example in the risk report – then the actual situation for the company may differ from the forecasts expressed here. The Board of Directors will then adopt countermeasures as appropriate. In particular the danger of an outbreak of African swine fever in Germany remains very high, and this could have serious consequences for the AGRAVIS business.

At the time of printing this annual report, the effects of the corona crisis were not yet fully clear for AGRAVIS. AGRAVIS has taken various precautionary measures in order to safeguard business operations. Risk management has also been adjusted and tightly synchronised.

AGRAVIS is not obliged to update the statements made in the management report.

Münster/Hanover, 25 March 2020

AGRAVIS Raiffeisen AG, Board of Directors

# SHAPING THE FUTURE TOGETHER

“For the energy business segment, this means: AGRAVIS will actively help shape structural change and collaboration in the cooperative network.”

# Consolidated financial statements

## 7.1. Consolidated balance sheet of AGRAVIS Raiffeisen AG *as at 31 December 2019*

### Assets

| | | 2019 | | 2018 |
|---|---|---|---|---|
| | | Thsd. EUR | Thsd. EUR | Thsd. EUR |
| **A.** | **Fixed assets** | | | |
| **I.** | **Intangible assets** | | | |
| 1. | Internally generated industrial property rights and similar rights and assets | 1,549 | | 1,878 |
| 2. | Purchased concessions, industrial and similar rights and assets and licences to such | 15,405 | | 15,095 |
| 3. | Goodwill | 22,294 | | 23,268 |
| 4. | Advance payments | 13,755 | | 2,990 |
| | | | **53,003** | **43,231** |
| **II.** | **Property, plant and equipment** | | | |
| 1. | Land, land rights and buildings including buildings on third-party land | 292,867 | | 301,148 |
| 2. | Technical equipment and machinery | 112,580 | | 114,521 |
| 3. | Other equipment, factory and office equipment | 29,509 | | 32,504 |
| 4. | Advance payments and plants under construction | 10,162 | | 11,241 |
| | | | **445,118** | **459,414** |
| **III.** | **Financial assets** | | | |
| 1. | Shares in affiliated enterprises | 16,968 | | 38,933 |
| 2. | Loans to affiliated enterprises | 8,496 | | 4,840 |
| 3. | Shares in associated enterprises | 181,974 | | 179,983 |
| 4. | Holdings | 14,078 | | 14,160 |
| 5. | Loans to enterprises in which an interest is held | 7,651 | | 11,022 |
| 6. | Other loans | 3,749 | | 3,264 |
| | | | **232,916** | **252,202** |
| | **Total fixed assets** | | **731,037** | **754,847** |
| **B.** | **Current assets** | | | |
| **I.** | **Inventories** | | | |
| 1. | Raw, auxiliary and operating materials and supplies | 53,823 | | 57,030 |
| 2. | Work and services in progress | 6,360 | | 5,648 |
| 3. | Finished goods and merchandise | 683,674 | | 687,988 |
| 4. | Advance payments | 15,296 | | 9,243 |
| | | | **759,153** | **759,909** |
| **II.** | **Receivables and other assets** | | | |
| 1. | Trade accounts receivables | 325,966 | | 340,945 |
| 2. | Receivables from affiliated enterprises | 53,126 | | 52,811 |
| 3. | Receivables from enterprises in which an interest is held | 44,075 | | 26,167 |
| 4. | Other assets | 59,186 | | 48,481 |
| | | | **482,353** | **468,404** |
| **III.** | **Cash in hand, cash at banks and credit institutions and cheques** | | **8,728** | **11,102** |
| | **Total current assets** | | **1,250,234** | **1,239,415** |
| **C.** | **Accrued and deferred items** | | **2,528** | **3,297** |
| | **Total assets** | | **1,983,799** | **1,997,559** |

## Liabilities

| | | | 2019 | 2018 |
|---|---|---|---|---|
| | | Thsd. EUR | Thsd. EUR | Thsd. EUR |
| **A. Equity capital** | | | | |
| **I. Subscribed capital** | | | | |
| 1. Registered capital | | 205,537 | | **205,537** |
| 2. Nominal value of treasury shares | | -812 | | **0** |
| Issued capital | | | **204,725** | **205,537** |
| **II. Capital reserves** | | | **72,518** | **73,657** |
| **III. Retained earnings** | | | | |
| 1. Reserves required by law | | 24,491 | | 24,491 |
| – of which transferred from net income for the financial year | | 0 | | (438) |
| 2. Other retained earnings | | 158,497 | | 181,178 |
| – of which taken for the financial year | | 29,041 | | (0) |
| – of which transferred from balance sheet profit from previous year | | 0 | | (6,400) |
| **Sum of retained earnings** | | | **182,988** | **205,669** |
| **IV. Equity capital difference from currency conversion** | | | **794** | **-78** |
| **V. Non-dominant shares** | | | **16,029** | **14,826** |
| **VI. Consolidated balance sheet profit** | | | | |
| 1. Consolidated net loss (previous year: consolidated net income) | | -26,413 | | 18,414 |
| 2. Non-dominant shares of entitled profits | | -2,085 | | -2,750 |
| 3. Withdrawals from/Amounts allocated to reserves | | 29,041 | | -438 |
| | | | **543** | **15,226** |
| **VII. Profit participation capital** | | | **65,912** | **65,912** |
| **Total equity capital** | | | **543,509** | **580,749** |
| **B. Special items for investment subsidies** | | | **32** | **36** |
| **C. Provisions** | | | | |
| 1. Provisions for pensions and similar obligations | | 112,847 | | 106,048 |
| 2. Tax provisions | | 7,190 | | 7,977 |
| 3. Other provisions | | 82,441 | | 100,802 |
| | | | **202,478** | **214,827** |
| **D. Liabilities** | | | | |
| 1. Liabilities to banks | | 698,414 | | 721,767 |
| 2. Advances received on orders | | 8,646 | | 10,407 |
| 3. Trade payables | | 386,506 | | 345,860 |
| 4. Liabilities to affiliated enterprises | | 5,136 | | 24,333 |
| 5. Liabilities to enterprises | | | | |
| in which an interest is held | | 37,839 | | 22,077 |
| 6. Other liabilities | | 100,124 | | 75,172 |
| – of which from taxes | 13,303 | | | (20,533) |
| – of which relating to social security | 458 | | | (408) |
| | | | **1,236,665** | **1,199,616** |
| **E. Accrued and deferred items** | | | **1,115** | **676** |
| **F. Deferred tax liabilities** | | | **0** | **1,655** |
| **Total liabilities** | | | **1,983,799** | **1,997,559** |

# 7.2. Consolidated profit and loss account *for 1 January to 31 December 2019*

| | | | 2019 | | 2018 |
|---|---|---|---|---|---|
| | | | Thsd. EUR | Thsd. EUR | Thsd. EUR |
| 1. | Sales revenue | | 6,454,742 | | 6,577,570 |
| 2. | Increase (previous year: reduction) in inventory of finished and unfinished goods and services | | 788 | | -1,421 |
| 3. | Other own work capitalised | | 430 | | 553 |
| 4. | Other operating income | | 33,985 | | 38,559 |
| | | | | **6,489,945** | **6,615,261** |
| 5. | Cost of materials | | | | |
| | a) Cost of raw, auxiliary and operating materials and supplies and purchased goods | | 5,798,361 | | 5,926,448 |
| | b) Cost of purchased services | | 104,376 | | 77,658 |
| | | | | **5,902,737** | **6,004,106** |
| | **Gross profit** | | | **587,208** | **611,155** |
| 6. | Personnel costs | | | | |
| | a) Wages and salaries | | 269,662 | | 266,840 |
| | b) Social security contributions and expenses for pensions and benefits | | 56,829 | 326,491 | 55,168 |
| | – of which pensions | 4,935 | | | (4,067) |
| 7. | Depreciation of intangible assets of fixed assets and property, plant and equipment | | | 49,689 | 51,946 |
| 8. | Other operating expenses | | | 202,628 | 177,891 |
| | **Subtotal** | | | **8,400** | **59,310** |
| 9. | Income from investments | | 1,840 | | 2,606 |
| | – of which from affiliated enterprises | 40 | | | (261) |
| 10. | Income from investments in associated enterprises | | 5,207 | | 5,435 |
| 11. | Income from other securities and loans of financial assets | | 550 | | 503 |
| | – of which from affiliated enterprises | 152 | | | (18) |
| 12. | Other interest and similar income | | 12,293 | | 9,726 |
| | – of which from affiliated enterprises | 1,926 | | | (1,540) |
| | **Subtotal (9 to 12)** | | **19,890** | | **18,270** |
| 13. | Financial asset depreciation | | 6,394 | | 6,093 |
| 14. | Expenses from loss transfers | | 0 | | 288 |
| 15. | Interest and similar expenses | | 39,320 | | 37,840 |
| | – of which from discounting of loans | 10,384 | | | (10,020) |
| | – of which to affiliated enterprises | 191 | | | (112) |
| | – of which remuneration for participation rights capital | 1,727 | | | (1,727) |
| | **Subtotal (13 to 15)** | | **45,714** | | **44,221** |
| | **Financial result** | | | **-25,824** | **-25,951** |
| 16. | Taxes on income and earnings | | | 5,915 | 12,008 |
| 17. | Earnings after tax | | | -23,339 | 21,351 |
| 18. | Other taxes | | | 3,074 | 2,937 |
| 19. | Consolidated net loss (previous year: consolidated net income) | | | -26,413 | 18,414 |
| 20. | Non-dominant shares of entitled profits | | | -2,085 | -2,750 |
| 21. | Withdrawals from other retained earnings (previous year: transfers to statutory reserves) | | | 29,041 | -438 |
| **22.** | **Consolidated balance sheet profit** | | | **543** | **15,226** |

# 7.3. Cash flow statement *as per DRS 21 [indirect method]*

| | | | 2019<br>Thsd. EUR | 2018<br>Thsd. EUR |
|---|---|---|---|---|
| 1. | | Income over the period (consolidated net income including minority interests) | -26,413 | 18,414 |
| 2. | +/- | Appreciation/depreciation on fixed assets | 56,082 | 58,039 |
| 3. | +/- | Increase/decrease in provisions | -11,960 | 8,402 |
| 4. | +/- | Group-specific and other non-cash expenses/income | -4,208 | -3,175 |
| 5. | -/+ | Increase/decrease in inventories, trade accounts receivables and other assets not attributable to investing or financing activities | -9,471 | -77,433 |
| 6. | +/- | Increase/decrease in trade payables and other liabilities that are not attributable to investing or financing activities | 50,926 | -29,766 |
| 7. | -/+ | Profit/loss from the disposal of fixed assets | -256 | -3,538 |
| 8. | – | Book profit from the sale of consolidated companies | 0 | -3,117 |
| 9. | +/- | Interest expenses/income | 12,742 | 13,658 |
| 10. | – | Other investment income | -1,840 | -2,318 |
| 11. | +/- | Income tax expenses/income | 5,915 | 12,008 |
| 12. | -/+ | Income tax payments | -4,775 | -8,295 |
| **13.** | **=** | **Cash flow from operating activities (sum of 1 to 12)** | **66,742** | **-17,121** |
| 14. | + | Payments from the disposal of intangible fixed assets | 2,165 | 450 |
| 15. | – | Payments for investments in intangible assets | -17,780 | -7,737 |
| 16. | + | Payments from the disposal of fixed assets | 7,932 | 10,799 |
| 17. | – | Payments from investments in tangible fixed assets | -31,983 | -40,586 |
| 18. | + | Proceeds from disposal of financial assets | 21,592 | 9,964 |
| 19. | – | Disbursements for investments in financial assets | -7,087 | -13,973 |
| 20. | + | Payments from the disposal of consolidated companies (incl. entry of minority interests) | 0 | 88 |
| 21. | – | Disbursements for additions to the consolidation group (including transitional consolidation) | -1,222 | -4,500 |
| 22. | + | Interest received | 12,843 | 10,229 |
| 23. | + | Dividends received/loss assumption | 1,840 | 2,318 |
| **24.** | **=** | **Cash flow from investment activities (sum of 14 to 23)** | **-11,700** | **-32,948** |
| 25. | + | Payments from additions to capital made by shareholders of the parent company (capital increases, sale of own shares etc.) | 0 | 12,811 |
| 26. | – | Payments for the acquisition of own shares | -1,951 | 0 |
| 27. | + | Payments from additions to capital from other shareholders | 195 | 0 |
| 28. | + | Payments from issuance of loans and taking up of (financial) credit | 24,345 | 127,165 |
| 29. | – | Payments from repaying loans and (financial) credit | -47,502 | -63,464 |
| 30. | – | Interest paid | -23,858 | -23,887 |
| 31. | – | Dividends paid to shareholders of the parent company | -8,189 | -7,037 |
| 32. | – | Payments to other shareholders | -688 | -445 |
| **33.** | **=** | **Cash flow from financing activities (sum of 25 to 32)** | **-57,648** | **45,143** |
| **34.** | **=** | **Net changes in cash and cash equivalents (sum of 13, 24 and 33)** | **-2,606** | **-4,926** |
| 35. | +/- | Currency-exchange and valuation-related changes in cash and cash equivalents | 39 | 20 |
| 36. | +/- | Consolidation-related changes in cash and cash equivalents | 193 | -3 |
| 37. | + | Cash and cash equivalents at the beginning of the period | 11,102 | 16,011 |
| **38.** | **=** | **Cash and cash equivalents at the end of the period (sum of 34 to 37)** | **8,728** | **11,102** |

# 7.4. Group statement of changes in equity

| | As at 31 December 2018 | Change to the scope of consolidation | Other changes | Withdrawal from reserves | Distribution | Consolidated annual profit | As at 31 December 2019 |
|---|---|---|---|---|---|---|---|
| | Thsd. EUR | Thsd. EUR | Thsd. EUR | Thsd. EUR | Thsd. EUR | Thsd. EUR | Thsd. EUR |
| Registered capital | 205,537 | 0 | 0 | 0 | 0 | 0 | 205,537 |
| Nominal value of treasury shares | 0 | 0 | -812 | 0 | 0 | 0 | -812 |
| Issued capital | **205,537** | **0** | **-812** | **0** | **0** | **0** | **204,725** |
| – Capital reserve | 73,657 | 0 | -1,139 | 0 | 0 | 0 | 72,518 |
| – Retained earnings | | | | | | | |
| – statutory reserves | 24,491 | 0 | 0 | 0 | 0 | 0 | 24,491 |
| – other retained earnings | 181,178 | -662 | 7,022 | -29,041 | 0 | 0 | 158,497 |
| Sum of retained earnings | **205,669** | **-662** | **7,022** | **-29,041** | **0** | **0** | **182,988** |
| Equity capital difference from currency conversion | **-78** | 0 | 872 | 0 | 0 | 0 | **794** |
| Profit carried forward | **0** | 0 | 8,189 | 0 | -8,189 | 0 | **0** |
| Total | **484,785** | **-662** | **14,132** | **-29,041** | **-8,189** | **0** | **461,025** |
| Non-dominant shares | **14,826** | 916 | 222 | 0 | -2,020 | 2,085 | **16,029** |
| Consolidated balance sheet profit | **15,226** | 0 | -15,226 | 29,041 | 0 | -28,498 | **543** |
| Profit participation capital | **65,912** | 0 | 0 | 0 | 0 | 0 | **65,912** |
| Group equity capital | **580,749** | 254 | -872 | 0 | -10,209 | -26,413 | **543,509** |

# 7.5. Explanatory notes to the consolidated financial statements

## A. General information

AGRAVIS Raiffeisen AG with its headquarters in Münster and Hanover, registered at the District Court Münster in the commercial register B9692 and at the District Court Hanover in the commercial register B53744, is the parent company of the AGRAVIS Group. The consolidated financial statements of AGRAVIS Raiffeisen AG for the financial year from 1 January to 31 December 2019 have been prepared on the basis of the German Commercial Code (Handelsgesetzbuch, HGB) and the supplementary provisions of the Stock Corporation Act (Aktiengesetz, AktG). It comprises the balance sheet, the profit and loss account, these notes, the cash flow statement and the statement of shareholders' equity.

The profit and loss account uses the total-cost method and complies with the requirements of Sections 275 and 312(4) sentence 2 of the HGB.

The consolidated financial statement is compiled in EUR. The information is listed in EUR thousand (thsd. ). Due to this size specification and the associated rounding differences, there may be insubstantial differences in the reported figures or sums of these values. The annotations to be included in the consolidated balance sheet and/or the profit and loss account, or alternatively in the notes, are partially listed in the notes for the purpose of better clarity and transparency.

## B. Consolidated group

The consolidated financial statements of AGRAVIS Raiffeisen AG include – in accordance with the principles of full consolidation – in addition to AGRAVIS Raiffeisen AG, all domestic and foreign subsidiaries pursuant to Section 290 HGB which are not subsidiaries of relative insignificance. In accordance with the provisions of Section 296(2) HGB, inclusion was waived for subsidiaries that are considered to be of secondary importance both individually and in their entirety, so as to present a true and fair view of the financial position and results. The turnover and assets of these companies, both individually and aggregated, make up around 1 per cent of Group turnover and less than 5 per cent of consolidated total assets.

The consolidated group has changed as follows, compared to the previous year:

| | Domestic | International | Total |
|---|---|---|---|
| Included as of 31 December 2018 | 113 | 13 | 126 |
| Changes in the 2019 financial year | | | |
| Additions | 2 | 0 | 2 |
| Disposals through mergers | 5 | 0 | 5 |
| Included as of 31 December 2019 | 110 | 13 | 123 |
| of which fully consolidated | 88 | 10 | 98 |
| of which consolidated using the equity method | 22 | 3 | 25 |

AGRAVIS Mischfutter Leine-Weser GmbH, with its headquarters in Hanover, was included in the consolidated financial statements for the first time on 1 January 2019. Losses of EUR 40 thousand generated in the period as a subsidiary were offset against other Group retained earnings such that they did not affect the operating result. In addition, MRA GmbH, with its headquarters in Hanover, was included as an associated company in the consolidated group for the first time on 1 January 2019. Profits of EUR 240 thousand generated during Group affiliation were proportionally offset against the other Group retained earnings such that they did not affect the operating result.

AGRAVIS Technik Holding GmbH, with its headquarters in Münster, has acquired the remaining 25 per cent of the shares in the subsidiary Menke Agrar GmbH, with its headquarters in Soest, with the notarised purchase contract dated 13 August 2019. As a result of consolidation, there was goodwill amounting to EUR 1,275 thousand. The depreciation of the resulting goodwill is determined pro rata over the remaining useful lifespan of the goodwill determined as part of the initial consolidation of the subsidiary. Losses of EUR 1,292 thousand generated during Group affiliation were proportionally offset against other Group retained earnings such that they did not affect the operating result.

The subsidiary VitaVis GmbH, with its headquarters in Münster, has transferred its entire assets, including all rights and obligations, by dissolution without liquidation to PROFUMA Spezialfutterwerke GmbH & Co. KG (formerly Höveler Spezialfutterwerke GmbH & Co. KG), with its headquarters in Dormagen, with effect from 1 January 2019.

With the shareholders' resolutions of 24 May 2019 and 7 June 2019, the shareholders of Blattin Mineralfutterwerk Seitschen GmbH & Co. KG, with its headquarters in Göda, passed a resolution on the withdrawal of the personally liable partner, Blattin Mineralfutterwerk Seitschen Verwaltungs GmbH, Seitschen, on 31 August 2019, and accordingly, the company merger by universal succession to PROFUMA Spezialfutterwerke GmbH & Co. KG, with its headquarters in Dormagen. The entry for Blattin Mineralfutterwerk Seitschen GmbH & Co. KG was deleted from the commercial register of the District Court of Dresden under the number HRA 793 on 4 September 2019.

With the notarised agreement dated 10 April 2019 and with the notarised addendum of 4 July 2019, the subsidiary, AGRAVIS Baustoffhandel Holding GmbH, with its headquarters in Münster, has transferred the entirety of its assets, including all rights and obligations thereto, as part of a merger involving dissolution without liquidation to AGRAVIS Raiffeisen-Markt Holding GmbH, with its headquarters in Münster, with effect from 1 January 2019. With the registration of the merger on 15 July 2019 in the commercial register of the headquarters of AGRAVIS Raiffeisen-Markt Holding GmbH, AGRAVIS Baustoffhandel Holding GmbH was dissolved.

AGRAVIS Baustoffhandel Niedersachsen GmbH, with its headquarters in Hanover, and Theodor Elbers GmbH & Co. KG, with its headquarters in Münster, with the notarised contracts dated 10 April 2019 and the notarised addenda of 4 July 2019, transferred the entirety of its assets, including all rights and obligations thereto, by dissolution without liquidation to the AGRAVIS Baustoffhandel Nord GmbH, with its headquarters in Münster, with effect from 1 January 2019. The company name of AGRAVIS Baustoffhandel Nord GmbH was changed to AGRAVIS Baustoffhandel GmbH with the entry in the commercial register of 9 August 2019.

AFS Financial Service GmbH & Co KG is managed as an associated company due to the changes in the shareholding structure and the change of legal form. The extended liability arising from the conversion of the oHG (general partnership) into the KG (limited liability company) legal form in 2014 means that "old business" continues to be fully consolidated as of the date of conversion as a legally dependent asset until the expiry of this business.

Pursuant to Section 264(3) and Section 264b HGB respectively, we are dispensing with publication of the annual financial statements of these subsidiaries in the Federal Gazette and with the drawing up of notes and a management report. The companies in question are marked with an "*".

## Fully consolidated companies

| Name | | Head office | Share (indirect) in % | Share (direct) in % |
|---|---|---|---|---|
| **■ AGRICULTURE – Production and wholesale** | | | | |
| AGRAVIS-Saatzucht Futtermittel GmbH & Co. KG | * | Hamburg | 55 | |
| AGRAVIS-Saatzucht Verwaltungs GmbH | | Hamburg | 55 | |
| AGRAVIS Futtermittel GmbH | * | Münster | | 100 |
| AGRAVIS Mischfutter Emsland GmbH | * | Münster | 100 | |
| AGRAVIS Mischfutter Leine-Weser GmbH | * | Hanover | 100 | |
| AGRAVIS Mischfutter Oldenburg/Ostfriesland GmbH | * | Münster | 100 | |
| AGRAVIS Mischfutter Ostwestfalen-Lippe GmbH | * | Münster | 100 | |
| AGRAVIS Mischfutter Westfalen GmbH | * | Münster | 100 | |
| aniMedica GmbH | | Senden | 100 | |
| LIVISTO INT'L S.L. | | Barcelona (ES) | 100 | |
| LIVISTO Group GmbH | | Senden | | 100 |
| aniMedica Herstellungs GmbH | | Senden | 100 | |
| LIVISTO Sp. z o.o. | | Gdynia (PL) | 100 | |
| EQUOVIS GmbH | * | Münster | 100 | |
| DoFu Donaufutter GmbH | * | Straubing | 100 | |
| Dr.E.Gräub AG | | Bern (CH) | 100 | |
| GiG Geflügelintegration GmbH | * | Münster | 100 | |
| HL Hamburger Leistungsfutter GmbH | | Hamburg | 55 | |
| PROFUMA Spezialfutterwerke GmbH & Co. KG (formerly Höveler Spezialfutterwerke GmbH & Co. KG) | * | Dormagen | 100 | |
| Industrial Veterinaria S.A. | | Barcelona (ES) | 100 | |
| Industria Italiana Integratori Trei S.p.A. | | Rio Saliceto (IT) | 100 | |
| LIVISTO S.A. de C.V. | | Zaragoza (SV) | 100 | |
| LIVISTO Dominicana S.R.L. | | Santiago (DO) | 100 | |
| LIVISTO Panamá S.A. | | Chiriquí (PA) | 100 | |
| Lirus O.O.O. | | Moscow (RUS) | 100 | |
| LIVISTO EXPORT, S.A. de C.V. | | Santa Tecla (SV) | 100 | |
| AGRAVIS Futtermittel Rhein-Main GmbH | * | Münster | 100 | |
| AGRAVIS Kraftfutterwerke Rhein-Main GmbH | | Wiesbaden | 75 | |
| TerraSol Wirtschaftsdünger GmbH | | Münster | 84 | |
| Verwaltung HL Hamburger Leistungsfutter GmbH & Co. KG | | Hamburg | | 55 |
| Graincom GmbH | * | Hamburg | 100 | |
| DGO Großhandel GmbH | * | Cloppenburg | | 100 |
| aniMedica international GmbH | | Frankfurt am Main | | 62 |
| **■ AGRICULTURE – Trade** | | | | |
| AGRAVIS Agrarholding GmbH | * | Münster | | 100 |
| AGRAVIS Bamberg GmbH | * | Bamberg | 100 | |
| AGRAVIS Ems-Jade GmbH | * | Esens | 100 | |
| AGRAVIS Fläming-Mittelelbe GmbH | | Rackith | 95 | |
| AGRAVIS Kornhaus Ostwestfalen GmbH | * | Brakel | 100 | |
| AGRAVIS Kornhaus Westfalen-Süd GmbH | * | Meschede | 100 | |
| AGRAVIS Niedersachsen-Süd GmbH | * | Wunstorf | 100 | |
| AGRAVIS Süd GmbH | * | Münster | | 100 |
| Agrarrohstoff Beteiligungs GmbH | * | Hanover | | 100 |
| Agrar Cargo Spedition GmbH | | Riesa | 100 | |
| Agri Futura GmbH | * | Querfurt | | 100 |

| Name | | Head office | Share (indirect) in % | Share (direct) in % |
|---|---|---|---|---|
| Baro Beteiligungs-GmbH & Co. KG | * | Münster | | 95 |
| Baro Lagerhaus GmbH & Co. KG | * | Bülstringen | 95 | |
| Baro Lagerhaus Verwaltungs-GmbH | | Bülstringen | 95 | |
| FGL Fürstenwalder Futtermittel-Getreide-Landhandel GmbH | * | Fürstenwalde | 100 | |
| FGL Handelsgesellschaft mbH | * | Fürstenwalde | 100 | |
| FGL Holding GmbH | * | Fürstenwalde | | 100 |
| Futura Agrarhandel GmbH | | Erwitte | 95 | |
| GEKRA Produktionsgesellschaft mbH | | Querfurt | 95 | |
| Märkische Getreide GmbH | * | Fürstenwalde | | 100 |
| Raiffeisen Uckermark Handels- und Dienstleistungs GmbH & Co. KG | | Schwedt/Oder | 100 | |
| ■ **Machinery** | | | | |
| AGRAVIS Technik BvL GmbH | * | Meppen | 100 | |
| AGRAVIS Technik Center GmbH | * | Meppen | 100 | |
| AGRAVIS Technik Heide-Altmark GmbH | * | Uelzen | 100 | |
| AGRAVIS Technik Hessen-Pfalz GmbH | * | Fritzlar | 90 | |
| AGRAVIS Technik Holding GmbH | * | Münster | | 100 |
| AGRAVIS Technik Lenne-Lippe GmbH | | Lennestadt | 76 | |
| AGRAVIS Technik Münsterland-Ems GmbH | * | Borken | 100 | |
| AGRAVIS Technik Raiffeisen GmbH | * | Northeim | 100 | |
| AGRAVIS Technik Sachsen-Anhalt/Brandenburg GmbH | * | Köthen | 100 | |
| AGRAVIS Technik Saltenbrock GmbH | | Melle | 73 | |
| AGRAVIS Technik Service GmbH | * | Hanover | 100 | |
| AGRAVIS Technik Weser-Aller GmbH | * | Barsinghausen | 100 | |
| Franz Schotte GmbH | | Duderstadt | 100 | |
| Landtechnik Steigra GmbH | | Steigra | 85 | |
| Menke Agrar GmbH | * | Soest | 100 | |
| NH Agrartechnik GmbH | * | Sieversdorf-Hohenofen | 100 | |
| New-Tec Ost Vertriebsgesellschaft für Agrartechnik mbH | * | Treuenbrietzen | 100 | |
| New-Tec West Vertriebsgesellschaft für Agrartechnik mbH | * | Harsum | 100 | |
| Technik Center Alpen GmbH | | Alpen | 76 | |
| TecVis GmbH | * | Olfen | 100 | |
| VOVIS Automobile GmbH | * | Münster | 100 | |
| ■ **Retailing** | | | | |
| AGRAVIS Baustoffhandel GmbH (formerly AGRAVIS Baustoffhandel Nord GmbH) | * | Münster | 100 | |
| Gundelach GmbH | * | Bockenem | 100 | |
| AGRAVIS Raiffeisen-Markt Holding GmbH | * | Münster | | 100 |
| AGRAVIS Raiffeisen-Markt GmbH | * | Münster | 100 | |
| Terres Agentur GmbH | * | Münster | 100 | |
| Terres Marketing- und Consulting GmbH | * | Münster | 100 | |
| ■ **Energy** | | | | |
| AGRAVIS Energie Holding GmbH | * | Münster | | 100 |
| AGRAVIS Raiffeisen Tankstellen GmbH | * | Münster | 100 | |
| Georg Piening GmbH | * | Seesen | 100 | |
| Georg Piening GmbH & Co. KG | * | Seesen | 100 | |
| Georg Piening Haustechnik und Energieservice GmbH | | Seesen | 100 | |

| Name | | Head office | Share (indirect) in % | Share (direct) in % |
|---|---|---|---|---|
| Georg Piening Mineralölhandel und Energieservice GmbH & Co. KG | * | Seesen | 100 | |
| Raiffeisen Bio-Brennstoffe GmbH | | Münster | 54 | |
| ■ **Other** | | | | |
| AGRAVIS Digital GmH (formerly AGRAVIS NetFarming GmbH) | * | Hanover | | 100 |
| AGRAVIS Beteiligungsverwaltungs GmbH | | Hanover | | 100 |
| AGRAVIS Dienstleistungsholding GmbH | * | Münster | | 100 |
| AGRAVIS International Holding GmbH | | Münster | | 100 |
| FINVIS Business Services GmbH | * | Münster | | 100 |
| AGRAVIS Versicherungsservice GmbH & Co. KG | * | Hanover | | 100 |
| TerraVis GmbH | * | Münster | | 100 |
| VERAVIS GmbH | * | Münster | 100 | |

## Affiliated enterprises – not included

| Name | Head office | Share (indirect) in % | Share (direct) in % |
|---|---|---|---|
| ■ **AGRICULTURE – Production and wholesale** | | | |
| AGRAVIS Raiffeisen Agro SRL | Bucharest (RO) | 100 | |
| AGRAVIS GUS Holding GmbH | Münster | | 100 |
| Blattin Mineralfutterwerke Seitschen Verwaltungs GmbH | Göda | 100 | |
| PROFUMA Geschäftsführungs GmbH (formerly: Höveler Beteiligungs- und Geschäftsführungs GmbH) | Dormagen | 100 | |
| Hygiene Beteiligungsgesellschaft mbH | Münster | 100 | |
| Panto d.o.o. | Rijeka (HR) | 55 | |
| HL Hamburger Leistungsfutter Polska Sp.z.o.o. | Kwiatowa (PL) | 100 | |
| OOO Raiffeisen Agro | Novoalexandrovsk (RUS) | 100 | |
| OOO Raiffeisen Agro Real Estate | Novoalexandrovsk (RUS) | 100 | |
| OOO Economix | Kaliningrad (RUS) | 100 | |
| OOO AGRAVIS Raiffeisen Agro | Krasnodar (RUS) | 100 | |
| VR Agrar Center Wittelsbacher Land GmbH | Altomünster | 51 | |
| ANIMEDICA LATINO AMERICA S.A. de C.V. | Lomas de las Palmas (MEX) | 90 | |
| LOTUS Agrar GmbH | Mannheim | | 51 |
| ■ **AGRICULTURE – Trade** | | | |
| Dynamik Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Mehltheuer KG | Mainz | 94 | |
| Dynamik Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Riesa KG | Mainz | 94 | |
| Dynamik Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Mühlberg KG | Mainz | 94 | |
| biovis agrar GmbH (formerly ELBERS Agrarhandel GmbH) | Münster | 100 | |
| Raiffeisen Uckermark Geschäftsführungsgesellschaft mbH | Schwedt/Oder | 100 | |
| ■ **Machinery** | | | |
| Landtechnik Zentrum Alsfeld GmbH | Alsfeld | 75 | |
| Raiftec GmbH | Hanover | 100 | |

| Name | Head office | Share (indirect) in % | Share (direct) in % |
|---|---|---|---|
| Menke Agrar Parts S.R.L. | Comlosu Mic (RO) | 99 | |
| AGRAVIS Technik Polska Sp. z o.o. | Pozna (PL) | 100 | |
| Menke Agrar Polska Sp. z o.o. | Komorniki (PL) | 100 | |
| OOO Menke | Moscow (RUS) | 100 | |
| Feuersträter GmbH | Beelen | 73 | |
| Lorenz Rubarth Landtechnik GmbH | Anröchte | 74 | |
| **■ Retailing/Energy** | | | |
| Raiffeisen Webshop GmbH & Co. KG | Münster | 2 | 50 |
| Raiffeisen Webshop Geschäftsführungs GmbH | Münster | 52 | |
| Regio Baustoffe Geschäftsführungs GmbH | Münster | | 100 |
| Theodor Elbers-Verwaltungs-GmbH | Münster | 100 | |
| Raiffeisen-Markt Ebstorf GmbH | Ebstorf | 76 | |
| **■ Other** | | | |
| IGS Immobiliengesellschaft Sachsen mbH | Trebsen | 100 | |
| HSZ Heinfelder Schweinezucht Verwaltungs-GmbH | Münster | 100 | |

## Associated companies

| Name | Head office | Share (indirect) in % | Share (direct) in % |
|---|---|---|---|
| **■ AGRICULTURE – Production and wholesale** | | | |
| AGRAVIS Kraftfutterwerke Münsterland GmbH | Münster | 50 | |
| AGRAVIS Kraftfutterwerk Oldenburg GmbH | Oldenburg | 37 | |
| Crystalyx Products GmbH | Münster | 50 | |
| Raiffeisen-Kraftfuttermittelwerk Dörpen GmbH | Dörpen | 25 | |
| AGRAVIS Futtermittelwerke Emsland GmbH | Lingen | 73 | |
| Emil Stenzel GmbH & Co. KG | Recklinghausen | 40 | |
| H. Bögel GmbH & Co. KG | Hamburg | 33 | |
| Roland Mills United GmbH & Co. KG | Bremen | 9 | 32 |
| Genossenschafts-Kraftfutterwerk GmbH | Hanover | | 50 |
| **■ AGRICULTURE – Trade** | | | |
| Raiffeisen Lienen-Lengerich GmbH | Lienen | 75 | |
| Raiffeisen Lippe-Weser AG | Lage | 30 | |
| Raiffeisen Warenhandel GmbH | Rosdorf | 32 | |
| Raiffeisen Warenhandel GmbH & Co. KG | Halle | | 50 |
| Rörig/Hartig u. Co. Landwarenhandel GmbH | Wolfhagen | 56 | |
| **■ Machinery** | | | |
| AFS Financial Service GmbH & Co. KG | Seevetal | 40 | |
| FS Trucks GmbH | Osnabrück | | 73 |
| Raiffeisen Technik Nord-West GmbH | Aurich | 50 | |
| MRA GmbH | Hanover | 70 | |
| **■ Other** | | | |
| DV Agravis International Holding A/S (formerly DAVA Agravis International Holding A/S) | Galten (DK) | 25 | |
| DA Agravis Machinery Holding A/S (formerly DAVA Agravis Machinery Holding A/S) | Galten (DK) | 25 | |
| Deutsche Raiffeisen-Warenzentrale GmbH | Frankfurt am Main | | 34 |

| Name | Head office | Share (indirect) in % | Share (direct) in % |
|---|---|---|---|
| Natural Energy West GmbH | Neuss | | 25 |
| Raiffeisen Anlagenbau GmbH | Lage | 45 | |
| Raiffeisen Beteiligungs GmbH | Münster | | 100 |
| Vilomix Holding A/S | Mørke (DK) | 25 | |

## Affiliated enterprises – not included

| Name | Head office | Share (indirect) in % | Share (direct) in % |
|---|---|---|---|
| **■ AGRICULTURE – Production and wholesale** | | | |
| BioMühle Hamaland GmbH | Gescher | 49 | |
| RFG Raiffeisen Flüssigfutter GmbH | Lüdinghausen | 50 | |
| VERUM GmbH (formerly Wriezener Kraftfutterwerk GmbH) | Schwedt/Oder | 50 | |
| HL-Top Mix Ltd. | Slive (BG) | 40 | |
| Hauptsaat GmbH | Linsburg | | 20 |
| **■ AGRICULTURE – Trade** | | | |
| Raiffeisen Münsterland West GmbH | Ahaus | 25 | |
| Raiffeisen Emstek GmbH | Emstek | | 29 |
| Raiffeisen Lagerhaus Peine GmbH & Co. KG | Uetze | | 25 |
| Fr.B. Janssen GmbH & Co. KG | Leer | 50 | |
| Beddingen Agrar Service GbR | Salzgitter | | 25 |
| Agroservice Landhandel GmbH Heudeber | Nordharz | 50 | |
| Agro-Service & Landhandel GmbH | Eilsleben | 45 | |
| **■ Machinery** | | | |
| Buchheister Technik GmbH | Coppenbrügge | 24 | |
| **■ Retailing** | | | |
| Veland Raiffeisen H & G Markt GmbH | Vechta | 50 | |
| Raiffeisenmarkt-Emsdetten GmbH | Emsdetten | 49 | |
| DRWZ Marken GmbH | Karlsruhe | | 34 |
| Baustoffprofi Handels GmbH | Wettringen | 40 | |
| **■ Energy** | | | |
| Raiffeisen Gas GmbH | Münster | 25 | |
| Behrenswerth Energieservice GmbH | Hilter | 30 | |
| ENIRA Energie Raiffeisen GmbH | Nottuln | 40 | |
| Gela Energie GmbH | Lünne | 20 | |
| Loos Mineralölhandel GmbH | Dortmund | 25 | |
| **■ Other** | | | |
| AGRI-System GmbH | Münster | 50 | |
| Fr.B. Janssen Verwaltungsgesellschaft mbH | Leer | 50 | |
| iXmap Services GmbH & Co.KG | Regenstauf | 50 | |
| Tapo Service & Handel GmbH | Tecklenburg | 50 | |
| Raiffeisen Transport GmbH | Lüdinghausen | 7 | 20 |
| Land 24 GmbH | Telgte | | 32 |
| RaiLog Lüdinghausen GmbH | Lüdinghausen | | 33 |
| Raiffeisen Lagerhaus Peine Beteiligungs GmbH | Uetze | | 25 |
| FRIA-Immobilien GmbH & Co. KG | Hanover | | 50 |
| Raiffeisen Immobilien Nordwest GmbH | Münster | | 50 |
| Tacoss Software GmbH | Flensburg | | 25 |

| Name | Head office | Share (indirect) in % | Share (direct) in % |
|---|---|---|---|
| Novafield GmbH | Münster | | 20 |
| H.Schlötelburg GmbH | Hude | | 27 |
| ODAS GmbH | Dorsten | 25 | |
| INTEGRAFEED S.R.L | Modena (IT) | 20 | |
| H.Bögel Beteiligungsgesellschaft mbH | Hamburg | 33 | |
| Agro, Transport und Umschlags GmbH Schönstedt | Schönstedt | 50 | |

*Country codes: CH – Switzerland, DK – Denmark, DO – Dominican Republic, ES – Spain, HR – Croatia, IT – Italy, MEX – Mexico, PA – Panama, PL – Poland, RO – Romania, RUS – Russia, SV – El Salvador*

## C. Principles of consolidation

The financial statements of the companies included in the consolidated financial statements are prepared in accordance with the accounting and valuation policies applicable to the AGRAVIS Group. The date for the preparation of financial statements is always 31 December. Financial statements given in a foreign currency are converted into euros according to the rules on foreign currency as per Section 308a HGB. In this respect, the assets and liabilities – with the exception of equity capital, which is converted at the historical rate – are converted at the spot exchange rate as on the balance sheet date. With regard to the items on the profit and loss account, the average price is used. Resultant exchange differences are recognised within equity capital as a separate item. For acquisitions after 31 December 2009, the consolidation of capital and the determination of the value of shareholdings in associated companies are to be included on the basis of the fair value for the assets, liabilities, deferred income and special items of the companies to be included at that point in time when the company became a subsidiary or associated company (revaluation method). The consolidation adjustments made formerly are to be updated according to the book value method. Any remaining differences are capitalised as goodwill and written down over their estimated useful lives. Negative differences are listed in dependence on the nature of the items under the item "Differential amount from capital consolidation" under the equity capital or offset with reserves.

Shareholdings in associated companies which are not of relative insignificance for the presentation of a true and fair view of the assets, liabilities, finances and results of the Group are accounted for under the book value method at equity value. The books of the associated companies are kept in this respect on a standard basis, in accordance with the legal principles of proper accounting given in the German Commercial Code. There is no adaptation of the annual financial statements to Group-wide evaluation methods.

As part of consolidating debt, all receivables and liabilities between the Group companies included in the balance sheet were offset against each other. Differences arising from the debt consolidation are shown under other operating expenditure. Intermediate results are eliminated in accordance with Section 304(1) HGB. Income and expenses incurred between Group companies are offset against each other. Differences arising from income and expense consolidation do not affect the operating result. Deferred taxes are limited to consolidation measures.

## Notes on the accounting and valuation methods

With the exception of the assets, liabilities and financial instruments combined into valuation units pursuant to Section 254 HGB, assets and liabilities are valued individually. All foreseeable risks and losses have been taken into account. Similarly, those risks have been taken into account which became known between the balance sheet date and the date of preparation of the consolidated financial statements. In accordance with the realisation principle, only those profits realised by the reporting date are considered. The income and expenditure for the financial year have been taken into account on an accrual basis.

Insofar as hedging transactions are concluded to balance contrary changes in currency values or in cash flows, as per the principles of risk management implemented by the Group, these are – insofar as the appropriate legal requirements in terms of the German Commercial Code are met in a particular case – sometimes also merged with the underlying transactions into valuation units on the balance sheet. In that regard, the imparity-principle-based valuation of the relevant balance sheet items and/or of the effect on profits of expected future cash flows is/are omitted.

The accounting and valuation methods applied are given below in detail:

## Intangible assets and property, plant and equipment

Internally-produced intangible assets are capitalised at production-cost price and written down over their estimated useful lives (generally seven years). In determining the cost of production for internally-produced intangible assets, the following are taken into account: the unit costs; an appropriate portion of overheads and depreciation on fixed assets, to the extent that this depreciation is a result of the manufacturing; and pro rata administrative and social security costs. Interest on borrowed capital is not taken into account.

Acquired intangible assets are valued at acquisition-cost price, less straight-line amortisation. The determination of the expected, estimated useful lives of the intangible assets occurs regularly and is based on the sector-related amortisation/depreciation tables published by the financial management department. In the case of permanent impairment, extraordinary amortisation is performed.

Goodwill is written down on a regular linear basis over its estimated useful life, which is estimated individually according to our specific expectations of the anticipated benefits of the transaction performed. The expected benefit usually arises predominantly because of the likely sustainability of the acquired customer relationships and is reviewed regularly. Changes in these estimates are accounted for through extraordinary amortisation and through adjustment to the remaining useful lifespan. Currently, goodwill is amortised over a range of useful lifespans, estimated to be between 5 and 15 years. Depreciation of the business and goodwill of associated companies resulting from the consolidation is included in the profit and loss account, as in the previous year, under the item "Financial asset depreciation".

Tangible fixed assets are stated at their historical acquisition or production cost, less accumulated depreciation. Depreciation is calculated in a predominantly linear fashion over the assets' estimated useful lifespans. Additions since 1 January 2017 are generally only depreciated using the linear method. In the case of permanent impairment, extraordinary depreciation is performed. In determining the cost of production for property, plant and equipment, the following are taken into account: the unit costs; an appropriate portion of overheads and depreciation on fixed assets, to the extent that this depreciation is a result of the manufacturing; and pro rata administrative and social security costs. Interest on borrowed capital is not taken into account. The determination of the expected, estimated useful lives of the tangible fixed assets – unless otherwise indicated above – occurs regularly and is based on the sector-related amortisation/depreciation tables published by the financial management department. Low-value assets with acquisition costs up to an amount of EUR 800 are fully depreciated in the year of acquisition and are treated as disposals.

## Financial assets

Financial assets are valued at acquisition-cost price. In the case of permanent impairment, extraordinary depreciation is performed. Impairment losses are reversed if the reasons for a prior write-down no longer exist. Shares in associated companies which are relevant in terms of the asset, financial and earning situation are offset against equity capital (equity method). The book values are increased or decreased annually by the proportional results, dividends and other changes in equity capital.

## Inventories

Stocks of raw materials, supplies and operating materials as well as merchandise are valued at the acquisition cost or at the replacement cost, if lower, under strict application of the lowest value principle. Spare parts as components of the merchandise are generally valued at average prices. Inventory risks arising from the duration of storage or from the reduced marketability of the stocks of spare parts are accounted for using appropriate value deductions, which have been determined due to a uniform group valuation policy. On 31 December 2019, the deduction rates were adjusted in keeping with the age rating for the past five years in order to take better account of the actual course of the usage cycle. Without the change in methodology, the inventory of spare parts would have come to EUR 43,999 thousand. Thus, the adjustment resulted in a one-off positive impact on consolidated earnings of EUR 3,286 thousand.

Stocks of unfinished goods and services and finished goods are valued at historical acquisition or production cost or at replacement cost, if lower, under strict application of the lowest value principle. In determining the cost of production, the following are taken into account: the unit costs; an appropriate portion of material and manufacturing overheads and depreciation on fixed assets, to the extent that this depreciation is a result of the manufacturing; and pro rata administrative and social security costs. Interest on borrowed capital is not taken into account. The group valuation methods pursuant to Section 240(4) HGB or the imputation of the sequence of consumption (FIFO) were used in accordance with Section 256 HGB. Inventory risks arising from the duration of storage or from the reduced marketability of the stocks are accounted for using appropriate value deductions in the same way as risks arising from price movements occurring up to the time of balance sheet preparation.

## Receivables and other assets

Receivables and other assets are recognised at their nominal value. Identifiable risks are covered by valuation allowances. The general credit risk is taken into account in the form of general valuation allowances (unchanged at previous year 1 per cent). Receivables in foreign currency are valued at the spot exchange rate at the balance sheet date. When assessing receivables in foreign currency with a residual maturity of one year or less, the historical cost convention in accordance with Section 253(1) sentence 1 HGB and the principle of unequal treatment under Section 252(1), no. 4, clause 2 HGB do not apply in this respect, as per Section 256a HGB.

## Cash and cash equivalents

Cash and cash equivalents exclusively comprise cash in hand, bank balances and cheques and are stated at their nominal value. Foreign currencies are converted at the applicable rate on the payment date or at the spot exchange rate, if lower, at the balance sheet date.

## Accrued and deferred items on the assets side

Accrued and deferred items relate to outgoing payments made before the balance sheet date where these represent expense after the balance sheet date. They are recognised at nominal value.

## Equity capital

The appropriate amounts from the separate financial statements of AGRAVIS Raiffeisen AG are reported as subscribed capital and statutory and capital reserves in the consolidated financial statements. The subscribed capital is stated at nominal value. The nominal value of treasury shares is deducted from subscribed capital, and the nominal-amount-exceeding share of the acquisition costs of treasury shares is offset against unallocated other retained earnings. The Group profit remaining for the previous year after each pay-out to shareholders of the parent group is shown under "Other retained earnings".

## Provisions for pensions and similar obligations

Pension obligations are based on the projected unit credit method (PUC method) using actuarial principles on the basis of 2018 G actuarial tables (published in 2018) by Professor Dr Klaus Heubeck. According to this method, the amount of pension obligations is calculated according to the earned entitlement as at the balance sheet date, taking into account future salary and pension increases as well as a probable fluctuation dependent on age and length of service. The actuarial interest rate is a flat rate, calculated using the Bundesbank average market rate, and assumes a remaining maturity of 15 years.

For some of the pension obligations, there are fund assets which are specifically and exclusively for the fulfilment of pension obligations. Such assets are not available to any other creditors. Accordingly, these obligations and the fair value of the fund assets are given net, according to Section 246(2) sentence 2 HGB. If there is a commitment overhang, it is recognised under the provisions. If the value of the fund assets exceeds that of the obligations, this is recognised on the asset side of the balance sheet as "Positive difference arising from asset allocation". During the reference year – as in the previous year – no positive difference was recognised. The income from the qualified fund assets is offset and netted in the same period with the expense from the related pension obligations.

The valuation of the fund assets is at fair value, determined in each case using actuarial principles. With regard to the fund assets – which are in the form of reinsurance policies – the actuarially determined value corresponds to the actuarial reserves for the policies, as per the business plan, and thus also to the cost of claims vis-à-vis the reinsurer.

## Tax provisions and other provisions

Other provisions and tax provisions are recognised at their required settlement value, according to the judgement of a prudent businessman. They take into account all identifiable risks and contingent liabilities. Provisions with a remaining term of more than one year are discounted using the interest rates published by the Deutsche Bundesbank, according to the relevant maturity.

## Liabilities

Liabilities are stated at their settlement value. With regard to trade payables, standard retention of title by goods suppliers exists. Liabilities in foreign currency are valued at the spot exchange rate at the balance sheet date. When assessing liabilities in foreign currency with a residual maturity of one year or less, the historical cost convention in accordance with Section 253(1) sentence 1 HGB and the principle of unequal treatment under Section 252(1), no. 4, clause 2 HGB do not apply in this respect, as per Section 256a HGB.

## Deferred income

Accrued and deferred items relate to incoming payments made before the balance sheet date where these represent profit after the balance sheet date. They are recognised at nominal value.

## Deferred tax liabilities

Deferred taxes are calculated using the balance sheet approach. Under this approach, differed taxes are recorded on differences between the values of assets and liabilities under commercial law and their tax valuations, provided that the differences are expected to turn around in subsequent financial years and will later result in tax burdens or relief. Deferred tax assets also include tax rebate claims arising from the expected use of loss and interest carry-forwards in future years where the realisation of these can be guaranteed with sufficient certainty. Deferred taxes are calculated using the respective country-specific and company-specific tax rates as applicable according to the current legal situation at the time that the differences are established.

To provide an improved insight into the Group's financial position and earnings situation, with the application of the option specified in Section 274(1) sentence 3 in conjunction with Section 298(1) HGB in the financial year, for the first time, complete offsetting has been performed of the existing deferred tax liabilities (primary deferred tax liabilities) in the annual financial statements of those companies included in the consolidated financial statements, with the deferred tax liabilities from consolidation measures (secondary deferred tax liabilities) under Section 306 HGB as well as with the primary deferred assets of other Group companies. In contrast, the offsetting in the previous year was limited solely to the secondary deferred tax liabilities under Section 306 HGB. The option provided by Section 274(1) sentence 2 in conjunction with Section 298(1) HGB of the determination of a remaining deferred tax surplus has not been exercised.

Expenses or income from any change in deferred taxes entered on the balance sheet are included under "Taxes on income and earnings".

## Currency conversions

To the extent that, in individual cases involving foreign currency items or pending purchase and sales transactions already on the balance sheet, protection against exchange rate risks has been performed in the form of forward exchanges contracts, these are grouped throughout with the respective underlying transactions, in application of Section 254 HGB. Accordingly, the valuation of the relevant receivables and payables or the determination of any contract risk arising from pending transactions is done directly using the respective hedge rate.

## Contingencies and other financial obligations

The relevant figures are calculated on a nominal basis.

## Derivative financial instruments

Derivative financial instruments are valued individually at their market value at the balance sheet date. Insofar as the conditions for the formation of valuation units pursuant to Section 254 HGB have been met and a balance-sheet assignment (designation) of hedging instruments has been performed and documented, the hedging and hedged transactions have been merged into valuation units. As far as these criteria have not been met, the lower acquisition cost of the derivative (if any) and the market value is entered at the balance sheet date. In other words, derivative financial instruments (with negative fair values) not included in valuation units are represented in the entry of provisions for anticipated losses, while such transactions with positive fair values are not entered on the balance sheet, in general.

## Development of consolidated assets

| | Acquisition and production costs | | | | | | |
|---|---|---|---|---|---|---|---|
| | Carried forward 1 January 2019 | Changes to consolidated group | Additions | Transfers | Disposals | Exchange rate differences | As at 31 December 2019 |
| | Thsd. EUR | Thsd. EUR | Thsd. EUR | Thsd. EUR | Thsd. EUR | Thsd. EUR | Thsd. EUR |
| I. Intangible assets | | | | | | | |
| 1 Internally-generated industrial property rights and similar rights and assets | 4,753 | 0 | 692 | 0 | 769 | 35 | 4,711 |
| 2. Purchased concessions, industrial and similar rights and assets and licences to such | 82,309 | 0 | 4,320 | 1,436 | 1,567 | 20 | 86,518 |
| 3. Goodwill | 70,587 | 4,302 | 1,089 | 0 | 1,342 | 0 | 74,636 |
| 4. Advance payments | 2,990 | 0 | 12,219 | -1,360 | 93 | 0 | 13,756 |
| | **160,639** | **4,302** | **18,320** | **76** | **3,771** | **55** | **179,621** |
| II. Property, plant and equipment | | | | | | | |
| 1. Land, land rights and buildings, including buildings on leased property | 568,711 | 0 | 7,350 | 3,287 | 7,850 | 315 | 571,813 |
| 2. Technical equipment and machinery | 342,985 | 0 | 8,747 | 4,650 | 10,064 | 457 | 346,775 |
| 3. Other equipment, factory and office equipment | 131,655 | 1. | 8,635 | 331 | 10,232 | 62 | 130,452 |
| 4. Advance payments and plants under construction | 11,241 | 0 | 7,483 | -8,344 | 222 | 4 | 10,162 |
| | **1,054,593** | **1.** | **32,215** | **-76** | **28,368** | **838** | **1,059,203** |
| III. Financial assets | | | | | | | |
| 1. Shares in affiliated enterprises | 48,216 | -2,043 | 405 | 25 | 17,033 | 0 | 29,570 |
| 2. Loans to affiliated enterprises | 4,840 | 0 | 3,739 | 0 | 83 | 0 | 8,496 |
| 3. Shares in associated enterprises | 212,218 | 258 | 4,090 | 0 | 0 | 0 | 216,566 |
| 4. Holdings | 14,756 | 0 | 643 | -25 | 0 | 0 | 15,376 |
| 5. Loans to enterprises in which an interest is held | 11,063 | 0 | 0 | 0 | 3,405 | 0 | 7,658 |
| 6. Other loans | 3,296 | 0 | 1,607 | 0 | 1,110 | 0 | 3,792 |
| | **294,389** | **-1,784** | **10,484** | **0** | **21,632** | **0** | **281,458** |
| **Total fixed assets** | **1,509,620** | **2,519** | **61,019** | **0** | **53,769** | **893** | **1,520,282** |

| Accumulated write-downs | | | | | | | Book values | |
|---|---|---|---|---|---|---|---|---|
| Carried forward 1 January 2019 | Consolidation group changes | Write-downs for the financial year | Disposals | Write-ups | Exchange differences | As at 31 December 2019 | 31 December 2019 | 31 December 2018 |
| Thsd. EUR | Thsd. EUR | Thsd. EUR | Thsd. EUR | Thsd. EUR | Thsd. EUR | Thsd. EUR | Thsd. EUR | Thsd. EUR |
| 2,875 | 0 | 253 | 0 | 0 | 34 | 3,162 | 1,549 | 1,878 |
| 67,214 | 0 | 4,995 | 1,111 | 0 | 15 | 71,113 | 15,405 | 15,095 |
| 47,319 | 36 | 5,537 | 550 | 0 | 0 | 52,342 | 22,294 | 23,268 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13,756 | 2,990 |
| **117,409** | **36** | **10,785** | **1,661** | **0** | **49** | **126,618** | **53,003** | **43,231** |
| 267,563 | 0 | 15,810 | 4,327 | 228 | 128 | 278,946 | 292,867 | 301,148 |
| 228,465 | 0 | 13,219 | 7,762 | 0 | 273 | 234,195 | 112,580 | 114,521 |
| 99,152 | 0 | 10,330 | 8,549 | 31 | 41 | 100,943 | 29,509 | 32,504 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10,162 | 11,241 |
| **595,180** | **0** | **39,359** | **20,638** | **259** | **442** | **614,084** | **445,118** | **459,414** |
| 9,282 | 0 | 3,320 | 0 | 0 | 0 | 12,602 | 16,968 | 38,933 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,496 | 4,840 |
| 32,234 | 0 | 2,358 | 0 | 0 | 0 | 34,592 | 181,974 | 179,983 |
| 597 | 0 | 700 | 0 | 0 | 0 | 1,298 | 14,078 | 14,160 |
| 41 | 0 | 0 | 34 | 0 | 0 | 7 | 7,651 | 11,022 |
| 31 | 0 | 15 | 3 | 0 | 0 | 43 | 3,749 | 3,264 |
| **42,185** | **0** | **6,393** | **37** | **0** | **0** | **48,542** | **232,916** | **252,202** |
| **754,773** | **36** | **56,537** | **22,336** | **259** | **492** | **789,244** | **731,037** | **754,847** |

## E. Notes to the consolidated balance sheet and profit and loss account

### I. Balance sheet

**1. Development of consolidated assets**

The fixed assets of companies included in the consolidated financial statements for the first time are recorded along with the consolidated assets at the historical acquisition/production cost value, including revaluation and the accumulated historical (gross) write-down at the time of inclusion. The fixed assets of companies which left the consolidated group during the financial year are also included gross in the fixed assets. The inward/outward acquisition/production costs are reported in the "Changes to consolidated group" column.

The total amount of research and development costs for the financial year amounted to EUR 6.2 million. This includes expenses at an amount of EUR 0.4 million, which are included in the internally-produced intangible assets at an amount of EUR 0.7 million as other own work capitalised.

The book values of the shares of associated companies include EUR 2.2 million of goodwill from the evaluation at the point in time when it was first included in the consolidated financial statements (2016–2019). Depreciation is carried out on a linear basis over a service life of 5 years or 7 years respectively. Miscellaneous loans include credit balances from cooperatives amounting to EUR 160 thousand (previous year: EUR 162 thousand ).

In the presentation of additions in the development of consolidated assets, EUR 0.8 million is deducted from the historical acquisition and production costs, and in terms of write-downs for the financial year, EUR 0.5 million is deducted due to improved findings about the long-term economic use of subsequently activated fixed assets.

**2.** Of **receivables** with a remaining maturity of more than one year:

| | Financial year Thsd. EUR | Previous year Thsd. EUR |
|---|---|---|
| Accounts receivables | | |
| – trade receivables | 223 | 358 |
| – from affiliated enterprises | 400 | 959 |
| – from associated enterprises | 0 | 0 |
| – other assets | 15,077 | 9,278 |

**3.** Included in receivables **from affiliated enterprises** are:

| | Financial year Thsd. EUR | Previous year Thsd. EUR |
|---|---|---|
| Trade accounts receivables | 2,781 | 3,999 |
| Other assets | 50,345 | 48,812 |

**4.** Included in **receivables from enterprises in which an interest is held are**:

| | Financial year Thsd. EUR | Previous year Thsd. EUR |
|---|---|---|
| Trade accounts receivables | 24,610 | 11,932 |
| Other assets | 19,465 | 14,235 |

**5. Other assets** contains essential accruals in the form of tax refund claims to the amount of EUR 19,258 thousand (previous year: EUR 15,972 thousand as well as retained reserves from the ABS programme to the amount of EUR 5,408 thousand (previous year: EUR 5,445 thousand ).

**6. Accrued and deferred items** on the assets side mainly include, as in previous years, accrued interest, under which the costs of structuring the syndicated loan and promissory note bond are recognised to the amount of EUR 0.3 million (previous year: EUR 1.1 million), provided that these are attributed an interest-like character. The demarcation of the accrual of an exclusivity agreement contained in accrued items in the previous year no longer exists (previous year: EUR 80 thousand ).

**7.** The **registered capital** of AGRAVIS Raiffeisen AG, Münster/Hanover, has not changed in 2019 and amounts to EUR 205,536,563.20. It is divided into 8,028,772 par value shares (registered shares with restricted transferability). The notional value of each share is therefore EUR 25.60. The Board of Directors is authorised, with the consent of the Supervisory Board, to increase the registered capital one time or several times by a total nominal amount of up to EUR 12 million in the period up to 8 May 2021 by issuing new registered shares with restricted transferability in exchange for cash or contributions in kind (authorised capital). No further shares were issued in 2019 and after the balance sheet date. The purchase rights of shareholders are excluded.

As at 31 December 2019, AGRAVIS Raiffeisen AG held treasury shares amounting to 31,337 par value shares (registered shares with restricted transferability). The calculated value is EUR 812,467.20 (no treasury shares in the previous year). The share of the registered capital amounts to 0.4 per cent.

**8.** The reduction in **capital reserves** by EUR 1,139 thousand (previous year: EUR 7,435 thousand), with EUR 1,139 thousand, came from the premium of the repurchased shares in 2019 as well as EUR 0.8 thousand from the surplus of the sale and purchase of shares in 2019. The acquisition was made on the basis of shares offered by members of the AGRAVIS Group. The purchase price was EUR 61.50 per share. The acquisition was made in the course of the 2019 financial year.

**9.** The issuance of **participation rights capital** is to be considered as equity capital after it is collected as the subordination, performance-based remuneration, participation in losses and long-term nature of capital provision is present. Owners of the participation rights shall receive an annual dividend payment, which ranks with the priority of shareholders' rights to dividends, to the amount of the stated interest rate in relation to the par value of the participation rights. This is included on the balance sheet at nominal value. The interest due from the financial year has been deferred.

| Value date | Type,<br>Par value in **000s of EUR** | Interest rate in % p. a. | Maturity |
|---|---|---|---|
| 09 October 2015 | Participation rights 2015/1<br>**15,932** | 3.25 | Statutory notice of termination cannot be given until 31 October 2020 |
| 09 October 2015 | Participation rights 2015/2<br>**19,980** | 2.25 | Statutory notice of termination cannot be given until 31 October 2020 |
| 06 December 2016 | Participation rights 2016/1<br>**10,000** | 3.20 | Statutory notice of termination cannot be given until 06 December 2021 |
| 06 December 2016 | Participation rights 2016/2<br>**20,000** | 2.20 | Statutory notice of termination cannot be given until 06 December 2021 |

**10. Provisions for pensions and similar obligations**

The valuation of **pension obligations** is calculated using actuarial principles according to a projected unit credit method and is based on the following actuarial assumptions:

| | Financial year in % | Previous year in % |
|---|---|---|
| Expected rate of pension increases | 1.80 | 1.80 |
| Expected rate of salary increases | 3.00 | 3.00 |
| Interest rate (Section 253(2) sentence 2 HGB) | 2.71 | 3.21 |

Age-dependent employee turnover, as in the previous year, was estimated to be within a bandwidth of 1 to 4 per cent per annum.

Pursuant to Section 246(2) sentence 2 HGB, fund assets consisting of claims from reinsurance, from which all other creditors are revoked access and whose aim is solely to meet liability obligations arising from pension benefits, have been offset against this. The settlement amount of the liabilities as at the balance sheet date was EUR 10,402 thousand (previous year: EUR 9,449 thousand ). The fair value of the offset assets, which also corresponds to their acquisition cost, is EUR 5,579 thousand (previous year: EUR 5,234 thousand ). The resulting surplus of liabilities from the pension obligation over and above the valuation of fund assets is given under the item "Provisions for pensions and similar obligations". During the reporting period, EUR 61 thousand (previous year: EUR 71 thousand income from the fund assets was offset against the expenses from the pension provisions.

The difference according to Section 253(6) sentence 1 HGB between the approach of the provisions according to the corresponding average market interest rate from the past ten financial years and the approach of the provisions according to the corresponding average market interest rate from the last seven financial years amounts to a total of EUR 12,200 thousand (previous year: EUR 13,281 thousand ).

**11.** The **tax provisions** exclusively comprise liabilities from current profit tax.

**12. Other provisions** are attributable to:

| | Financial year Thsd. EUR | Previous year Thsd. EUR |
|---|---|---|
| – HR and social-security-based obligations | 25,689 | 25,897 |
| – Expected losses and other risks arising from the movement of goods | 28,811 | 48,642 |
| – Maintenance | 226 | 1,920 |
| – Bills of exchange | 208 | 251 |

**13.** The **liabilities** have the following maturity structure:

| | 31 December 2019 | | | | Previous year | | | |
|---|---|---|---|---|---|---|---|---|
| | | of which with a maturity | | | | of which with a maturity | | |
| | Total | up to 1 year | between 1 and 5 years | of more than 5 years | Total | up to 1 year | between 1 and 5 years | of more than 5 years |
| | Thsd. EUR | Thsd. EUR | Thsd. EUR | Thsd. EUR | Thsd. EUR | Thsd. EUR | Thsd. EUR | Thsd. EUR |
| Liabilities to banks | 698,414 | 526,038 | 141,059 | 31,317 | 721,767 | 511,345 | 177,462 | 32,960 |
| Advances received on orders | 8,646 | 8,646 | 0 | 0 | 10,407 | 10,407 | 0 | 0 |
| Trade payables | 386,506 | 386,505 | 1. | 0 | 345,860 | 345,858 | 2 | 0 |
| Liabilities to affiliated enterprises | 5,136 | 5,136 | 0 | 0 | 24,333 | 24,333 | 0 | 0 |
| Liabilities to enterprises in which an interest is held | 37,839 | 36,539 | 1,300 | 0 | 22,077 | 20,777 | 1,300 | 0 |
| Other liabilities | 100,124 | 99,913 | 211 | 0 | 75,172 | 75,172 | 0 | 0 |
| **Total** | **1,236,665** | **1,062,777** | **142,571** | **31,317** | **1,199,616** | **987,892** | **178,764** | **32,960** |

Of the liabilities to banks, EUR 114,297 thousand (previous year: EUR 105,826 thousand were secured by mortgages. Trade accounts receivables assigned and inventories assigned as collateral have also been reported as security for liabilities to banks from the drawing of a syndicated loan in the amount of EUR 510 million (previous year: EUR 510 million). The syndicated loan was concluded anew on 18 December 2019 with a volume of EUR 650 million. The drawing of the new syndicated loan in the amount of EUR 415 million took place on 8 January 2020. The promissory note bond borrowed in the previous year amounted to EUR 88 million (previous year: EUR 88 million). This is a non-subordinate but unsecured promissory note bond with fixed and variable rate tranches. The maturities of the promissory note bond are scaled and relate to a share of up to 6 months, with the greatest share up to 28 years (EUR 60 million).

Other liabilities include EUR 20,925 thousand (previous year: EUR 20,512 thousand from ABS-Finance liabilities for receivables which were sold, though had not formerly been written off. The receivables arising from liabilities from the inflow of liquidity have been handed over to the financing institution.

**14. Liabilities to affiliated enterprises** includes:

| | Financial year | Previous year |
|---|---|---|
| | Thsd. EUR | Thsd. EUR |
| Trade payables | 130 | 437 |
| Other liabilities | 5,006 | 23,896 |

**15. Liabilities to companies in which an interest is held** includes:

| | Financial year | Previous year |
|---|---|---|
| | Thsd. EUR | Thsd. EUR |
| Trade payables | 15,745 | 5,552 |
| Other liabilities | 22,094 | 16,525 |

**16. Deferred taxes** are determined for temporal differences which are expected to be reversed in the future between the commercial-law and the tax-law valuations of assets, liabilities and accrued and deferred items. In the case of tax reductions, the option to capitalise pursuant to Section 274 HGB was consistently not exercised throughout the Group. The calculation of deferred taxes is based on combined profits tax rates determined on a country-specific basis. An average tax rate of 31 per cent was used as a basis to determine deferred taxes existing in domestic companies and the impact of deferred taxes due to consolidation measures. The combined profit tax rate includes corporation tax, business tax and solidarity tax (not including business partnerships). Local tax rates of between 21 to 31 per cent were also applied to the amounts recognised in the balance sheet for deferred taxes of the companies based abroad.

Due to the full offsetting of deferred tax liabilities from financial statements against deferred tax assets from other Group companies (primary deferred taxes) as well as with deferred taxes due to consolidation measures (secondary deferred taxes), no deferred taxes had to be recognised in the consolidated balance sheet as of the reporting date 31 December 2019.

The deferred tax assets and liabilities included in the offsetting can be broken down as follows:

| | Financial year Thsd. EUR | | Previous year Thsd. EUR | |
|---|---|---|---|---|
| | primary | secondary | primary | secondary |
| Deferred tax assets | | | | |
| Intangible assets | 2,910 | 0 | 3,146 | 0 |
| Tangible fixed assets | 820 | 0 | 601 | 0 |
| Inventories | 930 | 1,265 | 1,878 | 1,162 |
| Provisions | 19,837 | 0 | 25,896 | 0 |
| Accounts receivables | 2,589 | 0 | 1,744 | 0 |
| Other assets/liabilities | 2,502 | 763 | 1,522 | 777 |
| Tax rebate claims from loss carry-forwards | 6,097 | 0 | 744 | 0 |
| | **35,684** | **2,028** | **35,532** | **1,939** |
| Deferred tax liabilities | | | | |
| Intangible assets | -412 | 0 | -328 | -70 |
| Tangible fixed assets | -6,917 | -330 | -7,116 | -317 |
| Inventories | -343 | 0 | -206 | 0 |
| Provisions | -1,131 | 0 | 0 | 0 |
| Other assets/liabilities | -220 | -271 | -218 | -272 |
| | **-9,023** | **-601** | **-7,868** | **-659** |
| | 26,661 | 1,427 | 27,665 | 1,280 |
| Total amount of the primary deferred tax asset surplus remaining after offsetting | 28,088 | | 28,945 | |

The above primary deferred taxes include, at the level of the financial statements included in the consolidated financial statements, the calculated deferred taxes, including the adjustment to the accounting and valuation policies applicable to the Group. The secondary deferred taxes are based on the temporary differences arising from the consolidation measures.

The Group-wide consideration of the overall difference relating to the sum of all deferred tax assets and liabilities in the financial year resulted in a write-off of the deferred tax liabilities reported in the consolidated financial statements of the previous year in the amount of EUR 1,655 thousand.

## II. Profit and loss account

**1. Revenues** were obtained in the following segments:

| | Financial year EUR million | Previous year EUR million |
|---|---|---|
| Plants | 2,684 | 2,782 |
| Energy | 1,255 | 1,241 |
| Animals | 1,268 | 1,259 |
| Machinery | 868 | 946 |
| Retailing | 293 | 285 |
| Other | 87 | 65 |
| Total revenue | 6,455 | 6,578 |

"Revenues" includes revenues from services to the amount of EUR 111 million (previous year: EUR 113 million). The revenues were generated almost exclusively in Germany; the share from business abroad being around 7.6 per cent of income.

**2.** The following income and expenses, which are attributable to a different financial year, are included in the items in the profit and loss account:

| | Financial year Thsd. EUR | Previous year Thsd. EUR |
|---|---|---|
| Income | | |
| – from the disposal of fixed assets | 1,442 | 3,392 |
| – from the reversal of provisions | 7,822 | 6,826 |
| -– from the reversal of value adjustments and inputting of written-down receivables | 7,561 | 5,301 |
| Expenses | | |
| – losses on disposal of fixed assets | 927 | 860 |

In addition, other operating income and other operating expenses include exchange-rate gains to the amount of EUR 1,823 thousand (previous year: EUR 1,547 thousand and losses to the amount of EUR 1,249 thousand (previous year: EUR 2,209 thousand ). Other interest and similar expenses in the items are contained in expenses outside of the period from the change of the interest rate for the evaluation of the pension provision at an amount of EUR 6,910 thousand (previous year: earnings of EUR 6,101 thousand ).

**3.** After the conclusion of the out-of-court antitrust proceedings for crop protection at the beginning of 2020, EUR 43.7 million in fines were transferred to the Federal Cartel Office in Bonn.

**4.** Within the figure for taxes on income and earnings, there are deferred tax assets of EUR 1,655 thousand (previous year: EUR 564 thousand ).

## F. Notes on the cash flow statement

The cash flow statement corresponds to the minimum classification scheme of German Accounting Standard no. 21 (Deutsche Rechnungslegungsstandards, DRS 21). Cash and cash equivalents corresponds exclusively to the balance sheet item "Cash, bank balances and cheques". The non-cash change in cash and cash equivalents due to the conversion of the foreign currency holdings in euro was presented separately in the reporting period. The prior-year figures affected have been adjusted accordingly.

## G. Notes on changes to equity capital

Of the Group's generated equity capital of EUR 184 million, AGRAVIS Raiffeisen AG's statutory reserve to the amount of EUR 24.5 million contained therein, pursuant to Section 150 AktG and Section 33 of the articles of association, is subject to a disbursement block. For the EUR 1.5 million of internally generated intangible fixed assets recognised on the balance sheet, there is a disbursement block as per Section 268(8) sentence 1 of the HGB. Furthermore, the difference according to Section 253(6) sentence 1 HGB at an amount of EUR 7,445 thousand is blocked for disbursement corresponding to the regulation of Section 253(6) sentence 2 HGB. Likewise, Group-specific liabilities to the amount of EUR 3.1 million cannot be disbursed.

## H. Other information

**1.** At the balance sheet date, the following **contingencies** existed in accordance with Section 251 HGB:

| | Financial year<br>Thsd. EUR | Previous year<br>Thsd. EUR |
|---|---|---|
| Liabilities from the issue and transfer of bills of exchange | 20,622 | 24,788 |
| Liabilities under guarantees, bill guarantees and cheque guarantees | 2,756 | 2,128 |
| Liabilities under warranties and pending take-back obligations | 32,722 | 29,846 |
| Contingencies from assets pledged as collateral for third party Liabilities | 0 | 123 |

On the basis of currently available information – regarding in particular the creditworthiness, assets (including hidden reserves) and the payment behaviour of directly obliged debtors – recourse is not expected with regard to the liabilities from the issuance and transfer of bills and with regard to liabilities from guarantees.

The liabilities under warranties concern residual-value guarantees from customer financing and pending take-back obligations from trade in machinery. Insofar as, according to our experience, claims from these warranties can be expected, this has been accounted for by the allocation of reserves in the amount of EUR 1,795 thousand (previous year: EUR 1,390 thousand ). As the obligations are otherwise countered by the machine values, further risks of recourse are not evident. The application of foreign liabilities for which the collateral was placed is monitored continuously. Given observable payment behaviour, again no recourse is to be expected here. Furthermore, there were three letters of comfort in favour of associated companies amounting to EUR 5.6 million, the usage of which is not to be expected due to the current business development of the beneficiaries.

**2. Transactions not included on the consolidated balance sheet**

As part of an ABS transaction, receivables to the amount of EUR 67 million were sold to a special purpose vehicle and deleted from the balance sheet. ABS financing is used for the short-term strengthening of liquidity and financial strength of the Group. This involves all debt risks being definitively transferred to the SPV. The management of the accounts receivable for those receivables transferred to the SPV – including those sales of receivables which do not place a burden on the balance sheet due to lack of risk transfer – will continue to be undertaken by AGRAVIS Group companies. In order to improve short-term liquidity, structured financing has been concluded for various agricultural products in the form of reverse repurchase agreements. From this, there are pending take-back obligations to the amount of EUR 180 million (previous year: EUR 180 million).

**3.** The following **financial obligations**, which are not shown or noted on the balance sheet, are of significance in assessing the Group's financial position:

| | Financial year<br>Thsd. EUR |
|---|---|
| Tenancy and building lease obligations | |
| – annual amount | 18,990 |
| – of which with a maturity of more than 5 years | 1,878 |
| – of which with a maturity of more than 10 years (building leases to 2098) | 173 |
| Lease obligations | |
| – annual amount | 19,611 |
| – of which with a maturity of more than 5 years | 1,066 |
| Remaining obligations from the provision of capital goods and other financial obligations | 22,560 |
| Obligations from equity interests in limited liability companies | |
| – own contributions outstanding | 274 |
| – outstanding contributions of other shareholders as per Section 24 of German Limited Liability Companies Act (GmbHG) | 12 |

The use of any part of the business real estate or of technical installations, machinery, operating and office equipment (including vehicle fleet) occurs on the basis of rental, tenancy and operating lease contracts. Such contracts also contribute to reducing the Group's capital lock-up and mean that the investment risk remains with the respective owners or lessors. The obligations existing in connection with the contracts are contained in the above information regarding other financial obligations.

**4. Valuation units and derivatives**

AGRAVIS Raiffeisen AG has undertaken interest-rate-hedging transactions in order to limit interest rate risks on variable interest loans. This exclusively involves interest-rate swaps for hedging purposes to ensure future cash flows. Coinciding with the assumption of long-term loans, maturity-matching interest-rate swaps were concluded, whereby synthetic fixed-rate borrowings were created. These micro-hedges amounted to a volume of EUR 65.6 million as at 31 December 2019. The negative market value of these swaps is EUR 1.8 million. Analogously, interest-rate swaps with a nominal value of EUR 4.5 million and a market value of minus EUR 0.9 million were concluded for variable-rate tranches of the promissory note bond. Again, hedging relationships in the form of micro-hedges are present here.

In order to hedge the risks from future cash flows arising from drawdowns under the syndicated loan, interest-rate swaps were also concluded with a nominal value of EUR 355 million. The volume corresponds to the average credit exposure according to the Group's liquidity planning. These swaps represent a portfolio hedge in relation to the consolidated operating funds. The market value of all interest-rate swaps with respect to the syndicated loan was minus EUR 68.9 million at the end of 2019. No provisions for contingent losses were made, due to the incorporation into valuation units, in terms of micro- and portfolio hedges.

To hedge currency risks (RUB, PLN, USD) derivative hedges were deployed – predominantly maturity options. The nominal value of these transactions – which corresponds to the amount of the hedged risks – was valued at EUR 53.0 million at the balance sheet date. These hedges are directly related to (scheduled) transactions in commodities in foreign currencies and are therefore grouped together into valuation units long with the underlying transactions, in the form of micro-hedges. The market value of these derivatives as at the balance sheet date was plus EUR 0.1 million. The opposing changes in cash flows arising from currency hedging and underlying transactions are completely equalised over the period of the term of the hedging transactions in the following financial year.

In order to control current and future price risks arising from commodities trading, particularly in terms of trading raw materials for feed (soya amongst others), oilseed and grain, derivative financial instruments in the form of standardised exchange-traded commodity futures contracts are used, alongside OTC futures contracts and option contracts on agricultural commodities concluded with trading partners with first-class credit ratings. The instruments serve solely to hedge operating transactions; therefore, additional risks do not arise. The transactions are performed exclusively in a manner which is customary for the market. Transactions for speculative purposes are not performed.

These hedges are merged in part in the sense of a portfolio hedge as a valuation unit with the corresponding inventories, with a total value of EUR 120.3 million, with purchase and sales contracts pending at the balance sheet date. For the negative market values of the derivative financial instruments included in the valuation unit to the amount of EUR 9.9 million, provisions for contingent losses were not to be allocated.

Commodity futures and option contracts are valued based on the daily prices quoted on the markets for the underlying raw materials and the differences which result from the forward exchange rate and the daily exchange rates. In doing so, the market value of these derivatives is calculated as part of a daily comparison with the valuations provided by various well-known trading partners. Due to taking reference from global marketplaces for the prices, the stocks and transactions included in the valuation units are subject to correlating risks from changes in price of agricultural commodities. The opposing changes in cash flows arising from the various elements of the valuation unit are equalised as far as possible due to reference being made to identical value parameters when carrying out business transactions, which regularly occur within the subsequent year.

As far as risks for open contract items are not fully covered by the formation of provisions or if the existing valuation units exhibit inefficiencies, this was accounted for through allocations to provisions for contingent losses. As at the balance sheet date, these amounted to EUR 13.8 million (previous year: EUR 9.2 million).

Alongside the commodity option transactions which are used in a hedging relationship within the meaning of the above description, additional option transactions are effected by individual companies within the Group for the purpose of risk management which, however, are not designed to be a hedging instrument in an accounting sense. The option premiums incurred in the acquisition of put/call options spent are reported under “other assets” and under strict application of the lowest value principle. Option premiums received as a result of the sale of put/call options together with the threatening losses coming from the received premium were replaced by the depositing of securities with the contract partners. The amount of option transactions is listed below:

| Type of transaction | Amount in tonnes | Current value in thsd. of EUR | Book value in thsd. of EUR |
|---|---|---|---|
| Purchase of OTC options (put/call) | 59,700 | 187 | 129 |
| Sale of OTC options (put/call) | 40,000 | -430 | -458 |

**5.** Transactions with **related companies and individuals** in accordance with Section 314(1) no. 13 HGB under customary market terms were not executed.

**6. Employees**

In 2019, there was an average of 6,405 employees (previous year: 6,503) of which 5,621 were full-time employees (previous year: 5,688 full-time employees), 784 part-time employees (previous year: 815 part-time employees). The average total number includes 591 trainees (previous year: 520 trainees).

**7. Executive bodies**

For their activities during the financial year, the total remuneration paid to members of the Supervisory Board amounted to EUR 371 thousand and the total remuneration paid to members of the Advisory Board amounted to EUR 134 thousand. The total remuneration paid to the Board of Directors in the 2019 financial year was EUR 1.5 million. The total remuneration paid to former members of the Board of Directors and their surviving dependants amounted to EUR 4.1 million. The provisions made for pensions for these persons amounted to EUR 25.0 million.

**8. Auditors’ fees**

The fees expended on the auditor of the consolidated financial statements, the auditing company Deloitte GmbH, in the given financial year are divided as follows:

| | | Financial year in thsd. of EUR |
|---|---|---|
| a) | Auditing of financial statements | 728 |
| b) | Other certification services | 109 |
| c) | Tax advisory services | 148 |
| d) | Other services | 389 |
| | Total | 1,374 |

**9. Profit distribution recommendation from the parent company creating the consolidated financial statements**

For the 2019 financial year, this results in a net loss for the year of EUR 29,221,412.52. Taking into account the profit carried forward from 2018 amounting to EUR 180,215.92, this gives a balance of EUR 29,041,196.60. To compensate for the loss, EUR 29,041,196.60 was taken and offset against other retained earnings. The balance sheet profit after offsetting is EUR 0.00.

**10. Supplementary report**

The spread of the coronavirus since March 2020 is increasingly affecting the business sector and business activities of AGRAVIS on the ground. Extensive measures have been implemented to protect the health of employees (e.g., wide-ranging home office rules) and customers and to ensure supply chains and the maintenance of business activities in factories and locations. These are continuously reviewed and adjusted by a crisis management team. Although by the date this report was prepared, the systemic importance of agriculture and therefore also of AGRAVIS meant we were able to limit the economic losses to some extent, the current state of affairs leads us to expect that this situation may have a negative impact on the 2020 financial year. The extent of the overall adverse economic effects cannot be assessed at the moment. It will depend on the course of the epidemic as well as the extent and duration of restrictions on business transactions in Germany and throughout the world.

Münster/Hanover, 25 March 2020

AGRAVIS Raiffeisen AG, Board of Directors

Dr Köckler (Chairman) Hesseler Schulte-Althoff Sudhoff

## Independent Auditor's Report

To AGRAVIS Raiffeisen AG, Münster/Hanover

### Audit opinions

We have audited the consolidated financial statements of AGRAVIS Raiffeisen AG, Münster/Hanover, and its subsidiaries (the Group) – which comprise the consolidated balance sheet as at 31 December 2019, the consolidated profit and loss account, the Group equity capital, the Group statement of cash flow for the financial year from 1 January to 31 December 2019 and the Explanatory notes to the Group Annual Report, including the presentation of the accounting and valuation methods. We have also audited the Group Management Report of AGRAVIS Raiffeisen AG, Münster/Hanover, for the financial year from 1 January until 31 December 2019.

In our opinion, based on the findings of our audit,

- the attached consolidated financial statements comply in all material respects with the provisions of German commercial law applicable to corporations and, in accordance with generally accepted German accounting principles, present a true and fair view of the assets, financial position and earnings situation of the Group as of 31 December 2019 and its income situation for the financial year from 1 January to 31 December 2019, and
- overall, the attached Group Management Report gives a true and fair view of the Group's position. In all material respects, this Group Management Report is consistent with the consolidated financial statement, complies with German legal requirements and accurately presents the opportunities and risks of future development.
- In accordance with Section 322(3) sentence 1 HGB, we declare that our audit has not given rise to any objections regarding the accuracy of the consolidated financial statements and the Group Management Report.

### Basis for the audit opinions

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW). Our responsibilities under these rules and policies are further described in the section entitled “Auditors' Responsibility for Auditing Consolidated Financial Statements and the Group Management Report” of our audit report. We are independent of the Group companies in accordance with the German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide the basis for our auditor's certification notice concerning the consolidated financial statement and Group Management Report.

### Other Information

The legal representatives are responsible for other information. The information consists of:

- the section "Corporate governance" of the Group Annual Report 2019,
- the sustainability magazine for the 2019 Annual Report and
- the remaining sections of the Group Annual Report, with the exception of the audited consolidated financial statements and the Group Management Report as well as our audit opinion.

Our audit opinions on the consolidated financial statements and the Group Management Report do not extend to the other information and, accordingly, we give neither an opinion nor any other form of audit conclusion on the matter. In connection with our audit of the consolidated financial statements, we have a responsibility to read other information and to assess whether the other information

- indicates serious inconsistencies with the consolidated financial statements, the Group Management Report or with the knowledge we obtained during the audit, or
- may otherwise appear significantly misrepresented.

### Responsibility of the legal representatives and the members of the Supervisory Board for the consolidated financial statements and the Group Management Report

The legal representatives are responsible for preparation of the consolidated financial statements, which comply with the German commercial law applicable to corporations in all material respects, and that the consolidated financial statements give a true and fair view of the assets, financial position and earnings situation of the Group in accordance with generally accepted German accounting principles. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with generally accepted accounting principles in order to facilitate preparation of consolidated financial statements that are free from material misstatement, whether intentional or unintentional.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing matters relating to the continuation of the Group's activities, where relevant. In addition, they are responsible for accounting for the Group's ability to continue as a going concern on the basis of the accounting policy, insofar as this does not conflict with actual or legal circumstances.

In addition, the legal representatives responsible for the preparation of the Group Management Report, which gives a true and fair view of the Group's position and, in all material respects, is consistent with the consolidated financial statements, complies with German legal requirements and accurately reflects the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they deemed necessary to enable the preparation of a Group management report in accordance with the applicable German statutory provisions and to provide sufficient suitable evidence for the statements in the Group management report.

The Supervisory Board is responsible for monitoring the accounting process of the Group for the preparation of the consolidated financial statements and the Group Management Report.

**Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and Group Management Report**

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the Group Management Report as a whole gives a true and fair view of the position of the Group and in all material respects is consistent with the consolidated annual financial statements and with the findings of the audit, that it complies with German legal requirements, accurately reflects the opportunities and risks of future development and that it issues an Auditor's Report that includes our audit opinions on the consolidated annual financial statements and Group Management Report.

Sufficient security means a high degree of security, but there is no guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always reveal a material misstatement. Misrepresentations may result from violations or inaccuracies and are considered material if it could reasonably be expected that, individually or collectively, they would influence the economic decisions of addressees made on the basis of these consolidated financial statements and Group Management Report.

During the audit, we exercise due discretion and maintain a critical attitude. In addition,

- we identify and assess the risks of material misstatement, whether intentional or unintentional, in the financial statements and the Group Management Report, we plan and perform procedures in response to those risks and obtain sufficient and appropriate audit evidence to form the basis of our audit opinion. The risk that material misstatements resulting from fraud will not be identified is greater than that for a misstatement resulting from errors, since fraud may include fraudulent co-operation, counterfeiting, deliberate omissions, misleading representations or the overriding of internal controls.
- we gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and Group Management Report in order to plan audit procedures that are appropriate under the specific circumstances but not with the objective of issuing an audit opinion on the effectiveness of these systems.
- we assess the appropriateness of the accounting methods used by the legal representatives and evaluate the reasonableness of the estimated values and related informationpresented by the legal representatives.
- we draw conclusions regarding the appropriateness of the accounting policy used by the legal representatives with respect to the company's ability to continue as a going concern and, on the basis of the audit evidence obtained, whether there is material uncertainty surrounding events or circumstances that indicate significant doubts as to the Group's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit opinion to the related disclosures in the consolidated financial statements or, if such disclosures are inappropriate, to modify our opinion. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's certification notice. However, future events or conditions may result in the Group no longer being able to continue as a going concern.
- we assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting.
- we obtain sufficient suitable audit evidence for the accounting information of the companies or business activities within the Group to enable us to express an opinion on the consolidated financial statements and the Group Management Report We are responsible for the guidance, monitoring and implementation of the audit of the consolidated financial statements. We shall bear the sole responsibility for our audit opinions.

- we evaluate the consistency of the Group Management Report with the consolidated financial statements, its legal consistency and the view provided of the Group’s position.
- we perform audit procedures on the future-oriented statements made by the company's legal representatives in the Group Management Report. On the basis of adequately appropriate audit evidence, we in particular examine the significant assumptions underlying the forward-looking statements made by the company's legal representatives and assess the proper derivation of the forward-looking statements from said assumptions. We do not express an independent opinion on the future-oriented information nor on the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss with the supervisors the planned scope and timing of the audit as well as significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

Düsseldorf, 25 March 2020
Deloitte GmbH Auditing Company

| | |
|---|---|
| (Professor Dr Carl-Friedrich Leuschner) | (Klaus Tissen) |
| Auditor | Auditor |

# Legal notice


## Publisher
AGRAVIS Raiffeisen AG
Industrieweg 110 . 48155 Münster, Germany
Plathnerstraße 4A . 30175 Hanover, Germany
www.agravis.de
geschaeftsbericht.agravis.de

## Responsible
AGRAVIS Raiffeisen AG, Board of Directors

## Conception . Text . Layout
AGRAVIS Raiffeisen AG, Communication
Bernd Homann, Roland Greife,
terres'agentur, Münster, Germany

## Photography
- Jette Golz, Osnabrück, Germany

## Print . Production
Thiekötter Druck GmbH & Co. KG
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