INTEGRATED REPORT 2012

NUTRECO IS A GLOBAL LEADER IN ANIMAL NUTRITION AND FISH FEED

Our advanced feed solutions are at the origin of food for millions of consumers worldwide. Quality, innovation and sustainability are guiding principles, embedded in the Nutreco culture from research and raw material procurement to products and services for agriculture and aquaculture. Experience across 100 years brings Nutreco a rich heritage of knowledge and experience for building its future. Nutreco employs approximately 10,000 people in 30 countries. Nutreco is listed on the NYSE Euronext Amsterdam and reported annual revenues of € 5.2 billion in 2012.

feeding the future

Feeding the Future is Nutreco's credo that encapsulates our fundamental purpose and ambition. It refers to the challenge the world faces to feed 9 billion people sustainably in 2050. The world population is growing and an increasing proportion is gaining greater disposable income. With that comes the freedom to make choices about food. Experience shows this will lead to increasing consumption of proteins such as meat, fish, milk and eggs.

Nutreco is an essential link between the producers of raw materials and livestock farmers, converting raw materials into efficient and nutritious feed solutions for farmed animals and fish. Our ambition is to contribute to meeting rising food needs in a sustainable manner. We will do this by constantly seeking ways to raise the efficiency and nutritional value of our products, the productivity of our activities and those of our customers, and to reduce the environmental impact of our value chains.

Feeding the Future aligns and inspires our people and directs the activities of today, giving purpose to our efforts beyond earning a fair profit. Sustainability is in the nature of Nutreco. When Nutreco was founded in 1994 we chose a name that reflected our activities and concerns: nutrition, ecology and economy. These concerns are even more relevant today.

Vision

In a world with limited natural resources and a growing population, Nutreco plays a leading role in developing and supplying the most efficient and sustainable feed solutions.

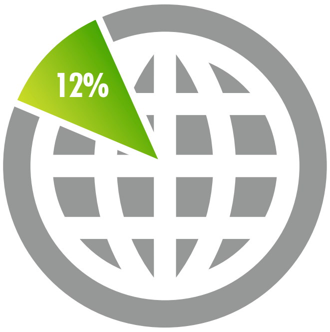
Mission

Nutreco is a global leader in animal nutrition. We deliver high-quality and sustainable feed solutions and add value to our customers' businesses by developing and supplying innovative products and concepts that support the best performance of farmed animals and fish.

THE COMPANY BEHIND STRONG ANIMAL NUTRITION AND FISH FEED BRANDS

Nutreco ranks in the top three of the global animal nutrition industry by revenue.

Animal Nutrition



Global No. 2 position in premix

Trouw Nutrition International

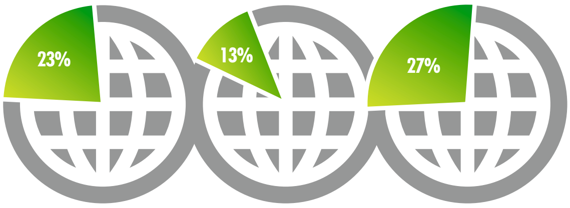
Selko Feed Additives

Leading local positions

Animal Nutrition Canada

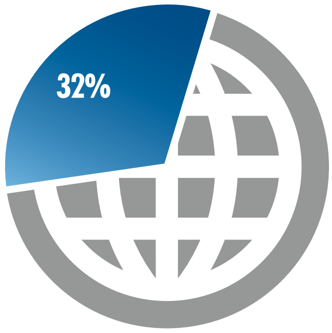
Compound Feed Iberia

Poultry Spain



Shur-Gain · Landmark Feeds · Nanta · Sada

Fish Feed



Leading global supplier of salmon feed

Skretting

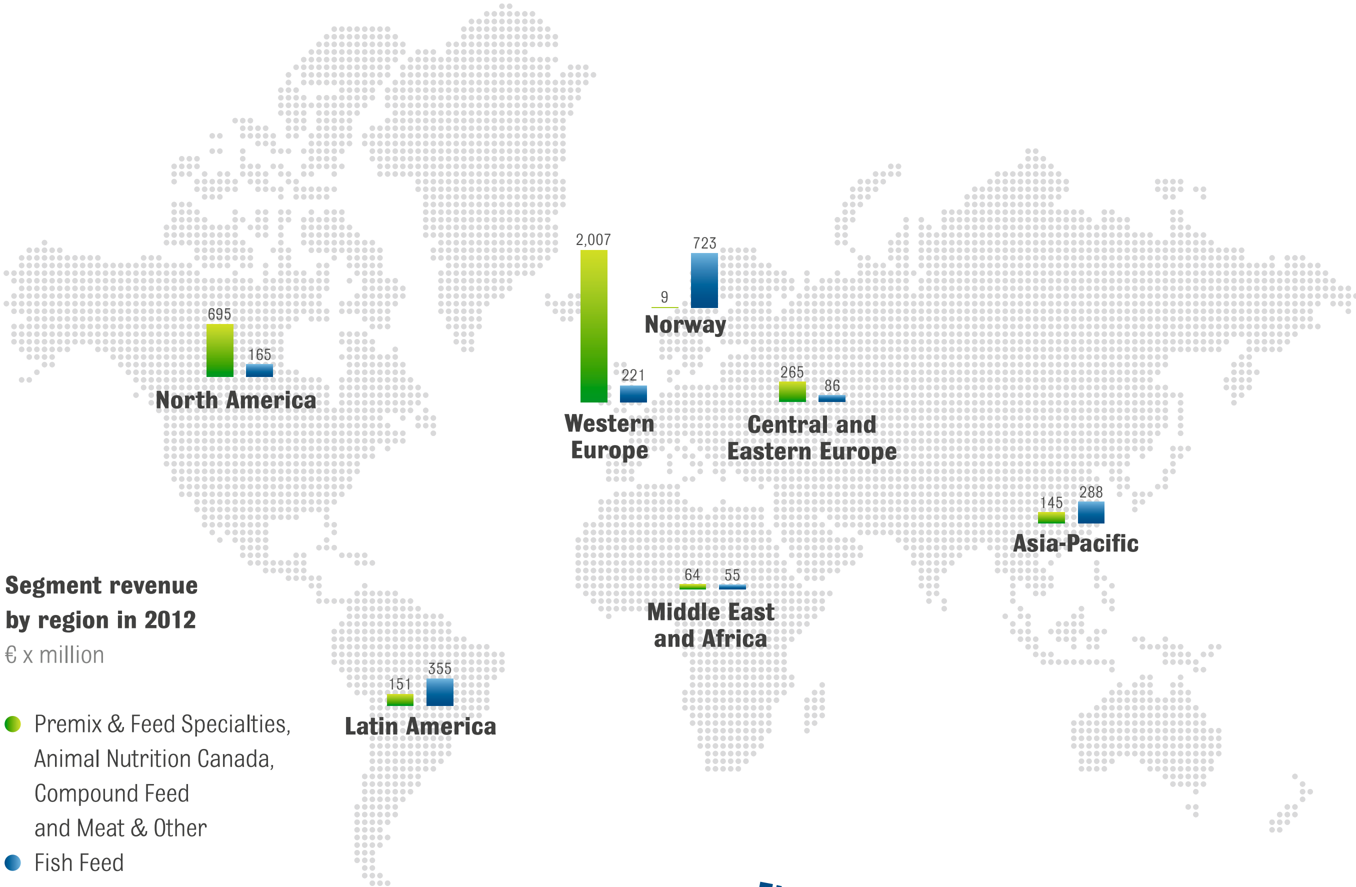
- One global brand name Skretting
- Fish feed for more than 60 species
- Nutreco in global top three shrimp feed

Segment allocation of employees (year-end 2012)

Premix & Feed Specialties	3,174
Animal Nutrition Canada	862
Compound Feed	768
Meat & Other	2,392
Fish Feed	2,122
R&D, Corporate and shared services	336

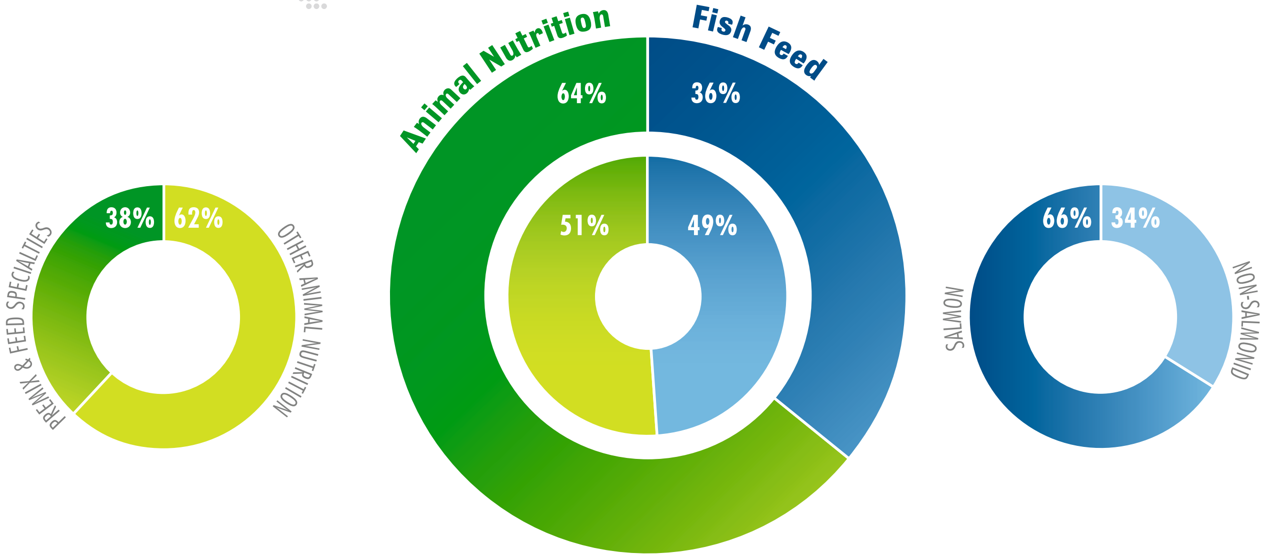
Geographical allocation of employees (average 2012)

Spain	3,159
Canada	1,142
China	773
Netherlands	623
Brazil	637
Chile	414
Norway	334
Vietnam	342
United Kingdom	310
USA	280
Other countries	1,703



Segment revenue by region in 2012
€ x million

- Premix & Feed Specialties, Animal Nutrition Canada, Compound Feed and Meat & Other
- Fish Feed



Revenue* € x million	Operating result before exceptional items and amortisation (EBITA)* € x million	Results after tax* € x million
5,229	262	158
Basic earning per share* €	Dividend per ordinary share €	Number of employees
4.53	2.05	9,654

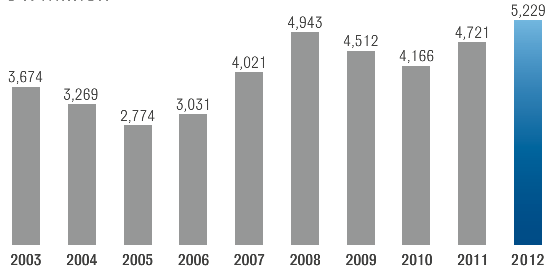
* *continuing operations*

KEY FIGURES

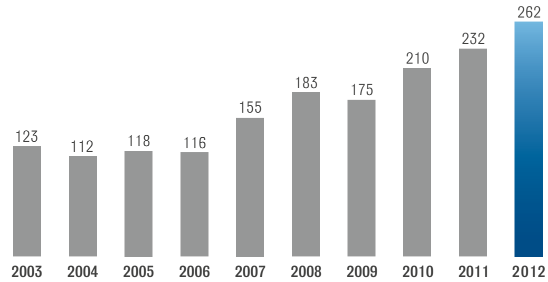
	2012	2011
Consolidated statement of comprehensive income (€ x million)		
Revenue*	5,229.1	4,721.1
Operating result (EBIT)*	235.2	195.7
Operating result before exceptional items and amortisation (EBITA)*	262.1	231.6
Operating result before depreciation and amortisation (EBITDA)*	307.6	262.6
Result after tax*	158.3	126.1
Total result for the period attributable to owners of Nutreco	176.8	130.5
Consolidated statement of financial position (€ x million)		
Equity attributable to owners of Nutreco	972.0	874.5
Balance sheet total	2,817.8	2,549.4
Capital employed	1,242.9	1,135.1
Net debt position	-261.8	-251.9
Cash flow (€ x million)		
Net cash from operating activities	178.9	165.9
Acquisitions/disposals of subsidiaries	72.7	-24.5
Acquisition of property, plant and equipment and intangible assets	-137.7	-92.4
Sustainability		
Percentage of Top 300 suppliers engaged on vendor policy**	100%	38%
CO_2 reduction percentage manufacturing (baseline 2009)	53%	36%
Number of sustainability assessments done for nutritional solutions	15	1
Ratios		
Operating result before exceptional items and amortisation (EBITA) as % of revenue*	5.0%	4.9%
Return on average capital employed*	19.4%	20.2%
Solvency ratio (shareholders' equity divided by balance sheet total)	34.5%	34.3%
Key data per share (€)		
Basic earnings per share*	4.53	3.59
Dividend	2.05	1.80
Share price at year-end	64.10	50.84
Other key data		
Average number of outstanding shares (x thousand)	34,764	34,882
Number of outstanding shares at year-end (x thousand)	34,600	34,766
Average number of employees	9,717	9,347
Number of employees at year-end	9,654	9,565

* from continuing operations
** figure is based on the new Top 300 list created in Q1 2012 after the divestment of Hendrix

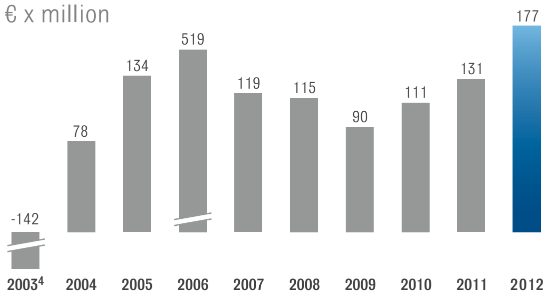
Revenue[1]
€ x million



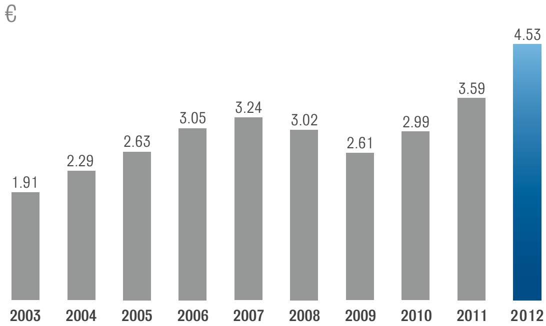
Operating result before amortisation (EBITA)[2]
€ x million



Total result for the period attributable to owners of Nutreco[3]
€ x million



Basic earnings per share - continuing operations
€



1 2010-2012 excluding Hendrix (2004-2012 figures based on IFRS, 2002-2003 based on Dutch GAAP
2 Excluding exceptional items 2010-2012 excluding Hendrix
3 In 2005, 2006, 2007, 2008, 2011 and 2012 the net reults of continuing operations attributable to owners of Nutreco are € 90, € 104, € 112, € 104, € 125 and € 156
4 2003 net result after impairment of goodwill of € 193 million

INTRODUCTION

integrated and connected

As an essential link in the feed-to-food value chain, Nutreco understands that the drive towards greater efficiency in animal feeds requires full attention for environmental and economic sustainability. These elements have been an inherent part of Nutreco since its foundation in 1994 and are reflected in its name, which stands for **nutr**ition, **eco**logy and **eco**nomy.

Launched in 2012, the Nutreco Sustainability Vision 2020 explains our sustainability vision for the future and shows how we contribute to the challenge of doubling world food production, while halving the footprint. By integrating our Sustainability Report into the Nutreco Annual Report we align our actions and reporting on our progress in 2012.

An integrated report provides our stakeholders with a better understanding of the issues that drive our actions, and the vital role that sustainability plays within our corporate strategy. For more information about our Sustainability Vision 2020 and about sustainability at Nutreco, please visit www.nutreco.com.

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NUTRECO IN THE MEDIA

9 February 2012
Excellent progress in 2011; Nutreco achieves total EBITA of € 241 million

Nutreco's full year 2011 results reflected a solid achievement with revenue of € 4,721 million, an increase of 13%. EBITA of € 241 million meant Nutreco exceeded its target to double its 2006 EBITA of € 115 million driven by record results from Fish Feed.

12 March 2012
Nutreco increases its shareholding in Brazilian joint venture to 97%

Nutreco announced that it had signed an agreement to increase its shareholding in its Brazilian joint venture Nutreco Fri-Ribe from 51% to 97%. The joint venture was formed in November 2009. The increased shareholding provides Nutreco a good basis for building a strong position in one of the most important agriculture and aquaculture growth markets in the world.

19 March 2012
Nutreco completes divestment Hendrix

The European anti-competition authorities approved the acquisition of Hendrix by the ForFarmers Group as announced on 16 November 2011.

2 April 2012
Nutreco acquires farm mineral company Bellman in Brazil

Nutreco signed an agreement to purchase Bellman Nutriçao Animal, a Brazilian supplier and producer of farm minerals, concentrates and supplements for ruminants. This acquisition strengthens Nutreco's premix and feed specialities position in Brazil.

5 April 2012
'Sustainability Vision 2020' gives Nutreco a clear view of the road ahead

Nutreco's Sustainability Vision 2020 will be executed during the coming eight years, thus raising the sustainability level of Nutreco's activities and products.

19 April 2012
Nutreco trading update Q1 2012: Strong momentum continues

Excellent operational results were recorded in the Aquaculture division driven by organic growth while operational results in all segments of the Animal Nutrition division improved compared to the first quarter 2011. Revenue totalled € 1,128 million, an increase of 11% from 2011.

24 May 2012
Nutreco CEO Wout Dekker hands over to Knut Nesse on 1 August 2012

Viggo Halseth nominated for appointment as Executive Board member

12 July 2012
Nutreco issues $ 250 million private placement

Nutreco issued $ 218 million and € 25 million in senior notes in a US private placement. The proceeds were used to refinance existing bank debt and for other corporate purposes.

19 July 2012
Nutreco invests in swine nutrition research in the Netherlands

Nutreco announced an investment in sow and piglet R&D facilities at its Swine Research Centre in the Netherlands. The newly built sow and piglet facilities will be equipped to investigate the relationship between nutrition and production efficiency, reproduction and health.

26 July 2012
Strong momentum continues in all segments, delivering a record EBITA of € 103.6 million; 23.9% higher than in H1 2011

Revenue for H1 totalled € 2,354.5 million; an increase of 11% compared with 2011. The EBITA of the Animal Nutrition division increased by 22% and Fish Feed EBITA was up by 25%.

6 September 2012
Nutreco successfully extends syndicated loan facility

Nutreco successfully amended its € 500 million syndicated loan facility. The maturity of this revolving credit facility was extended from May 2014 to September 2017. In addition, the interest and fee conditions were improved.

8 October 2012
Acquisition in Ecuador takes Nutreco to global top 3 shrimp feed producer

Nutreco signed an agreement to acquire 75% of the shares in Gisis, the fish feed subsidiary of the Expalsa group. Expalsa is market leader in fish feed production and shrimp and tilapia farming in Ecuador and has strong market positions in Honduras and Peru. The acquisition of Gisis takes Nutreco into the global top three shrimp feed suppliers. The acquisition will be immediately earnings accretive once approved by Ecuadorian competition authorities.

18 October 2012
Nutreco trading update Q3 2012

Revenue increased 13% from 2011 to € 1,480 million. Animal Nutrition revenue was up 7% and Fish Feed revenue increased by 21%. Solid profits were recorded in all segments except for Meat & Other.

OVERVIEW & STRATEGY

a successful future

In 2012, Nutreco delivered a robust performance with strong increases in revenues and profits across most segments against a background of tough economic conditions and high raw material prices. In these challenging times, we have continued to support our customers through innovative and sustainable feed solutions that contribute to their productivity and profitability.

"Our strategy 'Ambition 2016 - driving sustainable growth' provides a clear roadmap for achieving our objectives by leveraging our knowledge, global footprint and financial strength."
Knut Nesse | Chief Executive Officer

These achievements are the result of our people successfully implementing our growth strategy, with its focus on a high value portfolio of sustainable nutritional solutions, higher growth segments and on promising markets in Latin America, Russia, Asia and Africa.

This performance resulted in an EBITA of € 262.1 million, which is a 13.2% increase over the previous year, and we are well on track to achieving our EBITA target of € 400 million in 2016.

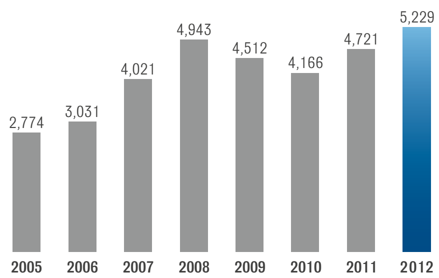
on a solid base

We saw the strongest operational results in our growth segments Fish Feed and Premix & Feed Specialties. Growth in Fish Feed occurred in both salmonid and non-salmonid species, with exceptional growth in salmon feed and significantly higher volumes from China. In Premix & Feed Specialties, operating margins in the last two quarters reached our guidance level of 7% due to good performances in growth geographies such as China and Indonesia, and due to an improved mix from growth in young animal feed and feed additives.

We are well on track and have a solid base to implement our strategy 'Ambition 2016 - driving sustainable growth' throughout the business. This strategy provides a clear roadmap for achieving our objectives by leveraging our knowledge, global footprint and financial strength. In 2012, we secured new financing through a private placement of $ 250 million and an extension of our € 500 million revolving credit facility that will further assist us in reaching our goals.

Revenue

€ x million



Global growth

Our focus on growth markets continued in 2012, with significant investments in Latin America, Russia and China, where demand is strong for feed specialties that require high levels of knowledge and technology. In Brazil, the world's third largest animal nutrition market, we increased our ownership stake in Nutreco Fri-Ribe, a premix and feed specialties supplier, and acquired farm mineral company Bellman Nutriçao Animal. In Russia, a top ten global feed market, we completed our new production facility in Voronezh, where we will produce young animal feed, concentrates and premixes for ruminants, pigs and poultry; ending our reliance on imports from Western Europe for that market.

> *"Our focus on growth markets continued in 2012, with significant investments in Latin America, Russia, and China."*

In October, we reached an agreement to acquire 75% of Gisis, the local market leader in Ecuador for production of feed for shrimp and tilapia, with strong positions in Honduras and Peru. We have also continued to strengthen our market position in China since acquiring the Shihai business in late 2011. We have begun to leverage our R&D expertise in salmonid species by applying the MicroBalance™ concept to non-salmonid species.

Innovation and sustainability

Research is central to our strategy, and we took important steps in 2012 to strengthen our capabilities and implement our science strategy, with a number of new PhDs joining our research teams. We also opened our upgraded Swine Research Centre in the Netherlands, which will be equipped to investigate the relationship between nutrition and production efficiency, reproduction, and health. In Fish Feed, we launched a new shrimp feed research unit in China and extended the capabilities of rapid near-infrared analysis that will help us to guarantee more consistent and higher quality shrimp feed.

> *"Innovation, excellent people and clear branding will distinguish Nutreco."*

With our new Application and Solution Centres (ASCs) up and running in the Netherlands and Canada, we are now better positioned to improve product performance in line with market needs, share our knowledge and networks more effectively and embed a consistent division-wide approach to the marketing of animal nutrition products. In Premix & Feed Specialties, we revitalised these efforts through a focus on branded specialty products in feed additives, young animal feed and animal health diets.

In Fish Feed we are applying our knowledge to further broaden our focus beyond salmon, and benefit from opportunities in areas such as shrimp feed and feed for high-value white fish in Asia. MicroBalance™, our highly innovative and sustainable feed concept, was successfully applied to other fish species in 2012, including turbot and yellowtail, following its proven effectiveness with Atlantic salmon in Australia, Canada and Chile. Looking ahead, our researchers are working to apply the concept to shrimp feed.

Foundations for better business

A key component of our strategy is to bring our organisation and execution capabilities together at a higher level, by focusing on the development of management talent and competencies in order to nurture a performance culture of true excellence.

The enablers for this are our Quality Management Roadmap 2016 and the Unite programme which seeks to standardise and optimise business processes, management information and enterprise resource planning throughout Nutreco. In 2013, our focus will be on the roll-out of Unite in the first series of countries.

Vision for the future

The strength of our vision and strategy was confirmed during AquaVision 2012, which brought together over 430 industry, governmental, and non-governmental delegates from 33 countries to Stavanger, Norway. Kofi Annan, the former Secretary-General of the United Nations, gave the keynote speech, in which he described the enormous potential for the aquaculture industry to help feed a growing population and sustain economic development, asking industry players to further accelerate their progress to meet the demands of the future. In 2013 we will host Agri Vision, our agriculture conference, which will focus discussion on the challenge of limited resources facing the agricultural community.

Thank you

As this is my first annual report as CEO of Nutreco, I would like to pay tribute to my predecessor Wout Dekker, who as CEO of Nutreco for 12 years was a recognised pioneer and visionary in our industry. In addition I would also like to welcome Viggo Halseth, our new COO Aquaculture, who will lead our efforts in achieving our aquaculture ambitions.

I want to thank all our people for their hard work and commitment in 2012. I look forward to working closely alongside them in the coming year. Together we can further accelerate our strategy for delivering sustainable growth, by delivering high-quality and sustainable feed solutions and added value to our customers.

Knut Nesse
Chief Executive Officer

TRACK RECORD & HIGHLIGHTS

Ambition 2016 - driving sustainable growth
Strategy that focuses on higher added value nutritional solutions. Focus to grow in Premix & Feed Specialties and Fish Feed and in growth geographies Latin America, Russia, Asia and Africa. Ambition to sustainably grow EBITA to € 400 million by 2016.

2012 | INTEGRATED REPORTING
Sustainability reporting integrated in the annual report

SINCE 2011 | SUSTAINABILITY VISION 2020
Integrated strategy for raising the sustainability dimension through to 2020

SINCE 2009 | FEEDING THE FUTURE
Our vision on the future. Establishment of Innovation and Sustainability Committee in Supervisory Board in 2009

SINCE 2004 | INNOVATIVE FEED SOLUTIONS
Addressing scarcity of raw materials, animal health and economic performance. Examples MicroBalance, Vivalto and Presan

SINCE 2002 | NUTRACE
Feed-to-food quality strategy with quality standards, tracking and tracing, monitoring and risk management

SINCE 2000 | SUSTAINABILITY
First sustainability report in 2000

SINCE 1996 | AQUAVISION AND AGRI VISION
Multiple stakeholder conferences to discuss challenges and opportunities in agriculture and aquaculture

AquaVision AgriVision

2012 | ACQUISITION
Acquisition of Gisis in Ecuador takes Nutreco to global top 3 shrimp feed producer

Bellman Nutrição Animal

2012 | ACQUISITION
Acquisiton of farm mineral company Bellman in Brazil. This acquisition strengthens Nutreco's premix and feed specialities position in Brazil, one of the most important agriculture and aquaculture growth markets in the world

2012 | COMPLETES DIVESTMENT
Nutreco completes divestment of Hendrix (compound feed activities in the Netherlands, Belgium and Germany)

2012 | INCREASES SHAREHOLDING
Nutreco increases its shareholding in its Brazilian joint venture Nutreco Fri-Ribe from 51% to 97%

2011 | INTRODUCTION OF NEW STRATEGY
Ambition 2016 – driving sustainable growth

2011 | DOUBLE EBITA
Nutreco more than doubles EBITA from € 115 million in 2006 to € 241 million in 2011, while maintaining a strong balance sheet

SINCE 2006 | ACQUISITION OF FEED COMPANIES
Acquisition of feed companies in growth economies, divestment of global fish farming and meat processing activities in the Benelux

2005-2011 | REBALANCING FOR GROWTH
Rebalancing for growth: strategic transformation from an integrated company active in feed, farming and meat processing to an animal nutrition and fish feed company

1997 | PUBLIC LISTING
Nutreco listed on the Amsterdam Stock Exchange. Total shareholder return of over 450% since 1997

1994 Foundation of Nutreco
The name reflects our activities and concerns: **Nutr**ition, **Eco**logy and **Eco**nomy

OUR EXECUTIVE BOARD

Knut Nesse

1967 | NORWEGIAN

CHAIRMAN OF THE EXECUTIVE BOARD | 2012
AND CHIEF EXECUTIVE OFFICER

Appointed: 30 June 2009, for a first term of four years, expiring on 30 June 2013

Knut Nesse started his career in 1992 with the Scana group in Stavanger and joined Skretting Norway in 1995 as Controller. In 1997 he moved back to the Scana group to take up a two-year assignment as Finance Director of their joint venture in China and returned to Skretting in 1999, first as Controller and subsequently in various management positions. In 2006 he moved to Chile and was appointed Managing Director of the Skretting Salmon Feed business. Knut was appointed member of the Executive Board of Nutreco N.V. on 30 June 2009. On 1 August 2012 he was appointed Chief Executive Officer and Chairman of the Executive Board of Nutreco N.V.

He obtained an MBA degree from the Norwegian School of Economics and Business Administration, where he subsequently also attended the senior management programme.

Knut Nesse is a member of the Supervisory Board of the Aquaculture Stewardship Council (ASC).

Gosse Boon

1959 | DUTCH

MEMBER OF THE EXECUTIVE BOARD
AND CHIEF FINANCIAL OFFICER

Appointed: 1 April 2011, for a first term of four years, expiring on 1 April 2015

Gosse Boon started his career in 1983 with Unilever. He gained extensive experience in financial management in an international company as well as in supply chain management and procurement. In the period 1991-2000 he was Corporate Controller in the USA and subsequently Financial Director/CFO of Unilever in Chile and Brazil, respectively. In these positions he was responsible for a series of mergers and acquisitions. In the period 2000-2004 he was General Manager/CEO of Johnson Diversey Netherlands. In the period 2006-2009 he was CFO of the Van Gansewinkel Group. In June 2010 he started at Nutreco as Programme Manager of the Unite project. On 1 April 2011 he was appointed member of the Executive Board of Nutreco N.V and on 26 September 2011 he was appointed Chief Financial Officer of Nutreco N.V.

Gosse Boon graduated from the Erasmus University Rotterdam as business economist as well as business lawyer. In 1985 he obtained his degree as Certified Public Accountant.

Viggo Halseth

1958 | NORWEGIAN

MEMBER OF THE EXECUTIVE BOARD AND CHIEF OPERATING OFFICER AQUACULTURE

Appointed: 1 August 2012, for a first term of four years, expiring on 1 August 2016

Jerry Vergeer

1963 | CANADIAN

MEMBER OF THE EXECUTIVE BOARD AND CHIEF OPERATING OFFICER ANIMAL NUTRITION

Appointed: 30 June 2009, for a first term of four years, expiring on 30 June 2013

Viggo Halseth has worked for Skretting since 1984 and has served the company in a broad range of national and international managerial roles. He started his career in technical positions in sales, marketing, research and development. Since 1999 he has fulfilled several general management positions. In 2007 he was appointed Managing Director of Skretting business group Trout and Marine. From 2009 until 30 July 2012 he held the position of Managing Director of Skretting Northern Europe and Australia. He was appointed Chief Operating Officer Aquaculture and member of the Executive Board of Nutreco N.V. as per 1 August 2012.

Viggo Halseth graduated in animal husbandry from the University of Agriculture, Norway, and in business management from the Norwegian Business School.

Jerry Vergeer has over 25 years of experience in the agri business and food sector. He began his career with Maple Leaf Foods (Canada) in 1984, where he held various management positions within the Maple Leaf Foods organisation. In 2000 he was appointed President of the Shur-Gain Division and in 2005 President of Maple Leaf Animal Nutrition. Following the acquisition of Maple Leaf Animal Nutrition by Nutreco in 2007, he continued to lead Nutreco Canada as Group President. Mr Vergeer was appointed member of the Executive Board of Nutreco N.V. on 30 June 2009. He is currently Chief Operating Officer of Nutreco's Animal Nutrition division.

Jerry Vergeer graduated from the University of Guelph (Canada) Agricultural Business Program in 1984 and from the Canadian Agri-Food Executive Development Program in 1996. He is a past executive member and Chairman of the Animal Nutrition Association of Canada. He is currently a member of the European Feed Manufacturers Federation (FEFAC) and the American Chamber of Commerce in the Netherlands.

REPORT OF THE EXECUTIVE BOARD

Nutreco reports a strong year on track towards Ambition 2016

- Revenue of € 5,229.1 million; an increase of 10.8% compared with 2011, of which 1.8% is organic volume growth
- Full year EBITA continuing operations before exceptional items increased by 13.2% to € 262.1 million
- Progress on globally branded specialty products in Animal Nutrition and innovative fish feed solutions
- Completion of new plants in Brazil and Russia and acquisitions in Brazil and Ecuador are strengthening the Nutreco presence in growth geographies
- Basic earnings per share from continuing operations of € 4.53, an increase of 26.2%
- Dividend proposal of € 2.05, an increase of € 0.25 (+13.9%). Payout ratio of 45%
- AGM of 28 March 2013 requested to approve a 1:2 share split
- Significant progress in first year of executing 'Ambition 2016' roadmap. On track to achieving EBITA target of € 400 million in 2016
- Upgrade of fish feed plant in Averøy on track and new line will be ready by mid 2013

Nutreco made significant progress in the first year of our strategy 'Ambition 2016 - driving sustainable growth.' In Animal Nutrition, this included the strengthening of our presence in Brazil, a new production plant in Russia, the establishment of two Application and Solution Centres and a clear focus on global branded products in feed additives, young animal feed and animal health. In Fish Feed, we reached agreement to acquire 75% of the leading shrimp and tilapia feed producer in Ecuador, which takes us into a global top three position in shrimp feed. This acquisition fully supports our strategy to expand our fish feed business in growth geographies and non-salmonid species whilst maintaining our global leading position in salmon feed. Innovation remains central in our strategy and we have increased our annual R&D budget to € 25 million to support the growing need for more sustainable high added value nutritional solutions.

Our Ambition 2016 provides a clear roadmap for achieving our objectives. To ensure adequate financing to execute Ambition 2016, Nutreco issued a $ 250 million private placement in July, and in September we successfully amended our € 500 million revolving credit facility with extended maturity from 2014 to 2017 and improved conditions. The progress we made in 2012 and our strategic roadmap for the coming years leave us well placed to achieve our EBITA target of € 400 million in 2016.

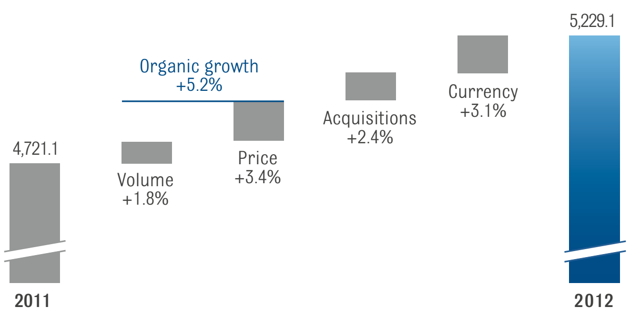
Key figures

(€ x million)	2012	2011	Δ%
Revenue	**5,229.1**	**4,721.1**	**10.8**
EBITDA before exceptional items from continuing operations	**320.2**	**285.5**	**12.1**
EBITA			
Animal Nutrition	149.1	142.4	4.7
Fish Feed	142.0	118.7	19.6
Corporate	-29.0	-29.5	-1.7
EBITA before exceptional items from continuing operations	**262.1**	**231.6**	**13.2**
Result after tax from continuing operations	158.3	126.1	25.5
Result after tax from discontinued operations	19.3	5.1	
TOTAL RESULT FOR THE PERIOD	**177.6**	**131.2**	**35.4**
Basic earnings per share from continuing operations (€)	4.53	3.59	26.2
Dividend per ordinary share (€)	2.05	1.80	13.9

Revenue

(€ x million)	2012	2011	Δ%
Premix & Feed Specialties	1,255.3	1,150.2	9.1
Animal Nutrition Canada	537.6	460.6	16.7
Compound Feed	608.2	590.5	3.0
Meat & Other	934.9	918.3	1.8
Animal Nutrition	**3,336.0**	**3,119.6**	**6.9**
Fish Feed	**1,893.1**	**1,601.5**	**18.2**
REVENUE (THIRD PARTIES)	**5,229.1**	**4,721.1**	**10.8**

Revenue development FY 2012



Revenue from Nutreco's continuing operations amounted to € 5,229.1 million, an increase of 10.8% compared with 2011 (€ 4,721.1 million). Volume growth of 1.8% was primarily driven by Fish Feed and Premix & Feed Specialties partly offset by declines in the other segments. The price effect was 3.4%, mainly related to the pass-through of changes in raw material prices in Animal Nutrition. The contribution of acquisitions was 2.4% relating to the acquisition of the Shihai fish and shrimp feed business in China and the Bellman farm mineral business in Brazil. The foreign exchange effect was 3.1% and mainly related to positive currency effects of the Canadian dollar, US dollar and Norwegian krone.

EBITA before exceptional items from continuing operations

(€ x million)	2012	2011	Δ%
Premix & Feed Specialties	83.5	72.2	15.7
Animal Nutrition Canada	23.8	24.5	-2.9
Compound Feed	19.8	13.0	52.3
Meat & Other	22.0	32.7	-32.7
Animal Nutrition	**149.1**	**142.4**	**4.7**
Fish Feed	**142.0**	**118.7**	**19.6**
Corporate	-29.0	-29.5	-1.7
EBITA FROM CONTINUING OPERATIONS	**262.1**	**231.6**	**13.2**

EBITA before exceptional items from continuing operations increased by 13.2% to € 262.1 million (2011: € 231.6 million). The exceptional items have substantially declined to -€ 12.6 million (2011: -€ 22.9 million). The largest part of the exceptional items was related to restructuring costs in the Netherlands, Belgium and Hungary.

EBITA in the **Animal Nutrition** division of € 149.1 million was 4.7% higher than in 2011.

The **Premix & Feed Specialties** segment reported EBITA of € 83.5 million, which was 15.7% higher than in 2011 (€ 72.2 million). This increase was driven mostly by growth geographies such as China and Indonesia and specific product groups such as young animal feed and feed additives.

Animal Nutrition Canada reported EBITA of € 23.8 million (2011: € 24.5 million). Nutreco's leading market position in Canada, supported by strong brands and long-standing R&D, provides the company with a solid foundation for stable business performance.

Compound Feed segment's EBITA increased by 52.3% to € 19.8 million (2011: € 13.0 million). The operational result benefited from market leadership and operational excellence in Spain. The successful integration of the Cargill feed business is now fully reflected in the results.

The **Meat & Other** segment reported an EBITA decrease of 32.7% to € 22.0 million compared with the strong EBITA of € 32.7 million in 2011. In the second half of the year Sada, the Spanish poultry business, faced margin pressure due to considerably higher feed costs that could not be fully compensated for by only slightly higher poultry prices.

EBITA in **Fish Feed** was 19.6% higher at € 142.0 million compared with € 118.7 million in 2011. The increased operating result in 2012 is mostly due to strong demand for salmon feed in Norway and Chile as well as a good performance in fish feed for other species.

Corporate costs are € 0.5 million lower than in 2011 at € 29.0 million (2011: € 29.5 million).

Total result for the period

(€ x million)	2012	2011	Δ%
EBITDA	**307.6**	**262.6**	**17.1**
Depreciation	58.1	53.9	
EBITA	**249.5**	**208.7**	**19.5**
Amortisation	14.3	13.0	
Operating result from continuing operations (EBIT)	**235.2**	**195.7**	**20.2**
Financial income	5.9	7.5	
Financial expenses	-32.3	-35.2	
Foreign exchange result	0.4	0.4	
Net financing costs	**-26.0**	**-27.3**	**-4.8**
Share in result of associates and other investments	3.2	3.2	
Result before tax from continuing operations	**212.4**	**171.6**	**23.8**
Income tax expense	-54.1	-45.5	
Result after tax from continuing operations	**158.3**	**126.1**	**25.5**
Result after tax from discontinued operations	-0.6	5.1	
Gain on sale of discontinued operations, net of tax	19.9	-	
Result after tax from discontinued operations	**19.3**	**5.1**	
Total result for the period	**177.6**	**131.2**	**35.4**
Total result atrributable to:			
Owners of Nutreco	176.8	130.5	
Non-controlling interest	0.8	0.7	
TOTAL RESULT FOR THE PERIOD	**177.6**	**131.2**	

Net financing costs

Net financing costs amounted to € 26.0 million (2011: € 27.3 million). Financial expenses declined to € 32.3 million (2011: € 35.2 million). The decrease in financial expenses was mainly due to a one-off value adjustment of € 4.7 million which was recorded in 2011 with respect to a loan receivable. Excluding this one-off financial expense, net financing costs slightly increased mainly due to an increase in average net debt and the recent refinancing of floating interest rate loans that were replaced by fixed rate loans. Financial income decreased to € 5.9 million (2011: € 7.5 million).

Income tax expense

Income tax expense increased from € 45.5 million to € 54.1 million. The effective tax rate is 25.5% (2011: 26.5%), mainly due to a further decrease in the average weighted tax rate.

Discontinued operations

The result after tax from discontinued operations amounted to € 19.3 million (2011: € 5.1 million), and includes a book profit of € 19.9 million in relation to the sale of Hendrix, which is fully completed.

Result for the period

The result after tax from continuing operations increased by 25.5% from € 126.1 million to € 158.3 million. Basic earnings per share from continuing operations increased by 26.2% to € 4.53 (2011: € 3.59). The total result for the period attributable to owners of Nutreco was € 176.8 million (2011: € 130.5 million).

Cash flow and investments

The net cash from operating activities amounted to € 178.9 million (2011: € 165.9 million). Capital expenditure from continuing operations increased from € 92.4 million to € 137.7 million. In 2012 a € 22 million investment in a new premix and young animal feed factory in the Voronezh region of Russia was completed. In Brazil a new farm mineral plant in Matto Grosso state was opened and in the Netherlands the final phase of the upgrade of the Selko Feed Additives plant was completed. The first construction phase of the capacity expansion of the Averøy plant in Norway has been completed and phase two will be completed in time for the 2013 high season.

Cash position and capital structure

The net debt position as at 31 December 2012 was € 261.8 million compared to € 251.9 million as at 31 December 2011. Total equity as at 31 December 2012 was € 981.1 million. The net working capital of € 187.9 million was € 53.4 million higher than on 31 December 2011 (€ 134.5 million). The increase was mainly caused by growth in revenue, an increase in biological assets, lower trade payables in Spain due to the new late payment law and foreign exchange effects. Net working capital as a percentage of revenue on 31 December 2012 was 3.6% (31 December 2011: 2.8%). In order to secure sufficient liquidity to execute Ambition 2016, Nutreco issued a US$ 250 million private placement in July, and in September it successfully amended its € 500 million revolving credit facility with extended maturity from 2014 to 2017 and improved conditions.

NUTRECO STRATEGY

driving sustainable growth

The Nutreco strategy 'Ambition 2016 - driving sustainable growth', will increase profitability through innovative and sustainable nutritional solutions, while leveraging our position and capabilities to seize global opportunities in agriculture and aquaculture. The successful implementation of this strategy should result in an EBITA of € 400 million by 2016 within a strict financial framework. The strategy includes targets to meet our objectives in the following focus areas:

- **A higher added value portfolio of nutritional solutions**
- **Focus on growth segments Premix & Feed Specialties and Fish Feed**
- **Focus on Latin America, Russia, Asia and Africa**.
- **Sustainability**

A higher added value portfolio of nutritional solutions

We aim to be the leader in the development and supply of high-value nutritional solutions that are tailored to meet unique on-farm requirements. We have combined our knowledge of customer needs with technical know-how and product innovations in our world-class Application and Solution Centres (ASCs), Animal Nutrition Research Centres and Aquaculture Research Centre (ARC), which are responsible for developing, launching and marketing new products, models and services that meet our customers' needs. They are the interface between local markets and the teams that drive innovation; taking new concepts from Nutreco's R&D, or external sources, and then translating them into nutritional solutions.

Focus on Latin America, Russia, Asia and Africa

Rising demand for agricultural and aquacultural products in growth geographies of Latin America, Russia, Asia and Africa provides ample opportunities for Nutreco. The need for professional farming is driving increased demand for nutritional solutions. Nutreco will develop its business in these areas through organic growth and acquisitions that increase our local presence and leverage our global strengths.

Focus on growth segments Premix & Feed Specialties and Fish Feed

Premix & Feed Specialties The rapid industrialisation and professionalisation of farming is increasing the demand for high-quality premixes and feed specialties, which are essential to the feed industry, integrators and large animal production farms with land, raw materials and mixing facilities. Nutreco's premix business supplies premixes and feed specialties using state-of-the-art production technology in 35 production facilities around the world. Due to our strategic projects and focused investments, we expect to gradually outperform in the period 2011-2016 the current guidance of 7% EBITA margin and achieve 4% organic volume growth. By 2016, half of the revenue for Animal Nutrition will come from Premix & Feed Specialties.

Fish Feed The global aquaculture industry is expected to see annual volume growth of at least 5% in the coming years, driven by increasing consumer demand. Skretting, Nutreco's global fish feed business, is growing its salmon feed production in line with the market and becoming a global player in feed for non-salmonid species, aiming to take this business from 28% in 2010 to 45% of total Fish Feed volumes by 2016. To achieve this, we will expand our presence in Latin America, Asia and Africa. With our global presence, strong brand and focused strategy, Skretting will play a leading part in the expansion of the global aquaculture industry. In 2011, the EBITA margin guidance for Fish Feed was increased from 6% to 7% of revenues.

Sustainability

We formulated a sustainability vision towards 2020 based on clear objectives in the areas of people, planet and profit. These goals are an integral part of Ambition 2016. Nutreco operates in a market challenged by major sustainability issues such as the scarcity of resources, food safety, animal welfare, pollution, climate change, biodiversity loss, and evolving governmental policies. As an essential link in the global feed-to-food chain, we are in a unique position to contribute towards the development of a more sustainable industry for all parties. This ambition is outlined in our Sustainability Vision 2020, and focuses on the following primary objectives:

- **Ingredients** To create a more sustainable basis for sourcing feed ingredients
- **Operations** To ensure our own house is in order by reducing the environmental impact of our operations
- **Nutritional solutions** To enable animals and farmers to perform best
- **Commitment** To involve all our stakeholders in the 'Feeding the Future' challenge

Strategic context

In a world with limited natural resources and a rapidly growing population, our mission is to be the global leader in animal nutrition and fish feed by delivering high-quality and sustainable nutritional solutions that support the best performance of farmed animals and fish. Feeding the Future is Nutreco's credo that encapsulates our fundamental purpose and ambition. It refers to the challenge the world faces to feed 9 billion people sustainably in 2050. The world population is growing and an increasing proportion are gaining greater disposable income. With that comes the freedom to make choices about food. Experience shows that this will lead to increasing consumption of proteins such as meat, fish, milk and eggs.

Commitment to stakeholders

As an essential link in the feed-to-food chain, Nutreco applies its knowledge of ingredients and the nutritional needs of animals and fish, to gain optimum value from limited natural resources. In doing so, we are delivering on our commitments to stakeholders, which are at the heart of our strategy for sustainable growth. These commitments are as follows:

- **Customers** To create value for our customers' business by offering innovative and sustainable nutritional solutions
- **Suppliers** To partner with suppliers who share our values and meet our standards of corporate responsibility
- **Employees** To provide a safe and healthy working environment where there are ample opportunities for professional and personal growth with a focus on developing and managing talent
- **Society** To integrate sustainability into our day-to-day business decisions, setting objectives to judge our performance and report on our progress
- **Shareholders** To deliver total return to our shareholders by delivering profitable growth while balancing our risk and return

Growth drivers

Our strategy responds to major socio-economic trends that require higher agricultural and aquacultural productivity. The Food and Agriculture Organization of the United Nations (FAO) predicts that food production will have to increase by 70% to meet the world's needs in 2050. The most important long-term trends that are shaping our market conditions include:

- **Population growth** The planet's population is expected to reach 9 billion by 2050, compared to 7 billion in 2011, placing unprecedented pressure on existing food supply sources
- **Higher living standards** Income levels are rising in growth geographies such as Latin America, Russia, Asia and Africa, causing a switch to protein-rich foods such as meat, fish, milk and eggs, requiring a growth in intensive livestock production
- **Urbanisation** An estimated 70% of the world's population will live in urbanised areas by 2050, which means that more people will depend on fewer farmers to produce their food
- **Climate change** Rising temperatures and unpredictable weather patterns have significant effects on the quality and quantity of food produced globally
- **Underdevelopment** While modern- day farming technologies have improved food security, many regions must increase productivity and shorten their production cycles in a sustainable way, while taking animal welfare into account

Our market position

Nutreco's customers are animal and fish farmers, the feed industry, integrators and distributors. We are a top three player in the global animal nutrition industry, and have leading positions in each of our business segments. Nutreco holds the number two position in the global premix industry, with a market share of around 12%. We have number one positions in compound feed in Canada and Spain. In Spain we are the market leader in poultry. Our Skretting business is a leading global salmon feed producer. We will become the world's third-largest shrimp feed producer on the completion of the announced acquisition of Gisis, Ecuador's leading shrimp and fish feed business.

Market developments 2012

Our markets are influenced by a number of factors, including economic cycles, weather conditions, and changing consumer demand. The most significant market developments in 2012 were as follows:

Animal Nutrition

- Drought in Russia and the US led to a sharp increase in prices for grains and soy towards the middle of the year. Prices of meat, milk and eggs did not increase at the same rate, which created margin pressure for farmers.
- In growth geographies such as Brazil, China, Indonesia, and Russia, we saw an increased demand for feed specialties.

Fish Feed

- The market for salmon feed saw strong growth for the second consecutive year, expanding 15%, which was largely driven by rising demand from salmon farmers in Chile. We expect lower global volumes in 2013 due to decreased demand in Chile and Norway.
- Marine Harvest, one of the world's largest salmon producers and an important customer of Nutreco (6% of total sales), announced plans to establish its own 220,000-tonne fish feed plant by mid-2014. Approximately half of our sales to Marine Harvest are in Norway. This move will inevitably impact our volume growth in Norway once the factory becomes operational. Nutreco will complete the investment in Averøy, Norway, to meet future demand and to create value for its customers.
- The addressable global fish feed market, including shrimp and high value white fish, is estimated at around 20 million tonnes. Of this, 12.5 million tonnes is produced in Asia and has an annual growth rate of over 5%. The market for shrimp feed is larger in volumes than for salmon feed.

Strategic progress 2012

Nutreco made significant progress on implementing its strategy during the year. We have continued to drive organic growth through sustainable innovations from our ASCs and research centres, along with an improved commercialisation strategy. We accelerated our M&A activity in growth geographies, which accounts for a growing portion of our EBITA in Fish Feed and Premix & Feed Specialties, and continued to rationalise our existing portfolio in alignment with our strategy. Our main strategic achievements in the year were as follows:

- We introduced a number of new global nutritional solutions such as Vivalto and Optiline Premium (for more information please see the innovation chapter pages 68-69).
- The Application and Solution Centres in Europe and North America established in the Netherlands and Canada in 2011 are now fully operational. They are the first of several strategically located ASCs that Nutreco expects to have by 2016 to support organic growth through innovative nutritional solutions, most notably in Latin America and Asia.
- We worked together with our stakeholders to develop Nutreco's Sustainability Vision 2020, which is a comprehensive and integrated approach to our actions in this field, and the way in which we deal with suppliers, employees, partners and the communities in which we operate.
- In March, we strengthened our presence in the Brazilian market by increasing our shareholding in Nutreco Fri-Ribe from 51% to 97%. In April, we announced the acquisition of Bellman Nutriçao Animal, a Brazilian producer and supplier of farm minerals, concentrates, and supplements for ruminants, which significantly strengthens our local position in premix and feed specialties.
- In July, we began to upgrade our sow and piglet facilities in the Netherlands, one of two Swine Research Centres that support our business globally.
- In order to secure sufficient liquidity to execute Ambition 2016, Nutreco issued a $ 250 million US private placement in July, and in September successfully amended a € 500 million syndicated loan facility with improved conditions and extended the maturity from 2014 to 2017.
- In October, we announced the acquisition of a 75% stake in Ecuador-based shrimp and fish feed producer Gisis, thereby expanding our Fish Feed business in growth geographies and non-salmon species, and becoming a global top three shrimp feed supplier. The company's associated joint venture with Regal Spring in Honduras and connection with Indonesia, where Regal Springs is based, offers further growth opportunities. Closing of the transaction is subject to gaining regulatory approval from the Ecuadorian competition authority, the timing of which is difficult to predict but expected in the first half of 2013.
- In the fourth quarter we conducted our first shrimp feed trial in China, where we have significantly increased our R&D to support the growing need for more sustainable feed for sub-tropical fish species and shrimp.
- In the fourth quarter, we completed construction of our new premix and feed specialties plant in Russia.
- Significant progress on the expansion of the fish feed capacity in Norway (Averøy plant) was made.
- We completed two divestments in the year: Hendrix (Netherlands, Belgium and Germany) and Trouw Nutrition Környe (Hungary), which further aligned our portfolio with our strategic choices.
- Unite is a Nutreco-wide project to harmonise business processes and systems. In 2012 the construction phase was completed.

Financial framework and guidance

To execute Ambition 2016, we require a strong financial position to fund our investments, acquisitions and innovation efforts. Nutreco is well positioned to implement its strategy, thanks to its strong balance sheet and cash flow. Nutreco provides the following guidance towards 2016.

In order to reach € 400 million EBITA in 2016 we need to grow EBITA at an average rate of 12% per year. We expect that of the total increase since 2011 of € 170 million that is required to meet our objective, approximately half will come from organic growth and half by acquisitions. More than half of Animal Nutrition's revenue will come from Premix & Feed Specialties in 2016. In Fish Feed our target is a further growth in markets for non-salmonid species to a share of 45% of Fish Feed volumes in 2016. The organic growth guidance for Fish Feed is 5% and for Premix & Feed Specialties this is 4%. For our mature businesses in Animal Nutrition, the guidance is 1-2%.

The table below presents our performance in 2012 against our stated financial targets for 2016.

Guidance and financial performance

	2012	Guidance
Organic growth (revenue) per segment		
Premix & Feed Specialties	1.0%	4%
Animal Nutrition Canada	-1.8%	1-2%
Compound Feed	-4.5%	1-2%
Meat & Other	-2.6%	1-2%
Fish Feed	8.2%	5%
EBITA margin per segment		
Premix & Feed Specialties	6.7%	7%
Animal Nutrition Canada	4.4%	6%
Compound Feed	3.3%	2-3%
Meat & Other	2.4%	2-3%
Fish Feed	7.5%	7%
Nutreco total (continuing operations)	5.0%	5-6%
Return on average capital employed	19.4%	greater than 15%
EBITA before exceptional items (€ x million)	262	400 in 2016
Net debt / EBITDA ratio	0.9	less than 3
Net debt / equity ratio	0.3	less than 1
Interest coverage (EBITDA / Financial income/costs)	11.8	greater than 5
Total shareholder return three year period	No. 3 within the ranking of the peer group	Above median of all companies listed on the NYSE Euronext Amsterdam AEX, AMX and AScX segments

Sustainability, objectives and performance

OBJECTIVE 2012	ACTUAL 2012	OBJECTIVE 2013
• Engage with top 300 global suppliers (by spending) on the vendor policy and further integration of sustainability in supplier management and supply chain projects	• By year-end 2012, we had engaged with our top 300 suppliers	• Sign-off of vendor policy by relevant top 300 suppliers and other relevant suppliers (threshold: € 100,000) of soy, palm oil and marine products
• Implementing energy efficiency plans in manufacturing sites and establishing and implementing carbon footprint reduction plans for other relevant operations	• Target 2015 met in 2012: 53% reduction realised (baseline 2009)	• Further implementation of energy efficiency plans and identification and sharing of logistic efficiency projects
• Further integration of sustainability in our innovation processes and marketing plans	• Sustainability assessments were carried out on 15 innovations by year-end	• Design, test and verify (by third party) the methodology and set of criteria to assess the sustainability of Nutreco's portfolio of new nutritional solutions to be ready for external launch in 2014

objectives, progress and priorities

Customers

We offer our customers innovative and sustainable nutritional solutions for farmed animals and farmed fish and shrimp, through a range of products, models and services geared towards achieving optimum business results.

Strategic objectives

- Create value by developing thorough understanding of the needs of our customers and the markets in which they operate
- Capture value through disciplined customer needs assessments, market segmentation, portfolio management, value-based pricing and margin management
- Offer innovative and sustainable nutritional solutions that deliver predictable results
- Be a reliable partner in the feed-to-food chain

Progress in 2012

- New innovative nutritional solutions (see pages 68-69)
- Significant progress made in expansion of Skretting's production capacity in Averøy, Norway
- Completion of a new € 22 million premix and specialties production plant in Voronezh, Russia
- Establishment of new Skretting Aquaculture Research Centre unit in China
- Application and Solution Centres opened in North America and Europe
- Upgrade of the Swine Research Centre in the Netherlands
- Completion of the construction phase of Unite, the Nutreco-wide project to harmonise business processes and systems

Priorities in 2013

- Accelerate delivery of new sustainable nutritional solutions
- Launch branding project for global products, concepts, models and services
- Start implementation of Unite

Shareholders

We drive total shareholders return by growing the operating result, both organically and through acquisitions, in combination with a strong cash flow and a solid balance sheet.

Strategic objectives

- EBITA margin of 5-6% and a return on capital employed before tax of at least 15%
- Pay out a dividend in the range of 35-45% of the net result of Nutreco's continuing operations
- Focus on growth segments Premix & Feed Specialties and Fish Feed, and on growth geographies Latin America, Russia, Asia and Africa
- Increase EBITA to € 400 million in 2016
- More than half of Premix & Feed Specialties EBITA derived from growth geographies
- Grow feed volume share for non-salmonid species to 45% of total Fish Feed volume by 2016

Progress in 2012

- Increased Nutreco's shareholding to 97% in Fri-Ribe, our Brazilian feed business
- The acquisition of Brazilian farm mineral business Bellman
- Acquisition announced of Ecuadorean fish and shrimp feed company Gisis
- Increased EBITA before exceptional items by 13.2% to € 262.1 million
- Increased feed volume share for non-salmonid fish and shrimp species from 31% to 34%
- Achieved a ROACE of 19.4% and basic earnings per share of € 4.53
- 33% of EBITA from Premix & Feed Specialties derived from growth geographies

Priorities in 2013

- Diversification into fish feed for non-salmonid species with a focus on Latin America, Russia, Asia and Africa
- Complete and integrate Gisis acquisition
- Complete capacity expansion of the Averøy fish feed plant in Norway

Employees

We want to be the most attractive animal nutrition and fish feed company to work for, with a high performance culture and world-class leadership.

Strategic objectives

- Provide a safe and stimulating work environment
- Extend talent management and management development
- Improve our global brand visibility by expressing a clear industry leadership role
- Maximise the benefits of collaboration and knowledge sharing by creating a global virtual environment for all our employees

Progress in 2012

- Launched Nutranet, Nutreco's new global collaboration and knowledge-sharing platform
- Graduation of the 2011/2012 cohort of Expanding Horizons, Nutreco's talent development programme
- New Code of Ethics introduced to all employees

Priorities in 2013

- Increased focus on people development
- New human resources strategy to support Ambition 2016

Suppliers

We engage with our partners in the feed-to-food value chain to establish, control and manage systems for sourcing of sustainable raw materials in a responsible and reliable way.

Strategic objectives

- Reduce supply chain costs, increase efficiency and develop a sustainable supply chain with our partners
- Ensure security of sustainable supplies

Progress in 2012

- Procurement roadmap 2016 launched
- Engaged on vendor policy with all of Nutreco's top 300 suppliers
- Participation in the Round Table on Responsible Soy and the Aquaculture Stewardship Council

Priorities in 2013

- Enhance raw material flexibility
- Support innovation and process improvement through strategic partnerships
- Make sustainability an integral part of supplier contract negotiations and reduce our own environmental footprint

Society

We will contribute to the Feeding the Future challenge of doubling the world's food production while halving the footprint.

Strategic objectives

- Execute Sustainability Vision 2020
- Participate actively in the stakeholder dialogue concerning the Feeding the Future challenge

Progress in 2012

- Publication of Sustainability Vision 2020
- Sustainability assessment method for innovations was adjusted and applied to a series of nutritional solutions developed and tested on recent innovations
- Realised carbon footprint reduction of Nutreco plants by 53% (baseline 2009)
- AquaVision 2012 conference with Kofi Annan as keynote speaker attracted over 400 delegates
- Agreement on African Agribusiness Academy (see sustainability chapter, page 55)

Priorities in 2013

- Organise successful Agri Vision 2013 conference
- Implement sustainability key performance indicators in regular planning and control cycle
- Support establishment of the African Agribusiness Academy

VORONEZH, RUSSIA

Russia is one of the largest agricultural markets in the world and is rapidly growing, thanks to an abundance of arable land and a government strategy focused on becoming self-sufficient in agriculture by 2020. It is also a top 10 global feed market and one that Nutreco is now well positioned to serve locally with its new factory.

The factory is located in the agricultural region of Voronezh, in the middle of Nutreco's existing customer area, where we already employ 140 sales employees.

The factory operations add a further 50 people to the headcount to produce young animal feed, concentrates and premixes for ruminants, pigs and poultry.

Previously, these products were manufactured in Belgium and the Netherlands and imported. By producing close to the market, Nutreco can be more responsive and reduce lead times, as well as transport, warehousing and inventory costs.

> *"The key objective is for Russia to become self-sufficient and eventually achieve profitable growth in agriculture, and we believe our new production facility will contribute to achieving that goal."*

Harm de Wildt
Managing Director
of TNI Europe

A more substantial presence on the ground will also enable Nutreco to expand its product offering and sales to the livestock industry in Russia, which the Russian government is looking to develop with the aim of eventually exporting its own pork and poultry.

"The premix and feed specialties industry in Russia is ripe for growth, and we have made a significant investment in the domestic market through the new factory to ensure we can provide the highest quality service, locally to our clients," says Harm de Wildt.

demand

CLOSE TO THE MARKET

MORE
RESPONSIVE

THE NUTRECO SHARE

Stock exchange listing

Nutreco has been listed on the NYSE Euronext Amsterdam exchange since 3 June 1997 and is part of the Amsterdam Midkap Index (AMX). As at 31 December 2012, the market capitalisation of Nutreco was approximately € 2,120 million. By year-end 2012, a total of 35,118,682 ordinary shares had been issued (2011: 35,118,682). Of these shares, 518,919 are held in treasury by Nutreco (2011: 352,847). As of 2011 Nutreco holds treasury shares for its obligations with regards to employee performance plans. In February and March 2012, Nutreco conducted a share buy-back programme and repurchased 700,000 shares to cover future stock dividends and obligations for share plans. Furthermore, Nutreco added 138,575 treasury shares through purchases of restricted shares from employees and via banks. In 2012, Nutreco issued 672,503 shares from treasury shares for stock dividends, performance shares and the employee share participation plan (2011: 564,572).

Spread of total number of shares outstanding

ESTIMATED % DISTRIBUTION OF SHARES	
Netherlands	35
United Kingdom	20
United States and Canada	20
Germany	10
Nordic countries	5
France	5
Other European countries	4
Other countries	1
	100
Institutional investors	85
Private investors	15
	100

Disclosures under the Disclosure of Major Holdings in Listed Companies Act

Nutreco received one disclosure from ING Groep N.V. of a 9.97% shareholding under the Disclosure of Major Holdings in Listed Companies Act.

Investor relations (IR) policy

The purpose of Nutreco's investor relations activities is to fully inform shareholders and the wider investment community about relevant company developments in a timely fashion. We strive to ensure that a high and uniform level of information is available to the capital market, which creates awareness of, and confidence in Nutreco's vision, strategy, policies and decisions. As a listed company, Nutreco's announcements comply with all rules and obligations required by NYSE Euronext Amsterdam and the Netherlands Authority for the Financial Markets (AFM).

Price-sensitive information is circulated without delay through press releases that are available through Nutreco's website. In addition to our financial results, Nutreco also provides the broadest possible information on its strategic decisions and objectives, and its sustainability policy. Our main channels for this information are the integrated report, which comprises financial, operational, strategic and sustainability information, as well as our website. At the publication of the half-year and annual results, Nutreco holds an analyst meeting, and an additional press conference at the publication of the annual results. These meetings, as well as the Annual General Meeting of Shareholders, are webcasted via our website. Nutreco also releases trading updates for the first and third quarterly results. In addition, Nutreco regularly undertakes road shows and participates in conferences for institutional and private investors. Nutreco is committed to ongoing communication with its shareholders. This regular contact helps Nutreco to better understand the views and requirements of its investors.

Over the course of 2012, management undertook 30 road shows and conferences. Cities visited by management included Amsterdam, Boston, Brussels, Chicago, Copenhagen, Edinburgh, Frankfurt, Geneva, Helsinki, London, Milan, Munich, New York, Paris, Toronto and Zurich.

Nutreco observes a closed period, during which no road shows or meetings with potential or current investors can take place. For the annual results, this period extends from January 1 up to the day of publication of the annual results as set out in Nutreco's regulations concerning insider information (see Regulation Insider Information under Corporate Governance on www.nutreco.com). For the interim figures, the closed period extends from July 1 up to the day of publication of the half-year figures. For the trading updates after the first quarter and after the third quarter, it extends from April 1 and October 1, up to the day of publication of the trading update. More relevant information for potential and current shareholders can be found on the Nutreco website under the link 'Investor Relations'.

Any further questions may be directed to the Investor Relations department by e-mail (ir@nutreco.com) or telephone (+31 33 422 6112).

Dividend proposal 2012

The General Meeting of Shareholders will be held on March 28, 2013 and a dividend of € 2.05 (2011: € 1.80) per share for the 2012 financial year will be recommended. This represents a payout of 45% (2011: 45%) of the total result, excluding impairment and the book result on disposed activities, attributable to holders of ordinary shares of Nutreco between January 1, 2012 and December 31, 2012.
In August 2012, Nutreco distributed an interim dividend of € 0.60 (2011: € 0.50) per ordinary share. Following the adoption of the dividend proposal, shareholders may choose to receive the final remaining dividend payment of € 1.45 in cash or in ordinary shares, chargeable to the share premium account. The ratio between the value of the stock dividend and the cash dividend will be determined on the basis of the average weighted price during the last three trading days of the period for opting to take the stock dividend (April 16-18 2013).
Both the cash and the stock dividend will be made payable to shareholders on April 24, 2013.

General Meeting of Shareholders

The Annual General Meeting of Shareholders will be held at De Flint, Coninckstraat 60, Amersfoort, on Thursday March 28, 2013, at 2.30 pm.

Share price and volume development

On January 1, 2012, the share price opened at € 50.84 and closed at € 61.40 at the end of the year, which represented an increase of 20.8%. During the same period, the AEX and AMX indexes increased by 9.7% and 14.1% respectively.

The average daily trading volume on NYSE Euronext Amsterdam in 2012 was 119,815 shares, compared to146,417 shares per day in 2011. In 2012, 61% of the observable trading volume in Nutreco shares took place within the NYSE Euronext platform. The remaining 39% was traded on alternative trading platforms such as Chi-X, BATS and Turquoise.

Important dates

2013	
February 7, 2013	Publication of the annual results 2012
March 28, 2013	Annual General Meeting of Shareholders
April 3, 2013	Ex-dividend date (final dividend)
March 3 - April 18, 2013	Option period
April 5, 2013	Record date
April 18, 2013	Q1 trading update
April 18, 2013	Determination of the stock dividend exchange ratio (after close of trading), based on the average weighted share price of 16, 17 and 18 April 2013
April 24, 2013	Payout final dividend
July 25, 2013	Publication of half-year results 2013
July 29, 2013	Ex-dividend date (interim dividend)
July 29 - August 9, 2013	Option period
July 31, 2013	Record date
August 9, 2013	Determination of the stock dividend exchange ratio (after close of trading), based on the average weighted share price of 7, 8 and 9 August 2013
August 15, 2013	Declared interim dividend payable
October 17, 2013	Q3 trading update

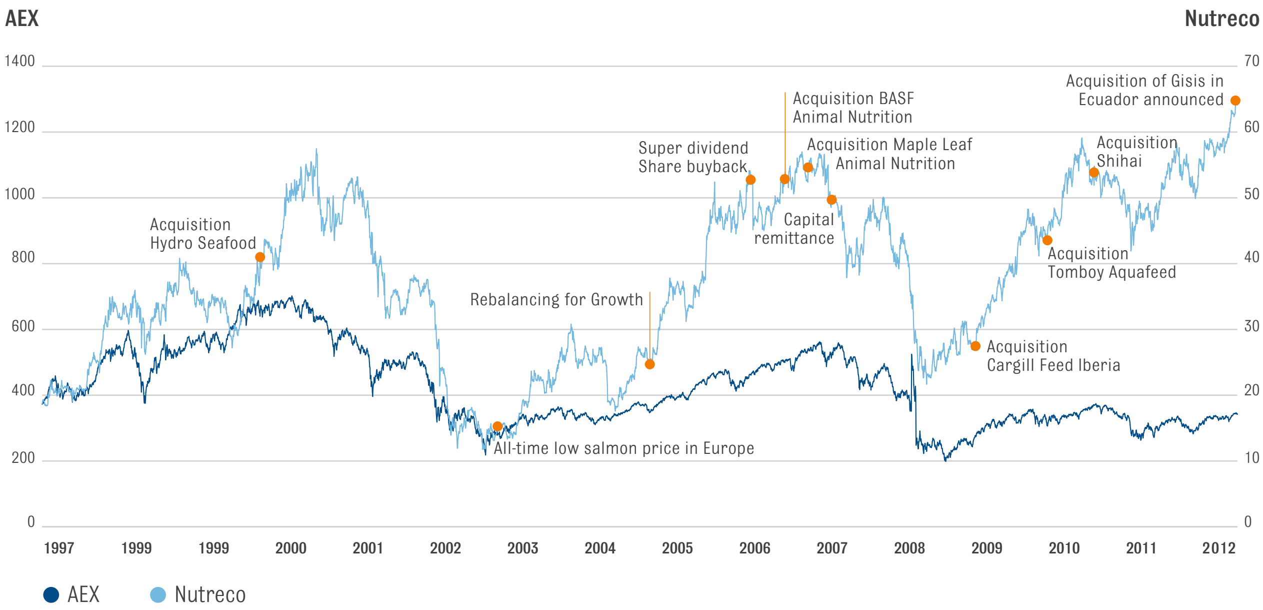
2014	
February 6, 2014	Publication of the annual results 2013
March 27, 2014	Annual General Meeting of Shareholders

Key figures per share

(€ x million)	2012	2011	2010	2009	2008	2007	2006	2005	2004 IFRS	2004	2003
Basic earnings	5.09	3.74	3.17	2.61	3.34	3.46	15.19	3.90	2.29	2.13	-4.15
Basic earnings from continuing operations[1]	4.53	3.59	2.99	2.61	3.02	3.24	3.05	2.63	2.29	2.23	1.91
Dividend[2]	2.05	1.80	1.50	1.32	1.43	1.64	1.60	1.52	0.53	0.53	0.53
Payout[3]	45%	45%	45%	45%	45%	45%	45%	35%	35%	35%	35%
Highest share price	65.73	57.32	60.63	39.29	51.10	56.98	54.75	38.35	30.80	30.80	24.40
Lowest share price	49.90	39.75	36.66	23.65	21.40	37.87	36.35	20.30	17.60	17.60	11.65
Closing price	61.40	50.84	56.79	39.29	23.52	39.56	49.39	37.31	20.23	20.23	21.78
Average number of shares outstanding (x thousand)	34,764	34,882	35,139	34,603	34,358	34,317	34,209	34,498	34,056	34,056	33,342
Number of shares outstanding (x thousand)	34,600	34,766	34,963	34,995	34,279	34,256	33,906	35,528	34,081	34,081	33,518
Market value at closing price[4] (€ x thousand	2,124,425	1,767,495	1,985,549	1,374,954	806,242	1,355,167	1,674,617	1,288,240	689,459	689,459	730,022

1 Basic earnings for 2004 is before amortisation of goodwill and impairment.
2 Excluding superdividend of €9 in 2006 and capital repayment of €5 in 2007.
3 The payout ratio is calculated on the total result for the period attributable to owners of Nutreco excluding book profits and impairment.
4 The market value is calculated on outstanding shares excluding shares held in treasury.

Share price Nutreco vs AEX



BUSINESS PERFORMANCE

INTRODUCTION

Nutreco produces a broad range of innovative nutritional products serving the needs of poultry, pigs, ruminants, companion animals and other livestock animals as well as fish. Short descriptions follow on each product group and business segment.

ANIMAL NUTRITION

Premix

Premixes are a blend of feed additives. There are feed additives for different purposes, for example, nutritional (vitamins, minerals, etc.), technological (emulsifiers, antioxidants, etc.), sensory (flavours and colourants) and zootechnical (digestion enhancers).

Feed specialties

Feed specialties are low-volume, high-precision and high-value products. They include special feeds for transitional phases such as gestation and weaning, farm minerals, feed ingredients and animal health products and feeds to complement home-grown cereals.

Compound feed

Compound feeds are blended feeds of various ingredients to match the nutritional requirement of farmed animals. The main ingredients are macro-ingredients such as grains and soya, and micro-ingredients such as premixes, vitamins and minerals. Other ingredients include natural health components, organic acids, aromatic substances and pigments.

Meat

In addition to animal and fish nutrition, Nutreco produces and markets poultry and pig meat in Spain. Furthermore, in Canada, Nutreco undertakes poultry hatchery and embryonated egg production.

PREMIX & FEED SPECIALTIES	ANIMAL NUTRITION CANADA	COMPOUND FEED	MEAT & OTHER
Revenue € 1,255.3 million	Revenue € 537.6 million	Revenue € 608.2 million	Revenue € 934.9 million
Worldwide	Canada, USA	Spain, Portugal	Spain, Canada
Global no. 2 position in premix with 12% market share	No. 1 in Canada with 23% market share	No.1 in Spain and Portugal (Iberia) with a market share of 13%	No. 1 in poultry in Spain with 27% market share
Customers: Feed compounders, integrators, distributors, homemixers	Customers: Livestock farmers	Customers: Livestock farmers	Customers: Retail, wholesale, food industry, food service, poultry farmers
Trouw Nutrition International; Selko Feed Additives	Shur-Gain; Landmark Feeds	Nanta	Sada

AQUACULTURE

Fish feed

Fish feed consists of proteins, oil and fats, cereals, vitamins and minerals. These nutrients are ground, mixed and extruded. The extrusion process binds and forms the product, which is subsequently dried. The feed is used by fish and shrimp farms. The fish feed product range can vary from broodstock diets, juvenile feed and grower diets to special diets.

OUR PRODUCT GROUPS

OUR BUSINESS SEGMENTS

FISH FEED
Revenue € 1,893.1 million
Worldwide
Leading in salmon feed with 32% market share
Customers: Fish and shrimp farmers

PREMIX & FEED SPECIALTIES

Revenue was € 1,255.3 million (2011: € 1,150.2 million). Volumes were up 1.1%. Prices were 3.3% higher on average, principally due to higher raw materials prices. The exchange rate effect was 2.2%. The acquisition effect was 2.5% relating to the acquisition of Bellman. EBITA before exceptional items for Premix & Feed Specialties rose 15.7% to € 83.5 million compared with the result of € 72.2 million in 2011, mainly due to the improved product mix and good results in growth geographies such as China and Indonesia.

Profile

The Premix & Feed Specialties segment produces and sells premixes, farm minerals, concentrates, young animal feeds, animal health products and feed additives. These products enhance and preserve the nutritional value of feed raw materials, support farm animals through transition periods and help to reduce the impact of stress and disease outbreaks. The products are sold to the feed industry, integrators, distributors and farmers, as well as the companion animal industry. Supported by a comprehensive distribution network, the Premix & Feed Specialties segment supplies a global market either through local operating companies or exports. Product innovation is undertaken in cooperation with six Nutreco research centres guided bytwo regional Application and Solution Centres.

Premix is mainly sold under the Trouw Nutrition brand. Farm minerals are primarily sold under the Maxcare and Quanmei brands. All feed additive products are grouped under the brand name Selko Feed Additives. Young animal feeds for ruminants are mainly sold under the Sprayfo and Milkivit brands, while Milkiwean is used as the main brand for young animal feeds for swine. Animal health products are sold under the Farm-O-San brand.

Premix & Feed Specialties has 15 production facilities in Europe, 17 plants in the Americas and three plants in Asia. In addition it has joint ventures in Venezuela and Egypt. The total annual sales volume is about 1.2 million tonnes (excluding intercompany sales of 0.3 million tonnes).

Competitive landscape

The main themes this year have been significantly higher and more volatile raw material prices for our customers and slightly smaller herd sizes in key markets. In our European markets, dairy cow, sow and layer herd sizes have declined, which has increased competitive pressures. Eastern Europe's swine population has fallen significantly this year. Russia's livestock industry continues to expand supported by the government's policies to promote self-sufficiency in meat. The US has faced significant challenges due to drought conditions increasing the price of grains. The Brazilian market was faced by a challenging background of adverse weather conditions, high raw material prices and the generally difficult economic situation. Most growth occurred in the growth geographies China and Southeast Asia (e.g. Indonesia), where we have seen sustained increases in demand for meat protein.

About half of the global premix market is estimated to be supplied by DSM, Nutreco's Trouw Nutrition, Cargill's Provimi and Evialis. The rest of the market is supplied by a large number of local producers. Trouw Nutrition's global market share in premixes is approximately 12%. The market for premixes is growing at 2-3% per annum.

The markets for animal health products and feed additives are fragmented. The relevant potential market growth for more specialised feed additives is estimated to be between 4-8% per year.

Strategy

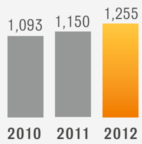
Premix & Feed Specialties is one of the growth segments of Nutreco. The global market position in Premix & Feed Specialties will be expanded by organic growth and acquisitions. Nutreco will build a meaningful position in growth geographies, while securing its presence in mature markets.

The focus will be on high value nutritional solutions that contribute to the sustainability and profitability of its customers. Growth geographies targeted for expansion are Latin America, Russia, Asia and Africa. Key enablers to drive growth are the establishment of regional Application and Solutions Centres (ASCs), high-quality R&D delivering value-added innovation and an effective Go-to-market strategy (see pages 72-73 for more information about the ASCs).

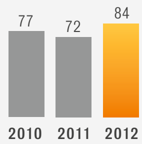
KEY FIGURES (€ x million)

	2012	2011	Δ%
Revenue	1,255.3	1,150.2	9.1
EBITDA*	92.5	81.4	13.6
EBITA*	83.5	72.2	15.7
Operating margin (EBITA*/revenue)	6.7%	6.3%	
Average capital employed	314.2	276.6	13.6
ROACE (EBITA/ACE)	26.6%	26.1%	

* *Before exceptional items*



Revenue development
€ x million



EBITA development
€ x million

Developments in 2012

Nutreco's shareholding in its Brazilian subsidiary Fri-Ribe was increased from 51% to 97% in March. In April Nutreco acquired Bellman Nutriçao Animal. Bellman is a Brazilian supplier and producer of supplements (farm minerals and concentrates) for ruminants.

In Brazil, progress was made on the construction of two new plants with an initial planned capacity of 50,000 tonnes. The first plant is located in Mato Grosso state and was opened at the end of the year. This factory is producing minerals and concentrates for ruminants. Another plant is under construction in Teresina state and will produce multispecies feed and is on track to open in early 2013.
In the fourth quarter of 2012, Nutreco completed the construction of a new factory in the Voronezh region of Russia, with commercial production to begin in Q1 2013. This € 22 million investment will allow the production of young animal feed, concentrates and premixes for ruminants, pigs and poultry.

Nutreco completed the final phase of the upgrade of the Selko Feed Additives production plant in Tilburg, the Netherlands. The doubling in capacity and introduction of the latest acid blending technology has allowed Selko to continue its significant growth.

Agreement was reached in October on the sale of Nutreco's Hungarian business to Nuscience Group and was completed on 3 December 2013.

Successful new products introduced in 2012 are described on page 68.

ANIMAL NUTRITION CANADA

Revenue in 2012 for Animal Nutrition Canada was € 537.6 million compared with € 460.6 million in 2011 (+16.7%). The increase was partly due to a 11.2% positive price effect as the result of passing on higher raw material prices in feed prices. Volumes declined by 1.8%. Feed volumes for dairy cows improved while the volumes declined for swine and poultry feed. The exchange rate effect was 7.3%. EBITA declined slightly to € 23.8 million (2011: € 24.5 million).

Profile

Animal Nutrition Canada is well known through its Shur-Gain and Landmark Feeds brands. Shur-Gain operates in the central and eastern regions of Canada and in New York State, USA. Landmark Feeds operates in western Canada. Products include premixes, concentrates, compound feed, feed specialties, pet food and animal health products.

Customers in Canada are served from 12 feed and premix manufacturing facilities for swine, beef and dairy cattle and poultry with an annual sales volume of approximately 1.1 million tonnes, equalling approximately 4.5 million tonnes compound feed equivalent (CFE). Nutreco Canada has a dedicated pet food plant producing private label and branded products in St. Marys, Ontario. In Strykersville, New York State, USA, Nutreco Canada operates a plant producing Shur-Gain feed mainly for dairy cows.

The Canadian animal feed industry for poultry, swine, dairy and beef is estimated at about 21 million tonnes CFE in 2012, representing about 3% of the global animal feed industry. The Canadian animal feed market is mainly supplied by regional feed producers. It is a fragmented and geographically diverse industry. Animal Nutrition Canada has a nationwide presence and market leadership with a total market share of about 23%. Due to excess production capacity, the industry is beginning much-needed consolidation. Ridley announced a merger with Masterfeeds (owned by cooperative AGP), which will form the second largest compound feed producer in Canada. Other large regional competitors are La Coop Fédérée (eastern Canada), Cargill/Provimi (western and eastern Canada) and Hi-Pro (western Canada).

In New York State, Animal Nutrition Canada produces feed for dairy cows and holds a market share of about 6%.

Competitive landscape

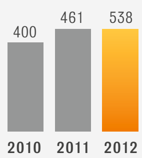
Poultry and dairy production is supply-managed by quota in Canada, resulting in relatively stable feed demand. The Canadian market for animal nutrition is stable and did not suffer from an economic downturn. Swine and beef production are not controlled by quota. The Canadian dollar has strengthened considerably against the US dollar, which affected the competitiveness of Canada's exports. The contraction in the swine sector due to poor economics over the past few years has stabilised, with improved market prices.

Strategy

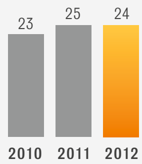
Nutreco's leading position in Canada, supported by strong brands, provides the company with an excellent foundation on which to build its presence further in North America. Shur-Gain and Landmark Feeds have high standards in products and business performance. The strategy in Canada is to strengthen our market leadership position with a focus on understanding our customer needs in greater detail and bringing better nutritional solutions to them. We will do this partly by leveraging R&D, our innovation pipeline and technology transfers throughout the Animal Nutrition division via the Canadian Application and Solution Centre, which will also be extended to the USA and Mexico. We continue to optimise our production processes and maintain a strong focus on developing our staff, whose expertise is core to our continued success.

KEY FIGURES (€ x million)	2012	2011	Δ%
Revenue	537.6	460.6	16.7
EBITDA*	30.0	30.0	0.0
EBITA*	23.8	24.5	-2.9
Operating margin (EBITA*/revenue)	4.4%	5.3%	
Average capital employed	277.8	260.6	6.6
ROACE (EBITA/ACE)	8.6%	9.4%	

* *Before exceptional items*



Revenue development
€ x million



EBITA development
€ x million

Developments 2012

Shur-Gain celebrated the significant milestone of its 75th anniversary. Shur-Gain has been a cornerstone brand of Nutreco since its acquisition in 2007 as part of Maple Leaf Animal Nutrition, but its history in Canada goes back much further. The success of Shur-Gain lies for a large part in its research and innovation, which were showcased at its anniversary celebration for hundreds of guests including livestock and poultry producers, dealers, suppliers and employees past and present. Nutreco Canada also launched new websites, which refreshed its brands as well as emphasised the important research synergies between Nutreco, Shur-Gain and Landmark Feeds.

Innovative new products were launched, including Vivalto and Zenith. Vivalto is a feed additive technology for dairy cows that stimulates feed efficiency without a significant change in dry feed intake, improving profitability and sustainability for our customers. Zenith is a feed additive that boosts immunity in ruminants. As part of Nutreco's commitment to sustainability, an energy efficiency programme has been delivering significant benefits. Improvements to plants and processes have been identified through an energy audit and resulted in reduced energy expenditure. For example an infrared camera was used to identify areas of building heating and insulation that could be improved.

The Application and Solution Centre (ASC) has been working on a pipeline of new products and models such as Watson 2.0 (see Innovation chapter page 64). The ASC has also been undertaking a comprehensive training programme for our nutritional advisors.

COMPOUND FEED

Revenue in the Compound Feed segment increased by 3.0% to € 608.2 million (2011: € 590.5 million). Volumes were 4.5% lower due to lower market demand also in the free market. The price effect was 7.5% due to higher raw material prices that were passed through in feed prices. EBITA amounted to € 19.8 million (2011: € 13.0 million). In challenging market circumstances, profitability was protected and increased by 52.3%. Strong market leadership positions and the successful conclusion of the integration of the Cargill business acquired in 2009 combined with operational excellence formed the basis for good performance.

Profile

Compound Feed comprises the businesses in Spain and Portugal. Under the Nanta brand, Nutreco delivers a broad range of high-quality products and feed solutions primarily for poultry, pigs and ruminants, but also for horses and rabbits. Nanta also offers farmers total farm management advice. This enables farmers to improve their business processes, resulting in improved profitability with a strong focus on quality, efficiency and reduction of environmental impact.

Nanta operates 20 compound feed plants in Spain and Portugal with an annual sales volume of about 3.0 million tonnes, which includes supplying Sada and Inga Food, Nutreco's meat businesses in Spain.

Competitive landscape

In Spain and Portugal the market circumstances continue to be challenging with very high levels of unemployment, a lack of financial liquidity for some customers and a slight decrease in demand for feed in the free market (Nanta's accessible market not serviced by integrated companies). The free market for compound feed is shrinking, which is mostly a result of a shift towards integrated farming operations. This has been driven by low profitability for farmers over the last few years, cash-flow challenges, and investment capital requirements in order to meet new animal welfare regulations. Feed volumes are flat to declining for most species. Overall herd sizes have declined slightly for most species apart from beef cattle and broilers.

The Iberian compound feed industry is fragmented; the top 10 out of approximately 900 players account for about 39% of the total volume. It is a multi-species market where swine and poultry are of great importance. Nanta is market leader in Iberia with an overall market share of 13% and a nationwide presence in Spain and Portugal, substantially strengthened by the acquisition of Cargill's compound feed activities in 2009. Nanta's main competitors are Vall Co. (7%), Guissona (5%), Nuter (4%) and Coren (4%). It is anticipated that market consolidation will continue.

Strategy

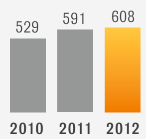
Nanta's strong market position in combination with operational excellence is the basis for cost leadership. Nanta has a clear farmer focus. It offers customers sustainable and healthy feed solutions for their animals geared towards achieving optimum business results. Nanta will strengthen its market leadership by gaining market share in the free compound feed market, while increasing operating margin by selling more value-added products. Focus areas are feed for swine, beef, dairy, young animals and horses.

Key enablers to drive growth are the establishment of a regional Application and Solutions Centre (ASC), R&D strength, ability to innovate and an effective Go-to-market strategy.

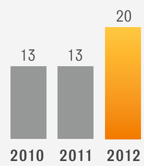
KEY FIGURES (€ x million)

	2012	2011	Δ%
Revenue	608.2	590.5	3.0
EBITDA*	28.8	21.9	31.5
EBITA*	19.8	13.0	52.3
Operating margin (EBITA*/revenue)	3.3%	2.2%	
Average capital employed	52.1	52.6	-1.0
ROACE (EBITA/ACE)	38.0%	24.7%	

* *Before exceptional items*



Revenue development
€ x million



EBITA development
€ x million

Developments in 2012

A number of new innovations were brought to market. Optiporc is a complete new product range for fattening pigs, adapted specifically to the nutritional need based on genetics and gender. This new range leads to more efficient feeding, which results in lower production costs for the farmer. The new feeding programme also lowers the nitrogen excretion by the animal, which has a positive effect on the environment. Nanta has also introduced the Complet feeding concept for sheep and goats. Complet uses compound feed alongside straw and improves productivity through higher milk yields as well as increased daily fat and protein production.

The successful integration of the acquired compound feed activities of Cargill in Spain and Portugal is now fully reflected in our results.

The divestment of Hendrix (the compound feed operations of Nutreco in the Netherlands, Belgium and Germany) to ForFarmers was completed on 30 March 2012 and is reported as discontinued operations in 2011 and 2012.

MEAT & OTHER

Revenue for Meat & Other operations increased by 1.8% to € 934.9 million (2011: € 918.3 million). Volumes were 2.6% lower than in the previous year due to the continued challenging macroeconomic situation. Higher raw material prices and on average higher poultry prices resulted in a price effect of 3.9%. The foreign exchange rate effect was 0.5% and related to the Canadian pharma egg business. In a difficult economic environment, EBITA before exceptional items decreased to € 22.0 million (2011: € 32.7 million).

Profile

Nutreco's Meat & Other segment primarily relates to the production of broilers and the processing and sale of Sada poultry products in Spain. Furthermore, this segment includes pig farming and trading activities in Spain, a poultry hatchery and a pharma egg business in Canada. The broilers from Sada and the pigs from Inga Food are supplied with feed from Nanta, Nutreco's compound feed business.

Sada is the Spanish market leader in poultry meat products and is well known for its brands Sada and Cuk. The majority of its products are sold to consumers through supermarkets and hypermarkets. Sada has ten processing facilities throughout Spain with a total annual production of about 143 million broilers. About 90% of the production relates to fresh products and the remainder to frozen products. Nearly half of the products are value-added products. The Spanish supermarket chain Mercadona is an important customer, representing 7% of Nutreco's total revenue. Our relationship with Mercadona aims for a long term partnership.

Inga Food is a pig farming company in Spain producing 1 million pigs per year. These animals are raised by contracted farmers throughout Spain.

In Canada, Nutreco owns four poultry hatcheries and a joint venture, producing a total of 70 million one-day-old chicks in the eastern region. The hatchery businesses are closely linked with the sale of poultry feed products to producers in the region. In Quebec, one of the hatcheries is dedicated to the production of embryonated eggs for the pharmaceutical industry (Les Embryons Lanaudière).

Market developments

In the first half of 2012 the supply of the poultry market in Spain was more in balance with demand, resulting in good sales prices. In the second half of the year the economic crisis in Spain affected the poultry industry less than other meat markets as poultry is relatively cheap. The market demand was less in balance with supply as selling prices for poultry do not reflect increased feed costs. The Spanish poultry meat market continues to be a relatively closed market comprising 90% fresh products. Frozen products compete with imports from other countries such as Brazil.

With a market share of 27%, Sada is the number one poultry producer in Spain. Its main competitors are Vall Companys Group (9%), Coren (6%), Uvesa (8%) and Avícola de Navarra-LDC Avilaves (6%). In the fragmented pig farming industry in Spain, Inga Food has a market share of 2%.

The Canadian poultry markets remain stable due to the supply-managed quota system of the Canadian government. By matching the total supply of the product available in Canada with the market demand, supply management systems aim to provide efficient producers with fair returns and to provide Canadian consumers with an adequate supply of the product at reasonable prices. It is a stable market that grows in line with domestic demand. Nutreco Canada has a leading position in the production of one-day-old chicks, with a market share of 36% in eastern Canada.

Strategy

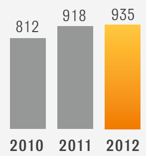
Sada is implementing a value creation plan that includes initiatives to retain stable sales volumes, to improve the commercialisation in the retail and food service channels, and restructure more traditional parts of the business to optimise the industrial footprint and the product range. Fresh packed and value-added poultry products play an important role and offer the best growth opportunities. Value addition is achieved through innovative and flexible products and new packaging developed in close collaboration with customers.

Inga Food focuses on cost reduction, improvement of quality through official certifying entities, reduction of volatility by means of cost plus agreements and close collaboration with feed businesses.

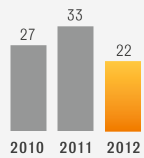
KEY FIGURES (€ x million)

	2012	2011	Δ%
Revenue	934.9	918.3	1.8
EBITDA*	31.4	41.7	-24.7
EBITA*	22.0	32.7	-32.7
Operating margin (EBITA*/revenue)	2.4%	3.6%	
Average capital employed	212.1	194.3	9.2
ROACE (EBITA/ACE)	10.4%	16.8%	

* *Before exceptional items*



Revenue development
€ x million



EBITA development
€ x million

The Canadian poultry operations are closely linked with the poultry feed operations and are used to form strategic partnerships with poultry feed customers and enhance the stability of this business, while still being profitable in their own right.

Developments in 2012

The relatively positive performance of Sada in the context of a challenging environment is a result of many factors. Market leadership, continued investments in innovation, and operational excellence including active debtor and cash management have all contributed. In the second half of the year, Sada experienced difficulty in transferring increased feed costs into higher consumer prices for poultry, and this increased pressure on operating margins. Meat prices are to a larger extent exposed to changes in supply and demand and raw material price changes are not immediately reflected in meat prices.

Sada has launched new product packaging that stores chicken breasts in two separate pouches. This design gives consumers the choice to open only one pouch and extends the shelf life of the second chicken breast. Sada also completed a roll-out of new packaging for whole chickens and individual leg quarters. This innovation uses stronger plastic packaging and a modified atmosphere containing lower oxygen levels and higher nitrogen levels to extend the shelf life of the chicken meat significantly, benefitting both Sada customers and consumers.

Inga Food continues to make progress with local research institutes and universities on projects to improve the genetics of their Iberian pigs. This breeding programme is designed to expand the current single female pedigree line. The new sow line is called Castua and shows increased productivity, higher quality meat, and better feed conversion ratios.

FISH FEED

Fish Feed revenue of € 1,893.1 million was 18.2% higher than in 2011. Volume increased by 8.2%, due to strong growth globally both within the salmonid businesses and the non-salmonid businesses. The price effect was -0.6%. The effect of the acquisition of Shihai in China (October 2011) contributed 5.4%. The foreign exchange rate effect was 5.2%. EBITA before exceptional items significantly improved to € 142.0 million due to strong global demand driving revenue growth and good performance across most businesses within Skretting.

Profile

Nutreco's fish and shrimp feed business Skretting has operations on five continents producing feed in 14 countries with sales in over 40 countries. Skretting produces and delivers high-quality sustainable feed from hatching to harvest for more than 60 species of farmed fish and shrimp. All grower feeds are formulated with the underlying drive to deliver excellent quality fish produced at competitive prices. The total annual sales volume is about 1.7 million tonnes.

The global Skretting brand is driven by the world-class aquaculture research centre, Skretting ARC, and the company's sustainability focus through Sustainable Economic Aquafeeds (SEA) and Nutrace (feed-to-food safety and quality). These help position Skretting as a world leader in fish and shrimp feed.

Competitive landscape

The principal markets for salmon and seawater trout feed are Norway and Chile, where approximately 80% of the world's farmed salmon is harvested. The average annual growth in salmonid feed volumes from 1998 to 2012 was more than 5%.

The market for salmon and trout feed in Chile grew significantly in 2012, growing by 19.5% in comparison with 2011. The growth rate for Norway was 10.5% for 2012 compared with 2011. Skretting is a leading feed supplier for all principal salmon farming markets with a global market share of 32%. The top three salmon feed producers Skretting, EWOS and Biomar together account for approximately 88% of the total global salmon feed market. Marine Harvest, our largest customer (6% of total Nutreco revenue of which approximately 3% is generated in Norway), has indicated its intention to partly integrate into fish feed by the first half of 2014.

Another fast growing fish feed market is China with an estimated volume of 8.6 million tonnes in 2011 (excluding carp) and an annual growth of more than 5% over the past five years.

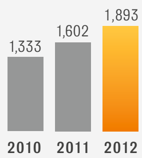
Skretting has recently expanded in the shrimp feed market, which is professionalising rapidly. Most of the world's shrimp feed is produced in China, Thailand, Ecuador, Indonesia and Vietnam in order of size. The global market has a long-term growth rate of approximately 5% per year and was around 3.9 million tonnes in 2012. The top three shrimp feed producers are Charoen Pokphand, Skretting (including our newly announced acquisition Gisis) and Evergreen/Hengxing and together account for approximately 30% of the global shrimp feed market.

Strategy

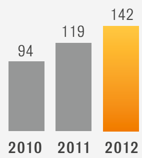
The world's population is now over seven billion people and will reach nine billion by 2050. A significant growth in aquaculture will be part of the solution to secure food availability for a growing world population. Skretting will undertake a leading role in developing the feed industry to enable increased production of sustainable fish and shrimp feed on all continents. Skretting also aims to maintain market-leading positions in fish and shrimp feed both geographically and across different species. In order to achieve this, Skretting works on qualitatively unique product concepts that are driven by innovation, food safety and sustainability. As part of Ambition 2016, Skretting's strategy targets 5% organic growth per year. Furthermore, it aims to increase the share of non-salmonid fish and shrimp feed from 28% in 2010 (2012: 34%) to 45% of total fish and shrimp feed volume by 2016. Feed for salmonid species will grow in line with the expected long-term market growth of 5% per annum.

KEY FIGURES (€ x million)	2012	2011	Δ%
Revenue	1,893.1	1,601.5	18.2
EBITDA*	165.3	138.1	19.7
EBITA*	142.0	118.7	19.6
Operating margin (EBITA*/revenue)	7.5%	7.4%	
Average capital employed	450.1	350.3	28.5
ROACE (EBITA/ACE)	31.5%	33.9%	

* *Before exceptional items*



Revenue development
€ x million



EBITA development
€ x million

Skretting will focus on expansion in non-salmonid fish feed in regions such as Latin America, Asia and Africa. Skretting will expand its recently acquired fish feed activities in Brazil, China and Vietnam and will integrate the announced acquisition in Ecuador into Skretting upon closing the transaction. A new Skretting ARC research facility has been established in China to support the growing need for more sustainable feed for sub-tropical fish species and shrimp.

Developments in 2012

Nutreco's shareholding in Brazilian subsidiary Fri-Ribe was increased from 51% to 97% in March. Fri-Ribe is Brazil's number one shrimp feed supplier and second largest supplier of feed for freshwater species such as tilapia and tambaqui. Skretting intends to invest in new production capacity in Brazil with a view to strengthening the market position in a strong growth region. A new dedicated fish feed plant will be constructed in the next two years, giving Skretting the platform to participate in the expansion of aquaculture in Brazil.

The first construction phase of the € 80 million investment in the Averøy plant expansion in Norway has been completed and phase two will be completed in time for the 2013 high season. The increase in capacity means Skretting will be well positioned to meet long-term growing demand.

In October 2012, Nutreco announced its agreement to acquire 75% of the shares in Gisis, the feed subsidiary of the Expalsa group. Gisis is the market leader in feed production for shrimp and tilapia in Ecuador. The closing of the transaction is expected in the first half of 2013 following regulatory approval, the timing of which is difficult to predict.

Latin America is a key growth region for Skretting. The acquisition of Gisis will create a leading position for Skretting in Ecuador as well as the opportunity to further expand into other Latin American countries such as Mexico, Honduras and Peru. Part of the acquisition comprises a joint venture with Regal Springs in Honduras, which is currently building a fish feed plant. Regal Springs is a leading tilapia farmer in Indonesia with operations also in Mexico. Nutreco and Regal Springs will study further strategic relationships in Mexico and Indonesia upon closing the transaction.

In 2011, Skretting completed the acquisition of Shihai, a reputable and profitable fish and shrimp feed company in China. The integration of Shihai's operations with 340 employees has now been completed. The company has increased volumes in 2012 by approximately 14% and already needs a further capacity upgrade.

Skretting's Aquaculture Research Centre unit located in China opened in 2012 and has begun shrimp feed research to provide nutritional solutions for this important species in the Skretting portfolio.

The ninth AquaVision conference was successfully held in June in Stavanger, Norway. The main themes of AquaVision included the potential of aquaculture to feed a growing global population as well as the drive towards greater sustainability. Keynote speaker Kofi Annan addressed 430 participants from 33 countries. Annan asked the audience not to change direction but to accelerate progress.

SUSTAINABILITY

OVERVIEW AND STRATEGY

We have formulated a comprehensive sustainability vision towards 2020 that is based on clear ambitions in the areas of people, planet and profit. These goals are an integral part of our corporate strategy 'Ambition 2016 - driving sustainable growth' and becoming a global leader in animal nutrition and fish feed, by delivering highly innovative and sustainable nutritional solutions.

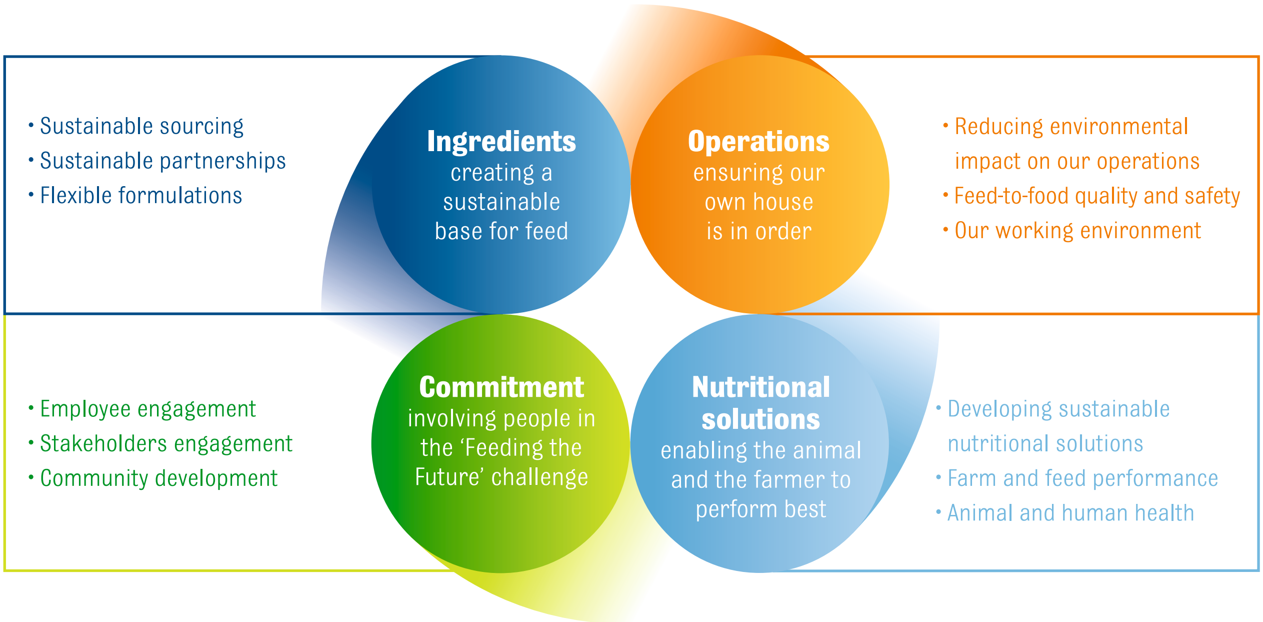
Nutreco is in a unique position to contribute towards greater sustainability in the feed-to-food chain because of its global presence, technical expertise and commitment to the highest standards of quality and safety. Our Sustainability Vision 2020 allows us to align our actions in key business areas over a period of several years, as we work to fulfil our goal of helping to double world food production while halving the footprint.

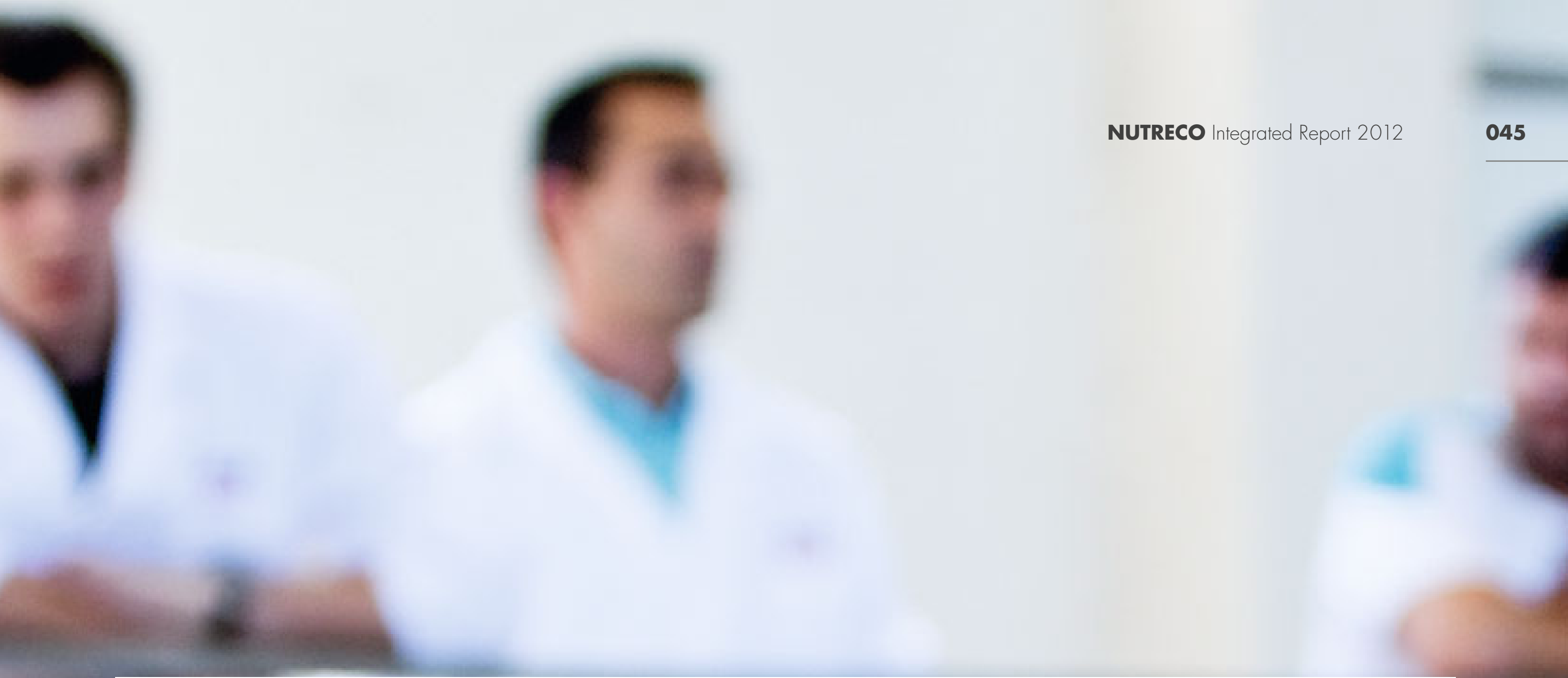
In 2012, we have taken the additional step of integrating our Sustainability Report into the Annual Report in order to reflect the vital position that sustainability has within our broader corporate strategy. The framework for implementing the Sustainability Vision 2020 is explained in detail hereafter, while more information about sustainability at Nutreco can also be found on our website (www.nutreco.com).

As we look ahead to 2013, a key sustainability focus area will be on nutritional solutions and finding new ways to distinguish ourselves through our product portfolio. A core part will involve the sustainable sourcing of ingredients in a way that is aligned with market requirements.

We made steady progress against each of our stated objectives for 2012. For an overview of our achievements please see page 56. The objectives are aligned with the long-term goals of our strategy and are grouped into the following four areas:

- Ingredients
- Operations
- Nutritional solutions
- Commitment





About these Sustainability pages

This Sustainability Report has been integrated into the Nutreco Annual Report 2012 to offer readers a holistic and representative view of sustainability activities at Nutreco. It addresses issues that are deemed critical and material to our company, including megatrends such as resource availability, biodiversity protection, water, climate change, and food safety. Our vision and approach are also contained in the Sustainability Vision 2020, as well as our approach to economic sustainability, and various management subjects, such as corporate governance and risk.

The report is based on the Sustainability Reporting Guidelines (G3) in addition to select criteria from the Dow Jones Sustainability Index and the Dutch Transparency Benchmark.

We report over twenty GRI performance indicators. Not all relevant data were available at the time of publishing. These data will be published on the Nutreco website (www.nutreco.com) by mid-2013.

The data covers those parts of the organisation where Nutreco is active and not the activities of suppliers or customers. There are no major changes in the scope of the report from last year.

Nutreco has sought independent assurance on the contents of the chapter on Sustainability (pages 44-61) from KPMG Sustainability. Its assurance report can be found on page 203. The report achieves a B+ status based on the required performance indicators of GRI (see 207).

Managing Sustainability

Objective 2012:
Develop and implement local sustainability action plans, including regular progress reports.

In early 2012, we formally launched 'Sustainability Vision 2020' at Nutreco's management conference in Barcelona, and which contains the framework and guiding principles for all our sustainability actions in the years ahead.

The identification of key sustainability issues for this vision was based on a number of sources, including surveys by the Food and Agriculture Organization (FAO) of the United Nations, the World Economic Forum and the European Union, and on topics raised at our biennial conferences Agri Vision and AquaVision. Among the most material issues we face are resource availability, biodiversity protection, water, climate change and food safety. The scope of this chapter is based on the issues and topics contained in the Sustainability Vision 2020.

These issues are fully addressed by the Executive Board, and fall under the responsibility of CEO Knut Nesse. Sustainability is implemented across the businesses with the support of the Corporate Sustainability department, which is led by the Director R&D, Quality Affairs and Sustainability, who reports directly to the CEO in this matter. In addition to the Corporate Sustainability Department, there are sustainability managers in the operating companies. This network plays an important role in sharing experiences, developing common practices, and communication.

Each of the four main pillars of the Sustainability Vision 2020 fall under the responsibility of a member of Nutreco's top management, who lead strategic teams responsible for progress in each area. In parallel to this, Nutreco's two Chief Operating Officers, who are members of the Executive Board, are responsible for the implementation of sustainability strategy within their divisions.

Nutreco tracks its progress against specific sustainability targets, which impacts the variable compensation of Executive Board members, corporate staff and managers in the business units and operating companies.

Sustainability is also recognised as an important element for Nutreco's Supervisory Board agenda. The Innovation and Sustainability Committee is a subcommittee of the Supervisory Board, demonstrating the strategic importance of sustainability for Nutreco.

The Innovation and Sustainability Committee of the Supervisory Board met three times this year. The main subjects for discussion included: Sustainability Vision 2020, sustainability actions in 2012 and overall progress, integrated reporting, Nutrace and manufacturing and regulatory issues related to innovations. At his last meeting with the Innovation and Sustainability Committee, departing CEO Wout Dekker reflected on the Committee's many activities and achievements, while the new CEO Knut Nesse shared his ambitions and vision.

The Sustainability Vision 2020 is organised under four central themes: ingredients, operations, nutritional solutions and commitment. The objectives outlined in each theme are translated into local Sustainability Action Plans at a business unit or operating company level.

In 2012, a total of 24 action plans were launched, with progress reported on a quarterly basis. Each plan contained six mandatory targets, covering all four elements of our Vision 2020 and a number of voluntary actions. These plans were aligned on a worldwide basis.

The information in this chapter has been compiled based on interviews with those responsible for the main areas of the strategy, and on progress reports of the Sustainability Action Plans in each business unit.

Many of the key sustainability themes that have challenged our industry in recent years continued to be focus areas in 2012. In food production, where much of the attention has been on environmental performance and the concept of a circular economy, we saw human rights and labour issues move higher up the agenda. At the same time, the supply of sustainably sourced raw materials continued to be a major theme, driving ongoing development work on alternative raw materials, and new technologies to provide them in a responsible way. There has also been an increased focus on the water footprint, and we launched a study with Wageningen University and Research Centre to examine ways of reducing the water footprint in animal production.

	2012	2011
Sustainability Action Plans	24* (100%)	25 (100%)
Companies with one or more progress reports during the year	24 (100%)	24 (96%)
Companies with progress reports every quarter	21 (88%)	13 (52%)

** Due to divestment of Hendrix*

PERFORMANCE 2012

In 2012 we made steady progress on our strategic focus areas, which are described below.

For more information about our sustainability performance please visit www.nutreco.com.

Ingredients

Objective 2012:
Engage with top 300 global suppliers (by spending) on the vendor policy and further integration of sustainability in supplier management and supply chain projects

Sustainable sourcing

Our aim is to enable customers to purchase nutritional solutions made from ingredients sourced through third party systems that share our sustainability values, and to prioritise those that comply with our vendor policies. To this end, we engage with our partners in the feed-to-food value chain to establish, control and manage systems for sourcing sustainable raw materials in a responsible way.

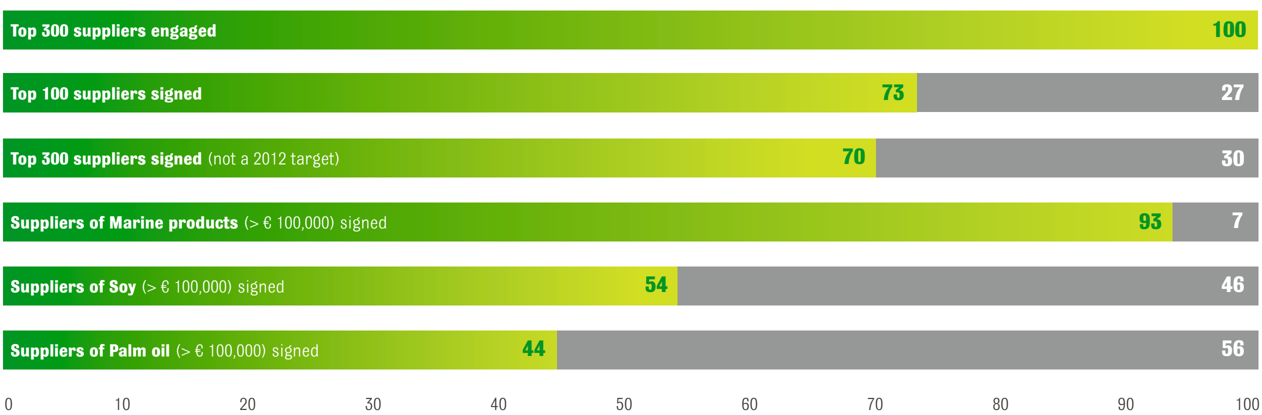
In 2012, we engaged with our top 300 global suppliers (in terms of spending) to communicate our new vendor policy, that was launched in 2011, and developed guidelines for a range of services, including non-raw materials. These actions enabled us to finalise our supplier audit plan, and select suppliers that are closely aligned with our sustainability objectives.

We also launched our Procurement Roadmap to 2016, which focuses on reducing supply chain costs and increasing efficiency, developing a sustainable supply chain with our partners and ensuring the security of sustainable supplies. Our ambition is that sustainability will be an integral part of supplier negotiations by 2013.

In the years ahead, we will continue to develop our insights and segmentation of top suppliers, while investing in training and other platforms for increased professionalism in this area.

Results Supplier Engagement and Sign-off (FY 2012)

Yes (%) No (%)



** Starting point: Supplier Engagement Result 2012*

Sustainable partnerships

Our aim is to increase and strengthen our sustainable partnerships and supply chain projects. We will achieve this by forming strategic partnerships with key suppliers that enable us to innovate together, while analysing our supply chain on a regional basis to identify the most suitable partners from a sustainability point of view. In 2012, we held over 10 board-level meetings with our main strategic global partners to discuss joint projects, a number of which were selected for further development.

As part of our engagement efforts, we participate in multi-stakeholder roundtables such as the Round Table on Responsible Soy (RTRS), the Aquaculture Stewardship Council (ASC) and the Roundtable on Sustainable Palm Oil (RSPO). These forums greatly support our efforts to promote sustainable sourcing.

In the 'Leaders for Nature Inspirational Programme on Biodiversity' hosted by IUCN-NL, ten multinational companies focus on creating an effective long-term vision and strategy to halt biodiversity loss and stimulate the restoration of ecosystems. In 2012 Nutreco, together with PricewaterhouseCoopers, contributed to this partnership with our knowledge of shrimp feed production in Asia, knowing that aquaculture continues to experience rapid growth in this area, but also faces key development challenges.

Flexible formulations

By 2020, we expect to have lowered the barriers for increased food production by further reducing our dependency on scarce ingredients. We will conduct a strategic analysis of long-term ingredient trends to enable us to develop a shortlist of ingredients for research programmes and engagement activities that help us to define improvement targets.

In Aquaculture, our innovative MicroBalance™ concept is a sustainable product solution that provides nutritionists with far greater flexibility in feed raw materials, by identifying alternative sources of essential functional micro-ingredients that are conventionally provided by commodity materials such as fishmeal. By sourcing these ingredients from alternative raw materials that are cheaper, farmers can offset rising fishmeal prices, while contributing to greater sustainability.

After the successful introduction of MicroBalance™ to Atlantic salmon in Australia, Canada and Chile in 2010 and 2011, we successfully applied this concept to other species in 2012, including turbot and yellowtail.

We also continued our innovative research into the more efficient and sustainable use of limited fish oil resources in fish feed production. One study focused on determining the minimum need for marine long chain omega-3 fatty acids (EPA and DHA) in Atlantic salmon to secure good growth, feed efficiency, fish health and product quality. We also received a four-year European Union-funded grant to optimise dietary fatty acid composition and antioxidant sources and concentrations.

Operations

Reducing the environmental impact in our operations

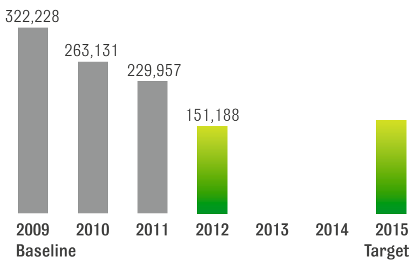
Objective 2012:
Implement energy efficiency plans and manufacturing sites and establish and implement carbon footprint reduction plans for other relevant operations

Our energy efficiency efforts are not just relevant to operations but also to offices, warehouses, R&D facilities, travel, logistics and other Nutreco activities. In 2012, our focus continued to be on identifying efficiency-improvement opportunities and carrying out the required changes.

These actions, which were the continuation of measures we have taken over several years, have enabled us to achieve our goal of halving the carbon footprint of our manufacturing plants at all operating companies, with a total reduction of 53% in 2012 against the 2009 baseline. We have achieved this goal prior to the stated deadline of 2015. An important part of the reduction was realised through renewable energy certificates, that offsets carbon emissions from our power consumption. This was accomplished via GoO's (Guarantees of Origin) from Norwegian company Lyse in accordance with the EU Council's Renewable Energy Directive (2001-77-EC). Other initiatives that contributed to reach this goal include the following:

1 A company-wide focus on energy efficiency projects, based on a centrally organised approach with central systems, databases and support for the individual businesses.

Carbon footprint manufacturing[1]
(tonne CO_2)



1 The reported carbon footprint refers to Scope 1 and Scope 2 emissions as defined in the GHG Protocol. These are absolute (total) figures for both 2009 and 2012. If we correct this figure for the companies acquired and sold in this period (in accordance with GHG Protocol procedures) the reduction in 2012 would have been 50.48% of the 2009 emission. 2011 data include emissions from operations acquired at the end of 2011, which were not included in the footprint reported last year.

This led to strong cooperation and coordination between the divisions and operations, which resulted in hundreds of energy efficiency projects being identified for the period 2011-2015.

2 A number of specific investments were made to target energy reduction, such as the one carried out at our operating company Sloten, which resulted in a significant reduction of energy at Sloten. Also reduction projects were executed at other Nutreco sites than the manufacturing plants in order to contribute to Nutreco's sustainability objectives.

3 A reduction of 90% in refrigerant losses from our cooling systems, primarily at our Spanish meat business. These refrigerants are between 100 and 1,000 times more harmful than CO_2 and their reduction contributes significantly to lowering our footprint.

Having achieved our 2015 objectives in 2012, Nutreco is now able to focus on this area in more detail, and make further energy efficiency gains at our operations and in logistics, where we have not yet completed carbon footprint assessments. This will be a key activity for operations for the coming years and thereafter.

Feed-to-food quality and safety

Objective 2012:
Execution of feed-to-food quality and safety self-assessments based on renewed Nutrace standards

Our aim is to implement a single, standardised feed-to-food quality and safety approach worldwide by 2016 based on Nutreco business requirements. Nutreco's feed-to-food quality and safety programme is called 'Nutrace' and outlines specific requirements in the following areas:

1 Certified quality and food safety
2 Ingredient supplier assessment and management
3 Monitoring and control
4 Risk management
5 Tracking and tracing

In 2012, all our operating companies completed Nutrace self-assessments with the help of local quality managers (see table).

Business	# self-assesments executed in 2012
Nanta	17
Nutreco Canada	13
Skretting	12
Trouw	28
TOTAL	70 (100%)

These assessments provide us with a comprehensive overview of our performance in this area. The average Nutrace compliant score for the whole of Nutreco was 91.5%. The average Nutreco scores for the five different Nutrace standards are:

Nutrace® standards	Scores
Certified Quality and Food Safety	93.4
Ingredient supplier assessment and management	86.7
Monitoring and control	92.1
Risk management	91.5
Tracking and tracing	94.0

The results show several differences between businesses, with the ingredient supplier assessment and management needing the most attention overall.

For 2013 we set ourselves the target of having an average total Nutrace compliance score of 95% or more and a minimum of 90% score for each individual standard. All Nutreco businesses have been asked to establish and execute action plans to meet these targets.

We have also begun executing our Quality Management Roadmap 2016. The aim is to standardise all quality management approaches and systems across the businesses. It comprises the implementation of a new governance structure and the realisation of a quality management toolbox using Unite software solutions. Unite is the Nutreco wide project to harmonise business processes and systems. The focus in 2013 will be on the roll-out of a new document management system and an ingredient-supplier assessment and management tool.

Our working environment

Objective 2012:
Develop and conduct a global employee motivation and engagement survey

We aspire to be the most attractive employer in animal nutrition and aquaculture by offering a uniquely international and high-quality working environment, in which performance and world-class leadership is encouraged and appreciated. A culture of high performance and world-class leadership is also essential to achieving the objectives of our strategy 'Ambition 2016 - driving sustainable growth.'

To achieve our aims, we have focused on delivering the right talent, services and programmes to the organisation, within a healthy and safe working environment at all our offices and facilities, and making sure that our labour market position compares favorably against that of our peers through global benchmarks. This includes careful consideration of local minimum employment standards, labour conditions and human rights in our operations around the world.

In 2012, we made significant progress on preparation work for our Employee Engagement Survey, to be undertaken in 2013. This survey was initially planned for launch in 2012, but after careful consideration, has been postponed until 2013 to ensure that the right personnel, preparation, and training were fully in place.

The survey is an invaluable tool for measuring employee commitment, drive, and loyalty through feedback and communication and will be undertaken by an independent company or advisor. As part of our commitment to sustainable engagement practices, it is our intention to launch an Employee Engagement Survey every two years, and to start benchmarking selected human resources KPIs on a regular and consistent basis.

For more information about our working environment please refer to the Human Resources chapter on page 74 of this report.

Nutritional solutions

Objective 2012:
Further integration of sustainability into our innovation processes and marketing plans

Developing sustainable nutritional solutions

In 2012, we further integrated sustainability assessments as a core part of our innovation process for new research projects in both our Animal Nutrition and Aquaculture divisions. Our ambition is to increase the proportion of our portfolio with clear sustainability benefits that we can communicate in a structured and consistent way. Integration of sustainability assessments in our innovation processes is conducted at specific stages of our 'idea-to-market' stage-gate process, which runs from idea to post-launch evaluation. Elements include eight key questions in the areas of ingredients, production and impact.

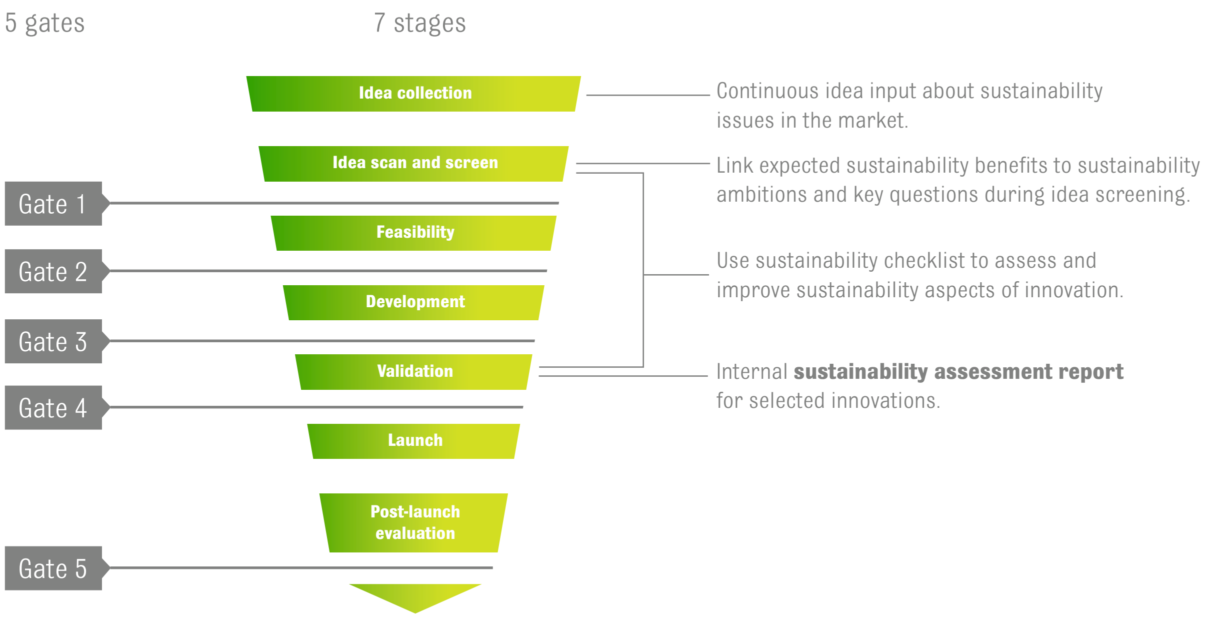
- **Ingredients**
  Are the raw materials supplied in a responsible way?
- **Production**
  Can we produce the solutions in a responsible way?
- **Impact**
  Will the solution provide a sustainable return on investment?
  Does it increase animal performance?
  Does it reduce the use of scarce raw materials?
  Can it contribute to the conservation of biodiversity?
  Will it improve animal health and welfare?
  Will it improve human health, safety and well-being?

Some of the questions are answered quantitatively and others by qualitative indicators. Our ambition is to have more quantitative data built into our sustainability assessments, to accurately validate the sustainability level and communicate the sustainability benefits of products, concepts and innovations after launch.

From 2013 onwards, all stage-gate innovation projects will undergo the sustainability assessment test. For more information about this process, please see the diagram below and the Innovation chapter on page 62 of this report.

To ensure consistency, the assessments are carried out by Nutreco Quality Affairs for both divisions. The Nutreco sustainability assessment was applied to 15 new and existing products in 2012, generating our first set of internal sustainability reports. Our longer term aim is that our operating companies will communicate the findings of such reports to the market. This will enable our customers to better understand the sustainability qualities of our products in an objective and scientific way. A designated team with members from Quality Affairs, Corporate Sustainability and the business has been set up to streamline this communication process.

Stage-gate innovation process



Farm and feed performance

We enable farmers to improve their performance through predictive farm models and nutritional solutions that increase efficiency while reducing emissions. Our research data leads to a more efficient use of feed ingredients while improved data validates the predictions provided by Nutreco animal models such as Watson, Newton, Novalac and Rumenac. Some of the most significant nutritional solutions and new additions to our animal nutrition models launched in 2012 included:

- **Vivalto:** a rumen-protected feed additive that improves overall production efficiency through a blend of post-absorptive enzyme cofactors
- **Watson:** our animal feeding model, was introduced in additional countries, while investments were made to incorporate new technologies into our ruminant, pig and poultry models for commercialisation in 2013 and 2014
- **Split Feeding System:** a layered feeding concept that comprises a morning feed and an afternoon feed, and aims to optimally fulfil the nutritional requirements of hens for the different stages of egg formation, thereby reducing excretion of nutrients
- **Presan:** a feed additive which makes use of new research techniques, supporting gut health in two important areas: microbiota management and gut wall integrity

In Aquaculture, we have begun to integrate nitrogen and phosphorous emissions in our farm models for salmon and trout. We expect to be able to apply these to our models for customers in 2013 and make this model applicable to other important species, such as sea bass and sea bream.

Animal and human health

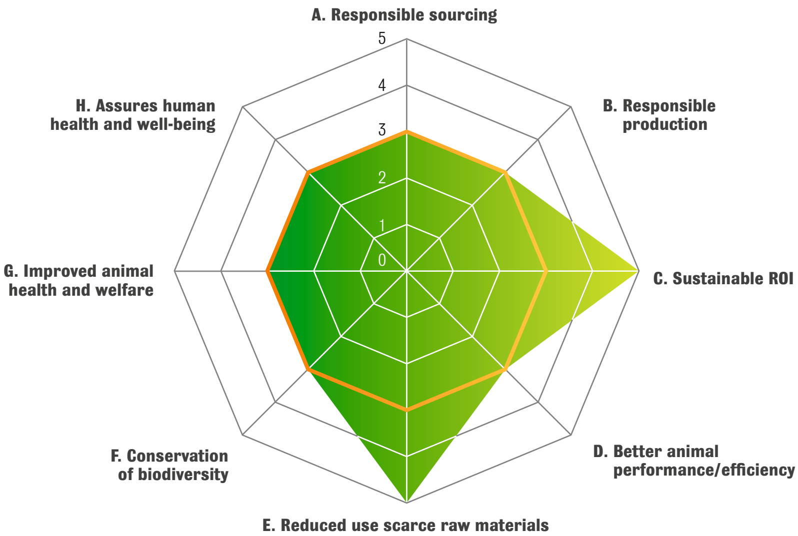
One of the themes in Nutreco's R&D Science Strategy is animal health. Our aim is to provide nutritional solutions that improve animal health and performance. Supporting gut health increases production efficiency, leading to more output with less input and it also supports our customers' efforts to reduce antibiotic use. Examples of animal health research projects are Presan and Immunoforce. Immunoforce is a project that aims to develop concepts for promoting development of immune competence in young animals through functional nutrition.

In 2012, we also undertook a number of research programmes to promote animal health through nutritional solutions that address key challenges in zoonotic related issues. An example of this is our Fysal® feed additive programme, which contributes to salmonella control in poultry as a fundamental part of the Sada Salmonella Control Programme. Nutreco researchers are now expanding their work to campylobacter control.

In Aquaculture, health is a core priority for the Skretting ARC, and its three-year research plan. This plan focuses on ways to stimulate fish health to help them to cope with challenging environments and nutritionally supporting them to prevent and minimise the impact of diseases.

SUSTAINABILITY

Example of sustainability assessment



Assessment results
Neutral/acceptable line

Scores:
1. Immediate action required
2. Deserves attention
3. Acceptable
4. Good
5. Excellent

Sustainability differentiators:
Strong ROI for Nutreco and farmers through reduced feed formulation cost (higher flexibility of formulation). Feed solution reduces the potential use of fishmeal and aquaculture diets.

MicroBalance™

Commitment

Employee engagement

Objective 2012:
Engage employees on Nutreco's Sustainability Vision 2020

Over the year, we actively sought to engage and inform employees about our Sustainability Vision 2020. The introduction of the Sustainability Vision 2020 was chosen as one of the six mandatory targets in our Sustainability Action Plans. We also made a start with the development of a system for measuring internal sustainability awareness that enables us to define the awareness and engagement levels and to develop and roll-out an internal sustainability communication and engagement approach.

In 2012, we shared the Sustainability Vision 2020 throughout the organisation through established channels including our internal employee magazine and our internal sustainability website. Our efforts included the publication of the Sustainability Vision 2020 booklet, which summarised its main features. The booklet was distributed worldwide in several languages, while sustainability awareness sessions were organised in several functional and regional teams. In addition, new channels were introduced both on a corporate and a local level to engage our employees on sustainability. Examples included functional and regional workshops, town hall meetings in Canada, a sustainability award for employees at Selko, a social committee in Chile that won a national sustainability award, a Feeding the Future school project in Norway and the integration of sustainability in introduction programmes for new employees. These best practices were actively shared throughout our organisation. A team from our development programme for high potentials 'Expanding Horizons' received the assignment to provide input for this engagement programme, which will be presented in March 2013 to the Executive Board.

Our main engagement programme at a global level will be aligned with the Nutreco Branding Project, and will therefore be further developed in 2013.

Stakeholder engagement

Objective 2012:
Redefine strategies for stakeholder engagement and organise AquaVision 2012: 'Meeting Tomorrow Today'

We are committed to promoting multi-stakeholder debates and initiatives as part of our Sustainability Vision 2020 and maintain an ongoing dialogue with stakeholders such as (trade) associations and networks, governmental and non-governmental organisations (NGOs) and include their feedback in the strategy. In 2012, we postponed the development of some aspects of our new stakeholder engagement strategy to coincide with the appointment of our new Corporate Communications Director.

Despite this delay, we successfully organised AquaVision 2012 (see pages 58-59) while continuing to contribute towards the debate around sustainable livestock precision farming in Europe, China, Canada and Brazil. Pressing subjects to emerge from our stakeholders in 2012 were that of water footprint, biodiversity loss and human rights.

Other stakeholder meetings and conversations also took place in the year with institutional investors (including socially responsible investors), scientists, media, customers and suppliers.

Community development

Objective 2012:
Develop Community Development Strategy

Our aim is to enable more small farmers in developing markets to raise their productivity by sharing our knowledge on basic agriculture and aquaculture.

We continued to make steady progress on our community involvement in rural Bangladesh, where we stimulate development by supporting agriculture and pond aquaculture through micro-finance and training. Over 2,500 of the estimated 3,000 beneficiaries now participate in the programme ‘Empowering the Poor through Integrated Agriculture (EPIA), installed by local NGO SLOPB. Our poultry and fish specialists gave on-site training in the region for 22 days. In 2012, we conducted a mission to train the staff of the EPIA project in management and reporting skills for 15 days.

At the farewell of Wout Dekker as CEO of Nutreco in September 2012, Nutreco committed itself to supporting the African Agribusiness Academy (AAA) for the next five years. The AAA is an entrepreneurial platform that seeks to foster innovation and growth of small and medium scale agribusinesses in Africa with the ultimate aim of contributing to economic growth and improvements to rural income and food security. The AAA is an initiative of Wageningen University in the Netherlands, in partnership with Sokoine University in Tanzania.

Strategic achievements 2012

The table below provides an overview of our strategic progress in 2012.

2012 OBJECTIVES	RESULTS 2012	STATUS
Managing sustainability		
Develop and implement local sustainability action plans, including regular progress reports	• All key local action plans were developed and implemented and quarterly progress reports were created for the majority	fully realised
Ingredients		
Engage with top 300 global suppliers (by spending) on the vendor policy and further integration of sustainability in supplier management and supply chain projects	• By year-end 2012, we had engaged with our top 300 suppliers • Continued to select strategic suppliers to partner with in sustainable supply chain projects • Continued developing a strategic analysis of long-term ingredient trends	fully realised
Operations		
Implementing energy efficiency plans in manufacturing sites and establishing and implementing carbon footprint reduction plans for other relevant operations	• Target 2015 met in 2012: 53% reduction realised (baseline 2009). • Energy efficiency plans are implemented throughout Nutreco and are included in all performance agreements	partly realised
Execution of feed-to-food quality and safety self-assessment based on renewed Nutrace® standards	• Self-assessments progressed well and targets were met by year-end	fully realised
Develop and conduct a global employee motivation and engagement survey	• Our employee survey was developed in 2012, survey will be executed in 2013	partly realised
Nutritional solutions		
Further integration of sustainability in our innovation processes and marketing plans	• Sustainability assessments were carried out on 15 innovations by year-end. • We continued integrating sustainability into our innovation processes and marketing plans together with new communication and branding managers, and the Application and Solution Centres	fully realised
Commitment		
Engage employees on Nutreco's Sustainability Vision 2020	• We published our Sustainability Vision 2020 and distributed it across all operating companies in a number of different languages and held awareness sessions	fully realised
Redefine strategies for stakeholder engagement and community development	• We slowed down some of the development work on our new stakeholder engagement strategy • Community development: a new initiative was embraced - the African Agribusiness Academy	partly realised
Organise AquaVision 2012	• The event successfully took place in Stavanger, Norway, in June, with a record number of delegates and 95% satisfaction ratings	fully realised

fully realised *partly realised*

Strategic objectives 2013

We have formulated a set of key strategic objectives for 2013 under the same headings, which are described in the table below.

2013 OBJECTIVES

Managing sustainability

- Further integration of sustainability reporting, including sustainability KPIs in regular planning & control cycle

Ingredients

- Sign-off of vendor policy by relevant top 300 suppliers and other relevant suppliers (threshold: € 100,000) of soy, palm oil and marine products

Operations

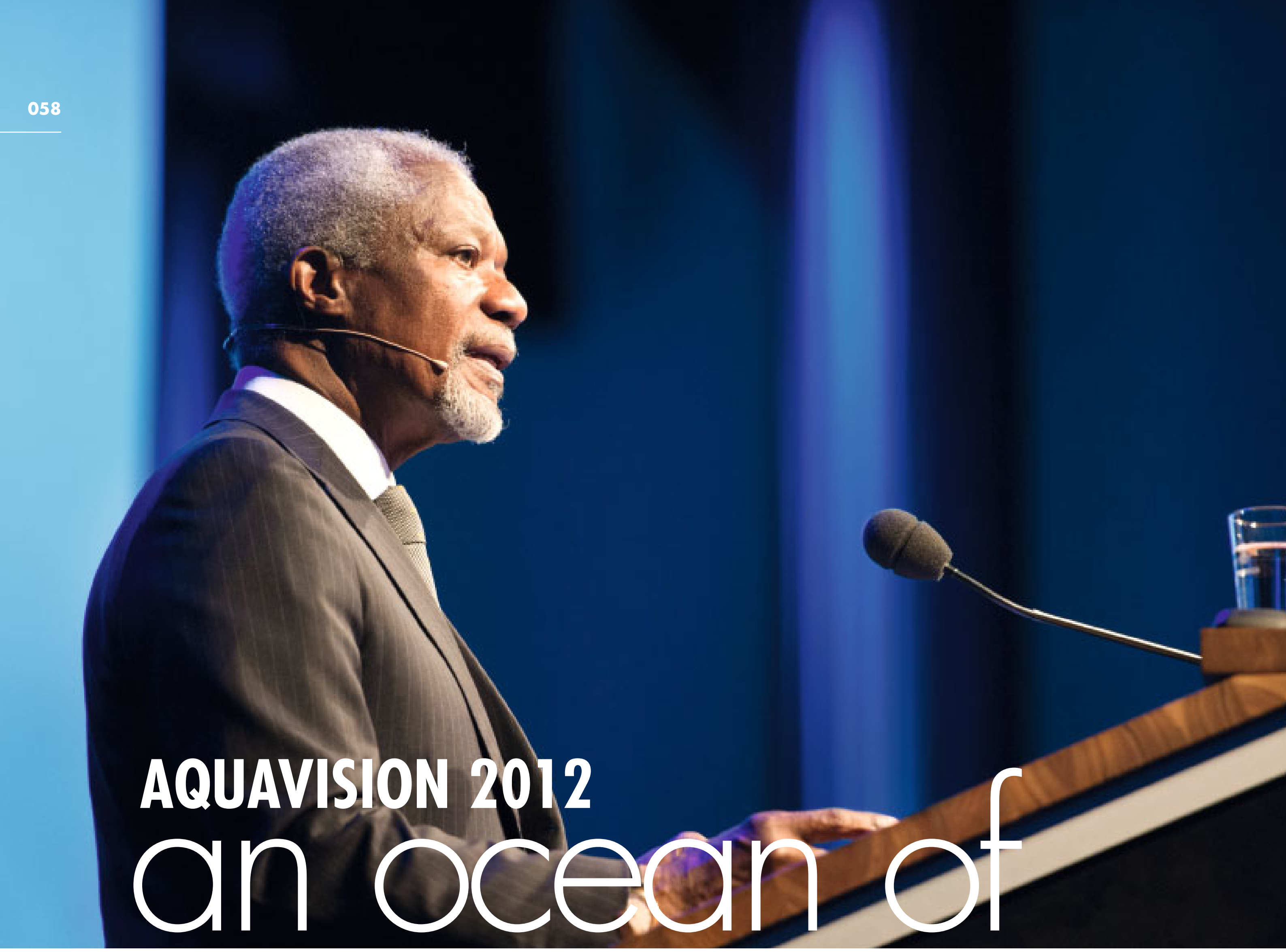
- Further implementation of energy efficiency plans and identify and share logistic efficiency projects
- Average Nutrace compliant score of 95%
- Execution global employee survey

Nutritional Solutions

- Design, test and verify (by third party) the methodology and set of criteria to assess the sustainability of Nutreco's portfolio of new nutritional solutions to be ready for external launch in 2014

Commitment

- Organise Agri Vision 2013
- Start cooperation African Agribusiness Academy



AQUAVISION 2012
an ocean of opportunities

More than 400 delegates from 33 countries attended our three-day AquaVision 2012 conference in June. The highly successful event, held in Stavanger, Norway, brought together a range of industry, governmental and non-governmental participants, and notably included Kofi Annan, the former Secretary-General of the United Nations and active ambassador, who delivered the keynote speech.

Annan spoke about the enormous potential for the aquaculture industry to help sustain population growth and economic development. He asked sector companies to look beyond their bottom line and help accelerate production by sharing knowledge in partnership with small fish farmers in developing countries. He also congratulated the industry for its focus on improving sustainability through initiatives such as the Aquaculture Stewardship Council, and urged participants to be mindful of the effects of climate change and its impact on productivity in the years ahead.

The most consistent messages heard at the conference from a number of speakers were the potential for aquaculture to continue growing at a rapid pace and the industry's drive towards greater sustainability. Several sessions were devoted to the development of aquaculture in Asia, where aquaculture continues to experience rapid growth, but also faces key development challenges.

A concise overview of the main developments expected in aquaculture until 2030 and the role it must play in securing food for expanding populations was presented by Árni Mathiesen, the Assistant Director General of the UN's FAO Fisheries and Aquaculture Department. Mathiesen noted that fish consumption per capita had achieved a record high of 17 kg in 2011, and that aquaculture would continue to play an increasing role in delivering further, as capture fisheries are likely to remain static in order to remain sustainable.

Sustainability was the key theme for Dr Alex Obach, Managing Director of Skretting ARC, who described the most recent advances in fish feed that are contributing to making a more efficient use of available raw materials. Skretting's MicroBalance™ technology, which was first introduced in 2010, continues to enable farmers to reduce fishmeal in feed for several species including salmon, trout, sea bass and sea bream, he explained. The ARC is now working on an equivalent technology for shrimp feed, while also continuing to develop solutions that significantly reduce fish oil contents in feed. "These are excellent and sustainable raw materials but the supply is limited so we need to identify alternatives for aquaculture to expand," said Obach.

The pressure on the aquaculture industry to create environmentally friendly means of producing healthy protein foods through innovation was also emphasised by Knut Nesse, who spoke while still Nutreco's COO Aquaculture. "As our knowledge of fish nutrition increases, so our dependence on limited resources such as fishmeal and fish oil decreases," he said. "Our raw material options become wider and aquaculture has become a net fish protein producer, even with carnivorous species such as salmon. Even so, as an industry we must continue to find ways of further improving our sustainability."

During the closing remarks, Wout Dekker gave his final public presentation as Nutreco's CEO, reflecting on his 30 years of involvement in the industry. He explained that while the industry had rapidly transformed in recent years, many

of the fundamental issues it faces today have not changed greatly since the first AquaVision conference in 1996, and that it continues to be a market with excellent fundamentals. However, he warned, to realise its full potential, industry stakeholders must be committed and prepared to communicate more effectively to the outside world. "You have a great story to tell but you are not telling it," said Dekker, repeating the statement of John Naisbitt, author and philosopher, at AquaVision 2006.

AquaVision was founded in 1996 based on the belief that by working together across the industry, and providing a forum to inspire, inform and share industry knowledge, benefits would be created for all stakeholders. Some 5,000 people have attended AquaVison conferences since then and AquaVision has enabled Nutreco and its subsidiary Skretting to play a constructive role in fostering responsibility across the industry.

The delegates at AquaVision 2012 gave the conference an approval rate of 95 percent, with 94 per cent stating they would register for the next conference.

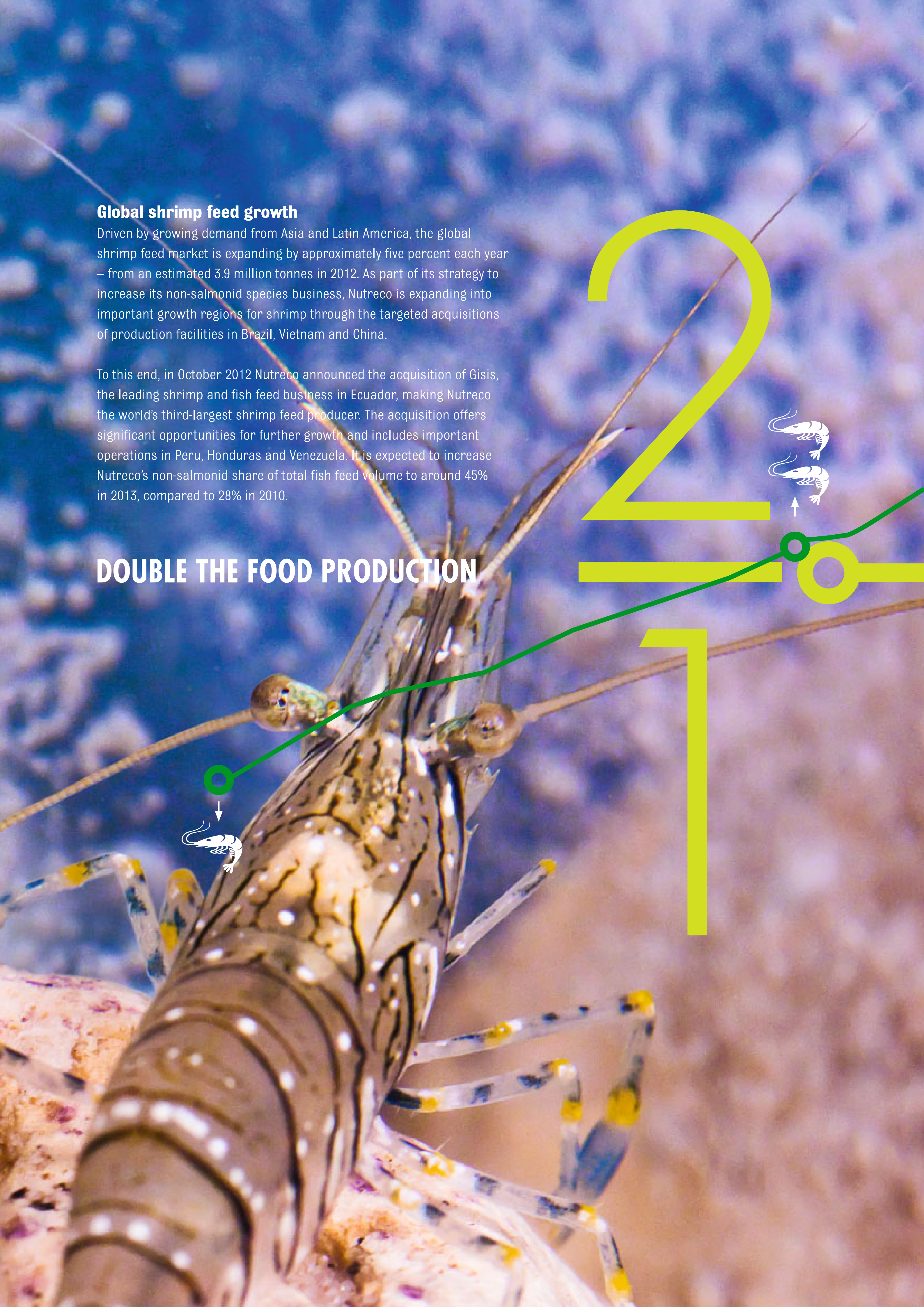
> *"I do not ask you to change direction, I ask you to accelerate progress."*
> **Kofi Annan** | AquaVision 2012

Global shrimp feed growth

Driven by growing demand from Asia and Latin America, the global shrimp feed market is expanding by approximately five percent each year – from an estimated 3.9 million tonnes in 2012. As part of its strategy to increase its non-salmonid species business, Nutreco is expanding into important growth regions for shrimp through the targeted acquisitions of production facilities in Brazil, Vietnam and China.

To this end, in October 2012 Nutreco announced the acquisition of Gisis, the leading shrimp and fish feed business in Ecuador, making Nutreco the world's third-largest shrimp feed producer. The acquisition offers significant opportunities for further growth and includes important operations in Peru, Honduras and Venezuela. It is expected to increase Nutreco's non-salmonid share of total fish feed volume to around 45% in 2013, compared to 28% in 2010.

DOUBLE THE FOOD PRODUCTION



Dr Alex Obach
Managing Director of Skretting ARC

> *"Our research teams comprise highly skilled specialists, based in five countries, and are supported by substantial annual investments in R&D. We are ideally positioned to contribute towards the global growth of shrimp production in a responsible and sustainable way."*

HALF THE FOOTPRINT

A further element to this strategy is to leverage Skretting's global R&D knowledge to help shrimp farmers increase their production in a more sustainable way. To date this has included extending the capabilities in rapid near-infrared analysis to help deliver more consistent and higher quality shrimp feed. Alongside this, and following its success with other fish species, researchers are also looking to apply MicroBalance™ the highly innovative and sustainable product solution from Skretting Aquaculture Research Centre (ARC), to shrimp feed.

In 2012, Skretting opened a new ARC unit in China, where it began its first shrimp feed trials.

INNOVATION

market-driven and science-based

Innovations in Nutreco are focused on delivering sustainable and commercially viable feed solutions in animal nutrition and aquaculture, to meet the latest market requirements. In 2012, Nutreco again delivered a large number of successful innovations. Close cooperation between our global Research Centres, Application and Solution Centres and local operating companies has contributed to the productivity, profitability and sustainability of animal production.

Innovation aligned to market needs

Our knowledge of nutritional value in feed and the application of relevant models help us to meet technical, financial and environmental objectives of our main customer segments across the globe: farmers, distributors, the feed industry and integrators.

In Animal Nutrition, our Application and Solution Centres (ASCs) provide a necessary interface between the needs of the local markets and the global Research Centres, indicating research priorities and steering successful innovations. This includes ideation from the newest developments in science. The Application and Solution Centres work with our Research Centres to create customer-driven products and services, and they optimise the commercialisation of innovations.

In Aquaculture, R&D is managed by the Skretting Aquaculture Research Centre (ARC) headquartered in Norway. ARC coordinates with the Skretting Innovation Team on the research findings, product development and launch of new products and solutions. The global Innovation Team consists of members from Skretting Group Marketing Management and R&D and is designed to understand and meet the customer needs - both local and global.

Nutreco uses an idea-to-market stage-gate process to screen and monitor the best ideas and most sustainable solutions to enable best possible performance for both farmer and animal.

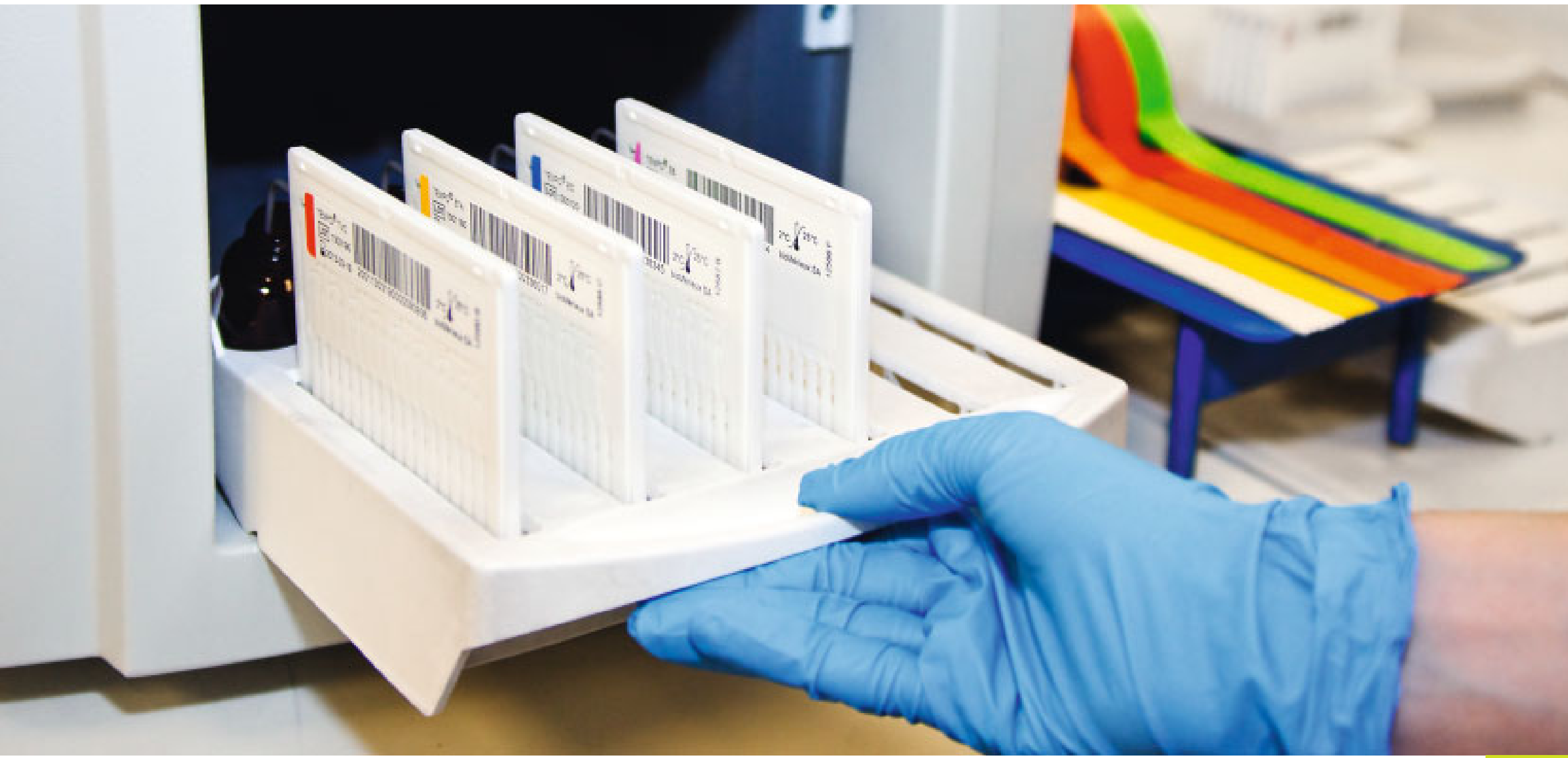
There are several research platforms that involve extensive collaboration between research teams across Nutreco. An example is the Gut Health Platform, which links researchers investigating the influence of nutrition on the function and health of the gut in ruminants, swine, poultry and fish. This platform has connections in joint research projects with leading universities and institutes, delivering commercially applicable science solutions.

Science strategy continues to deliver

Now in its second year of implementation, our long-term Science Strategy is aligned to the needs of our customers and partners, and with the objectives of Nutreco's strategy 'Ambition 2016 - driving sustainable growth.' This strategy is designed to optimise the contribution from science to support each of Nutreco's businesses in implementing their strategies, and has continued to yield notable results. It comprises two distinct areas: quantitative nutrition and functional nutrition.

Quantitative nutrition

This includes products, models and services that enable producers to improve overall efficiency and optimise nutritional inputs to achieve both desired technical and financial outcomes on-farm. In doing so, they provide the most effective response to the long-term trend of higher and more volatile commodity prices.



Functional nutrition

This includes products and nutritional solutions that address the role of diet in supporting the health and wellbeing of farmed animals. Nutrients, including the micro-nutrients, can also enable physiological functions and genetic potential to contribute to animal productivity.

Our focused strategic approach ensures we have the right competencies, collaborations and resources to deliver on our ambitions. Our innovations are aligned to meet the needs and concerns of our customers.

Sustainable innovations

In a world with limited natural resources and a growing population, our vision is to play a leading role in developing and supplying the most efficient and sustainable feed solutions. In 2012, the R&D and marketing teams in Animal Nutrition and Aquaculture continued to work in close consultation with our Corporate Sustainability team, which takes the lead in delivering our main sustainability ambitions described in our Sustainability Vision 2020. Some of the most sustainable innovations that were developed and brought to market were Presan, Vivalto and MicroBalance™, as described on the following pages.

Highlights quantitative nutrition Animal Nutrition 2012

Evaluation of feed and feed ingredients leading to optimised cost formulations

The Nutrix platform continued to critically review our feed evaluation systems and develop new and improved methods for precision livestock nutrition. In times of high volatility in raw material prices, advanced feed formulation services are an important asset for customers seeking more cost-efficient and sustainable solutions.

Near-Infrared Reflectance (NIR) spectroscopy is an analytical technique that compares the spectrum of near-infrared light reflected from a sample with reference calibrations, which provides a rapid, low-cost method for predicting the nutritional value of feed ingredients and on-farm forages. It contributes to improved data on feed ingredients and enables these values to be applied in least cost formulation systems and models to design highly effective and efficient nutrition programmes. Most Nutreco feed plants have NIR equipment for rapid assessment of feed ingredients and finished feed, which are connected to Nutreco's central NIR database through a project known as NIRLine.

Nutreco combines NIR data with the expertise and activities of Nutreco laboratories in Europe and Canada. Our partnership with the Ministry of Agriculture Feed Industry Centre, part of the China Agricultural University of Beijing, has enabled us to deliver greater insight in the variability of nutritional value of commonly used feedstuffs. In 2012, the Nutrix platform measured the content of total phosphorus and inositol phosphate in commonly used feed ingredients and used NIR to provide a more dynamic approach for the estimation of phosphorus content.

For swine, a new Net Energy System was developed in 2012 that can help increase the accuracy of feed formulation. The energy value of feedstuffs is the most important and most costly driver of feed formulation. Accurate formulation of feed that matches the nutritional needs of animals in different stages of production depends on the accuracy of the assessment of the energy value of the feedstuffs. Nutreco researchers have developed a new energy evaluation system which differentiates between growing pigs, and gestating and lactating sows. The new Net Energy System for sows shows a clear opportunity to use more fibrous by-products in sow feed, an important step towards greater accuracy in feed formulation and precision feeding. Given the outlook of increasing scarcity of and competition for grains, any development which offers more sustainable alternatives is welcomed by our customers.

For poultry, in 2012 the Ecoponte/Ecolay programme was launched by Nutreco Canada. It resulted in feeding programmes that maintain egg production and efficiency but markedly reduce nitrogen excretion of laying hens, due to the reduction in dietary protein levels. The concept was based on our Nutrix knowledge for measuring the nutritional value of feedstuffs and new nutrient requirement data generated by Nutreco's Research Centres in Canada and Spain. This new strategy allows Nutreco Canada to more accurately formulate diets based on varying energy density, and reduces overall feed costs, thereby improving producer profitability.

Animal modelling to provide optimal rations and predictability that enhances farm management

Our research data leads to more efficient use of feed ingredients: While meeting nutritional requirements, fewer nutrients are excreted on farm. Similarly, improved data validates the predictions provided by Nutreco's animal nutrition models such as Watson, Newton, Novalac and Rumenac. These are used to support swine and dairy farmers. In 2012, Watson was introduced to additional countries and investments were made to incorporate new technologies into our ruminant, pig and poultry models for commercialisation in 2013 and 2014. In the past year we further aligned the European and Canadian ruminant models, for example on carbohydrate fermentability and degradation analyses of feedstuffs.

Identification of additives that increase feed efficiency

Nutreco research aims to increase feed efficiencies that provide economic and sustainability benefits. Our work on phytase enzymes added to animal feed enables pigs and poultry to obtain usable inorganic phosphorus from grains and oilseeds. We combine this technique with knowledge on animal requirements to bring the available phosphorus content of feed closer to the minimum necessary to lower feed costs and the excretion of phosphates on farm.

Another example of an efficiency additive is our product Vivalto. Vivalto is a matrix-structured feed additive that improves overall production efficiency by providing a unique blend of post-absorptive enzyme cofactors to support liver function. It increases production efficiency, which means that cows can make better use of feedstuffs, so the same amount of feed will result in more milk at a lower cost. Optimising the enzyme activity in the liver allows the nutrients digested by the cow to be more efficiently utilised for milk production. This means that there will be lower emissions per unit of milk. This technology was launched in North America in 2012 and is an example of a product that improves environmental sustainability as well as financial outcomes for dairy farmers.

Nutritional solutions that improve the sustainability of animal protein production

Launched in late 2012 in Canada, Elarom-F Plus is an exclusive product for use in pig feed that supports production efficiency. Therefore it can contribute to a reduced impact on the environment of the farm. Nutreco is now investigating adding Elarom-F Plus to diets of sows in lactation to assess whether there is any benefit to their production efficiency and on growth and well-being of the piglets.

After three years of development by Nanta and Nutreco R&D, our Split Feeding System was launched globally in 2012. This system is a layered feeding concept comprising of a morning feed and an afternoon feed, which aims to better meet the nutritional requirements of hens for egg formation. It helps farmers achieve more profitable egg production through lower costs, better quality eggshells that increase the number of saleable eggs, and a more sustainable performance overall.

Highlights functional nutrition Animal Nutrition 2012

Optimised nutrition for young animals

In 2012, we continued to help producers invest in future performance through optimised nutrition of young calves in the early stages of their life, which has a significant impact on future productivity, according to the latest scientific research. Nutreco communicates this through the concept 'Life Start sets Life Performance.' Providing calves with significantly higher levels of milk replacer than in conventional diets leads to healthier animals and faster growth. Our programme and products follow metabolically programmed dairy calves from birth through several lactations, which allow us to confirm and quantify benefits.

Launched in 2012, Immunoforce is a major research programme to develop new concepts for promoting disease resistance in young animals through functional nutrition. The programme is a collaborative project between Nutreco, various universities and research institutes, and the human food industry. We have developed an innovation pipeline to discover and develop functional ingredients that may promote the development of immune competence in new-born piglets and calves and newly hatched broiler chickens.

Improving gut health

Animal Nutrition R&D continued to work with operating companies Trouw Nutrition and Selko Feed Additives to develop the Presan™ feed additive concept. Presan was introduced commercially in 2012. Presan is an integrated approach to optimise intestinal health. Fed to young animals, Presan optimises the microbiota balance and strengthens the barrier function of the gut wall. These effects contribute to good animal health and potentially reduce the requirement for antibiotics. Field validation studies have shown promising results demonstrating clear benefits for the customer. The project has included the development of new methods to study intestinal microbiota.

Nutritional solutions for the control of zoonoses and feed-borne toxins

The salmonella bacteria can be present in the gut of poultry without causing any obvious health problems but can cause consumers to become ill if it contaminates the meat. Our Fysal® feed additive programme contributes to salmonella control in poultry and is part of the Sada salmonella control programme. Combining strict biosecurity measures during processing and Fysal® Fit-4 poultry applications during animal production has enabled Sada to achieve highly effective salmonella control systems.

Feed for life/production transition stages

CalFix is a nutritional product that reduces the risk of milk fever. Cows providing high milk yields experience a sudden increase in demand for calcium in early lactation after calving. With insufficient calcium they suffer from milk fever. Cows can be trained to absorb calcium more efficiently by limiting its availability in the weeks before calving. Nutreco R&D studied this issue in collaboration with several universities, resulting in a successful product and a doctorate for a Nutreco researcher. The challenge was to bind calcium, making it unavailable, without making the feed unpalatable. The resulting CalFix product has won two innovation awards and is now sold internationally. It has great potential for further development.

Highlights quantitative nutrition Aquaculture 2012

The focus areas for quantitative nutrition include optimising feed value, flexibility in raw material choices, optimising feed quality at lowest cost and gaining a greater understanding of feed performance.

MicroBalance™

The MicroBalance™ concept is a highly innovative and sustainable product solution from the Skretting Aquaculture Research Centre, based in Stavanger, Norway. It provides nutritionists with far greater flexibility in feed raw materials, by identifying alternative sources of essential functional micro-ingredients that are usually provided by commodity materials such as fishmeal. The Skretting ARC has identified a number of new raw materials that can increase raw material flexibility, without impacting on the physical or nutritional quality of feed.

Following its proven effectiveness with Atlantic salmon, first in Norway, then in other salmon producing countries in 2010 and 2011, the MicroBalance™ concept was successfully applied to other species in 2012. Skretting companies in Mediterranean countries introduced MicroBalance™ for the important sea bass and sea bream industry, thereby achieving significant reductions in fishmeal levels. Skretting Japan has also successfully used MicroBalance™ in yellowtail diets to reduce fishmeal levels from over 50% to around 30%. The introduction of MicroBalance™ and the lower fishmeal diet has delivered results equivalent to conventional diets and has made great contributions to the sustainability of the industry through lowering the needs of marine-based ingredients.

By sourcing ingredients from alternative land-based raw materials that are less prone to price volatility or limited supplies, farmers can use MicroBalance™ to offset rising fishmeal prices and contribute to greater sustainability and a more responsible use of limited raw materials. Looking ahead, Skretting ARC researchers are now working to transfer the MicroBalance™ technology to shrimp feeds, an increasingly important market for Skretting.

Flexibility in raw material choices

We have continued conducting ground-breaking research into the more efficient and sustainable use of limited fish oil resources in fish feed production. Reducing fish oil, however, can also reduce the amount of the marine long chain omega-3 fatty acids (EPA and DHA) in the diet of the fish. These fatty acids are responsible for some key health benefits of fish for humans. Skretting ARC has ongoing projects to determine the requirement of EPA and DHA in salmon, to identify ways of maximising the retention by the fish of these marine fatty acids present in feed, as well as to scout and evaluate new omega-3 sources.

One study, which has focused on determining the minimum need for EPA and DHA in Atlantic salmon to secure good growth, feed efficiency, fish health and product quality, is being supported by a grant from the Regional Research Fund in Western Norway. In parallel to this, we have also received a four-year EU-funded grant under the Marie Curie Actions initiative to maximise retention of EPA and DHA.

Highlights functional nutrition Aquaculture 2012

The focus areas for functional nutrition include developing efficient proactive nutrition, developing specific health solutions and fish feed for juvenile stocks.

Premium diet

The grower feed Optiline Premium is based on metabolic activators that improve the salmon's utilisation of digestible energy. The result is faster growth, higher slaughter yields and more marketable salmon.
The beneficial effects of Optiline Premium have been documented in multiple Atlantic salmon feeding trials. Results show that Optiline Premium gives a 1% higher slaughter and fillet yield compared to standard Optiline diets. There is more fat distributed in the muscles, with the valuable omega-3 fatty acids, and less visceral fat. The improved utilisation of feed is positive for both the bottom line and the environment.

The metabolic activators are natural substances present in specific raw materials. When combined correctly, these substances positively impact the fish's physiology. More fat is being stored in the edible parts of the fish rather than being lost in the gutted parts of the fish during slaughter.

Increased levels of omega-3

The content of marine omega-3 fatty acids, EPA and DHA, in the salmon fillet increased by 3-6% in fish fed with Optiline Premium. The worldwide supply of marine omega-3 fatty acids is very limited and effective resource utilisation is therefore increasingly important.

Focus on environment

The latest fish science research demonstrates that fish exposed to temperatures that are higher than the optimum growing temperature range will present reduced levels of antioxidants, alterations in the gut microflora and a disrupted gut function, which may lead to loss of appetite and slower growth. Skretting ARC has identified feed ingredients to counter the effects of warmer water and enable fish to thrive even when the water temperature is higher than normal. New diets were developed and introduced to customers by Skretting in 2012 to counter high temperatures for Atlantic salmon, sea bass and rainbow trout, for markets in Australia, Spain, France, Italy and Turkey.

Another environmental factor that can become limiting during specific periods of the production cycle is oxygen. Skretting researchers are investigating ways of counteracting the effects of low levels of dissolved oxygen in seawater and identifying techniques to minimise these impacts through adjusted feeding regimes and feed formulations.

Developing specific health solutions

In response to increasing challenges from parasites such as sea lice in the salmon farming industry in Western Europe, the chemical hydrogen peroxide (H_2O_2) has been widely used as an effective bath treatment. In some cases the use of the peroxide has had a negative impact on the gills of the salmon, thus ARC has continued to run various research studies to gauge the impact of H_2O_2 exposure on the gills and skin of salmon and to measure the potential of Skretting's Protec diet to mitigate any damage. Our novel quantitative histological methods have shown a clear reduction in gill mucous cells after the chemical treatment that could not have been quantified with previously available approaches. Moreover, salmon that were fed on Protec in advance of the treatment showed a quicker recovery of mucous cell numbers.

NIR analysis

Skretting researchers have extended the capabilities of rapid NIR (near-infrared reflectance) spectroscopy analysis used in fish feed production to cover the raw materials and finished feeds for shrimp. Any feed raw material sample is illuminated with near-infrared light and the spectrum of light reflected by the sample is recorded. That spectrum is automatically compared with standard spectra held in a central database and the results are delivered almost instantly. Skretting has a uniquely long record of using NIR for raw material and feed analysis.

Following the acquisitions of shrimp feed production facilities in Brazil, Vietnam, China and the announced acquisition in Ecuador, the use of NIR will be extended. The introduction of NIR analysis will result in more consistent and higher quality shrimp feed as analyses can be completed in a few minutes rather than the hours required for conventional wet chemical methods. Skretting also offers a NIR service to customers in Norway, Chile, Australia and Canada, providing analyses of pigment content, fats and fatty acids in samples of salmon and trout.

TOP INNOVATIONS 2012

ANIMAL NUTRITION

VIVALTO

Vivalto is a matrix-structured feed additive that improves overall production efficiency by providing a unique blend of post-absorptive enzyme cofactors to support liver function. It increases production efficiency, which means that cows can make better use of feedstuffs, so the same amount of feed will result in more milk at a lower cost.

LIFE START SETS LIFE PERFORMANCE

In 2012, we continued to help producers invest in future performance through optimised nutrition of young calves in the early stages of their life, which has a significant impact on future productivity. Nutreco communicates this through the concept 'Life Start sets Life Performance.' Providing calves with significantly higher levels of milk replacer than in conventional diets leads to healthier animals and faster growth.

PRESAN

Presan was introduced commercially in 2012. Presan is the integrated approach to optimise intestinal health. Fed to young animals, Presan optimises the microbiota balance and strengthens the barrier function of the gut wall. These effects contribute to good animal health and potentially reduce the requirement for antibiotics.

CALFIX

CalFix is a nutritional product that reduces the risk of milk fever. Cows providing high milk yields experience a sudden increase in demand for calcium in early lactation after calving. With insufficient calcium they suffer from milk fever. Cows can be trained to absorb calcium more efficiently by limiting its availability in the weeks before calving

ECOPONTE/ECOLAY PROGRAMME

For Poultry, in 2012 the Ecoponte/Ecolay programme was launched by Nutreco Canada. It resulted in feeding programmes that maintain egg production and efficiency, but markedly reduce nitrogen excretion of laying hens, due to the reduction in dietary protein levels.

CONTROLLING SALMONELLA

The Fysal® Salmonella control programme, developed by Nutreco R&D, Sada and Selko, was introduced into the existing Sada Salmonella control programme. Strict biosecurity measures at processing and the application of Fysal® Fit-4 poultry in animal production enabled Sada to achieve highly effective control over salmonella.

AQUACULTURE

MICROBALANCE

The MicroBalance concept was launched in Norway in 2010 for Atlantic salmon, then in other salmon producing countries the following years. With its proven effectiveness, MicroBalance was successfully applied to other species in 2012. Skretting companies in the Mediterranean introduced MicroBalance for the important sea bass and sea bream industry, thereby achieving significant reductions in fishmeal levels. Skretting Japan has also successfully used MicroBalance in yellowtail diets to reduce fishmeal levels from over 50% to around 30%.

MicroBalance™

PREMIUM DIET

The grower feed Optiline Premium is based on metabolic activators that improve the salmon's utilisation of digestible energy. The result is faster growth, higher slaughter yields and more marketable salmon.

HIGH TEMPERATURE DIETS

Fish exposed to temperatures that are higher than the optimum growing temperature range may suffer from loss of appetite and slower growth. New diets were developed and introduced to customers by Skretting in 2012 to counter high temperatures for Atlantic salmon, sea bass and rainbow trout, for markets in Australia, Spain, France, Italy and Turkey.

DEVELOPING SPECIFIC HEALTH SOLUTIONS

In response to increasing challenges from parasites such as sea lice in the salmon farming industry in Western Europe, ARC has continued to run various research studies to gauge the impact of exposure on the gills and skin of salmon and to measure the potential of Skretting's Protec diet to mitigate any damage. Salmon that were fed on Protec in advance of treatment showed a quicker recovery of mucous cell numbers.

protec™

NIR ANALYSES

Skretting researchers have extended the capabilities of rapid NIR (near-infrared reflectance) spectroscopy analysis used in fish feed production to cover the raw materials and finished feeds for shrimp. Any feed raw material sample is illuminated with near-infrared light, and the spectrum of light reflected by the sample is recorded. That spectrum is automatically compared with standard spectra held in a central database and the results are delivered almost instantly. Skretting has a uniquely long record of using NIR for raw material and feed analysis.

WORLDWIDE RESEARCH

Skretting Aquaculture Research Centre

Norway

Skretting Aquaculture Research Centre (ARC) is the global research organisation for Skretting. It employs an international team of highly skilled specialists, supported by a substantial annual investment in R&D. 30 of about 70 employees are researchers and staff represent at least 20 nationalities. It collaborates with many universities, research institutes and private companies across the globe. In its homebase in Norway, Skretting ARC has a pilot-scale feed technology plant.

Mediterranean

Feed developments for freshwater trout are assessed at the trial station in northern Italy. With regard to sea bass and sea bream and other species, research is conducted in different institutes in the region, coordinated by the research unit in Spain.

Asia

2012 saw the completion of the new ARC Hezhoubei Research Station in the Guangdong province in China, primarily for shrimp research. Research can be performed both in tanks and in ponds.

Applications and Solution Centre

The Netherlands and Canada

Application and Solution Centres (ASCs) provide a necessary interface between the needs of the local markets and the global Research Centres, indicating research priorities and steering successful innovations. This includes ideation from the newest developments in science. The Application and Solution Centres work with our Research Centres to create customer-driven products and services and they optimise the commercialisation of innovations.

Nutreco Canada Agresearch

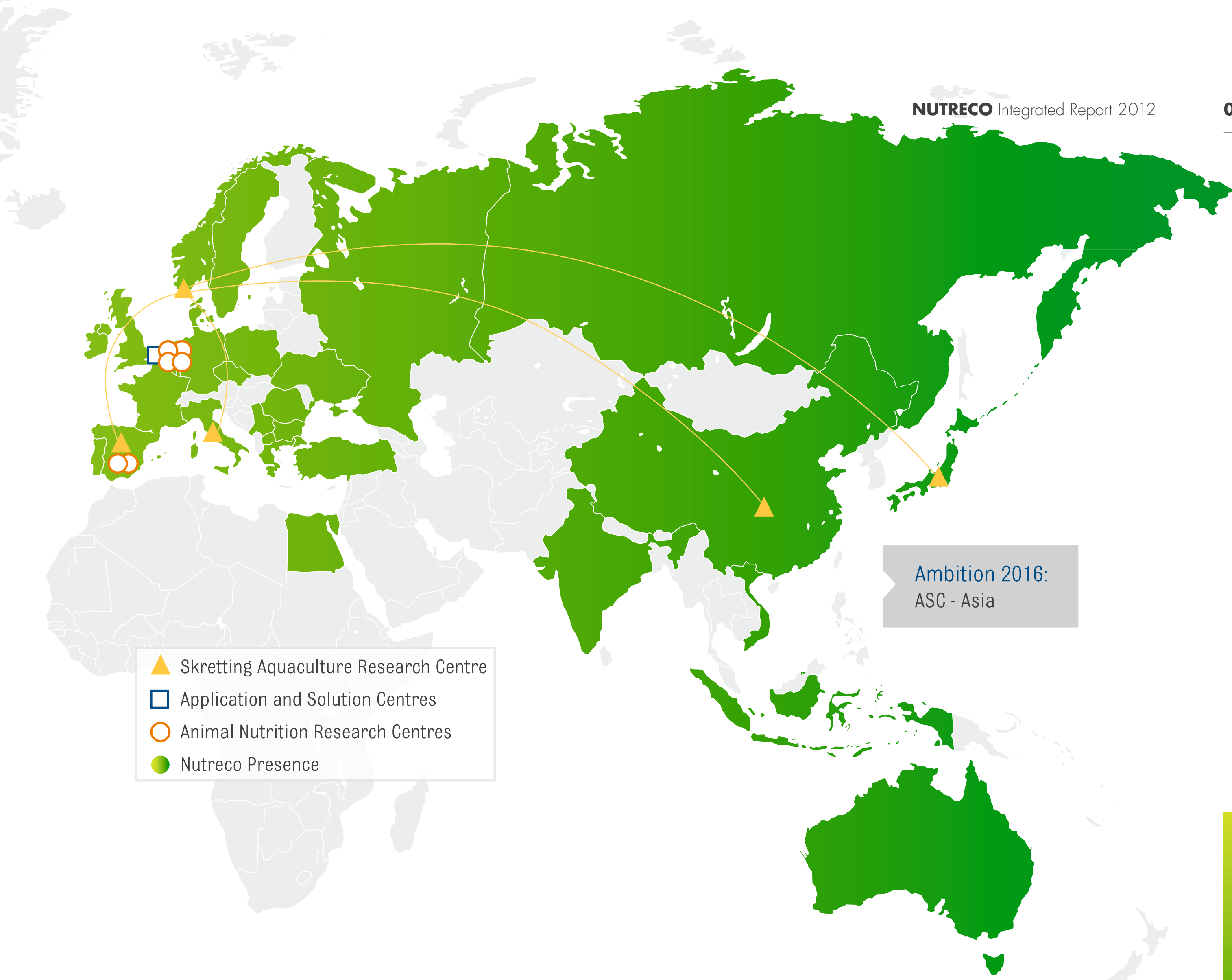
Canada

This is a multispecies R&D centre with separate units for broilers, layers, turkeys, swine and dairy. It is Canada's largest corporate animal R&D facility and one of the largest in North America. Its location in the University of Guelph Research Park allows for collaborative research with academic, government and industrial researchers. Research focuses on quantitative nutrition, including nutritional values, diet formulation and feeding programme design. The major emphasis is on dynamic simulation models used to understand and predict input-output relations in the production of meat and milk. In 2012, it continued its poultry modelling R&D work, while the digestive physiology of ruminants was added as a focus area to apply gut health platform findings to cattle.

Poultry Research Centre

Spain

The Poultry Research Centre in Spain is a large research centre with facilities for broilers, broiler breeders, laying hens, and rabbits. There is a special unit for physiological and digestion studies and facilities for optimising nutrition for animals in different housing systems. A research feed plant provides the feed needed for these research activities and a laboratory undertakes any required nutritional analyses.



Food Research Centre

Spain

The Food Research Centre in Spain develops poultry meat processing technology, new products and innovative packaging. Food safety is an important focus area. The facilities include a pilot plant, a kitchen, a panel room for tasting trials and a microbiology laboratory.

Ruminant Research Centre

The Netherlands

The research team of the Ruminant Research Centre in the Netherlands has expertise in dairy, beef and small ruminant nutrition. At the dairy research farm, individual feed intakes are monitored, including the separate intake patterns of concentrates and roughage, both during the dry period and lactation. This research contributes to the development of products, concepts and nutritional models. The research area of efficient beef production has been added to the portfolio. In 2012 beef cattle were added to the herd specifically for this purpose.

Calf Research Centre

The Netherlands

The Calf Research Centre in the Netherlands conducts research into nutritionally related aspects of veal and pink meat production. Research focus areas include the 'Life Start sets Life Performance' concept, milk replacers, feed ingredients, feed efficiency, animal health and animal welfare.

Swine Research Centre

The Netherlands

The Swine Research Centre in the Netherlands has facilities for sows, piglets and growing pigs and a special unit equipped for physiological and digestion studies. The animal health unit testing products under suboptimal conditions has contributed to innovations in gut health. Electronic pig identification and data collection systems are used to monitor individual feed intake behaviour, health and performance and to assess feeding regimes, from the piglet stage to finishing pigs. In 2012, construction began on new sow and piglet research facilities that are expected to be completed by mid-2013.

Ingredient Research Centre

The Netherlands

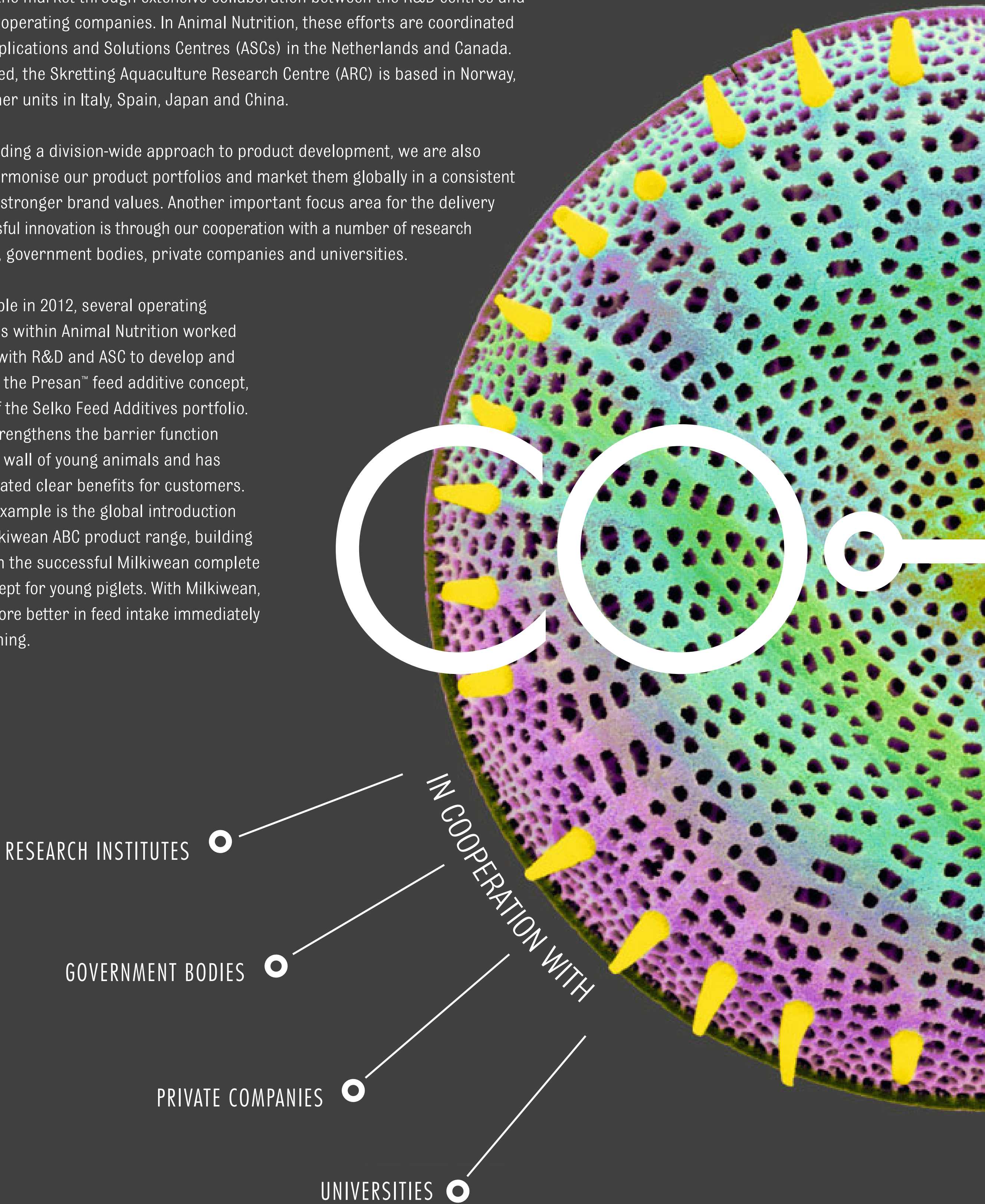
The Nutreco Ingredient Research Centre in the Netherlands assesses newly identified potential ingredients for feed. Researchers evaluate the nutritional and functional content of ingredients and any bioactivity that may contribute to animal health and product quality. The centre has dedicated laboratories where researchers can conduct several different kinds of analyses, such as molecular biology, microbiology, immunology and in vitro assays.

MARKET-DRIVEN RESEARCH

Nutreco's extensive research and development activities are closely aligned to the needs of the market through extensive collaboration between the R&D centres and Nutreco's operating companies. In Animal Nutrition, these efforts are coordinated by our Applications and Solutions Centres (ASCs) in the Netherlands and Canada. In Fish Feed, the Skretting Aquaculture Research Centre (ARC) is based in Norway, with further units in Italy, Spain, Japan and China.

By embedding a division-wide approach to product development, we are also able to harmonise our product portfolios and market them globally in a consistent way, with stronger brand values. Another important focus area for the delivery of successful innovation is through our cooperation with a number of research institutes, government bodies, private companies and universities.

For example in 2012, several operating companies within Animal Nutrition worked together with R&D and ASC to develop and introduce the Presan™ feed additive concept, as part of the Selko Feed Additives portfolio. Presan strengthens the barrier function of the gut wall of young animals and has demonstrated clear benefits for customers. Another example is the global introduction of the Milkiwean ABC product range, building further on the successful Milkiwean complete feed concept for young piglets. With Milkiwean, piglets score better in feed intake immediately post weaning.



GO TO MARKET STRATEGY

Richard Maatman
Director ASC Europe

"We have set up a species community for each main species where we organise the interaction between ASC, R&D and the operating companies relating to market developments, innovation pipeline, product portfolio, optimalisation, marketing and communication, safeguarding that we deliver market-driven innovations based on our customers' needs."

HUMAN RESOURCES

Our ambition is to be the most attractive employer in the animal nutrition and aquaculture industry. We offer an international and high-quality working environment, in which performance and world-class leadership are encouraged and valued. The human resources function plays a key role in achieving this ambition by helping Nutreco provide a safe and stimulating work environment, in which all employees are able to develop professionally to fulfil their potential.

A culture of high performance and world-class leadership is essential to achieving the objectives of our Ambition 2016 strategy for driving sustainable growth. To achieve these aims, the human resources team is focused on delivering the right talent, services and programmes to the organisation. Our initiatives are divided into four themes: organisation, people, culture and systems.

- **Organisation:** focuses on structure, roles and responsibilities
- **People:** focuses on performance, capabilities, potential and development
- **Culture:** focuses on promoting values like integrity, collaboration and sharing of information
- **Systems:** facilitates the required processes and practices, globally and regionally, in an accessible and efficient manner

Objectives

Within these theme areas we have identified five core objectives that drive the people strategy. The objectives are to:

1. Define and deploy an engaging high-performance culture, demonstrating energising management behaviours that motivate, reward and retain talent
2. Establish a robust employee proposition, that provides diversity, a free flow of talent and development opportunities
3. Establish world-class leadership through the continuous assessment and development of our leaders
4. Simplify and align our organisation, defining clear roles and responsibilities
5. Establish user-friendly, efficient and simple ways to enhance HR processes and practices, based on customer insights.

Organisation

After 30 years at the company, 12 of which were spent as CEO, Wout Dekker left Nutreco at the end of July 2012. He handed over his responsibilities as Chief Executive Officer to Knut Nesse, previously Chief Operating Officer of the Aquaculture division. Viggo Halseth succeeds Knut Nesse as COO Aquaculture and member of the Executive Board. Viggo was previously the managing director of Skretting Northern Europe and Australia.

During 2012, our Application and Solution Centres (ASCs) evolved with a growing international team based in Canada and Europe, working closely with staff in Nutreco's operating companies. The staffing of the ASC team in Europe is nearly complete now. The ASCs provide good career opportunities for experienced technical specialists with proven commercial capability.

Nutreco IT prepared a detailed strategy for 2012-2016 in close consultation with representatives of the businesses that had defined their requirements under Nutreco's 'Ambition 2016 - driving sustainable growth' strategy. As a result, it was decided that a part of the Global IT Services department should be outsourced to enable the provision of services such as a global multi-language service desk with around-the-clock availability and on-site support. IT employees in Nutreco's workplace and data centre services processes have subsequently been transferred to an external provider.

People

We have continued to expand our performance management and development processes to include 10% more people. By year-end 2012, over 3,817 employees were involved in performance planning and review processes. These initiatives were facilitated globally through our People and Career Tool (P@CT), which is accessible online. This platform gives employees access to their own information, while allowing managers to retrieve information concerning their direct reports, therefore enabling them to translate strategic company objectives into individual goals. Often blue collar staff in operating companies/departments participate in local performance systems and practices.

During 2012, we revised Nutreco's competency framework in line with the strategy of Nutreco and ensured that we are using the same competency language across recruitment, development and performance management.

We also completed the global migration of all our employees onto the P@CT system, therefore giving us an overview of the basic information for Nutreco and per entity, and providing managers with real-time workforce figures for their local organisation.

The roll-out of Nutreco's new Job Family Framework continued apace with around 25% of the company aligned by the end of 2012. The initiative, which is globally led but executed locally, greatly simplifies the job evaluation process and benefits our HR practices by supplying managers with an efficient tool for matching individual roles to levels and grades, and clarifying career development routes. In each job family, a number of positions have been described and evaluated. Global roll-out, reality checks and implementation of the model is ongoing.

We aim to provide a healthy and safe working environment at all our locations while also giving the necessary security and support systems for employees who travel regularly. These systems give us real-time information on the whereabouts of the traveller and give the traveller information about the country or regions they are travelling to, for example the security level, culture and any necessary vaccinations. In the case of an emergency, travellers are ensured of receiving immediate care. A 24-hour 365-day help line is available for the Nutreco travellers.

Learning and development

In 2012, we continued to implement our Leading and Managing People programme, which was launched in 2011 and aims to increase the effectiveness of key managers by helping them to build internal networks and develop greater self-awareness. The programme comprises three one-week modules and involves members of the Executive Board in addition to the direct managers of the participants.

Other development courses include personal development, intercultural management, advanced negotiations and project management. In addition, e-learning initiatives are underway in Norway, China and the Netherlands.
To counter the challenges that Skretting faces in recruiting and replacing talent, Nutreco started developing an international trainee programme, which aims to find formulators, process engineers, product managers and quality assurance testers. Skretting Aquaculture Research Centre will be responsible for the trainee programme, and combines theoretical training with experience in an operating company.

In 2013, a new Learning Management System (LMS) will be launched. It will enable us to track, document and steer all training and development at Nutreco. The LMS will be based on the new e-learning platform and on the Nutreco Academy platform. The LMS system will be the platform of the overall Nutreco Academy. The Nutreco Academy will enable us to deliver more e-learning in the organisation.

Engagement

Having finalised our preparation work for the Employee Engagement Survey, we will be ready to hold this in 2013. The survey is an important tool for measuring employee commitment, drive and loyalty through feedback and communication and will be carried out by an independent party. As part of our commitment to sustainable engagement practices, it is our intention to launch an Employee Engagement Survey every two years.

Culture

In the first quarter of 2012, a new Code of Ethics was published and distributed to all Nutreco employees. The code was updated in order to bring it in line with recent UK legislation regarding the anti-bribery law. The update reaffirms that Nutreco must be recognised as an honest and trustworthy company and that dilemmas should be shared and discussed with management before reaching an agreed and transparent solution.

Systems

In December 2012, Nutranet, a new interactive intranet, was introduced to facilitate collaboration and knowledge sharing.

A global Human Resources Systems strategy was completed in 2012, resulting in the following requirements:

- Scalability to support the increasing number of acquisitions in emerging countries
- Implementation of global systems and exchange of employee data to increase global focus
- Focus on value-added HR processes (learning, performance management and talent management)
- Efficient and cost-effective HR systems infrastructure.

Other actions

Nutreco is committed to maintaining good working conditions for our staff and demonstrating corporate social responsibility in our HR management. An example of this commitment can be found in the recertification of our Spanish subsidiaries to the Social Accountability 8000 standard, granted by the non-governmental organisation Social Accountability International. Furthermore, Nutreco Spain was ranked number one in the list of preferred employers of the food industry in Spain while two of Nutreco Spain's subsidiaries obtained the Gender Equality Seal, granted by the Spanish Ministry of Health, Social Services and Gender Equality.

In 2012, the HR team recruited 60 people for the newly built premix factory in the Voronezh region in Russia.

At the end of 2012, Nutreco decided to close the production location in Merksem, resulting in 13 employee redundancies.

Key figures

	2012	**2011**[1]
Total number of employees (headcount)	10,309	10,651
% part-time employees	7.6%	8.7%
% women	30.4%	25.9%
% temporary contracts	12.6%	14.1%
% managerial positions	10.3%	10.2%
Average turnover rate	17.4%	12.3%
Average absentee rate[2]	3.87%	4.26%
% employees in P@CT	96%	95%[3]

1 2011: All data including Hendrix.
2 Includes only the 5,884 employees reported in Nutreco's manufacturing database.
3 TN China not yet fully included because of restructuring scheduled for 2013.

GOVERNANCE & COMPLIANCE

OUR SUPERVISORY BOARD

Jan Maarten de Jong

1945 | DUTCH

CHAIRMAN | 2011

Appointed: 28 August 2003
Reappointed at the AGM of 28 March 2011 for a third and last term of four years, expiring at the AGM of 2015

Among others, Chairman of the Supervisory Boards of Aon Groep Nederland B.V. and Onderlinge Levensverzekering-Maatschappij „'s Gravenhage" U.A., member of the Supervisory Boards of Heineken N.V., Theodoor Gilissen Bankiers N.V., Cement Roadstone Holdings plc (Ireland) and Kredietbank S.A. Luxembourgeoise (Luxembourg).

Mr De Jong studied economics in Amsterdam, the Netherlands, and obtained an MBA degree from INSEAD. He started his career in 1970 at ABN N.V., subsequently ABN Amro Bank N.V., where he joined the Managing Board in 1989 until the end of 2001.

Jaap Vink

1947 | DUTCH

VICE-CHAIRMAN | 2011

Reappointed at the AGM of 21 April 2009 for a second term of four years, expiring at the AGM of 2013

Chairman of the Supervisory Boards of Aegon Nederland N.V. and several subsidiaries, including Aegon Bank N.V., Vice-chairman of the Supervisory Board of Vion N.V., member of the Supervisory Board of Cargill B.V. and Chairman of the Stichting Preferente Aandelen of Macintosh Retail Group N.V.

Mr Vink studied Organic Chemistry at Leiden University, the Netherlands, and in 1972 obtained a PhD in Mathematics and Natural Sciences. In 1974 he joined the Wessanen food company and moved to CSM in 1983. On 1 May 2005, after a career of 22 years with CSM, he left this food company, where he was Chairman of the Executive Board from 1997 to 2005.

Herna Verhagen

1966 | DUTCH

Appointed: 1 April 2010
Appointed at the AGM of 1 April 2010 for a first term of four years, expiring at the AGM of 2014.

Chief Executive Officer of PostNL N.V., member of the Supervisory Board of SNS Reaal N.V. and member of the Executive Board of VNO-NCW (the Confederation of Netherlands Industry and Employers).

After having obtained her law degree from Nijmegen University, Mrs Verhagen obtained an HR Masters degree from Tilburg University, an International Management degree from INSEAD and an executive MBA from Stanford University. Mrs Verhagen fulfilled various sales, marketing and operational functions. In 2003 Mrs Verhagen was appointed member of the Executive Committee of TNT Post. From 2007 to 2010 Mrs Verhagen was Managing Director Group HR TNT. Mrs Verhagen joined the Board of Management of PostNL N.V. in 2011 and was appointed Chief Executive Officer in April 2012.

Ajai Puri

1953 | AMERICAN

Appointed: 21 April 2009
Appointed at the AGM of 21 April 2009 for a first term of four years, expiring at the AGM of 2013

Non-executive Director of Britannia Industries Ltd. (India), non-executive Director of Barry Callebaut AG (Switzerland), non-executive Director of Tate and Lyle PLC (UK).

Mr Puri studied at the University of Maryland, United States, where he obtained a PhD in Food Science, and at the Crummer Business School, Rollins College, in the USA, where he obtained an MBA in Marketing. He joined the Coca-Cola Company in 1981, where he assumed various management positions until 2003. From 2003 to 2007 he was a member of the Executive Board of Koninklijke Numico N.V. as President R&D and Product Integrity (Food Safety and Quality). During that period he was a non-executive Board Member of Pt Sari Husada tbk (Indonesia) from 2004 to 2007.

Rob Frohn

1960 | DUTCH

Appointed: 21 April 2009
Appointed at the AGM of 21 April 2009 for a first term of four years, expiring at the AGM of 2013

Chief Executive Officer of Delta N.V., member of the Supervisory Board and chairman of the Audit Committee of Havenbedrijf Rotterdam N.V. and member of the Supervisory Board of HAN University of Applied Sciences of Arnhem and Nijmegen.

Mr Frohn obtained a Master's degree in Business Economics from the University of Groningen, the Netherlands. He joined AkzoNobel in 1984 where he assumed various management positions from 1994 onwards. From 2004 until 1 May 2012 Mr Frohn was Member of the Executive Board of AkzoNobel. As from 1 June 2012 Mr Frohn is Chief Executive Officer of Delta N.V.

REPORT OF THE SUPERVISORY BOARD

"The year 2012 was marked foremost by a change in the Executive Board. After a long-standing tenure, Wout Dekker stepped down as CEO and Executive Board member. Based on an extensive external and internal assessment, the Board decided to appoint Executive Board member Knut Nesse as his successor, while Viggo Halseth was appointed as Executive Board member to fill the vacancy due to the promotion of Knut Nesse. I am confident that the successful development of Nutreco will continue under the leadership of the new team, which also includes Gosse Boon (CFO) and Jerry Vergeer. The strategy 'Ambition 2016 - driving sustainable growth' as defined in 2012, remains unchanged." – Jan Maarten de Jong, Chairman

Activities of the Supervisory Board in 2012

The Supervisory Board held six plenary meetings in 2012 as well as two conference calls, all according to a fixed schedule. Three closed meetings, without Executive Board members, were held preceding regular meetings. Furthermore, in the period November 2011 to May 2012 five additional meetings and two telephone conferences were convened to discuss the future composition of the Executive Board. Between meetings, the Chairman maintained intensive contact, both in person and by telephone, with the Chief Executive Officer (CEO). The Chairman acts as the first point of contact within the Supervisory Board for the CEO, for discussions on topical issues and Nutreco's general affairs. The evening preceding Supervisory Board meetings, the full board has a closed meeting with the CEO. Once a year, the Chairman has individual meetings with all Executive Board members. Occasionally, Supervisory Board members also visit country management or participate in country meetings as the opportunity arises.

During 2012, no Supervisory Board members were absent from either full board meetings or any of the Committee meetings, except for the Chairman and the Chairman of the Audit Committee, who were both excused once due to scheduling conflicts. Both provided their input in advance and designated other Supervisory Board members to proxy for them. The discussions within the Supervisory Board were based mostly on documents and presentations of the Executive Board. By way of preparation, many subjects were discussed in advance in one of the Supervisory Board's Committee meetings. During all meetings, the Supervisory Board was updated on a number of recurring items, such as news regarding Nutreco, its financial performance, net working capital developments and financial forecasts, reports on the operations in the divisions, developments in the markets in which Nutreco operates, business projects and acquisition opportunities. The Supervisory Board takes a close interest in investor relations; trading updates, share price developments and the composition of the shareholder base are evaluated on a regular basis along with feedback from investor road shows. Press releases related to financial results were discussed prior to publication and the Board advised on the provision of information. In addition to these standard topics, throughout 2012 the Board closely monitored progress and provided advice on the implementation of the projects which support the current strategy 'Ambition 2016 - driving sustainable growth.'

In early February, in the presence of the external auditor KPMG Accountants N.V., the draft 2011 annual accounts as well as the external auditor's report and the findings as summarised in the management letter were discussed. The Board agreed with the financial statements and approved the dividend proposal and the 2011 annual results press release. The auditor's recommendations in the management letter were not material; the auditor did however identify some areas for further improvement, mainly on internal controls of acquired companies, that were agreed to by the Executive Board, that has already made plans for follow-up. The Supervisory Board will monitor progress. After review of the unqualified opinion provided by the external auditor, Nutreco's financial statements 2011 were endorsed by all members of the Supervisory Board.

The draft annual report was discussed, some adjustments and suggestions were included and the draft agenda for the Annual General Meeting of Shareholders to be held in March was approved. In addition, the Board discussed the draft report of the Supervisory Board and its Committees for the 2011 annual report, and decided on the Executive Board's performance rating over the year 2011, the granting of performance-based shares and the 2012 bonus performance criteria. The proposal for a three-year mandate to the Executive Board to repurchase shares to cover obligations deriving from stock dividend and share-based incentive programmes was approved.

Special attention was devoted to the financial conditions and organisational implications of the proposal to acquire the remaining shares in Nutreco Fri-Ribe (Brazil), in conjunction with the acquisition of farm mineral company Bellman Nutriçao Animal (Brazil), both of which were fully supported. The Board was informed on the potential investment opportunity by the Aquaculture division of Gisis (Ecuador), a major shrimp feed producer, which would mean a major step in realising the Ambition 2016 strategy. The Board agreed with the continuation of the exploratory discussions.
In a closed meeting, the composition of the Executive Board was discussed; the proposal to step down as initiated by Wout Dekker was accepted and the Board agreed on the appointment of Executive Board member Knut Nesse as his successor. A related press release was approved for publication. The process to assess the future management organisation of Nutreco and the candidates for succession in the Executive Board, also in relation to the main challenges for Ambition 2016, was discussed and defined.

In the meeting held at the end of March, Nutreco's Annual General Meeting of Shareholders was prepared. Prompted by an announcement made by one of Nutreco's major customers, Marine Harvest, announcing their investigation of the potential to establish their own salmon feed capacity in Norway, considerable time was spent on the potential effects for Nutreco and its strategy Ambition 2016. Taking all the facts into account, we supported the direction as proposed by management on this topic. During the year, the Board closely monitored developments on this issue. Based upon a proposal of the Executive Board, ample time was spent on the potential acquisition of Gisis. Special attention was paid to the strategic and financial rationale, as well as the related risk profile of this potential opportunity. With some conditions, the Board gave the go-ahead light to proceed with the exploratory study on this major acquisition opportunity by starting due diligence. In addition, the Board was informed about other opportunities to expand the business in targeted growth areas, where suitable acquisition candidates had been identified.

Significant time was spent on the progress of the strategic projects to support Ambition 2016. In this framework the contemplated refinancing of Nutreco was also discussed, including the issuance of a new private placement and the renewal of the Revolving Credit Facility (RCF), both of which were approved. Last but not least, the Board received an update on the sale of Hendrix to ForFarmers.

In May an additional meeting was convened by conference call, in the presence of the CEO and Knut Nesse, for the exclusive purpose of discussing the proposed Nutreco top-management structure. It was agreed to continue with the existing management model, consisting of an Executive Board composed of four members. Viggo Halseth was nominated for appointment by an Extraordinary General Meeting of Shareholders as Executive Board member and COO for the Aquaculture division, to fill the vacancy due to the appointment of Knut Nesse as CEO.

The two-day meeting in June, which was held in Stavanger, Norway, was combined with a visit to the AquaVision 2012 conference. During the meeting, updates were received on strategic projects, and a review of the senior management layer was discussed. The Board was informed on the status of some acquisition opportunities. Also a presentation on Nutreco's governance framework was received. Senior management of the Aquaculture division presented extensive updates on developments in their global markets, which gave the Board a good view on their specific challenges.
The meeting was followed by a site visit to Nutreco's salmon feed factory in Stavanger.

In a telephone conference meeting held in July, the half-year 2012 results and the external auditor's interim report were discussed. The Board agreed with the half-year results and approved the draft press release, including the outlook for 2012, and the proposal of the Executive Board to grant an interim dividend of € 0.60 per ordinary share.

In September, an update was received on the strategic and organisational objectives and actions to realise the Ambition 2016 strategy. In this framework the competitive position of Nutreco was also assessed. Considerable discussion time was spent on the potential acquisition of Gisis: not only the strategic rationale, the geographic spread, growth perspective and the outcome of the due diligence were assessed, but also cultural and managerial items, risk profile, financial valuations and the proposed deal terms. The Board confirmed its support and approved the acquisition. The Board was further informed on the terms and conditions of the refinancing of the RCF and the US private placement, the outcomes of which are considered successful, and the proposal to outsource Nutreco's IT services to a global provider was agreed on.

In November, particular focus was paid to Go-to-market, which is one of the strategic projects fuelling Ambition 2016. It was concluded that, although somewhat different in nature, in both the divisions these actions are well on track. A first draft of the budget 2013 was reviewed and a post-acquisition review of Tomboy (Vietnam) was discussed. Based on an in-depth market assessment of Nutreco's position in China, presented by Nutreco's managing director for Asia, a proposal to speed up the implementation of Nutreco's growth plans in Asia was supported.

Preceding the regular December meeting, the performance of the Supervisory Board, its Committees and the Executive Board as a whole, was reviewed in a closed meeting. In the regular meeting, Nutreco's 2013 financial budget was extensively discussed and challenged. Special attention was paid to the roadmaps to 2016 of both the divisions, which are part of the budget 2013 but also reflect the long-term growth objectives towards the realisation of Ambition 2016. The actions as well as the related risks were challenged. After this discussion, the 2013 budget was approved. The Corporate Communications Director presented a proposal for a global branding strategy, one of the strategic projects, to which the Board agreed. Claims and litigation matters were discussed and the meeting was updated on developments in Dutch law and regulations. In this meeting an update was also provided on the status of the roll-out of the Nutreco Code of Ethics; it was concluded that good progress had been made in 2012.

Supervisory Board committees

Remuneration Committee

The Committee met three times, in the presence of the CEO and with the Corporate Human Resources Director. In between meetings, the Chairman of the Committee had regular contact with the CEO.

In early February, the Committee prepared the (financial) conditions of the termination terms of the CEO, Wout Dekker. In addition, the terms and conditions of the employment agreement for his successor, Knut Nesse, were prepared. The Supervisory Board approved the proposals.

Later that month, the Committee prepared proposals to the Supervisory Board on the performance evaluation of the Executive Board against the 2011 performance targets, and established the draft 2012 performance targets. Also assessed was the proposed annual grant of performance shares under the Long-Term Incentive Plan to the Executive Board and senior management, as well as the final ranking within the peer group as the basis for the vesting of the conditional performance shares granted in 2009. The Committee agreed with the proposals made and they were unanimously confirmed by the Supervisory Board.

Per 1 April 2012, Herna Verhagen stepped down as chairman of the Committee but remained to act as member. Since she was appointed as board member of PostNL in 2011, Nutreco no longer complied with best practice provision III.5.11. For this reason the chairman position was handed over to Committee member Ajai Puri, by which compliance on this item was re-established.

In their December meeting, the Committee assessed and approved the Remuneration policy for 2013, which remained unchanged. It further reviewed the request to adapt the annual fixed base salary of the CFO and COOs to the median of the benchmark against the labour market reference group. Although it was concluded in 2011 that a benchmark review of the total remuneration package would be conducted once every three years, the Committee decided to make use of its discretionary powers within that policy to meet pre-agreed adjustments of the annual fixed base salaries of the CFO and COOs to the median of the benchmark. These salary adjustments were approved by the Supervisory Board in January 2013. The continuation of the share-based incentive plans for 2013 was approved and the structure of, and the criteria as proposed for, the annual performance targets 2013 were discussed, and subsequently amended. The Committee further reviewed the scenario analysis on the share-based incentive plans as prepared by an external advisor, and discussed the compliance by Nutreco with the remuneration section of the Dutch Code on Corporate Governance. Also the consequences of upcoming Dutch legislation related to the employment and remuneration agreement of Executive Board members were discussed and, given the re-appointments scheduled for 2013, it was decided to obtain external advice on this topic.

Audit Committee

According to a fixed schedule, the Committee met four times in the presence of the CEO, CFO, Group Internal Auditor and KPMG Accountants N.V. One meeting was held partly without any members of the Executive Board present. Furthermore, in April and October telephone conferences were held to discuss and review the quarterly financial results and the related press releases. In between meetings, the chairman had regular contact with the CFO.

In February, the Committee reviewed the draft annual accounts 2011. Updates were received on the financing, provisioning, impairment testing, legal claims and pending litigation, the dividend proposal, the report of the external auditor and the management letter of the external auditor. The auditor's recommendations in the management letter were not material; the auditor did however identify some areas for further improvement, mainly on internal controls of acquired companies, that were agreed to by the Executive Board who already made plans for follow up. Special attention was paid to the deteriorating economic circumstances, particularly in southern Europe, the effects of this situation on Nutreco's customers and subsequently its business. The draft press release regarding the full year 2011 financial performance was discussed and, after some amendments, forwarded to the Supervisory Board for final review. The Audit Committee also reviewed the report for 2011 on compliance with the Code of Ethics, based on the annual compliance certificates received from management and senior staff and the reports received on the Nutreco Integrity Line. A few cases of non-compliance were reported, none of which were of material importance. At the close of the meeting, the Audit Committee had a closed session with the external auditor.

In June, special attention was paid to the working capital reduction programme. On risk management, the main risks and actions taken in relation to those risks were discussed. Also the progress of the actions related to the further integration of the internal risk management and control systems in the organisation were reviewed. The Group Internal Auditor presented a progress report of the results of internal audit reviews and IT audits and the related follow-up actions. With regard to the external audit, the Committee reviewed, in consultation with the CEO and CFO, the proposed audit scope, approach and fees for 2012, and the independence of the non-audit services provided by the external auditor. In the absence of the auditor, the Committee assessed that the 2011 audit was performed adequately, communications between the external auditor and Nutreco were appropriate, the attitude of the auditor was found to be independent and professionally critical, and the expertise and composition of the audit team was up to standard.

In July, the Committee reviewed the draft half-year interim results and Nutreco's 2012 outlook. Also the interim dividend proposal and the report of the external auditor on the half-year figures were discussed. The draft press release was reviewed and forwarded with some remarks to the Supervisory Board for approval and release.

In December, the Committee evaluated and discussed the report of the external auditor on the hard close of the third quarter accounts that indicated a few topics for further fine-tuning, but no material items. In relation to internal risk management, the re-assessment of Nutreco's major risk categories was reviewed, as well as the proposed actions for further improvement of the risk framework. The Committee advised on some refinements and the final risk profile was reported to and discussed with the Supervisory Board on 5 February 2013. For more information see pages 86-95. An overview of Nutreco's obligations under global defined benefit pension plans was discussed, which was in line with the financial reporting on this item. A renewed Internal Audit charter was approved and an update on material claims and litigation was presented. With regard to integrity, the Committee was informed on the implementation status of the updated Code of Ethics and related reporting procedures. The Committee was pleased that their advice on local workshop trainings worked out well. Last but not least, the Committee reviewed the outcome on the four-yearly evaluation on the external auditor that was performed mid-2012.
The assessment, that was conducted by means of questionnaires and interviews resulted in a good score, whereby independence, relationship and trust were especially highly valued. Some items for improvement were identified, which were included in an action calendar. Finally, the meeting was followed by a self-assessment session.

Selection and Appointment Committee

The full Supervisory Board acts as this Committee, which meets on an ad hoc basis. From November 2011 to May 2012, five additional meetings and two telephone conferences were convened, exclusively to undertake the actions to fill the vacancy in the Executive Board caused by the intended departure of Wout Dekker and the subsequent promotion of Knut Nesse and Viggo Halseth. The future composition of the Executive Board, as well as Nutreco's future management organisation were part of these discussions. The Committee was assisted in this process by an external recruitment-firm for identifying potential candidates and, once a short list was defined, by an advisor that performed individual assessments on the selected candidates as well as a review of the new Executive Board team. Based on that outcome, and in close consultation with Knut Nesse, an introduction programme was drawn up.

Innovation and Sustainability Committee

The Committee met three times, in the presence of the Corporate Director R&D and the CEO, in most of the meetings the COOs also participated.

The main topic discussed in the February meeting was Nutreco's sustainability report 2011, and the objectives and targets for 2012. Ample time was spent on the sustainability ambitions and targets towards 2020 that were reflected in the ambition document Sustainability Vision 2020. The Committee was updated on Nutreco's manufacturing and supply chain platform, the actions taken in relation to reducing Nutreco's carbon footprint and on the Nutrace ambition to establish a global quality system.

In June, the Committee received a progress report on the 2012 focus areas for sustainability: managing sustainability, ingredients, operations, nutritional solutions and commitment, which are well on track. In addition, an overview was received on changing EU legislation and its impact on Nutreco's business. The Committee concluded that the integration of Nutreco's expertise on sustainability in our business activities is a pre-requisite for future competitive success.

The December meeting focussed on the progress of Sustainability Vision 2020, which specifies Nutreco's contribution to feeding the future in a sustainable way, and the related focus areas for 2013. It was concluded that good progress was made on engagement for supplier responsibility, reducing the environmental impact of Nutreco's own operations and in connecting sustainability to product solution and innovation processes. Three recent products in Nutreco's portfolio, MicroBalance, Fysal and Calfix, are excellent examples of this approach, since they not only have a positive effect on animal health and welfare but also support nutritional performance. For 2013 it was agreed to focus on two priorities; the performance on these objectives will be part of the targets for defining the variable remuneration over 2013. The Committee also formulated a positive recommendation to the Supervisory Board regarding the inclusion of sustainability information in the integrated annual report 2012. The meeting was followed by a closed self-assessment session.

Composition of the Executive Board

The CEO and chairman of the Executive Board, Wout Dekker, decided to step down from his position on 31 July 2012. Based on the outcome of an extensive selection and assessment procedure by the Selection and Appointment Committee, the Supervisory Board appointed Executive Board member Knut Nesse as his successor. Subsequently, the Aquaculture Managing Director for Northern Europe and Australia, Viggo Halseth was nominated for appointment as new Executive Board member as from 1 August 2012.

Wout Dekker joined Nutreco in 1983 and spent his entire career with Nutreco, mostly in management positions. In 1996 he became member of the Executive Board and in 2000 CEO. Under his leadership, Nutreco experienced impressive profitable growth while at the same time developing into a universally recognised leader in the feed production sector in terms of sustainability. After spending more than half of his life at Nutreco, Wout Dekker concluded he wanted to pursue other personal and professional interests. The Board highly appreciates the successes that were achieved during his long tenure and want to thank him for all he has done for Nutreco. With the appointment of Knut Nesse, an internal successor for Wout Dekker has been found and the Board is confident that under his leadership Nutreco's strategy Ambition 2016 can be realised. The Supervisory Board is also content that in Viggo Halseth an internal candidate with broad Nutreco experience has been appointed.

Composition and evaluation of the Supervisory Board

The members of the Supervisory Board together represent a broad range of experience and expertise. The Supervisory Board meets the requirement of the Dutch Code on Corporate Governance that all its members are independent, and it also complies with the rules that its members do not hold more than five Supervisory Board positions at publicly listed Dutch companies. The Supervisory Board currently comprises five members, whose profiles and other information are given on pages 78-79 of this annual report.

At the end of the Annual General Meeting of Shareholders on 28 March 2013, the first term of Rob Frohn and Ajai Puri, and the second term of Jaap Vink will expire. All three board members are eligible and available for reappointment, they fit the profile of the Supervisory Board and given their experience, knowledge and valuable input to board meetings the Board will make a non-binding nomination for their reappointment.

Pursuant to the Profile of the Supervisory Board and the new article 2:166 of the Dutch Civil Code, the Supervisory Board has explicitly taken into consideration the option not to re-appoint one of the existing members of the Supervisory Board and instead nominate a female candidate next to Herna Verhagen. For continuity reasons, given the specific knowledge of the Company that the existing members of the Supervisory Board have, and the excellent way they are functioning, the Supervisory Board has decided that to date it is in the best interest of the Company to re-appoint the existing members.

In a closed meeting held in December, the Supervisory Board reflected on its own performance, composition, and that of its three Committees. In preparation for this self-assessment, each member of the Supervisory Board completed a questionnaire. Items assessed included composition and profile, the Board's size, mix of skills and experience, decision-making, follow-up of and discussion during meetings, induction and performance, areas of supervision, the relationship with the Executive Board, the support by the Company Secretary and the performance of the Chairman.

A summary of the main findings from the completed questionnaires, with the Vice-Chairman receiving comments on the Chairman, was used as the basis for a plenary self-assessment discussion in the Supervisory Board. All the above-mentioned items were unanimously assessed positively and no real bottlenecks or serious weaknesses were identified, although some suggestions for improvement were discussed. The main item for change is that the Supervisory Board sees risk management explicitly as a focus area for the entire Board. The risk documents will therefore be placed on the agenda of the plenary board meeting, whereas previously the preparatory discussion took place in the Audit Committee. Subsequently the Chairman reported to the full Board. The Board further concluded that the procedural items, identified in the previous self-assessment, were all addressed during 2012. Although the procedure with questionnaires satisfies the requirements, it was decided that for objectivity reasons the evaluation in 2013 will be performed with the aid of an external consultant.
In the same meeting, the compliance of the Supervisory Board with the Dutch Corporate Governance Code was also assessed. The reflections on this assessment can be found in the chapter on Corporate Governance on pages 96 to 101 of this annual report.

Results and strategy

The year 2012 was another strong year for Nutreco, despite the challenges of the global economy and the personnel changes that took place within the Executive Board. With the financial results achieved as well as the steps made in the first year of implementing its growth strategy, Nutreco is well underway to achieving Ambition 2016. The divestment of the compound feed business in the Netherlands, Belgium and Germany provides more focus and stable returns, while the 97% ownership of Nutreco's Brazilian operations provides a solid basis to benefit from the growth potential in Brazil. Although not closed yet, the Board is pleased with the forthcoming addition of Gisis which fits Nutreco's strategy of focussing on a higher added value portfolio, new species and innovative nutritional solutions, and strengthens Nutreco's presence in the targeted growth geographies. Important priorities for 2013 in the framework of Ambition 2016 are the embedding of the defined projects to support this strategy, and further expansion by means of acquisitions into high growth economies (especially Latin America, Russia, Asia and Africa). Nutreco's strong balance sheet and steady cash flow generation provides a solid foundation for organic growth as well as growth through acquisitions.

2012 Financial statements and dividend

The financial statements for the year 2012, as prepared by the Executive Board, have been audited by KPMG Accountants N.V., whose auditor's report is included on page 202 of this report, and were extensively discussed in February 2013 by the Audit Committee with the auditor in the presence of the CEO and CFO. In addition, they were discussed by the Supervisory Board and the Executive Board in the presence of the auditor.

The Supervisory Board endorses the Executive Board's proposal to pay a dividend of € 2.05 per ordinary share, at the discretion of the shareholders either in cash or in the form of ordinary shares in the capital of Nutreco. The Supervisory Board also supports the Executive Board's proposal to retain the remaining net income for equity holders of € 106.2 million and add it to reserves.

The Annual General Meeting of Shareholders will be asked to grant discharge to the members of the Executive Board for their management during 2012 and to the members of the Supervisory Board for their supervision over said management.

The members of the Supervisory Board and Executive Board have signed the 2012 financial statements pursuant to their statutory obligation under article 2:101(2) of the Dutch Civil Code. The members of the Executive Board have also signed under article 5:25(2)(c) of the Markets Supervision Act (Wet op Financieel toezicht).

The Supervisory Board recommends that the Annual General Meeting of Shareholders adopts the 2012 financial statements and the proposed dividend over the year 2012.

Word of thanks

The Supervisory Board wishes to express its sincere appreciation for the results achieved and would like to thank employees and the Executive Board for their hard work and continued commitment in the past year.

Amersfoort, 6 February 2013

The Supervisory Board
Jan Maarten de Jong (chairman)
Jaap Vink (vice-chairman)
Rob Frohn
Ajai Puri
Herna Verhagen

RISK MANAGEMENT

In determining the Nutreco strategy and the strategic objectives for 2016, risk assessments played an important role. While accepting a certain level of risk is a prerequisite for achieving Nutreco's strategic objectives and financial targets, Nutreco in general adopts a prudent attitude with respect to the acceptance of significant strategic and business risks. Managing risks is not only an essential element of entrepreneurship but also an enabler for a sustainable business.

Risk Management and Control systems

Risk profile

Nutreco has a portfolio of different products for different species, in an increasing number of different markets and geographies with operations spread over mature and emerging markets. As a result, the risks are spread as well. The worldwide activities are exposed to varying degrees of risk and uncertainty, some of which, if not promptly identified and managed, may result in a material impact on a particular operating company or business unit.

Risk Management Model

Risk management is based on a model that is used by the business operations throughout the Group. The risk monitoring results are discussed during business review meetings and are presented to the Executive Board for evaluation. The model has been integrated into the existing planning and control cycle. The risk management and control systems are considered to be in balance with Nutreco's risk profile, although such systems can never provide absolute assurance. Because of possible changes in the strategy and in risks, the company's risk management and control systems are subject to continuous review and adaptations.

In the course of 2012, Nutreco performed a maturity assessment regarding its governance, risk management and compliance. This resulted in opportunities for further improvement of our risk management model, for which actions were defined. One of the outcomes was a re-assessment of Nutreco's major risk categories, as presented below. Other actions relate to further alignment of the different functions from a risk management perspective.

Responsibilities

The Executive Board, under supervision of the Supervisory Board, has overall responsibility for Nutreco's risk management and control systems. Divisional, business unit and operating company management are responsible for managing performance, underlying risks and effectiveness of operations. This is conducted within the rules set by the Executive Board, which is supported and advised by the Risk Management Advisory Board (RMAB).

Risk Management Advisory Board

The RMAB evaluates risk exposures and advises both the Executive Board and the businesses on risk management and on the set-up and effectiveness of the implemented control measures. The RMAB consists of the CFO, Corporate Controller, Group Treasurer, Corporate Secretary, Director IT and the Director Group Internal Audit. Specific business and other knowledge is provided by business management and internal or external experts who are invited to attend the meetings.

In 2012, the RMAB met eight times (2011: seven times). A summary of the meetings was presented to the Executive Board and the Audit Committee.

In the meetings in 2012, the RMAB paid attention to updates of several group-wide policies and procedures, the euro crisis, data privacy, the embedding of the Nutreco Code of Ethics, improvements in the Internal Control Framework and segregation of duties and IT developments, amongst others. Also several compliance-related matters were discussed.

Main risk categories

The strategic, operational, financial and compliance risk categories that could have the greatest adverse effect on the achievement of Nutreco's objectives are described below. This is not an exhaustive list. There may be risks or risk categories that have currently been categorised as not having a significant impact on the business that could, however, develop into major risks. The objective of Nutreco's risk management systems is to identify changes in risk profiles and incidents in time, such that appropriate and timely measures can be taken.

Major risk categories

strategic risks	1. Macro-economic and geopolitical 2. Mergers & acquisitions, divestures, (de)integration 3. Human resources
operational risks	4. Catastrophe 5. Customer concentration 6. Customer needs and innovation 7. Feed safety 8. Product pricing 9. Project management 10. Volatility in raw material markets 11. Supplier concentration
financial risks	12. Capital markets 13. Credit
compliance	14. Non-compliance

A risk category's significance is determined by the likelihood of it occurring and its potential impact on the achievement of Nutreco's strategic objectives, its financial performance and its reputation. The measures that have been taken to manage these risks are described on the next pages.

Strategic risks

1. Macro-economic and geopolitical risks

The risk that adverse political actions or prolonged financial crises threaten Nutreco's resources and future cash flows in a geography in which Nutreco has invested significantly or is dependent on for a significant volume of business or has entered into a significant agreement with a counterparty subject to the laws of that country. Such crises could result in a longer term slow-down of economies, as a result of which strategic objectives may not be achieved.

Managing the risks of macro-economic and geopolitical crises

Through its presence on several continents and by running businesses spread over different countries and species, Nutreco is not dependent on a single economy or political system. As such, the risk is spread and difficulties in one or more specific markets can be compensated by opportunities in other markets. We realise however that no international company is immune to large-scale financial or political crises, as recent years have shown.

The countries which are key for realising the growth ambitions in Nutreco's strategy – especially in Latin America, Russia, Asia and Africa – have shown positive economic developments and relative political stability in recent years. We have no indications that this will change significantly in the near future. Nutreco is aware though that its presence in emerging markets could eventually lead to greater political risks, including changes in tax systems, which cannot be insured. Also in more mature markets such as Spain, economic and political risks exist that could affect Nutreco. In relation to the euro zone crisis and the potential risk of an exit from the euro by certain countries, a contingency plan has been prepared in 2012. Amongst others, this includes assumptions, response teams, an analysis of risks and opportunities per phase with business representatives from Spain, Italy and Greece. A communication structure has been set up in case quick decisions have to be made.
Through a geographically oriented business unit structure, Nutreco actively follows markets and economic and political developments in order to be able to respond to changes as decisively as possible. In the case of new or prolonged crises, Nutreco is resolute in making decisions regarding the focus of the businesses, potential transfers of production to other areas and investments.

2. Risks related to mergers and acquisitions, divestures and (de)integration

The risk of not finding value-creating merger or acquisition opportunities, or that the acquired companies are not in line with the strategy or are acquired based on the wrong investment assumptions, and/or failure of (de)integration, threatening the achievement of expected synergies and returns.

Managing risks related to mergers, acquisitions and (de)integrations

It is part of Nutreco's strategy to expand through acquisitions in growth geographies such as Latin America, Russia, Asia and Africa. The selection of acquisition targets from these areas has to be stringent, considering, amongst others, differences in corporate governance, business culture and integrity, feed safety, sustainable sourcing and manufacturing practices.

Nutreco's acquisitions strategy is laid down in an acquisition policy, which covers not only the pre-acquisition period and the acquisition process but also the post-acquisition process. Nutreco carries out a thorough M&A process during which various departments, including Control, Treasury, Tax, Legal, Internal Audit, IT and Health, Safety, Environment and Quality are involved in an advisory capacity.

Nutreco generally builds a pipeline of targets of companies that are at or close to Nutreco's strategic requirements. Nutreco has a good basis through local presence with senior management in Brazil, Russia and Southeast Asia. In 2012, Nutreco acquired Bellman and an increased shareholding in Nutreco Fri-Ribe in Brazil and announced the acquisition of Gisis in Ecuador. In March 2012, we completed the divestment of Hendrix, our compound feed business in the Netherlands, Belgium and Germany. In December, Nutreco completed the sale of Trouw Nutrition Környe. Környe operates in the premix, concentrates and young animal feed market for pigs and ruminants in Hungary.

To successfully integrate acquired businesses, an integration plan that includes functions such as marketing, sales, human resources, legal, finance, R&D and procurement is drawn up. After each acquisition, the execution of this plan by dedicated people is closely monitored and discussed during the monthly business review meetings. A progress report on integrations of recent acquisitions is presented to the Executive Board regularly during the first year after acquisition. General lessons learned from executed acquisitions and (de)integrations are distributed to corporate and business staff. Within six months after each acquisition, an entrance review is completed by the Group Internal Audit department to assess the quality of internal controls and to provide further guidance on improvement hereof. Within 18 months after the closing of an acquisition, a post-project evaluation is performed, the outcomes of which are presented to the Executive Board and the Supervisory Board.

3. Risks related to Human Resources

The risk that a lack of requisite knowledge, skills and experiences among Nutreco's key personnel threaten the execution of its business model and achievement of critical strategic and business objectives.

Managing the risks related to human resources

Having the right human capital is essential for the execution of Nutreco's strategy. As described in the human resources section in this report, Nutreco has several programmes and initiatives in place to monitor and develop its management and staff.

In August 2012, Knut Nesse took over as CEO from Wout Dekker, who had held this position for 12 years. Knut Nesse was appointed after a due process led by the chairman of the Supervisory Board, as explained on page 83. Following his appointment, significant time was spent on the hand-over from Wout Dekker to Knut Nesse, introducing him to many internal and external stakeholders. Based on the responses from stakeholders including shareholders, Nutreco believes that the CEO succession was well managed.

Over the course of 2012, requirements regarding the corporate human resources and communication functions were re-evaluated and redefined, resulting in the appointment of both a new Corporate Human Resources Director and a new Corporate Communications Director. Other vacancies for senior management positions are in the process of being filled. Nutreco follows high-quality and thorough procedures in identifying and selecting the right candidates for (senior) management positions, who should have an international profile.

In order to balance short-term and long-term objectives, Nutreco has constructed its performance bonus system in such a way that milestones are always a combination of financial and sustainability targets, both based on a longer term vision. Share-based incentives have a performance period of three years. Short-term targets are based on challenging and sustainable yearly budgets that are determined and monitored by the Supervisory Board.

Operational risks

4. Catastrophes

The risk that a major (natural) disaster threatens the organisation's ability to sustain operations, provide products and services or recover operational costs. This includes risks such as animal diseases, earthquakes, drought, breakdown of factories, etc.

Managing the risk of catastrophes

Catastrophes are mostly of an external nature and normally cannot be (timely) foreseen. However, Nutreco strives to be prepared to deal with the occurrence of external developments that may directly affect its business.
For example, animal diseases in livestock farming could lead to a significant reduction of the number of animals and, as a consequence, to a lower demand for feed. The regional spread of activities and the variety of animal species for which feed is supplied limits this risk. In 2012, there were outbreaks of foot and mouth disease in China and Taiwan and an avian influenza in India and Vietnam. These incidents did not have a significant impact on Nutreco's business as a whole.

In the case of animal diseases also, Nutreco's own livestock could also be impacted, especially in Spain. Nutreco's livestock is spread over various locations, which limits the risk.
In the past the owners of livestock were in most cases (partly) compensated by local or national governments in the case of diseases. In 2012 there were no major events involving Nutreco's livestock that had a material impact on the consolidated result.

To the extent possible, Nutreco will respond to catastrophes when they occur. The risk of unavailability of certain raw materials as a result of drought/poor weather conditions and poor harvests, for example, can partly be mitigated by substitution to other raw materials. Factories are well-maintained and spare parts are kept to avoid longer-term outages. For the main processes and (IT) systems, proper back-up and restore procedures are in place.

5. Customer concentration risk

The risk that Nutreco becomes dependent on a small number of major customers.

Managing the risk of customer concentration

In general, Nutreco's customer base is rather fragmented, especially in animal nutrition, where Nutreco supplies a large number of relatively small customers. By contrast, salmon feed is supplied to a small number of large companies. The most important customer in the Fish Feed segment, Marine Harvest, accounts for less than 6% of Nutreco's total revenue. In the segment Meat & Other, the Spanish supermarket chain Mercadona is a leading customer, which accounts for approximately 7% of Nutreco's total revenue.

In the second half of 2012, Marine Harvest announced its decision to operate its own salmon feed plant in Norway by 2014. This could result in a reduction of Nutreco's salmon feed supply to Marine Harvest, while remaining one of the market leaders in fish feed in Norway. This development underscores Nutreco's earlier defined strategy to diversify its fish feed business for non-salmonid species from 28% in 2010 to 45% of total fish feed volume in 2016. This growth will be realised by expanding its presence in Latin America, Asia and Africa, and further diversifying its species portfolio.

Relationships with large customers are managed by key account managers, including involvement of the Executive Board. Nutreco aims for long-term and sustainable partnerships.

6. Risks related to customer needs and innovation

The risk of a lack of focus on changes in customer needs threatening Nutreco's capacity to meet customer expectations by (sustainable) innovations, leading to reduced attractiveness in the market and/or a threatened competitive position (commodity trap).

Managing risks related to customer needs and innovation

In markets that become increasingly competitive, Nutreco aims to distinguish itself by offering feed-efficient solutions that provide economic and sustainability benefits to customers. Innovations in Nutreco are focused on delivering sustainable and commercially viable feed solutions in animal nutrition and aquaculture, to meet and exceed the latest market requirements.

The Application and Solution Centres (ASCs) and the Aquaculture Research Centre (ARC) provide a necessary interface between the needs of the local markets and the global R&D centres, indicating research priorities and steering successful innovations.
In 2012, ASC Europe was up and running and Nutreco again delivered a number of successful innovations, as described in detail in the Innovation chapter of this report.

7. Feed safety risks

The risk that faulty produced products or contaminated raw materials expose Nutreco to customer complaints, animal and human health issues, warranty claims, returns, product liability claims, litigation and loss of revenues, market share and business reputation.

Managing feed safety risks

Raw materials do not always meet the required quality and safety standards. If non-conforming materials enter the feed-to-food chain, they could constitute a risk in the area of food safety. In addition, mistakes or accidents in the manufacturing processes could, amongst other consequences, lead to health problems for Nutreco's employees, environmental issues or defective products, having an adverse impact on animal health.

Assurance that only safe raw materials from approved suppliers are used in products is of utmost importance. Nutreco continues to invest in improving quality and safety standards. Thorough and detailed monitoring programmes at all relevant stages from raw materials to finished products are executed via monitoring systems and quality control programmes. Analyses of raw materials and products are conducted in both Nutreco's own and external laboratories.

Besides its successful Nutrace programme, Nutreco uses NIR (Near-Infrared Reflectance) spectroscopy as an analytical method. A direct link to the NIRLine service of Nutreco's Masterlab assures a rapid quality check on incoming raw materials and ingredients.

Nutreco's production processes are strictly controlled to safeguard the well-being of its employees, the environment and to meet legal requirements, as well as the demands of the customers.

All production sites apply quality assurance schemes based on HACCP-system and are subject to Nutreco's HSE (Health, Safety and Environment) standards and are audited on a regular basis. These standards are according to international and industry-accepted and known quality standards.
The continuity of manufacturing and related IT-systems is managed through business continuity and recovery plans.
In spite of the systems and procedures described before, Nutreco was confronted with a limited number of contamination issues and related claims in 2012.

These cases did not have a significant impact on the financial statements of the Group, but they reconfirmed the need for continuous improvements in governance, detection systems and crisis manuals.

Besides all preventive measures, Nutreco limits its financial exposure in the case of (product) liability claims by, for instance, risk transfer (insurance and contractual) combined with crisis and contingency plans.

8. Product pricing risk

The risk that prices or rates that customers are willing to pay do not cover development and other costs, or do not cover the cost of risks undertaken by the organisation.

Managing the risks of product pricing

Nutreco is partly exposed to risks arising from fluctuations in the market prices of species such as poultry and pigs. While there is often no direct correlation between sales prices for animals and feed prices, Nutreco's sales prices and margins may be impacted by volatility in the markets for meat. As Nutreco's strategic objective is to increase sales from animal nutrition and fish feed mainly, a smaller percentage of the overall portfolio has a correlation with market prices of animals.

In countries where Nutreco is a meat producer itself, especially in Spain, there is a more direct relationship between animal prices and margins. In 2012, due to the prolonged economic crisis in Spain, pressure on the sales prices and margins for meat increased. Nutreco is closely monitoring this situation and is continuously considering its strategies and negotiations with important customers. In addition, credit management procedures are in place (see no. 13 below).

9. Project management risks

The risk that the inability to complete projects successfully within due time threatens the achievement of Nutreco's goals, impacts the organisation's resources and future cash flows or results in additional costs.

Project management

In order to meet customer needs through innovations and in striving for operational excellence, Nutreco has initiated a number of important projects. These include, but are not limited to, the Unite project (business process redesign), IT outsourcing and the construction or upgrade of plants in Norway, Russia and Brazil. Such projects require significant capital expenditures and generally take more than one year to complete. Failure of such projects could result in unnecessary costs, missed opportunities and potential disruption of the business.

Nutreco has a Capital Expenditure (Capex) Policy in place that requires strict pre-approval and monitoring and reporting for all major projects. For such projects, a separate project management organisation is established including experienced managers (business, technical, finance, project management, etc.). Separate Steering Committees and/or Governance Boards are set up that monitor the progress of the projects on a periodic basis. For deviations from the original project plan and budget, the Capex Policy requires exception reporting which – if financially significant – also requires separate authorisation by the Executive Board.

During all phases of a project, communication to all key stakeholders takes place and training to those impacted by a project is provided extensively. Before projects go live, significant testing takes place and back-up scenarios are established. Testing may include pre-live and post-live reviews by HSE auditors or Group Internal Audit. Final go/no-go decisions are made by responsible management after advice from the Steering Committee or Governance Board.

10. Risks of volatility in raw material markets

The risk that price volatility related to purchases of raw materials cannot be passed through to customers (economic purchase risk; margin protection) as well as volatility in the income statement (purchase accounting risk).

Managing the risks of volatility in raw materials

Nutreco aims to minimise both the economic purchase risk (margin protection) and the purchase accounting risk. The business model in Animal Nutrition and Aquaculture is based on the pass through of raw material prices in sales prices either by virtue of standing industry practice or by virtue of customer contracts. In 2012, a new risk management policy for raw materials was designed, which will be implemented in 2013. This policy is aimed at further mitigating the impact of purchase exposures.

Nutreco's contract positions are based on a thorough understanding of the raw material markets and contracts with its feed customers. The procurement of important raw materials and feed additives such as vitamins, minerals, amino acids and pigments is centralised. Commodities are purchased locally within the limits of the Commodity Procurement Policy. Contracts exceeding predefined limits must be authorised by the Executive Board. Existing contract positions are closely monitored and, when necessary, corrective actions are evaluated and implemented.

Procurement operates within the framework of centrally specified policies and guidelines and must act in conformance with the required internal control measures. There is a global expert network to share knowledge of markets, suppliers and conditions of raw materials at Group level. Compliance is monitored by management and the Executive Board, supported by Group Internal Audit department.

As described in note 27 of the consolidated financial statements, operating companies need to comply with the Nutreco commodity risk management policy. In addition to fixed price contracts, futures are used to economically hedge the price volatility. Foreign currency exposure is managed by means of financial derivative instruments, such as foreign currency forward contracts and swaps, as well as short-term bank balances in foreign currencies. The average maturity of derivative financial instruments mirrors the average pass through period.

11. Supplier concentration risk

The risk that concentration of suppliers and the dependence on a limited number of important suppliers threatens Nutreco's achievement of strategic objectives, including profitability.

Managing the risk of supplier concentration

Especially in Aquaculture, Nutreco is confronted with a rather low number of suppliers for important raw materials such as fishmeal and fish oil. As the result of constant and intensive R&D activities, Nutreco has been able to reduce the inclusion of these raw materials in its feed formulas by replacing them with alternative sources (e.g. MicroBalance™ technology).

The dependence on a relatively small number of suppliers for especially vitamins is increasing. Continuous attention is paid to the financial performance and position of strategic suppliers, to mitigate the counterparty risk to the extent possible and to ensure the availability of raw materials. For other suppliers, Nutreco has inventoried the supplier and contract base and Nutreco considers the risk of dependence there as very limited.

Financial risks

12. Capital markets risks

The risk that a decline in investor/bank/market confidence in Nutreco's business model, ability to execute its model or ability to fulfil its financial obligations threatens its capacity to efficiently raise capital, to ensure its liquidity, to sustain share valuations or to grow.

Managing the capital markets risks

In 2012, Nutreco updated its Investor Relations Policy to ensure a high and uniform level of information to the capital market, creating awareness of and confidence in Nutreco's vision, strategy, policies and decisions. This will be undertaken while complying with the rules and legislation for companies listed on the NYSE Euronext Amsterdam and the Netherlands Authority of the Financial Markets (AFM).

Nutreco's target is to have sufficient committed credit facilities, a well spread long-term debt maturity schedule and a strong liquidity position. In the current financial markets, obtaining credit from financial institutions and investors is relatively difficult. In the past years and in 2012, Nutreco has extended and diversified its long-term financing by credit arrangements both with financial institutions and through private placements, leveraging from its strong balance sheet. Through this, Nutreco has ensured sufficient liquidity for the coming years to support Ambition 2016. In September, Nutreco successfully amended its € 500 million revolving credit facility with extended maturity from 2014 to 2017 and improved conditions. As at 31 December 2012, € 524.8 million of total available facilities of € 1,303.7 million had been used (2011: € 428.7 million and € 1,056.6 million respectively). In addition to the unused credit facilities Nutreco had € 263.0 million in cash and cash equivalents available at the end of 2012 (2011: € 176.8 million).

Nutreco's core credit facilities and its use of these facilities are contracted by Group Treasury. Group Treasury monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows. The interest rates for interest-bearing borrowings are largely fixed.

13. Credit risk

The risk that third parties, especially customers, cannot fulfil their financial obligations towards Nutreco.

Managing credit risk

Continuing difficult economic situations in several of the markets in which Nutreco operates result in the risk that third parties will not be able to fulfil their financial commitments towards Nutreco. Low prices for farmed products such as milk, pigs, chicken or fish could also increase the credit risk on feed customers. Although these prices have no or limited direct correlation with feed prices, a long period of low prices for farmed products could have an impact on the financial situation of some of the customers.

Especially in Southern Europe, but increasingly also in other territories (like Chile), credit risk has increased due to the economic situation and the lack of bank facilities for customers. In 2012, some of Nutreco's customers faced bankruptcy.

To reduce credit risk regarding customers, Nutreco has a credit policy in place and carries out ongoing credit analyses of its customers' financial situation. Nutreco uses market intelligence and, if required and possible, credit rating agencies to determine its customers' creditworthiness. Credit to debtors is closely monitored in business review meetings and specific indicators, such as Days Sales Outstanding and overdue debts, are reported and discussed in detail. In some cases securities are provided to Nutreco by customers and/or credit insurance is in place. Where deemed necessary, separate credit committees have been established. Authorisation levels are formalised while the Executive Board is involved in authorising major amounts with customers. Some customers are temporarily no longer supplied.

The international growth of premix and feed specialties and fish feed for different fish species has resulted in a wider and more international spread of customers. Although this increased spread has a risk-reducing effect, it has, at the same time, increased the credit risk for emerging markets. The risk profile of Nutreco's customers differs per business segment. For doubtful debts, adequate allowances are in place of € 69.4 million in total (2011: € 73.4 million). As at 31 December 2012, the total outstanding amount owed by Nutreco's most important customers, Marine Harvest (Fish Feed) and Mercadona (Meat & Other), in total represented 3% (2011: 4%) of the total outstanding amount.

Continuous attention is paid also to the creditworthiness of other third parties such as banks, insurance companies and strategic suppliers. The exposures to banks are carefully monitored and credit limits are based on credit rating and maturity of the exposure. Generally, cash and cash deposits and derivative financial instruments are held with banks with a Standard & Poor's credit rating of at least A-. The maturity of the exposure is spread over various banks to reduce the counterparty risk and, except for interest rate derivatives, short-term.

Nutreco has placed its insurance coverage, in which property damage and product liability are most important, with insurance companies having at least an A- rating.

Compliance

14. Non-compliance risks

The risk of non-compliance with laws and regulations, which may adversely affect Nutreco's reputation and expose it to financial losses.

Managing non-compliance risks

Nutreco is committed to comply with laws and regulations in the various countries in which it operates, as it can be held liable for the consequences of non-compliance. Changes in laws and regulations could mean that products, services, policies and/or procedures are not adapted (or not quickly enough), potentially exposing Nutreco to risks such as fines, sanctions and loss of customers, profits and reputation.

Growth strategies in emerging markets and relatively new legislation such as the UK Bribery Act have increased the company's risk profile. Nutreco also recognises that the risk of fraud, by both external parties and its own staff, might increase given the current economic climate, which requires appropriate measures.

Nutreco has established policies and procedures aimed at compliance with both corporate (Dutch) and local environmental and other laws. We adjust to local situations by building strong local companies and developing a proper approach in coping with dilemmas within the boundaries of applicable laws and responsible conduct. We support the principle of free enterprise and fair competition. The management carries out regular reviews to identify environmental and other risks and to ensure that adequate systems to manage those risks are in place. Changes in laws and regulations are actively analysed and assessed and when necessary, appropriate adaptations are implemented.

In 2012, Nutreco rolled out a global communication programme including road shows and workshops regarding the Code of Ethics. The purpose of this programme was to further increase awareness of and compliance with the Code of Ethics, which sets out the main moral values to which Nutreco subscribes.

A breach of the Code of Ethics can lead to sanctions, including termination of employment.
The members of the Supervisory Board, the Executive Board and all employees with managerial responsibilities are required each year to confirm in writing that they have complied with the Code of Ethics.

In addition, the Nutreco Integrity Line, which is operated by an external service provider, allows employees to report issues anonymously. During 2012, a limited number of 6 complaints was received through this line, mainly related to labour relations and none of a material nature. The complaints were all investigated and a response was posted to inform the complainants of the Company's position and, where relevant, corrective actions were taken.
During 2012, no alleged fraud cases were reported.

Assessment of internal risk management and control

The Executive Board has evaluated the design and the effectiveness of the internal risk management and control systems, based upon continuous monitoring and interaction with business and corporate staff and by assessing – amongst others – the following information:

- Letters of Representation signed by operating company, business unit and divisional management
- Reports of Group Internal Audit and HSE auditors on reviews and audits performed throughout the year. Findings and measures to address issues were discussed with local management, the Executive Board and the Audit Committee
- Management Letter from the external auditor with findings and remarks regarding internal control; this letter has been discussed with the Audit Committee and the Supervisory Board

The Executive Board concluded that good progress was made with further improvements of risk management and internal control and that the issues identified did not materially impact the consolidated accounts of Nutreco N.V.

MANAGEMENT REVIEW AND REPORTING

In control statement

The Executive Board manages the Company and is responsible for achieving the Company's strategy, objectives, goals and results as well as for taking appropriate measures for the design and operation of the internal risk management and control systems consistent with Nutreco's business (see pages 86 to 94). These systems, which are based on the COSO internal control framework, have been designed to identify opportunities and risks on a timely basis, to manage significant risks, to facilitate the realisation of the Company's strategic, operational and financial objectives, to safeguard the reliability of the Company's financial reporting and to comply with applicable laws and regulations. To fulfil our responsibilities, we systematically reviewed and, where necessary, enhanced the Company's internal risk management and control processes with regard to its strategic, operational, compliance and financial (reporting) risks during the year 2012. The results of these reviews, including changes and planned improvements, have been discussed with the Audit Committee and the Supervisory Board.

It should be noted that the above does not imply that these systems and procedures, however well designed and intended to optimally control risks, provide absolute assurance as to the realisation of operational and strategic objectives, or they can prevent all misstatements, inaccuracies, errors, fraud and non-compliance with legislation, rules and regulations.

Based on the approach as described above, we believe that to the best of our knowledge with respect to the financial reporting, the internal risk management and control systems have adequately performed during the year 2012 and provide a reasonable assurance that the financial reporting does not contain any errors of material importance, and we confirm that there are no indications that these systems will not continue to perform so in 2013.

Responsibility Statement

In accordance with article 5.25c of the Financial markets Supervision Act (Wet op het financieel toezicht), the Executive Board confirms that to the best of its knowledge:

- The consolidated financial statements of 2012 give a true and fair view of the assets, liabilities, the financial position and comprehensive income of Nutreco and its consolidated operations
- The management report includes a true and fair review of the position as per 31 December 2012 and of the development and performance during 2012 of Nutreco and its related participations of which the data have been included in the financial statements, and describes the principal risks that the Nutreco group is facing

Amersfoort, 6 February 2013

Knut Nesse, CEO
Gosse Boon, CFO
Viggo Halseth, COO Aquaculture
Jerry Vergeer, COO Animal Nutrition

CORPORATE GOVERNANCE

Nutreco is committed to the principles of corporate governance, which are based on the requirements of Dutch legislation, the Company's Articles of Association, the Dutch Corporate Governance Code (hereinafter: "the Code") and the Nutreco Code of Ethics. Given the international context in which Nutreco and its businesses operate, both national and international developments are closely monitored; During 2011-2012, a programme was implemented in order to ensure compliance with the UK Bribery Act.

Dutch Corporate Governance Code

Following the introduction of the amended Code that entered into force in 2009, Nutreco has reviewed all Principles and Best Practice provisions of this renewed Code and has, where feasible and relevant, taken measures to implement the changes and additions, if required, by making amendments to the Articles of Association and regulations. The implementation of the amended Code within Nutreco was a separate agenda item at the Annual General Meeting of Shareholders in April 2010 in accordance with the "comply or explain" principle. No questions or issues were raised by shareholders, who concurred with the way Nutreco handled compliance with the Code.

Compliance

In view of the above, Nutreco can confirm that it applies all of the principles and best practices of the amended Code.

Until August 2012, there was an exception with respect to Best Practice II.1.1, as the (renewable) maximum four-year term of office was not observed for Wout Dekker, who was appointed as member of the Executive Board in 1996 for an indefinite period. This exception complied with the preamble to the Code, which indicates that existing contracts prior to the introduction of the Code may be respected, and was discussed with the General Meeting of Shareholders in 2004 where it met no objection. Upon the stepping down of Wout Dekker on 1 August 2012, the Supervisory Board decided to appoint Knut Nesse as his successor. For all Executive Board members the maximum four-year term of office now applies.

With respect to Best Practice III.5.11, it is to be reported that Herna Verhagen, Executive Board member of PostNL N.V., acted as the chairman of the Remuneration Committee until 1 April 2012. On that date she stepped down from the position as chairman and acts as a member of the Remuneration Committee. Since that date, Nutreco adheres again to this Best Practice.

With respect to a maximum severance payment consistent with the Code (Best Practice II.2.8), it should be noted that since August 2012 this applies to all members of the Executive Board, except for Jerry Vergeer, who was appointed to the board in June 2009. Since he also retained his responsibilities for the Nutreco operations in Canada, his existing employment agreement including its regular severance payment continued to be in place. This means a severance payment of two years gross base salary applies for the part of his salary that is allocated to the operational responsibilities in Canada. Concerning the part of his remuneration for his Executive Board membership, he is eligible to a severance payment equal to one-year's base salary, which is in line with the Code.

It should be noted that any future substantial changes in Nutreco's corporate governance structure and its compliance with the Code will be submitted to the General Meeting of Shareholders for their consideration.

All information and documents related to the implementation of the Code at Nutreco can be found in the Governance section of Nutreco's website: www.nutreco.com.

Organisational structure

Nutreco N.V. is a public limited liability company (Naamloze Vennootschap) under Dutch law with a two-tier board structure. Its shares are listed on NYSE Euronext Amsterdam. The Company is managed by the Executive Board under supervision of the Supervisory Board. The two boards are accountable to the General Meeting of Shareholders.

Based on a proposal by the Supervisory Board, the General Meeting of Shareholders can amend the Articles of Association. A resolution to amend the Articles of Association must be adopted by an absolute majority of the votes cast.

For the Nutreco Articles of Association, please refer to the Nutreco website: www.nutreco.com.

The Company is structured to effectively execute its strategy and to balance local and global decision-making. It comprises a Corporate centre and two divisions, Animal Nutrition and Aquaculture, each of which contains a number of operating companies. Both divisions report to one member of the Executive Board (Chief Operating Officer), who manages the coherence of operations and is responsible for the overall performance of the division within limits defined by the collective responsibility of the Executive Board for the overall management of the Company. The Corporate staff at the Corporate centre operate as functional experts to the Executive Board and the divisions and report directly to the Chief Executive Officer or the Chief Financial Officer.

Executive Board

The Executive Board manages the Company and is responsible for achieving the Company's goals, objectives, strategy and results. Management responsibility is vested collectively. The Supervisory Board determines the number of Executive Board members.

The Executive Board is appointed by the General Meeting of Shareholders on the proposal of the Supervisory Board, with the latter indicating whether or not the proposal is binding. This binding character can be waived by a simple majority of the votes cast, in a meeting in which more than one-third of the issued share capital is represented. Since the AGM in 2002, the Supervisory Board agreed not to use the option of making a binding proposal for appointments unless in exceptional circumstances, such as a hostile takeover attempt.

The General Meeting of Shareholders can dismiss or suspend a member of the Executive Board. Such a decision, other than when proposed by the Supervisory Board, requires a majority of the votes cast representing at least one-third of issued share capital.

The Supervisory Board appoints one of the Executive Board members as chairman. The division of tasks between the board members requires the approval of the Supervisory Board. Currently, the Executive Board consists of four members that are appointed for a maximum term of four years and are eligible for reappointment.

The composition of the Executive Board and information about its members are provided on pages 10-11 of this report.

Supervisory Board

The Supervisory Board, acting in the best interests of the company and its stakeholders, supervises and advises the Executive Board in performing its management tasks, including the financial policies, the effectiveness and integrity of the internal control and risk management systems and procedures put in place by the Executive Board, and the general conduct of affairs within Nutreco and its businesses. The Supervisory Board assists the Executive Board with advice in accordance with the best practices of the Code. In addition, certain (material) decisions of the Executive Board, as specified by law, in the Articles of Association and in the Supervisory Board rules, are subject to the prior approval of the Supervisory Board.

Appointments and reappointments to the Supervisory Board are considered on the basis of a profile, taking into account the nature of Nutreco's business and activities as well as the desired expertise and background of candidates. The profile is periodically evaluated and revised, if necessary, to reflect such things as developments in the size of the Company, the nature of its activities, the degree of internationalisation, and the specific risks in the medium- and long term. The Supervisory Board strives to achieve diversity in terms of expertise, nationality and gender.

Supervisory Board members are appointed by the General Meeting of Shareholders. For every appointment, the Supervisory Board is entitled to make a binding or a non-binding nomination. Non-binding nominations are voted on by a simple majority of the votes cast in the General Meeting of Shareholders.

In the case of a binding nomination, the General Meeting of Shareholders can overrule such by a majority of the votes cast where the majority represents at least one-third of the issued share capital. If the first binding nomination is overruled by the General Meeting, the Supervisory Board may present a second binding nomination; and if that second binding nomination is overruled, the General Meeting appoints a member of the Supervisory Board with an absolute majority of the votes cast not based upon a binding nomination.

The Supervisory Board appoints one of its members as chairman. Currently, the Supervisory Board consists of five members, that are appointed for a maximum term of four years and are eligible for reappointment for two additional four-year terms, up to a maximum of twelve years.

The composition of the Supervisory Board, information about its members and its Profile are provided on pages 78-79 of this report.

Supervisory Board Committees

While the Supervisory Board as a whole retains overall responsibility for its functions, it has assigned some of its tasks to four committees: the Audit committee; the Remuneration committee; the Selection and Appointment committee; and the Innovation and Sustainability committee. These committees, which are selected by and from Supervisory Board members, are to provide a focused analysis and preparation of the subjects within their respective areas of expertise and to report and make recommendations to the Supervisory Board, thus enhancing the effectiveness of the Supervisory Board's supervision and advisory work.

The role, tasks and procedures of the committees are outlined in their charters, which can be found on the Nutreco website: www.nutreco.com. Details about the activities of the Committees during the year under review are included in the report of the Supervisory Board on pages 80-85.

Board compliance and absence of conflicts of interest

Both the Executive and Supervisory Boards, including the committees of the Supervisory Board, have their own regulations that set rules with regard to objectives, composition, duties, responsibilities and working methods. These regulations are posted on the Nutreco website: www.nutreco.com.

All Supervisory Board members are independent within the meaning of Best Practice Provision III.2.2 of the Code. No board member is a member of the Executive Board of a Dutch listed company in which a member of the Executive Board of the Company is a Supervisory Board member. There are no interlocking directorships. None are, or were in the past, employed by Nutreco and/or represent directly or indirectly a shareholder of Nutreco or a supplier or customer of the Company. None of the members of the Supervisory Board provides any services to, or has any direct or indirect ties with Nutreco outside of their Supervisory Board membership.

Two of the Supervisory Board's current members can be regarded as financial experts within the meaning of Best Practice Provision III.3.2. Jan Maarten de Jong was a member of the Executive Board of ABN Amro Bank N.V. (Netherlands) and Rob Frohn was a member of the Executive Board and Chief Financial Officer of Akzo Nobel N.V.

Members of the Executive Board may accept no more than two mandates as a supervisory board member of a listed company. Any acceptance of such a position requires the prior approval of the Supervisory Board to prevent conflicts of interest and reputation risks. Chairmanship of a supervisory board is excluded. Other appointments of material importance need to be notified to the Supervisory Board. Members of the Executive Board are appointed to the boards of a number of Nutreco operational entities.

The regulations of the Executive Board and the Supervisory Board contain provisions with regard to potential conflicts of interest. In the year under review, no transactions with a potential conflict of interest were reported between members of the Executive or Supervisory Boards and Nutreco or its subsidiaries.

For administrative reasons, some members of the Executive Board have an employment agreement with subsidiaries of Nutreco N.V. As part of the terms of their employment contract, they have agreed not to compete with Nutreco activities. No member of the Executive Board is a supplier of goods or (in any way other than necessary for the performance of their job) of services to Nutreco or its subsidiaries.

The new Dutch law on Management and Supervision, that took effect on 1 January 2013, contains i.e. restrictions on the number of supervisory board positions that managing and supervisory directors may hold. Based on the criteria mentioned in the law, the Executive Board of Nutreco fully complies with the law, while the Supervisory Board members Jaap Vink (Aegon Bank: 2, Vion: 1, Cargill Nederland: 1, and Nutreco 1), Ajai Puri (Britannia: 0, Callebout: 0, Tate & Lyle: 0) and Herna Verhagen (Nutreco: 1, SNS Reaal: 1) all fully comply. Rob Frohn does not comply at this moment, but he will become fully compliant as from March 2013 (HAN University till 26 March April 2013: 1, Havenbedrijf Rotterdam: 1, Nutreco: 1). Also Jan Maarten de Jong does not comply but his present positions are grandfathered till the date of re-appointment (AON: 2, Heineken: 1, Nutreco: 2, Theodoor Gilissen Bankiers: 1, Onderlinge Levensverz.-Mij 's Gravenhage 0, CRH: 0 and Kredietbank Luxembourg: 0).

The law also includes provisions for a balanced participation by men and women in the executive and supervisory board, for which purpose a target has been set for at least 30% for both genders. By the end of 2012 in Nutreco, 100% of the Executive Board was male and 20% of the Supervisory Board was female. In preparing the nominations for the (re-)appointments in both boards during 2012 and for 2013, this item was considered but for reasons of continuity it was decided to nominate the existing members for (re-)appointment. Going forward, Nutreco will develop a plan on gender diversity.

General Meeting of Shareholders

The main powers of the General Meeting of Shareholders relate to:

- The appointment, suspension and dismissal of members of the Executive and Supervisory Boards
- Approval of the remuneration policy of the Executive and Supervisory Boards
- The adoption of the annual financial statements and declaration of dividends
- Release from liability of the members of the Executive and Supervisory Boards
- Issuance of shares or rights to shares, restriction or exclusion of pre-emptive rights of shareholders and repurchase or cancellation of shares
- Amendments to the Articles of Association
- Decisions of the Executive Board that would entail a significant change in the identity or character of Nutreco or its business

A General Meeting of Shareholders is held at least once a year and may be convened by the Executive Board or the Supervisory Board and can also be held on request of shareholders jointly representing 5% or more of the issued share capital.
In accordance with Article 21.5 of the Articles of Association, shareholders holding at least 1% of the issued share capital or representing at least € 50 million in value of the shares are entitled to propose items on the agenda of the General Meeting of Shareholders. Shareholders are entitled to attend shareholder meetings in person or be represented by written proxy, while each outstanding share entitles the holder to one vote. Votes may be cast directly, by voting instructions or through a proxy. Resolutions are adopted by simple majority unless the Articles of Association or the law provide otherwise. A fixed registration date of 28 days before the meeting for the exercise of voting rights is determined while voting is facilitated by electronic means.

Resolutions adopted by the General Meeting of Shareholders are published on Nutreco's website within 15 days following the meeting. Within three months after the meeting, the draft Dutch version of the minutes of the meeting is made available for three months for comments. The translation of the minutes into English is published shortly afterwards. The final minutes are posted on the Nutreco website.

In 2012, one General and one Extraordinary Meeting of Shareholders were organised. During the General Meeting that was held on 27 March and webcast live, a total of 17,278,807 ordinary shares, or 50.28% of the issued ordinary shares were present or represented by proxy. In the Extraordinary Meeting of Shareholders held on 23 July 17,435,292 ordinary shares or 50.6% of the issued ordinary shares were (re-)present(-ed).

For more information about the authorities of the General Meeting of Shareholders as well as Nutreco's Articles of Association and the resolutions adopted in the General Meetings of Shareholders, please visit the Nutreco website: www.nutreco.com.

Profit appropriation and dividend policy

Distribution of net profit is stipulated in the Company's Articles of Association, articles 29 and 30.

Nutreco may distribute profits only if, and to the extent that, its shareholders' equity is greater than the sum of the paid and called-up part of the issued capital and the reserves which must be maintained by virtue of the law. Any distribution other than an interim dividend may be made only after adoption of the consolidated financial statements that show that they are justified.

Cumulative preference shares 'D' and 'E' (none of which have been issued) carry special rights in respect of the distribution of the net profit.

Of the profit remaining after payment to holders of preference shares, such amount will be allocated to the reserves as the Executive Board shall decide, subject to the approval of the Supervisory Board and subject to the adoption of the annual accounts at the Annual General Meeting of Shareholders.
The profit remaining shall be at the disposal of the General Meeting of Shareholders.

The General Meeting of Shareholders shall be authorised to resolve, at the proposal of the Executive Board subject to the approval of the Supervisory Board, to make distributions to shareholders from the general reserves. The Executive Board, subject to the approval of the Supervisory Board, may resolve to declare interim dividends on the other classes of shares.

Subject to the approval of the Supervisory Board and after appointment of the General Meeting of Shareholders, the Executive Board shall be authorised to determine that a profit distribution, in whole or in part, shall be made in the form of shares in the capital of the Company rather than cash, or that the shareholders, wholly or partly, shall have the choice between distribution in cash or in the form of shares in the capital of the Company. The Executive Board, subject to the approval of the Supervisory Board, shall determine the conditions on which such a choice may be made.
If the Executive Board is not appointed as the authorised body to resolve to issue such shares, the General Meeting of Shareholders will have the authority as mentioned before on the proposal of the Executive Board and subject to the approval of the Supervisory Board.

Dividends are payable as from a date to be determined by the Supervisory Board. Dividends that have not been collected within five years of the start of the second day on which they became due and payable shall revert to the Company.

Dividend policy

The dividend policy of Nutreco on additions to reserves and on dividends was discussed and adopted by the Annual General Meeting of Shareholders held in May 2006. In that meeting, the General Meeting of Shareholders approved the proposal to change the dividend policy by increasing the payout ratio from a range of 30-35% to 35-45% of the net profit for the year attributable to holders of ordinary shares, excluding impairment charges and book results on disposed activities. The dividend will be distributed in cash or as a stock dividend at the shareholder's option.

No change in dividend policy has occurred since that date. Proposals to pay a dividend are dealt with as a separate agenda item at the General Meeting of Shareholders.

Financial reporting and role of auditors

Before being presented to the Annual General Meeting of Shareholders for adoption, the Company's annual financial statements as prepared by the Executive Board must be examined by an external registered auditor. The external auditor is appointed by the General Meeting of Shareholders, based on a nomination from the Executive Board that takes into account the advice of the Audit Committee and the Supervisory Board. The Audit Committee evaluates the functioning of the external auditor annually in consultation with the Executive Board, and the outcome is discussed with the Supervisory Board. In the extensive evaluation that took place in 2012, the following items were addressed; whether the audit was performed adequately, how open and constructive communications are between the external auditor, the Executive Board and the Supervisory Board, the independence of the external auditor, whether the auditor performed its duties on the basis of an independent and professional critical attitude, the expertise and composition of the audit team and whether the audit fees were in accordance with agreements made. Also the desirability of rotating the external auditor's lead partners was evaluated. In 2010 Nutreco changed lead audit partner based on independency rules.

At the Annual General Meeting of Shareholders held on 27 March 2012, KPMG Accountants N.V. was appointed as the Company's external auditor for a period expiring at the closure of the accounting year 2013.
Based on the new Auditors Bill in the Netherlands that will take effect on 1 January 2016, and which introduces mandatory rotation of the audit firm every eight years, and since KPMG has been the Company's auditor since 1994, we will initiate a selection process to nominate another external registered audit firm to the General Meeting of Shareholders at the latest in the first half of 2015.

The Company has an internal audit function that operates under the responsibility of the Executive Board, with reporting lines to the CEO, CFO and the Audit Committee. The scope of work of the internal audit function is prepared in consultation with the Audit Committee.

REMUNERATION REPORT

As provided for in article 19 of the Articles of Association, the General Meeting of Shareholders is authorised to adopt the remuneration policy of the Executive Board, upon a proposal of the Supervisory Board. In its meeting of 15 April 2008, the Annual General Meeting ("AGM") adopted the (revised) remuneration policy for the Executive Board. Within the framework of the remuneration policy, compensation of the Executive Board members is determined by the Supervisory Board, based on advice of the Remuneration Committee.

With the assistance of an external remuneration advisor that provided advice regarding market practices and developments, in 2011, the Remuneration Committee evaluated the remuneration policy to verify its market conformity. After an extensive review, in which all short- and long-term compensation elements, the composition of the labour market reference group, a scenario analysis on the long-term variable remuneration and other conditions were included, the Supervisory Board concluded that the remuneration policy in force and its components still served their purpose and objectives and would be continued accordingly. Therefore no proposals for amendments to Nutreco's remuneration policy were submitted to the AGM in 2012 nor will be submitted to the AGM of March 2013.

In 2011, it was further concluded that benchmark reviews of the total remuneration package and its different components will be conducted once every three years. The first upcoming review will take place in 2014. Interim adjustments to the remuneration package of Executive Board members, within the boundaries of the remuneration policy, are up to the discretion of the Supervisory Board.

Remuneration Executive Board

Remuneration policy

Compensation in line with the median level of the labour market reference group

The main objective of the remuneration policy is to attract, motivate and retain qualified senior management, for an international company of Nutreco's size and complexity, by a market-compliant remuneration policy. The remuneration policy as approved by the AGM is to remunerate the Executive Board at the median level of the labour market reference group.

Remuneration of the Executive Board consists of the following components:

- Annual fixed base salary
- Short-term variable remuneration, consisting of an annual cash bonus opportunity, related to challenging performance targets set by the Supervisory Board for the year ahead
- Long-term variable compensation, consisting of performance shares
- Pension contributions and other fringe benefits such as a company car and an amount for compensation of expenses

Variable remuneration is an important part of the total package and is based on measurable objectives, directly related to the performance of Nutreco. The remuneration structure is designed to balance short-term operational performance with the long-term objectives of Nutreco and value creation for its stakeholders.

Labour market reference group

A labour market reference group was created as a benchmark to assess the competiveness for the Executive Board's base salary, cash bonus and performance shares. Given the absence of industry peers of comparable size and complexity, the AGM in 2008 approved a proposal to define the labour market reference group as a group consisting of the seven lowest ranked companies of the AEX index and the eight highest ranked companies of the AMX index (in terms of annual revenues) as such indices are published by NYSE Euronext Amsterdam. Financial institutions and real estate companies are excluded from the labour market reference group.

In 2012, the labour market reference group included (in sequence of index and 2011 revenues): ASML Holding N.V., PostNL N.V., Wolters Kluwer N.V., Koninklijke Boskalis Westminster N.V., DE Master Blenders 1753 N.V., Fugro N.V., SBM Offshore N.V., Koninklijke BAM Groep N.V., Koninklijke Imtech N.V., USG People N.V., CSM N.V., Heijmans N.V., Arcadis N.V., Aalberts Industries N.V., and ASM International N.V.
TNT Express N.V., TomTom N.V., Logica plc and Mediq N.V. were included in the reference group of 2011, but have been removed due to (expected) de-listings and/or the fact that their size no longer fit the characteristics of the defined reference group.

Fixed base salary

The annual fixed base salaries of new appointed Executive Board members are initially defined at a level somewhat below the median and will, after a 12-month service period, be raised to the median.
The annual fixed base salary of the new appointed CEO was set at € 570,000 as per 1 August 2012 and will, after a 12-month service period, be raised to € 615,000. The annual fixed base salary of the former CEO, who retired from this position in August 2012, was at the median of the reference group € 636,344.

The annual fixed base salary of the CFO, who entered into this position on 1 October 2011, was initially set at € 415,000 and was, after a 12-month service period and within the boundaries of the remuneration policy, raised to the median of € 445,000 as per 1 October 2012.

Based on a request to raise the fixed based salaries of both the COOs accordingly, to support alignment of the newly composed Executive Board team, we assessed this against the remuneration policy in place. The outcome of this assessment lead to the conclusion that such an increase to the median level of their own function is possible, but that the policy does not foresee in a raise to the same median market range level as the CFO's salary.

Therefore, given the arguments for the raise and within the boundaries of the remuneration policy, the Supervisory Board decided to use its discretionary powers to raise the annual fixed base salary of the COO Animal Nutrition, who was appointed on 30 June 2009, from € 415,000 to the median level of € 435,000 as per 1 January 2013. The annual fixed base salary of the COO Aquaculture who was appointed on 1 August 2012, and whose salary was initially set below the median level at € 385,000 will also, after a twelve month service period, be raised to the new median of € 435,000 on 1 August 2013.
The increased based salaries of the CFO and COOs are in accordance with the median market range as provided by the external remuneration advisor.

Short-term variable remuneration: cash bonus

The total cash bonus opportunity amounts to 60% of fixed base salary for on-target performance and the maximum bonus is capped at 90% of fixed base salary. If performance is below a predefined minimum target level (80%), no bonus will be paid out. In calculating the bonus, a linear scale between the minimum level (80%) and the maximum level (130%) of the score is used.

At the beginning of each financial year, the Supervisory Board pre-sets a number of challenging and measurable financial, strategic and operational as well as sustainability-related performance targets.

The performance targets for 2012 were financial targets (EBITA, net working capital and cash EPS) with a combined weighting of 60%; five strategic and operational projects with a combined weighting of 20%; and sustainability targets (reduction carbon footprint of own manufacturing operations from a 2009 baseline and the roll-out of Nutreco's Sustainability Vision 2020) together having a weighting of 20%. Factual targets are not disclosed, as these qualify as information that is commercially confidential and potentially share price-sensitive.

Each year the external auditor carries out agreed-upon procedures of the actual performance measured against the financial performance targets agreed between the Executive Board and the Supervisory Board, while an external party verifies the progress of the sustainability objectives.

Performance target measurement 2012

At a meeting held in February 2013, the Remuneration Committee reviewed the scores on the pre-set performance targets, and concluded that the financial targets (EBITA, net working capital and cash EPS) scored 107% (weighting of 60%); five strategic and operational projects scored 100% (weighting of 20%), while sustainability targets (reduction carbon footprint of own manufacturing operations from a 2009 baseline and roll-out of Nutreco's Sustainability Vision 2020) scored 100% (weighting of 20%).
The combined scores of the four performance targets resulted in an average score for the cash bonus proposal of 64.2%.

Based on this review, that was approved by the Supervisory Board, it was decided to attribute this score to the Executive Board's performance against the targets set for 2012, resulting in a variable payment of 64.2% of their base salaries to the CEO, the CFO and both the COO's, and also 64.2% of the base salary to the former CEO.

Long-term variable compensation: performance shares

Peer group and vesting

The remuneration policy includes the granting each year of conditional performance shares. These are granted by the Supervisory Board without financial consideration. The shares will vest and become unconditional after three years dependent on Nutreco's relative performance against a selected peer group, consisting of all companies except for Nutreco N.V., listed on the NYSE, Euronext Amsterdam's AEX, AMX and AScX indices, as approved by the AGM in 2008. Performance is measured as Total Shareholder Return (TSR), defined as share price increase including reinvested dividends and possible share capital reimbursements. This stimulates the creation of shareholder value in the longer term. During the vesting period, the costs of these shares, determined according to IFRS, are recognised in the income statement as personnel costs.

Performance measurement, vesting and vested shares

Vesting of the conditional shares takes place at the end of each three-year cycle, when Nutreco's TSR performance is measured. Nutreco's ranking in the peer group as mentioned above determines whether and to what extent the originally granted shares vest and become unconditional. This analysis is prepared by an external remuneration advisor proposed by the Remuneration Committee and appointed by the Supervisory Board. No vesting takes place if the TSR achieved during the three-year vesting period is below the median position of the peer group. Vesting of 50% of the granted number of shares takes place when Nutreco's TSR is at the median position, linearly up to a maximum of 150% of the granted number of shares if Nutreco achieves the number one position within the peer group. Except for taxes due, vested performance shares should be held by the Executive Board for a specified minimum period of five years after grant date or till the end of the board position of the member of the Executive Board concerned, whichever is the shorter.

For the grants made under the 2010 Performance Share Plan, for which the performance period ran from 1 January 2010 until 31 December 2012, the TSR has resulted in a 3rd position (2011: 5th position out of 75) within the ranking of the peer group. This ranking will result in a vesting of 144% (2011: 138%) of the initially granted number of shares for the members of the Executive Board. The vesting date will be 1 March 2013.

Number of shares to be granted

The number of the conditional performance shares to be granted annually is based on the annualised economic fair value of the shares at the grant date. The calculation of the economic fair value of the performance shares is prepared by an external remuneration advisor of the Remuneration Committee, based on a pre-defined methodology as defined in the Nutreco Performance Share Plan. The economic fair value of the performance shares granted in 2012 has been defined at € 35.13 per share. The annualised economic fair value at the moment of granting represents 85% of the base salary of the CEO and 60% of the base salary of the CFO and each of the COOs.

This has resulted in the following numbers of performance shares conditionally awarded in 2012 to the Executive Board: total number of shares granted amounted to 44,383 (2011: 52,250). Shares granted to the CEO amounted to 10,436 (4,135 for the period till 1 August 2012 as COO and 6,301 onward for his position as CEO. In 2011: 7,922), to the former CEO 15,122 (2011: 16,903), while the individual numbers granted to the CFO and the COO Animal Nutrition amounted to 7,088 (2011: 7,922) and for the COO Aquaculture 4,649 (1,696 for the period till 1 August, onward 2,953 for his position as COO).

Below is a table showing the remuneration structure for the Executive Board in 2012:

Remuneration structure for the Executive Board in 2012

	Fixed base salary	Variable cash bonus based on performance criteria	Minimum cash bonus (% of annual base salary)	Target cash bonus (% of annual base salary)	Maximum cash bonus (% of annual base salary)	Long term variable in shares (economic value of sha res granted in % of annual base salary)
CEO	100% cash	Financial 60% Strategic & Operational 20% Sustainability 20%	0%	60%	90%	85% 3 years relative TSR
CFO	100% cash	Financial 60% Strategic & Operational 20% Sustainability 20%	0%	60%	90%	60% 3 years relative TSR
COOs	100% cash	Financial 60% Strategic & Operational 20% Sustainability 20%	0%	60%	90%	60% 3 years relative TSR

Pensions, and other contract terms

Pensions

Dutch members of the Executive Board can participate in a defined contribution plan based on career average wages. In 2012, only the former CEO participated in this plan; the CFO opted not to participate in this plan, his defined contributions are paid out as gross salary, while the non-Dutch members of the Executive Board will continue to build up pension rights in their respective home countries.

Other benefits

Executive Board members receive a fixed annual allowance for expenses, as well as other customary fringe benefits, including a company car. They may also participate in the Nutreco employee share participation scheme, the latter offers the possibility to purchase Nutreco shares up to a maximum of €1,800 per year.

Employment contracts, severance pay and change of control

With all Executive Board members, a four-year employment term has been agreed. Since August 2012, all Executive Board members agreed to a maximum severance payment of one year's Dutch base salary for their position as member of the Executive Board. Given that the COO Animal Nutrition Jerry Vergeer also retained his responsibilities for the Nutreco operations in Canada where he was employed before, the existing severance pay of his existing local (Canadian) employment agreement continued to be in place. This means that he is entitled to a severance payment of two years gross base salary, being defined as that part of his fixed base salary allocated to the operational responsibilities in his home country under his Canadian employment agreement, and a severance payment equal to one year's base salary being defined as that part of his fixed base salary concerning his Executive Board membership, under his Dutch employment agreement.

At 1 August 2012, after a long-standing tenure of almost thirty years with Nutreco, of which twelve years as CEO, Wout Dekker stepped down from his position and he retired on 31 December 2012. In line with the Dutch Code on Corporate Governance, no severance payment was made.

There are no provisions in the employment contracts of the Executive Board members for the event of the termination of employment resulting from a change in control of Nutreco. However, in the case of such a situation, the Supervisory Board can decide to accelerate the vesting of granted conditional performance shares on a pro-rata basis.

Other elements of the remuneration policy

Since the date of the adoption of the remuneration policy by the General Meeting of Shareholders in 2008, revised law and regulations have been issued that contain additional best practices regarding executive remuneration. Based upon advice of the Remuneration Committee, the Supervisory Board has evaluated these additional best practices.

Alignment with strategy and financial goals

The remuneration policy as described above is aligned with the strategy and the financial goals of Nutreco and its related risks. It includes a good balance between fixed and variable, and between short- and long-term remuneration. It is further (relatively) simple and transparent, and it is aligned with the company's interests for the medium and long-term.

Scenario analysis

In the event of a takeover of Nutreco, the treatment of unvested performance shares granted to the Executive Board will be determined by the Supervisory Board, upon advice by the Remuneration Committee, taking into account the share price the day preceding the disclosure of an offer. This means that the Supervisory Board can decide to accelerate the vesting of granted conditional performance shares on a pro-rata basis, whereby for the calculation of the vesting conditions the last share price that is included will be the closing price of the Nutreco share on the day prior to the announcement of a takeover bid. Unvested shares will vest proportionally to the number of months of the three-year vesting period that elapsed since the grant date.

The Remuneration Committee, with the assistance of an external remuneration advisor, carried out an analysis of the value of the performance shares granted to the members of the Executive Board under such potential takeover scenarios. The conclusion was that this variable remuneration component would not lead to unfair or unintended results in any of the scenarios that had been examined. At this moment Dutch legislation is in preparation that - once being effective - might overrule this policy.

Clawback

It was decided that, with the precedence of the law over this clawback regulation, the Supervisory Board will have the authority to claim back any variable pay elements that have been paid out on the basis of incorrect financial statements over a time period including a full financial year prior to the financial year in which the cause for this claim presented itself. This clause has been included in the regulation of the Executive Board and in employment agreements since 2010.

Conditionally awarded variable remuneration

If, in the opinion of the Supervisory Board, the determination of variable remuneration awarded in a previous year would produce an unfair result due to extraordinary circumstances that occurred during the period in which the predetermined performance criteria have been or should have been achieved, the Supervisory Board has the power to adjust downwards or upwards the value of such variable remuneration that would have been payable, thereby applying principles of reasonableness and fairness. This clause has been included in the regulation of the Executive Board and in employment agreements since 2010.

Pay differentials

The remuneration of the Executive Board is in reasonable proportion to that for the next level in the organisation. Nutreco's senior staff has a remuneration structure comparable to the Executive Board.

Remuneration overview

For more information on remuneration of and the actual number of shares held by the Executive Board (either freely available or for which a lockup restriction applies), and the number of shares conditionally granted to members of the Executive Board, reference is made to note 24 of the financial statements in this annual report.

Remuneration of the Supervisory Board and its committees

In accordance with article 19.3 of the Articles of Association, the Annual General Meeting of shareholders determines the remuneration of the Supervisory Board, based upon a proposal made by the latter. During 2011, the Remuneration Committee evaluated the remuneration for the members of the Supervisory Board, whose remuneration last was increased in 2007. It was decided that the first upcoming review of remuneration of the Supervisory Board will take place in 2014.

As approved by the Annual General Meeting of Shareholders in 2007, the annual allowances for the members of the Supervisory Board are set at median level of the same labour market reference group used for the remuneration of the Executive Board.

Annual fixed remuneration for Supervisory Board membership is € 43,000 for members and € 55,000 for the Chairman. In addition, the remuneration of the membership of the Innovation & Sustainability Committee is the same as that for the Remuneration Committee (€ 5,000 for members and € 7,500 for the chairman), the remuneration of the Audit Committee is € 7,500 for the member and € 10,000 for the chairman. Work performed as a member of the Selection and Appointment Committee is not remunerated separately. The total remuneration of the members of the Supervisory Board in 2012 amounted to € 274,500 (2011: € 285,250), which are gross amounts.

As provided in the Articles of Association, none of the Supervisory Board members receives a remuneration that is dependent on or linked to the financial performance of Nutreco. Members of the Supervisory Board do not receive any performance- or equity-related compensation and do not accrue any pension rights with the company. The regulation of the Supervisory Board requires members' individual shareholdings in Nutreco to serve the sole purpose of long-term investment only. None of the Supervisory Board members holds any shares or option rights to acquire shares in Nutreco.

For more information on remuneration of Supervisory Board members, please refer to note 24 of the Financial statements.

Other information

As a matter of policy, Nutreco does not grant any loans, advances or guarantees to the members of the Executive Board and Supervisory Board.

The Company does provide Executive Board and Supervisory Board members with an indemnification for all costs and expenses from and against any claim, action or lawsuit related to acts and/or omissions in their function. Article 20 of the Articles of Association describes the terms and conditions of such indemnification.

Amersfoort, 5 February 2013

On behalf of the Remuneration Committee,
Ajai Puri, Chairman

FINANCIAL STATEMENTS 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ x million)	Note	2012	2011
Revenue	3	**5,229.1**	**4,721.1**
Raw materials and consumables used		-4,142.6	-3,709.1
Change in fair value of biological assets	19	-0.2	0.3
Changes in inventories of finished goods and work in progress		10.1	3.4
Gross margin		**1,096.4**	**1,015.7**
Other operating income	7	8.9	8.4
Personnel cost	8	-481.0	-456.9
Depreciation and amortisation expenses	3,13,14	-72.4	-66.9
(Reversal of) impairment of long-lived assets	13,14	0.6	-9.1
Other operating expenses	9	-317.3	-295.5
Operating result from continuing operations		**235.2**	**195.7**
Financial income	10	5.9	7.5
Financial expenses	10	-32.3	-35.2
Foreign exchange result	10	0.4	0.4
Net financing costs		**-26.0**	**-27.3**
Share in result of associates and other investments	15,16	3.2	3.2
Result before tax from continuing operations		**212.4**	**171.6**
Income tax expense	11	-54.1	-45.5
Result after tax from continuing operations		**158.3**	**126.1**
Result after tax from discontinued operations	4	-0.6	5.1
Gain on sale of discontinued operations, net of tax	4	19.9	-
Result after tax from discontinued operations		**19.3**	**5.1**
Total result for the period		**177.6**	**131.2**
Other comprehensive income			
Currency translation differences			
Net foreign exchange differences on foreign operations		-2.1	11.5
Net foreign exchange differences on net investment hedges		-4.6	-13.0
Net result on revaluation related to inflation accounting		1.5	0.6
Cash flow hedges			
Effective portion of changes in fair value of cash flow hedges related to interest rate derivatives		4.9	3.8
Net change in fair value of cash flow hedges related to interest rate derivatives reclassified to profit or loss		-1.5	-3.5
Net change in cash flow hedges of foreign exchange transactions		-2.0	2.9
Net change in cash flow hedges of commodity derivatives		0.1	-
Income tax on other comprehensive income	11	2.8	-1.6
Other comprehensive income for the period, net of tax		**-0.9**	**0.7**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**176.7**	**131.9**

Continued >

	Note	2012	2011
Total result atrributable to			
Owners of Nutreco		176.8	130.5
Non-controlling interest	22	0.8	0.7
Total result for the period		**177.6**	**131.2**
Total comprehensive income attributable to			
Owners of Nutreco		175.9	131.2
Non-controlling interest		0.8	0.7
Total comprehensive income for the period		**176.7**	**131.9**
Earnings per share	12		
Basic earnings per share (€)		5.09	3.74
Diluted earnings per share (€)		5.06	3.72
Basic earnings per share for dividend calculation (€)		4.56	4.00
Diluted basic earnings per share for dividend calculation (€)		4.53	3.98
Earnings per share - continuing operations	12		
Basic earnings per share (€)		4.53	3.59
Diluted earnings per share (€)		4.51	3.58
Number of ordinary shares			
Weighted average number of ordinary shares outstanding during the year (x 1,000)		34,764	34,882
Weighted average number of ordinary shares for diluted earnings per share (x 1,000)		34,965	35,036
Number of ordinary shares outstanding as at 31 December (x 1,000)		34,600	34,766
Key figures - continuing operations			
Earnings Before Interest, Tax and Amortisation (EBITA)	3	249.5	208.7
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)		307.6	262.6

The notes on pages 114-195 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ x million)	Note	31 December 2012	31 December 2011
Assets			
Property, plant and equipment	13	639.6	583.3
Intangible assets	14	408.1	360.5
Investments in associates	15	26.8	23.2
Other investments	16	42.4	45.2
Employee benefits	24	8.0	6.1
Deferred tax assets	17	19.0	26.1
Total non-current assets		**1,143.9**	**1,044.4**
Inventories	18	370.1	296.8
Biological assets	19	165.0	140.5
Income tax receivables	17	11.9	9.4
Trade and other receivables	20,27	857.4	742.0
Cash and cash equivalents	21,27	263.0	176.8
Assets classified as held for sale	5	6.5	139.5
Total current assets		**1,673.9**	**1,505.0**
TOTAL ASSETS		**2,817.8**	**2,549.4**
Equity			
Issued and paid-up share capital	22	8.4	8.4
Share premium	22	159.5	159.5
Treasury shares	22	-29.4	-18.7
Hedging reserve	22	-4.0	-5.5
Retained earnings	22	667.7	602.1
Undistributed result	22	176.8	130.5
Translation reserve	22	-7.0	-1.8
Equity attributable to owners of Nutreco		**972.0**	**874.5**
Non-controlling interest	22	9.1	8.7
Total equity		**981.1**	**883.2**
Liabilities			
Interest-bearing borrowings	23,27	481.4	370.3
Employee benefits	24	12.8	11.7
Provisions	25	0.7	2.1
Deferred tax liabilities	17	27.0	31.1
Total non-current liabilities		**521.9**	**415.2**
Interest-bearing borrowings	23,27	43.4	58.4
Employee benefits	24	37.5	39.0
Provisions	25	5.6	2.9
Income tax liabilities	17	23.7	29.3
Trade and other payables	26,27	1,204.6	1,044.8
Liabilities classified as held for sale	5	0.0	76.6
Total current liabilities		**1,314.8**	**1,251.0**
Total liabilities		**1,836.7**	**1,666.2**
TOTAL EQUITY AND LIABILITIES		**2,817.8**	**2,549.4**

The notes on pages 114-195 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€ x million)	Issued and paid-up share capital	Share premium	Treasury shares	Hedging reserve	Retained earn-ings	Undis-tributed result	Transla-tion reserve	Equity attribut-able to own-ers of Nutreco	Non-con-trolling interest	Total equity
BALANCE AT 1 JANUARY 2011	**8.4**	**159.5**	**-7.3**	**-8.7**	**547.0**	**111.4**	**-0.9**	**809.4**	**10.2**	**819.6**
Total comprehensive income for the period										
Result						130.5		130.5	0.7	131.2
Total other comprehensive income				3.2	-1.6		-0.9	0.7		0.7
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**3.2**	**-1.6**	**130.5**	**-0.9**	**131.2**	**0.7**	**131.9**
Transactions with owners of Nutreco, recognised directly in equity										
Contributions by and distributions to owners of Nutreco										
Undistributed result					111.4	-111.4		0.0		0.0
Dividend on ordinary shares					-27.8			-27.8	-0.2	-28.0
Stock dividend			25.0		-25.0			0.0		0.0
Usage of treasury shares			4.1		-2.8			1.3		1.3
Share-based payments					3.5			3.5		3.5
Repurchase own shares			-40.5					-40.5		-40.5
Total contributions by and distributions to owners of Nutreco	**0.0**	**0.0**	**-11.4**	**0.0**	**59.3**	**-111.4**	**0.0**	**-63.5**	**-0.2**	**-63.7**
Changes in ownership interests in subsidiaries										
Acquisition of non-controlling interests without a change in control					-2.6			-2.6	-2.0	-4.6
Total transactions with owners of Nutreco	**0.0**	**0.0**	**-11.4**	**0.0**	**56.7**	**-111.4**	**0.0**	**-66.1**	**-2.2**	**-68.3**
BALANCE AT 31 DECEMBER 2011	**8.4**	**159.5**	**-18.7**	**-5.5**	**602.1**	**130.5**	**-1.8**	**874.5**	**8.7**	**883.2**
Total comprehensive income for the period										
Result						176.8		176.8	0.8	177.6
Total other comprehensive income				1.5	2.8		-5.2	-0.9		-0.9
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**1.5**	**2.8**	**176.8**	**-5.2**	**175.9**	**0.8**	**176.7**
Transactions with owners of Nutreco, recognised directly in equity										
Contributions by and distributions to owners of Nutreco										
Undistributed result					130.5	-130.5		0.0		0.0
Dividend on ordinary shares					-35.7			-35.7	-0.4	-36.1
Stock dividend			29.2		-29.2			0.0		0.0
Usage of treasury shares			7.3		-5.8			1.5		1.5
Share-based payments					3.7			3.7		3.7
Repurchase own shares			-47.2					-47.2		-47.2
Total contributions by and distributions to owners of Nutreco	**0.0**	**0.0**	**-10.7**	**0.0**	**63.5**	**-130.5**	**0.0**	**-77.7**	**-0.4**	**-78.1**
Changes in ownership interests in subsidiaries										
Acquisition of non-controlling interests without a change in control					-0.7			-0.7		-0.7
Total transactions with owners of Nutreco	**0.0**	**0.0**	**-10.7**	**0.0**	**62.8**	**-130.5**	**0.0**	**-78.4**	**-0.4**	**-78.8**
BALANCE AT 31 DECEMBER 2012	**8.4**	**159.5**	**-29.4**	**-4.0**	**667.7**	**176.8**	**-7.0**	**972.0**	**9.1**	**981.1**

The notes on pages 114-195 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(€ x million)	Note	2012	2011
Result after tax from continuing operations		**158.3**	**126.1**
Net financing costs	10	26.0	27.3
Share in results of associates and other investments	15,16	-3.2	-3.2
Income tax expense	11	54.1	45.5
Impairment losses on property, plant and equipment	13	0.7	6.9
Reversal of impairment losses on property, plant and equipment	13	-1.3	-0.5
Impairment losses on intangible assets	14	-	2.7
Depreciation	13	58.1	53.9
Amortisation	14	14.3	13.0
Equity settled share-based payment expense	24	3.7	3.5
Changes in fair value of other investments	16	-	4.6
Changes in fair value of biological assets	19	0.2	-0.3
Changes in fair value foreign exchange contracts		-6.0	-2.2
Gain/loss on sale of property, plant and equipment		-0.6	0.1
Gain on sale of financial assets		-0.1	-
Cash flows from operating activities before changes in working capital and provisions		**304.2**	**277.4**
Increase in working capital	31	-43.7	-48.4
Decrease/increase in employee benefits	31	-3.3	0.9
Increase in provisions	31	1.0	0.4
Cash generated from operations		**258.2**	**230.3**
Interest received	10	4.4	4.1
Interest paid	10	-29.0	-33.3
Income taxes paid	11	-55.7	-37.8
Dividends received from investments in associates and other investments	15,16	1.0	2.6
Net cash from operating activities		**178.9**	**165.9**
Acquisition of property, plant and equipment	13	-118.3	-80.8
Acquisition of intangible assets	14	-19.4	-11.6
Acquisition of subsidiary net of cash acquired	6	-26.6	-24.5
Acquisition of other investments	16	-3.4	-15.5
Proceeds from the sale of property, plant and equipment	13	2.6	4.7
Proceeds from the sale of intangible assets	14	0.2	-
Disposal of associates	15	0.1	-
Received from other investments	16	2.7	1.7
Proceeds from the sale of assets held for sale	5	1.0	-
Net cash used in investing activities		**-161.1**	**-126.0**

Continued >

(€ x million)	Note	2012	2011
Usage of treasury shares		1.5	1.3
Repurchase own shares	22	-47.2	-40.5
Dividends paid to owners of Nutreco	22	-35.7	-27.8
Dividends paid to owners of non-controlling interest		-0.4	-0.2
Acquisition of non-controlling interest	6,14	-29.7	-4.6
Repayment of borrowings	31	-92.9	-146.7
Proceeds from borrowings	31	220.4	167.7
Net cash used in financing activities		**16.0**	**-50.8**
Net cash flow received from discontinued operations	4	77.4	1.1
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**111.2**	**-9.8**
Cash and cash equivalents at 1 January	21	136.7	143.0
Net increase/decrease in cash and cash equivalents		111.2	-9.8
Effect of exchange rate fluctuations on cash held		-4.4	3.5
Cash and cash equivalents at 31 December	21	**243.5**	**136.7**
Cash and cash equivalents continuing operations at 31 December	21	263.0	176.8
Cash and cash equivalents discontinued operations at 31 December	21	-	3.7
Bank overdrafts at 31 December		-19.5	-43.8
Cash and cash equivalents for the cash flow statement at 31 December	21	**243.5**	**136.7**

The notes on pages 114-195 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES USED FOR THE CONSOLIDATED FINANCIAL STATEMENTS

General

Nutreco N.V. (‘the Company’) is a company domiciled in the Netherlands. The consolidated financial statements of Nutreco N.V. for the year ended 31 December 2012 comprise Nutreco N.V. and its subsidiaries (‘Nutreco’ or ‘the Group’) and Nutreco’s interest in associates and jointly controlled entities.

Nutreco is a global leader in animal nutrition and fish feed. Nutreco has strong fundamentals based on agriculture and aquaculture knowledge and comprehensive R&D capacity which support customers including farmers to meet the current and future requirements in the food value chains.

Nutreco is quoted on the Official Market of NYSE Euronext Amsterdam and is included in the Amsterdam Midcap Index.

The Group employs approximately 10,000 employees in more than 30 countries, generates its revenues in 100 countries, operates approximately 100 production plants in 25 countries, and has 8 leading research facilities to support its customers and its animal nutrition and fish feed activities. The Group also has a selective presence in various stages of the meat production chain.

Following the approval by the European anti-competition authorities and positive advice by the works councils, Nutreco completed its divestment of Hendrix on 30 March 2012. With Hendrix being classified as disposal group as from 16 November 2011, the operating results and the gain on the sale of Hendrix are reported as discontinued operations in the statement of comprehensive income, cash flow statement and related notes.

The consolidated (and company) financial statements were approved for issuance by the Executive Board and Supervisory Board on 6 February 2013. The Group’s financial statements will be subject to adoption by the Annual General Shareholders’ Meeting on 28 March 2013.

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years, except for the overviews ‘Ten years of Nutreco income statement’ and ‘Ten years of Nutreco balance sheet’ (pages 200-201), in which Dutch GAAP is applied for the years 2003 and 2004 and except for changes in accounting policies.

2. Basis of preparation and measurement

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU.

The consolidated financial statements are presented in millions of Euro, except where otherwise indicated. They are prepared on a historical cost basis, except for the following assets and liabilities which are stated at their fair value: financial assets and financial liabilities (including derivative financial instruments), available-for-sale-assets, liabilities for cash-settled share-based payment arrangements and certain biological assets.

2.1 Changes in accounting policies and disclosures

Significant new and amended standards adopted by the Group

The following significant new standards and amendments to standards are mandatory and have been applied for the first time for the financial year beginning 1 January 2012.

- IFRS 7 (amendment), ‘Financial Instruments: Disclosures – Transfers of Financial Assets’, published in November 2011. The amendment applies to annual periods beginning on or after 1 January 2012 and requires disclosure of information to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities. The amended standard also requires disclosure of the nature of, and risks associated with, any entity’s continuing involvement in derecognised financial assets.

Significant new standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted

A number of new standards, amendments to standards and interpretations are issued but not effective for the financial year beginning 1 January 2012 and have not been early adopted by the Group. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for the amendments to IAS 19 Employee Benefits.

IAS 19 Employee Benefits has an effective date of annual periods beginning on or after 1 January 2013. One of the significant changes in the amended standard is the elimination of the 'corridor method' under which the recognition of actuarial gains and losses could be deferred. Based on a preliminary assessment, we expect this amendment to have an impact in 2013 on other comprehensive income of approximately € 35.6 million (decrease) and on operating result of approximately € 0.6 million (increase).

The Group does not plan to adopt these standards before their effective dates.

2.2 Reclassifications

Certain items previously reported under specific financial statement captions have been reclassified to conform to the current year presentation.

3. Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income, and expenses. The estimates and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of the estimates and judgements form the basis for decisions about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and judgements.

Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates and judgements are recognised in the period in which the estimate or judgement is revised, if the revision affects only that period. Revisions are recognised in the period of the revision and future periods if the revision affects both current and future periods.

Certain accounting estimates and judgements are particularly sensitive given their significance to the consolidated financial statements and the possibility that future events may differ from management's current estimates and judgements. The most important accounting estimates and judgements are described in Note 2.

4. Basis of consolidation

4.1 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.
The Group measures goodwill at the acquisition date as the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Transaction costs related to the acquisition of business combinations, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

In connection with the acquisition of a business combination, Nutreco sometimes purchases a call option or writes a put over a non-controlling interest (NCI).
The terms of a put and/or call must be analysed to assess whether it gives the controlling interest, in substance, the risks and rewards associated with ownership of the shares covered by the instruments. When the risks and rewards are transferred to the acquirer, then no NCI is recorded for the interest covered by the put and/or call (for example in case of a fixed exercise price).

A put and call with a fair value exercise price is less likely to convey the risks and rewards of ownership to the controlling interest (i.e. the non-controlling shareholders still have present access to the associated benefits). If this is the case Nutreco makes an accounting policy election between:

Anticipated acquisition method

In this method the put option is accounted for as if the put option had been exercised already, independent of how the exercise price is determined. Therefore the corresponding interests are presented as already owned by Nutreco, both in statement of financial income and in the statement of comprehensive income, even though legally they still are NCI.

Present access method

In this method the NCI continues to be recognised as the NCI still has present access to the economic benefits associated with the underlying ownership interests. Therefore the financial liability is recognised and the debit entry is to 'other equity'. The transaction is not treated as an anticipated acquisition.

Acquisitions of business combinations are described in Note 6.

4.2 Non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Acquisitions of non-controlling interests are described in Note 6.

4.3 Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

4.4 Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Transaction costs directly related to loss of control are expensed at the date of closing.

4.5 Associates

Associates are those entities in which Nutreco is a shareholder and has significant influence in, but no control over the financial and operating policies. This generally involves an equity shareholding between 20% and 50% of the voting rights. The consolidated financial statements include Nutreco's share of the total comprehensive income of associates on an equity-method accounting basis, from the date that significant influence commences until the date that significant influence ceases. When Nutreco's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that Nutreco has incurred legal or constructive obligations or made payments on behalf of an associate. Associates are disclosed in Note 15.

4.6 Jointly controlled operations

Jointly controlled operations are entities in which Nutreco is a shareholder and has joint control of their activities, established by contractual agreement. The consolidated financial statements include Nutreco's interest in a joint venture using the equity method. In the presentation of the consolidated financial statements, joint ventures are disclosed as associates in Note 15.

4.7 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated to the extent of Nutreco's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

A list of affiliated companies, drawn up in conformity with Book 2 of the Netherlands Civil Code, sections 379 and 414, is enclosed in this annual report on pages 204-206.

5. Foreign currency translation

5.1 Functional and presentation currency

Items included in the consolidated financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). For two of Nutreco's companies (i.e. Nutreco Chile S.A. and PT Trouw Nutrition Indonesia), the functional currency is the US dollar rather than the local currency. The consolidated financial statements are presented in Euro, which is the Company's functional and the Group's presentation currency.

5.2 Transactions and balances

Transactions in foreign currencies are translated to the functional currency at the foreign exchange rate effective at the date of the transaction.
Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the exchange rates prevailing at the balance sheet date. Foreign exchange differences arising on translation are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges to the extent the hedge is effective.

Non-monetary assets and liabilities denominated in foreign currencies not qualifying as foreign operations that are stated at historical cost are translated into the functional currency at foreign exchange rates at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated into functional currency at foreign exchange rates effective at the dates the fair values were determined. Foreign exchange differences arising on retranslation are recognised in profit or loss, except when qualifying as a net investment hedge or cash flow hedges to the extent the hedge is effective.

Other comprehensive income is recognised directly in equity.

5.3 Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Euro at foreign exchange rates effective at the balance sheet date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Euro at the average foreign exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).

Foreign currency differences related to foreign operations are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item, receivable from or payable to a foreign operation, is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

The income and expenses of foreign operations in hyperinflationary economies are translated to Euro at the exchange rate at the reporting date. Prior to translating the financial statements of foreign operations in hyperinflationary economies, their financial statements are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the reporting date.
In case of hyperinflationary economies (i.e. Venezuela), the financial statements of associates are adjusted for the effects of changing prices of local currency and are presented within equity in the translation reserve.

5.4 Hedge of a net investment in foreign operation

The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and Nutreco's functional currency (Euro), regardless of whether the net investment is held directly or through an intermediate parent.

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective, and are presented in the translation reserve within equity. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged net investment is disposed of, the relevant amount in the translation reserve is transferred to profit or loss as part of the gain or loss on disposal.

The principal exchange rates against the Euro (€) used in the statement of financial position and the statement of comprehensive income are:

	Statement of financial position		Statement of comprehensive income	
	31 December 2012	**31 December 2011**	**2012**	**2011**
Australian dollar per unit	0.79	0.79	0.81	0.74
Brazilian real per unit	0.37	0.41	0.40	0.43
British pound per unit	1.23	1.20	1.23	1.15
Canadian dollar per unit	0.76	0.76	0.78	0.73
Chinese yuan renminbi per 100	12.17	12.27	12.33	11.12
Japanese yen per 1,000	8.81	9.99	9.74	9.01
Mexican peso per 100	5.82	5.53	5.91	5.78
Norwegian krone per 100	13.57	12.88	13.38	12.82
Russian ruble per 100	2.49	2.40	2.50	2.45
US dollar per unit	0.76	0.77	0.78	0.72

6. Financial instruments

6.1 Non-derivative financial instruments

Non-derivative financial instruments are comprised of equity and debt securities, trade and other receivables, cash and cash equivalents, interest-bearing borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described in the specific accounting principles.

Non-derivative financial instruments entered into and continued to be held in accordance with the Group's expected purchase, sales and usage are accounted for at the trade date or the date that they are originated. Dividends are recognised when the Group's right to receive payments is established and interest is recognised based on the effective interest method. Gains and losses, if any, are recorded in net financing costs.

Non-derivative financial instruments are derecognised when the contractual rights to the cash flow from the asset expire, or when the rights to receive the contractual cash flow in a transaction are transferred, subsequently all the risk and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

6.1.1 Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss.

6.1.2 Available-for-sale financial assets

Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in equity.

6.1.3 Held-to-maturity financial assets

Debt securities held by Nutreco are classified as being held to maturity and are initially stated at fair value. Subsequently, they are presented at amortised cost using the effective interest method, less any impairment losses.

6.1.4 Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, debt securities that do not have a fixed maturity and that have either a fixed or a market-based variable rate of interest are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

6.2 Derivative financial instruments

Nutreco uses derivative financial instruments to hedge its exposure to foreign exchange risk, interest rate risk and commodity price risk arising from operational, financing, and investment activities. Nutreco's policy is not to hold or issue derivative financial instruments for speculative purposes.

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivative financial instruments qualify for hedge accounting, recognition of any resulting gain or loss depends on the nature of the item being hedged as described in section 7.

Determination of fair value and fair value hierarchy

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

In accordance with IFRS 7 Nutreco uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level I: quoted prices (unadjusted) in active markets for identical assets or liabilities that Nutreco can access at the measurement date;
- Level II: inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices of identical or similar assets and liabilities) using valuation techniques for which all significant inputs are based on observable market data; and
- Level III: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) using valuation techniques for which any significant input is not based on observable market data.

The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active or quoted market prices are not available, a valuation technique is used.

The judgment as to whether a market is active or inactive may include, although not necessarily determinative, lower transaction volumes, reduced transaction sizes and, in some cases, no observable trading activity for short periods. In inactive markets, assurance is obtained that the transaction price provides evidence of fair value or determined that the adjustments to transaction prices are necessary to measure the fair value of the instrument.

The majority of Nutreco's valuation techniques employ only observable market data, and so the reliability of the fair value measurement is high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable and, for such financial instruments, the derivation of fair value is more judgmental. An instrument in its entirety is classified as valued using significant unobservable inputs if, in the opinion of management, a significant proportion of the instrument's carrying amount is driven by unobservable inputs. 'Unobservable' in this context means that there is little market data available from which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value.

7. Hedging

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy in undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

7.1 Cash flow hedges

For cash flow hedges, a derivative financial instrument is designated as a hedging instrument of the variability in cash flows attributable to a particular risk associated with a recognised asset, liability or a highly probable forecast transaction that could affect profit or loss.

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and presented in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised in profit or loss.

If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised in comprehensive income are reclassified as profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss.

When a hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, the cumulative gain or loss at that point remains in equity and is recognised in profit or loss, when the forecast transaction occurs in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in profit or loss, as part of net financing costs.

Nutreco has defined cash flow hedge relationships for certain derivative financial instruments that cover interest rate risk, commodity price risk as well as for some derivative financial instruments that are used to hedge the foreign exchange exposure of forecasted transactions.

7.2 Hedge of monetary assets and liabilities

Where a derivative financial instrument is used to economically hedge the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised as profit or loss, as part of net financing costs.

7.3 Hedge of net investment in foreign operations

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised in other comprehensive income. The ineffective portion is recognised immediately as profit or loss, as part of net financing costs.

When the hedged net investment is disposed of, the relevant amount in the translation reserve is transferred to profit or loss as part of the gain or loss on disposal.

7.4 Fair value hedges

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded as profit or loss as part of net financing costs, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. When a hedging instrument, for which fair value accounting is applicable, expires or is sold, terminated or exercised the adjusted carrying amount of the hedged asset or liability that is attributable to the hedged risk will be amortised during the remaining period of this hedged asset or liability for which the effective interest method has been applied.

8. Property, plant and equipment

8.1 Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see accounting policy 8.3) and accumulated impairment losses (see accounting policy 15). Cost includes expenditures that are directly attributable to the acquisition of the asset. Government grants to compensate for the cost of an asset are deducted from the cost of the related asset. Borrowing costs, if material, are capitalised as part of the cost of assets that take a substantial period of time to prepare for their intended uses and are amortised on a straight-line basis over the estimated useful lives of the related assets.

8.2 Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

8.3 Depreciation

Depreciation is calculated according to the straight-line method, based on the estimated useful life and the residual value of the related asset. The estimated useful lives are as follows:

Buildings	10 – 43 years
Equipment	3 – 25 years
Other major components	3 – 10 years

The depreciation method, useful lives and residual values are assessed at least at each financial year-end and adjusted if deemed necessary. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposals are determined by the difference between the proceeds and the carrying amount and are recognised as profit or loss.

9. Intangible assets

9.1 Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented under intangible assets (see accounting policy 4.1 Business combinations).

Initial measurement

The Group measures goodwill at the acquisition date as the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. With respect to associates, in case goodwill has been paid, the carrying amount of goodwill is included in the carrying amount of the investment in associates.

Goodwill recognised upon the acquisition of subsidiaries is carried at cost less any accumulated impairment losses.

In most cases the Group identifies its cash-generating units as one level below that of an operating segment. Cash flows at this level are substantially independent from other cash flows and this is the lowest levels at which goodwill is monitored by the Executive Board.

9.2 Concessions, licenses and quota

Acquired concessions and licenses have definite useful lives and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over the estimated useful lives of the assets, which are not longer than their contractual terms.

For Nutreco, quota is an acquired right to sell poultry in the Canadian market in which sales of these products are regulated and limited by the government. Acquired quota has an indefinite useful life and is carried at cost less impairment losses. Quota is tested for impairment at least annually or whenever there is an indication for impairment.

9.3 Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge, are recognised as expenses when incurred.

Expenditures on development activities, whereby the findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalised provided the product or process is technically, financially and commercially feasible. The expenditures capitalised include the cost of materials, direct labour, and an appropriate proportion of overhead expenses. Other development expenditures are recognised as expenses when incurred.

Development costs previously recognised as expenses are not recognised as assets in subsequent periods. Capitalised development costs are recorded as intangible assets and amortised on a straight-line basis over the estimated useful life, which in the majority of cases is five years.

Development assets not yet ready for use are tested for impairment annually.

9.4 Brand names and customer relationships

Acquired brand names through business combinations are recognised at fair value at the acquisition date to the extent they can be separately identified or grouped as a single asset in case each brand name has similar useful economic lives and can be measured reliably. Brand names can have indefinite useful lives and are subsequently carried at cost less impairment losses. Brand names are amortised and/or tested for impairment at least annually or whenever there is an indication for impairment. Contractual customer relationships acquired by Nutreco through business combinations are recognised at fair value at the acquisition date to the extent they can be separately identified or grouped as a single asset in case each contractual customer relationship has similar useful economic lives and can be measured reliably. Customer relationships have definite useful lives and are subsequently carried at cost less accumulated amortisation and impairment losses.

9.5 Software

Software that is acquired by Nutreco has a definite useful life and is carried at cost less accumulated amortisation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed software includes the following:

- the cost of direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- capitalised borrowing costs.

9.6 Subsequent expenditures

Subsequent expenditures on capitalised intangible assets are capitalised only when they increase the future economic benefits embodied in the specific assets to which they relate. All other expenditures are expensed when incurred.

9.7 Amortisation

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are acquired or available for use, except when the useful life is deemed indefinite. Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives are as follows:

Concessions, licenses and quota	20 years – indefinite
Capitalised development costs	5 years
Brand names	20 years – indefinite
Customer relationships	7 – 20 years
Software/technology	3 – 5 years

10. Assets held for sale or distribution and discontinued operations

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as assets held for sale. They are stated at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss. The same applies to gains and losses on subsequent remeasurement. Gains are not recognised in excess of any cumulative impairment loss.

A discontinued operation is a component of Nutreco's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or earlier when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income and cash flow statement are restated as if the operation had been discontinued from the start of the comparative period.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

11. Inventories

Inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling.

The cost of inventories is based on the first-in first-out principle and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories cost includes an appropriate share of production overhead expenses based on normal operating capacity.

12. Biological assets

Biological assets are measured, both at initial recognition and at each subsequent reporting date, at fair value less cost to sell, except when fair value cannot be reliably measured. If fair value cannot be reliably measured, biological assets are measured at cost minus depreciation and impairment losses. Although a reliable measure of fair value may not be available at the point of initial recognition, it may subsequently become available. In such circumstances, biological assets are measured at fair value less cost to sell from the point at which the reliable measure of fair value becomes available.

Gains and losses that arise on measuring biological assets at fair value less cost to sell are recognised in profit or loss in the period in which they arise.

Costs to sell include all costs that would be necessary to sell the assets, including costs necessary to get the assets to market.

13. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less impairment losses.
An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the individual receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy (or is in bankruptcy) or financial reorganisation, and defaults or delinquencies in payments are considered to be indicators that the trade receivable should be impaired.

Trade and other receivables are classified as current assets if collection is expected within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as debt securities as part of other investments.

14. Cash and cash equivalents

Cash and cash equivalents comprise cash balances, transit cheques and call deposits. A call deposit is an investment account offered through banks which allows investors instant access to their accounts. Bank overdrafts that are repayable on demand form an integral part of Nutreco's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

15. Impairment

15.1 General

Assets that are subject to depreciation and amortisation are assessed at each balance sheet date to determine whether there is any indication for impairment. If any such indication exists, the asset's recoverable amount is tested.

Goodwill and assets with an indefinite useful life are not subject to amortisation and are tested for impairment once a year and whenever there is an indication for impairment.

An impairment loss is recognised for the amount by which the carrying amount of an asset, cash generating unit or group of cash generating units exceeds its estimated recoverable amount. Impairment losses recognised in respect of groups of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to groups of cash generating units and then to reduce the carrying amount of the other assets in the groups of cash generating units on a pro rata basis, but not below the fair value less cost to sell or value in use of these assets.

15.2 Calculation of recoverable amount

The recoverable amount of trade and other receivables is calculated as the present value of expected future cash flows, discounted at the effective interest rate inherent in the asset. Receivables with a duration shorter than one year are not discounted as the impact of time value is considered not to have a material impact.

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. The fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain, at the end of the reporting period, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the cost of disposal.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate, determined as a pre-tax blended Weighted Average Cost of Capital per group of cash-generating units that reflects the current market assessments of the time value of money and the risks of the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

15.3 Reversals of impairment

An impairment loss relating to a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.
An impairment loss related to goodwill is never reversed.

With respect to other assets, an impairment loss is reversed if there has been an indication of a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reversals of impairment are recognised in profit or loss.

16. Equity

16.1 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

16.2 Repurchase of shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effect, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction in equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

16.3 Dividends

Dividends are recognised as a liability in the period in which they are declared.

17. Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between proceeds (net of transaction costs) and redemption value being recognised in profit or loss over the period of the interest-bearing borrowings on an effective interest basis.
When interest-bearing borrowings are restructured or refinanced and the terms have been modified substantially, the transaction is accounted for as an extinguishment of the old contract, with a gain or loss recognised in profit or loss. A quantitative and qualitative assessment will be performed in order to determine whether the terms are considered to have been modified substantially. When the modification meets the requirements, the related part of the capitalized transaction costs will be recognised in profit or loss as interest expenses.

Interest-bearing borrowings that are hedged under a fair value hedge are remeasured for the changes in the fair value attributable to the risk being hedged.

Interest-bearing borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

18. Employee benefits

Nutreco operates various pension schemes. These schemes are generally funded through payments of invoices from insurance companies or pension funds, based on periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

18.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate pension plan or insurance company and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

18.2 Defined benefit plans

Defined benefit plans represent an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. Nutreco's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at balance sheet date on long-dated AA rated corporate bonds that have maturity dates approximating the terms of Nutreco's obligations and that are denominated in the same currency in which the benefits are expected to be paid. In countries where the market in 'high quality' corporate bonds is either non-existent or not sufficient large, the discount rate is based on the yield on long-dated government bonds. This applies in Mexico.
The calculation is performed annually by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

All actuarial gains and losses as at 1 January 2004, the date of transition to IFRS, were recognised. In respect of actuarial gains and losses that arose subsequent to 1 January 2004 in calculating Nutreco's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in profit or loss over the expected average remaining working lives of the employees participating in the plan.

When the calculation results in a benefit for Nutreco, the recognised defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan plus unrecognised gains and losses. A defined benefit asset can be returned to the company by an unconditional right to a refund or by an enforceable reduction in future contributions.

18.3 Other long-term employee benefits

Nutreco's net obligation in respect of long-term employee benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at balance sheet date on long-dated AA rated corporate bonds that are denominated in the currency in which the benefits will be paid and that have maturity dates approximating the terms of Nutreco's obligations. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

18.4 Short-term employee benefits, profit sharing and performance plans

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term variable payment or profit-sharing plans if Nutreco has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

18.5 Share-based payment transactions

Certain Nutreco employees are granted Nutreco shares through the Performance Share Plan, which is described in the 'Remuneration Report' on pages 102-106. The economic value of the shares granted is recognised as a personnel expense with a corresponding increase in equity. The economic value is measured at grant date and recognised in profit or loss over the three-year vesting period. Vesting and the percentage of vesting are dependent on the performance of the Company calculated as total shareholder return (TSR) versus a peer group and occurs after three years from the grant date. Upon vesting the employees become unconditionally entitled to the shares. After vesting there is a two-year lockup period for the Executive Board members amongst the employees. The economic value of the shares granted is measured using the Monte Carlo simulation methodology, taking into account the terms and conditions upon which the shares were granted. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest, except where forfeiture is only due to the fact that the total shareholder return will lead to a higher or lower vesting amount than was granted.

Nutreco also has a performance conversion plan that entitles certain employees to convert part of their variable cash payment in shares. This plan is described in the 'Remuneration Report' on pages 102-106. Under the terms of the plan, the eligible managers, with the exclusion of the members of the Executive Board, are entitled, but not obliged, to invest part of the proceeds of the annual performance payment which is awarded to them (if any) in shares of the Company. After a three-year period, the Company will match the eligible managers' investment in a ratio ranging from a guaranteed 25% linearly up to a maximum of 300% depending on the Company's TSR performance over the three-year period.

19. Provisions

19.1 General

A provision is recognised if, as a result of a past event, Nutreco has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits from the Group will be required to settle the obligation.

If the effect is material provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

19.2 Restructuring provision

A provision for restructuring is recognised when Nutreco has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly (internally and/or externally). Provisions are not recognised for future operating losses.

19.3 Legal claims

A provision for legal claims is recognised when management has been able to reliably estimate the expected outcome of these claims. The provision is measured at the value of the received claims and a weighing of all possible outcomes against their associated probabilities.

19.4 Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under that contract. The provision is measured at the present value of the lower of the expected costs of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

20. Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

21. Revenue recognition

21.1 Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. Freight costs recharged to the buyer are included in revenue.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

21.2 Government grants

Any government grant is recognised in profit or loss as other operating income when there is reasonable assurance that it will be received and that Nutreco will comply with the conditions attached to it. In some countries compensation from the government is received for capital expenditure in property, plant and equipment. In these cases, the grants are deducted from the capitalised costs and are recognised in profit or loss as a deduction on depreciation, over the depreciation period. Research and development grants are deducted from the research and development costs.

22. Raw materials and consumables used

Cost of raw materials and consumables used are recognised in profit or loss when the risks and rewards of ownership of the goods sold have been transferred to a party outside the Group. These costs include the purchase price of raw materials and all directly attributable costs.

Accumulated direct and indirect production costs for biological assets are classified as raw materials and consumables used in profit or loss when these biological assets are sold or processed. When the biological assets (poultry) are processed and the processed assets are sold, the cost of production is charged to profit or loss as raw materials and consumables used.

23. Net financing costs/income

Financial expenses comprise interest expenses on borrowings, changes in the fair value of financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments), finance lease expenses and other financial expenses. All borrowing costs and the interest expense component on finance lease payments are recognised in profit or loss using the effective interest method.

Financial income comprises interest income on cash and cash equivalents, interest income on available-for-sale financial assets, changes in the fair value of financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments) and interest income on loans to other parties. Interest income is recognised in profit or loss, using the effective interest method.

24. Income tax

Income tax expense in profit or loss for the year comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using statutory tax rates at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

25. Earnings per share

Nutreco presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the total result for the period attributable to owners of Nutreco by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the total result for the period attributable to owners of Nutreco and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise performance shares granted to employees.

26. Segment reporting

An operating segment is a component of Nutreco that engages in business activities from which it earns revenue and incurs expenses, including revenue and expenses that relate to transactions with any of Nutreco's other components. All operating segments' results are reviewed regularly by Nutreco's Executive Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Unallocated items comprise mainly corporate assets (mainly the Company's headquarters) and liabilities, head office expenses, exceptional items and Research and Development assets and liabilities.

27. Leases

The Group leases certain property, plant and equipment, vehicles and ships, which are qualified as finance lease or operational lease. If the Group has substantially all the risks and rewards of ownership the contracts are classified as finance leases. If a significant portion of risks and rewards of ownership are retained by the lessor the contracts are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss as incurred.
Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.
The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

28. Cash flow statement

The consolidated cash flow statement is drawn up on the basis of the indirect method. Interest received, interest paid, income tax paid and dividends received are disclosed separately and are classified as operating activities. Dividends paid are disclosed separately and classified as financing activities.
Cash flows from derivative instruments that are accounted for as fair value hedges or cash flow hedges are classified based on the nature of the hedge relationship in the cash flow statement.
Cash flows in foreign currencies are translated to the functional currency at the average foreign exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case cash flows are translated at the rate on the dates of the transactions).

29. Determination of fair values

29.1 General

A number of Nutreco's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods described below. Where applicable, further information about the assumptions made in determining fair values is disclosed in the Notes specific to that asset or liability.

29.2 Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. In determining fair value the Group uses appraisals of an external assessor.

29.3 Intangible assets

The fair value of patents and brand names acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned ('relief from royalty' method). The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

29.4 Biological assets

Where there is an active market for biological assets, the quoted price in that market is the appropriate basis for determining the fair value of that asset. If an active market does not exist, one or more of the following methods are used to estimate the fair value:

- most recent transaction price (provided that there has not been a significant change in economic circumstances between the date of that transaction and the balance sheet date);
- market prices for similar assets with adjustments to reflect differences;
- discounted cash flow method (fair value is estimated on the basis of the present value of expected net cash flows from the assets, discounted at the applicable market based rate).

29.5 Inventory

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

29.6 Other investments

The fair value of financial assets and available-for-sale financial assets is determined by reference to other observable inputs at the reporting date. Other observable inputs include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate.

29.7 Trade and other receivables

The fair value of trade and other receivables, outstanding longer than six months, is estimated as the present value of future cash flows, discounted at the actual interest rate at the reporting date.

29.8 Derivative financial instruments

The fair value of forward foreign exchange contracts is generally estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using current interbank interest rates and current foreign currency rates.

The fair value of interest rate swaps and cross-currency interest rate swaps is estimated by discounting cash flows resulting from the contractual interest rates of both legs of the transaction, taking into account current interest rates, current foreign currency rates and the current creditworthiness of the swap counterparties.

29.9 Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the actual interest rate. For finance leases the market rate of interest is determined by reference to similar finance lease agreements.

29.10 Share-based payments

The fair value of the performance share plan is measured using the Monte Carlo simulation technology. Measurement inputs include the date of award, the performance period, the share price at the date of award, the risk free rate (based on government bonds), individual dividend yield figures and the correlation coefficients between Nutreco and its performance peer group companies. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

2 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.
The most important accounting estimates and judgements are:

Goodwill and long-lived assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are not subject to amortisation are tested annually for impairment. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). The allocation is made to those cash generating units that are expected to benefit from the business combination in which the goodwill arose.

The inherent management estimates and assumptions used in determining whether an impairment charge should be recognised are as follows:

- determining cash generating units;
- determining the discount rate;
- projecting cash flows.

Research and development expenditure

Management judgement is required in determining whether Nutreco should start capitalising development costs as intangible assets or expense such costs when incurred. The costs of patent projects are capitalised at the moment the Company receives final approval from the regulatory authority for the registration of the patent.

Biological assets

In measuring fair value of poultry and pig livestock management estimates are required for the determination of the fair value. These estimates and judgements relate to the average weight of an animal, mortality rates, the completion percentage used for the margin allocation, and the sales prices used to determine the margin.

Acquisitions

Estimates significantly impact goodwill and other intangibles acquired. The determination of fair values of acquired identifiable intangibles is based on an assessment of future cash flows. The following estimates and assumptions are used in determining the fair values of acquired identifiable intangible assets:

- brand premium;
- indication of ‘appeal’ to customers relative to competitors;
- life expectations;
- relevance of customer loyalty;
- differences in economics of different customer groups;
- length of customer relationship.

Provisions

The amounts recognised as a provision are management’s best estimate of the expenditure required to settle the present obligation at the balance sheet date. This is the amount management expects to pay to settle the obligation at the balance sheet date or to transfer it to a third party at that time.

Pensions

Pension costs for defined benefit plans are based on actuarial assumptions to make a reliable estimate of the amount of benefit that employees have earned in return for their services in the current and prior periods. The principal actuarial assumptions used are:

- discount rate;
- long-term rate of return on assets;
- expected return on plan assets;
- life expectancy;
- salary increases;
- inflation.

The fair value of certain plan assets (government bonds and equity securities) is based on market prices.

Deferred tax assets

The group recognises deferred tax assets arising from unused tax losses or tax credits only to the extent that the relevant fiscal unit has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be compensated with the unused tax losses or unused tax credits can be utilised by the fiscal unit. Regarding net operating losses recognised of € 3.7 million (2011: € 13.8 million), management believes, based upon the level of historical taxable income and projections for future taxable income, that sufficient future tax profits will be available to utilise these operating losses.

Regarding net operating losses unrecognised of € 53.8 million (2011: € 46.9 million), management believes, based upon the level of historical taxable income and projections for the future taxable income, it is more likely than not that no future tax profits will be available which can be utilised. As a consequence, management did not recognise a deferred tax asset for these operating losses.

Financial instruments

In accordance with IFRS 7 Nutreco uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level I: quoted prices (unadjusted) in active markets for identical assets or liabilities that Nutreco can access at the measurement date;
- Level II: inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices of identical or similar assets and liabilities) using valuation techniques for which all significant inputs are based on observable market data; and
- Level III: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) using valuation techniques for which any significant input is not based on observable market data.

The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active or quoted market prices are not available, a valuation technique is used.

The judgment as to whether a market is active may include, although not necessarily determinative, lower transaction volumes, reduced transaction sizes and, in some cases, no observable trading activity for short periods. In inactive markets, assurance is obtained that the transaction price provides evidence of fair value or determined that the adjustments to transaction prices are necessary to measure the fair value of the instrument.

The majority of valuation techniques employ only observable market data, and so the reliability of the fair value measurement is high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable and, for such financial instruments, the derivation of fair value is more judgmental. An instrument in its entirety is classified as valued using significant unobservable inputs if, in the opinion of management, a significant proportion of the instrument's carrying amount is driven by unobservable inputs. 'Unobservable' in this context means that there is little or no current market data available from which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value.

Litigations and claims

The Group is party to various legal proceedings, generally incidental, to its business. In connection with these proceedings and claims, management evaluated, based on the relevant facts and legal principles, the likelihood of an unfavourable outcome and whether the amount of the loss could be reasonably estimated. Subjective judgments were required in these evaluations, including judgments regarding the validity of asserted claims and the likely outcome of legal and administrative proceedings. The outcome of these proceedings, however, is subject to a number of factors beyond the Group's control, most notably the uncertainty associated with predicting decisions by courts and administrative agencies. Legal costs related to litigation are accrued for in profit or loss at the time when the related legal services are actually provided to the Group.

3 OPERATING SEGMENTS

Nutreco has structured its organisation in five segments: Premix & Feed Specialties, Animal Nutrition Canada, Compound Feed, Meat & Other and Fish Feed.

The segments are in accordance with management responsibilities and in line with internal management reporting.

Operating segments

(€ x million)	Revenue third parties		Intersegment revenue		Total revenue		Operating result before amortisation (EBITA)	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Premix & Feed Specialties	1,255.3	1,150.2	234.7	233.1	1,490.0	1,383.3	83.5	72.2
Animal Nutrition Canada	537.6	460.6	33.5	32.4	571.1	493.0	23.8	24.5
Compound Feed	608.2	590.5	401.3	364.8	1,009.5	955.3	19.8	13.0
Meat & Other	934.9	918.3	0.2	0.2	935.1	918.5	22.0	32.7
Fish Feed	1,893.1	1,601.5	49.4	43.4	1,942.5	1,644.9	142.0	118.7
Eliminations	-	-	-719.1	-673.9	-719.1	-673.9	-	-
Corporate and other	-	-	-	-	-	-	-29.0	-29.5
Exceptional items	-	-	-	-	-	-	-12.6	-22.9
CONTINUING OPERATIONS	**5,229.1**	**4,721.1**	**0.0**	**0.0**	**5,229.1**	**4,721.1**	**249.5**	**208.7**
Discontinued operations	224.0	938.1	1.7	14.1	225.7	952.2	25.3	11.0
Eliminations	-	-	-1.7	-14.1	-1.7	-14.1	-	-
Consolidated	**5,453.1**	**5,659.2**	**0.0**	**0.0**	**5,453.1**	**5,659.2**	**274.8**	**219.7**

For continuing operations the reconciliation of the operating result before amortisation (EBITA) to operating result is as follows:

(€ x million)	**2012**	**2011**
Operating result before amortisation (EBITA)	**249.5**	**208.7**
Amortisation	-14.3	-13.0
OPERATING RESULT FROM CONTINUING OPERATIONS	**235.2**	**195.7**

For 2012, the effect of acquisitions on revenue is € 115.6 million. The acquisition effect on the operating results before amortisation is € 4.8 million before exceptional items.

The acquisition effect on revenue and operating results before amortisation is related to acquisitions completed in 2012 and 2011.

Exceptional items

(€ x million)	2012	2011
Restructuring costs*	-9.4	-11.6
(Reversal of) impairment losses of long lived assets	0.6	-9.1
Acquisition-related costs	-1.9	-4.4
Expense /income arising from terms of delivery and alliances	-0.9	2.2
Other	-1.0	-
TOTAL EXCEPTIONAL ITEMS	**-12.6**	**-22.9**

** Restructuring costs of € -9.4 million (2011: € -11.6 million) are presented on (i) personnel expenses for an amount of € -9.6 million (2011: € -9.7 million), and (ii) other operating expenses for € 0.2 million (2011: € -1.9 million).*

Exceptional items consist of non-operational income and/ or gains and expenses and/or losses which are not related to the normal course of business. These are in general restructuring costs, impairment charges, acquisition-related costs and negative goodwill.

In 2012, the restructuring costs mainly relate to premix activities in Belgium (€ 2.1 million) and Hungary (€ 2.0 million) and corporate restructuring (€ 3.5 million), partly compensated by a release of a restructuring provision related to premix activities in France.
The majority of the restructuring costs and impairment charges for 2011 were related to the final phase of the restructuring of the animal nutrition business of Cargill in Spain and Portugal, which was acquired in 2009.

Other expenses per segment

(€ x million)	Depreciation		Amortisation		Total depreciation and amortisation		Restructuring costs		Non-cash expenses other than deprecia-tion and amortisation	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Premix & Feed Specialties	-9.0	-9.2	-4.4	-3.9	-13.4	-13.1	-3.5	-	3.1	1.2
Animal Nutrition Canada	-6.2	-5.5	-5.7	-5.4	-11.9	-10.9	-0.2	-0.3	-2.2	-1.6
Compound Feed	-9.0	-8.9	-0.1	-0.1	-9.1	-9.0	-0.9	-9.3	-0.4	3.4
Meat & Other	-9.4	-9.0	-1.1	-1.1	-10.5	-10.1	-0.5	-2.0	-5.1	0.4
Fish Feed	-23.2	-19.4	-1.8	-1.2	-25.0	-20.6	-0.8	-	-1.3	8.1
Unallocated	-1.3	-1.9	-1.2	-1.3	-2.5	-3.2	-3.5	-	-0.8	1.5
CONTINUING OPERATIONS	**-58.1**	**-53.9**	**-14.3**	**-13.0**	**-72.4**	**-66.9**	**-9.4**	**-11.6**	**-6.7**	**13.0**
Discontinued operations	-	-3.1	-	-0.8	-	-3.9	-	-	-0.6	-2.3
Consolidated	**-58.1**	**-57.0**	**-14.3**	**-13.8**	**-72.4**	**-70.8**	**-9.4**	**-11.6**	**-7.3**	**10.7**

The non-cash expenses in Premix & Feed Specialties of € 3.1 million (2011: € 1.2 million) mainly relate to increases in provisions. The non-cash expenses in Animal Nutrition Canada are mainly related to employee benefits for an amount of € -2.0 million (2011: € -1.8 million). The non-cash expenses of Meat & Other mainly relate to employee benefits for an amount of € -3.2 million (2011: € 0.5 million) and movements in impairment of trade receivables for an amount of € -1.5 million (2011: € 0.2 million).

Assets and liabilities per segment

(€ x million)	Assets		Associates		Total assets		Liabilities		Total capital expenditures of PP&E and intangible assets	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Premix & Feed Specialties	580.0	496.1	8.2	5.5	588.2	501.6	261.0	241.2	31.7	22.9
Animal Nutrition Canada	319.5	376.1	7.3	7.0	326.8	383.1	65.0	66.8	9.3	5.1
Compound Feed	215.3	206.0	-	-	215.3	206.0	245.8	212.0	7.1	14.9
Meat & Other	400.3	366.5	10.3	9.8	410.6	376.3	121.7	140.8	8.0	12.0
Fish Feed	1,089.0	858.2	1.0	0.9	1,090.0	859.1	589.5	454.0	66.7	36.1
Unallocated	186.9	90.4	-	-	186.9	90.4	553.7	474.8	14.9	1.4
CONTINUING OPERATIONS	**2,791.0**	**2,393.3**	**26.8**	**23.2**	**2,817.8**	**2,416.5**	**1,836.7**	**1,589.6**	**137.7**	**92.4**
Discontinued operations	-	132.9	-	-	-	132.9	-	76.6	0.7	6.4
Consolidated	**2,791.0**	**2,526.2**	**26.8**	**23.2**	**2,817.8**	**2,549.4**	**1,836.7**	**1,666.2**	**138.4**	**98.8**

Unallocated mainly comprises of corporate investments and interest-bearing borrowings, corporate and R&D assets and corporate income tax assets and liabilities.

Goodwill and long-lived assets

The carrying amounts for assets with indefinite useful lives have been allocated to the reportable segments as follows:

(€ x million)	Goodwill		Concessions, licences and quota		Brand names		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Premix & Feed Specialties	88.5	59.6	0.1	0.2	0.3	0.3	88.9	60.1
Animal Nutrition Canada	98.6	98.2	-	-	25.2	25.0	123.8	123.2
Meat & Other	24.5	24.4	53.7	53.4	-	-	78.2	77.8
Fish Feed	28.9	30.7	0.2	0.1	-	-	29.1	30.8
Carrying amount of intangible assets with indefinite useful lives	**240.5**	**212.9**	**54.0**	**53.7**	**25.5**	**25.3**	**320.0**	**291.9**
Carrying amount of intangible assets with definite useful lives	-	-	1.5	0.3	11.4	8.7	12.9	9.0
TOTAL	**240.5**	**212.9**	**55.5**	**54.0**	**36.9**	**34.0**	**332.9**	**300.9**

Geographical segments

In presenting information on the basis of geographical segments, revenue is based on the geographical location of Nutreco customers. Assets and capital expenditures of property, plant and equipment (PP&E) and intangible assets are based on the geographical location of the assets.

(€ x million)	Revenue third parties (destination)		Total assets		Total capital expenditures of PP&E and intangible assets	
	2012	2011	2012	2011	2012	2011
Spain	1,474.6	1,437.8	575.4	534.4	15.5	27.5
Norway	739.5	686.1	332.3	240.9	51.2	16.0
Canada	644.6	555.1	439.8	488.1	11.5	6.8
Chile	330.8	234.5	255.3	148.4	4.0	2.1
USA	215.8	211.2	110.7	113.1	1.4	2.8
United Kingdom	195.8	205.5	83.6	79.9	1.9	1.7
China	190.4	89.3	102.3	88.5	2.7	2.3
Germany	145.6	132.6	17.2	41.0	0.9	1.6
Brazil	107.6	84.0	104.9	46.2	7.7	0.9
The Netherlands	107.0	103.7	310.4	253.2	21.7	11.3
Italy	103.5	97.2	79.8	72.5	1.4	1.7
Russia	93.6	73.1	43.0	26.8	10.9	0.9
Japan	79.4	79.3	54.4	65.7	1.1	0.7
Poland	71.6	71.5	23.8	23.6	0.1	0.4
Turkey	67.9	57.7	44.9	40.8	0.5	0.5
Australia	65.6	64.6	96.7	90.5	1.5	10.1
Other countries	595.8	537.9	143.3	62.9	3.7	5.1
CONTINUING OPERATIONS	**5,229.1**	**4,721.1**	**2,817.8**	**2,416.5**	**137.7**	**92.4**
Discontinued operations	224.0	938.1	-	132.9	0.7	6.4
Consolidated	**5,453.1**	**5,659.2**	**2,817.8**	**2,549.4**	**138.4**	**98.8**

4 DISCONTINUED OPERATIONS AND DIVESTMENTS

Consolidated statement of comprehensive income

(€ x million)	2012				2011			
	Continuing operations	Discontinued operations	Elimination	Total	Continuing operations	Discontinued operations	Elimination	Total
Revenue	**5,229.1**	**225.7**	**-1.7**	**5,453.1**	**4,721.1**	**952.2**	**-14.1**	**5,659.2**
Raw materials and consumables used	-4,142.6	-195.2	1.7	-4,336.1	-3,709.1	-858.1	14.1	-4,553.1
Change in fair value of biological assets	-0.2	-		-0.2	0.3	-0.2		0.1
Changes in inventories of finished goods and work in progress	10.1	-5.4		4.7	3.4	0.2		3.6
Gross margin	**1,096.4**	**25.1**	**0.0**	**1,121.5**	**1,015.7**	**94.1**	**0.0**	**1,109.8**
Other operating income	8.9	23.4		32.3	8.4	3.7		12.1
Personnel cost	-481.0	-12.8		-493.8	-456.9	-45.7		-502.6
Depreciation and amortisation expenses	-72.4	-		-72.4	-66.9	-3.8		-70.7
Impairment of long-lived assets	0.6	-		0.6	-9.1	-		-9.1
Other operating expenses	-317.3	-10.4		-327.7	-295.5	-38.0		-333.5
Operating result	**235.2**	**25.3**	**0.0**	**260.5**	**195.7**	**10.3**	**0.0**	**206.0**
Financial income	5.9	0.1	-0.7	5.3	7.5	0.4	-3.7	4.2
Financial expenses	-32.3	-0.7	0.7	-32.3	-35.2	-3.7	3.7	-35.2
Foreign exchange result	0.4	-		0.4	0.4	-		0.4
Net financing costs	**-26.0**	**-0.6**	**0.0**	**-26.6**	**-27.3**	**-3.3**	**0.0**	**-30.6**
Share in result of associates and other investments	3.2	-		3.2	3.2	-		3.2
Result before tax	**212.4**	**24.7**	**0.0**	**237.1**	**171.6**	**7.0**	**0.0**	**178.6**
Income tax expense	-54.1	-5.4		-59.5	-45.5	-1.9		-47.4
TOTAL RESULT FOR THE PERIOD	**158.3**	**19.3**	**0.0**	**177.6**	**126.1**	**5.1**	**0.0**	**131.2**
Total result atrributable to								
Owners of Nutreco	157.5	19.3	0.0	176.8	125.4	5.1	0.0	130.5
Non-controlling interest	0.8	-		0.8	0.7	-		0.7
Total result for the period	**158.3**	**19.3**	**0.0**	**177.6**	**126.1**	**5.1**	**0.0**	**131.2**

Following the approval by the European anti-trust authorities and positive advice by the works councils, Nutreco completed its divestment of Hendrix on 30 March 2012 for a purchase price of € 99.3 million. This results in a gain at completion of € 19.9 million net of tax.

The following table presents the highlights from the cash flow statement of discontinued operations.

(€ x million)	2012	2011
Net cash from operating activities	-21.7	9.5
Net cash used in investing activities	99.1	-3.6
Net cash used in financing activities	-	-4.8
NET INCREASE IN CASH AND CASH EQUIVALENTS	**77.4**	**1.1**

5 ASSETS AND LIABILITIES HELD FOR SALE

In 2012 a production facility within the segment Premix & Feed Specialties in Slovakia with a carrying amount of € 1.0 million was sold for an amount of € 1.0 million.
At 31 December 2012 the Group has six production facilities presented as assets held for sale following the commitment of the Group's management to a plan to sell the facilities. Efforts to sell the assets have commenced and a sale is expected in the course of 2013. At 31 December 2012 the assets of € 6.5 million contain the following:

- € 6.1 million relates to three facilities within the segment Premix & Feed Specialties in Belgium, Poland and Italy;
- € 0.4 million relates to two facilities in Ireland and China within the segment Fish Feed;
- The sixth production facility is located within the segment Animal Nutrition Canada and was fully impaired in the past.

At 31 December 2011 the assets of € 139.5 million contained the following:

- € 6.4 million related to three facilities within the segment Premix & Feed Specialties;
- € 0.2 million related to one facility within the segment Fish Feed;
- The fifth production facility was located within the segment Animal Nutrition Canada and was fully impaired in the past;
- Furthermore, assets held for sale consisted of the assets related to the sale of the business unit Hendrix for an amount of € 132.9 million.

At 31 December 2011, the Group held € 76.6 million as liabilities held for sale which related to the sale of the business unit Hendrix.

6 ACQUISITIONS

Acquisitions 2012

Bellman Nutriçao Animal Ltda

In April 2012 Nutreco announced that it had agreed to purchase 100% of the shares of Bellman Nutriçao Animal Ltda ('Bellman'), a Brazilian supplier and producer of farm minerals, concentrates and supplements for ruminants.
This acquisition strengthens Nutreco's premix & feed specialities' position in Brazil, one of the most important agriculture and aquaculture growth markets in the world. Brazil is the third largest animal nutrition market in the world, with annual growth of approximately 4 - 5%.
Bellman is a large farm mineral player in the Brazilian market operating in 18 states with a strong market position in the midwest of Brazil. In addition to the existing production facility in Mirassol, northwest São Paulo state, a second plant is operational since November 2012 in Mato Grosso. The company has brands built on a science based market approach. Bellman employs 165 people and in 2011 revenues amounted to € 37 million.
Nutreco obtained control as defined in IFRS 3 business combinations and the purchase method of accounting is applied.

The impact of this acquisition on Nutreco's net cash position in 2012 was € 26.6 million outflow (total consideration transferred of € 26.4 million adjusted for cash and cash equivalents of € -1.6 million and bank overdrafts of € 1.8 million), excluding acquisition-related costs of € 0.6 million. The financials are consolidated as from 2 April 2012 onwards.

Acquisition-related costs

The Group incurred acquisition-related costs of € 1.9 million (2011: € 4.4 million) related to external legal fees and due diligence costs. The acquisition-related costs have been included in other operating expenses in the Group's consolidated statement of comprehensive income.

Total results of Nutreco

Total revenue of the acquisition in 2012 included in the consolidated financial statements amounts to € 29.0 million. Total revenue for the full year 2012 of this acquisition amounts to € 37.6 million.

The acquisitions completed in 2012 and 2011 had the following effect on statement of comprehensive income of the respective years:

(€ x million)	2012	2011
Revenue	144.9	34.2
Operating result before amortisation (before exceptional items)	5.8	1.6
Operating result (before exceptional items)	4.9	1.0
Total result for the period	2.5	0.6

Identifiable assets acquired and liabilities assumed

The identifiable assets acquired and liabilities assumed only relate to the acquisition of Bellman and are summarised as follows:

(€ x million)	Recognised value	Fair value adjustments	Carrying amounts
Property, plant and equipment	5.0	-	5.0
Intangible assets	14.6	14.5	0.1
Other investments	0.2	-	0.2
Deferred tax assets	0.1	-	0.1
Inventories	1.6	-	1.6
Trade and other receivables	6.5	-	6.5
Cash and cash equivalents	1.6	-	1.6
Interest-bearing borrowings	-5.3	-	-5.3
Deferred tax liability	-5.2	-4.9	-0.3
Income tax liability	-0.1	-	-0.1
Trade and other payables	-3.3	-	-3.3
TOTAL IDENTIFIABLE NET ASSETS	**15.7**	**9.6**	**6.1**

Intangible assets comprise:

(€ x million)	Recognised value	Amortisation period in years
Brand names	4.0	20
Customer relationships	10.6	20
TOTAL INTANGIBLE ASSETS	**14.6**	

Goodwill

In 2012 goodwill recognised as a result of the Bellman acquisition is as follows:

(€ x million)	
Total consideration transferred	26.4
Fair value of identifiable net assets	15.7
GOODWILL	**10.7**

The goodwill recognised is related to the development of Nutreco's position in strategic markets and the synergies expected to be achieved.

Acquisitions 2011

Zhuhai Shihai Feed Co. Ltd.

In 2011 Nutreco acquired full ownership of Zhuhai Shihai Feed Co. Ltd. ('Shihai'), a fish and shrimp feed company in China. Shihai supplies a growing market and produced approximately 100,000 tonnes of fish and shrimp feed in 2010 and also commissioned a new feed plant with a capacity of approximately 150,000 tonnes. The revenue in 2010 was € 65 million. The new plant is constructed and equipped to a high standard and is capable of operating to Skretting specifications. Shihai employs approximately 300 people. Skretting will continue growing the business, supplying fish feed for species such as shrimp, various marine fish species, tilapia, snakehead and catfish.

The impact of this acquisition on Nutreco's net cash position in 2011 was € 24.1 million outflow, excluding acquisition-related costs of € 0.4 million. The financials are consolidated as from 20 October 2011 onwards.

Identifiable assets acquired and liabilities assumed in 2011

The identifiable assets acquired and liabilities assumed only relate to the acquisition of Shihai and are summarised as follows:

(€ x million)	Final recognised value in 2012	Reclassifications and adjustments in 2012	Initial recognised value in 2011	Fair value adjustments	Carrying amounts
Property, plant and equipment	11.4	-1.4	12.8	2.0	10.8
Intangible assets	18.7	1.2	17.5	17.2	0.3
Deferred tax assets	0.3	-	0.3	-	0.3
Inventories	4.1	-	4.1	-	4.1
Trade and other receivables	29.7	-0.1	29.8	-	29.8
Cash and cash equivalents	3.9	-	3.9	-	3.9
Interest-bearing borrowings	-6.9	-	-6.9	-	-6.9
Employee benefits	-0.7	-0.7	-	-	-
Deferred tax liability	-3.0	1.6	-4.6	-4.6	-
Income tax liability	-2.2	-0.1	-2.1	-	-2.1
Trade and other payables	-27.8	0.8	-28.6	-	-28.6
TOTAL IDENTIFIABLE NET ASSETS	**27.5**	**1.3**	**26.2**	**14.6**	**11.6**

Intangible assets comprise:

(€ x million)	Recognised value	Amortisation period in years
Concessions, licenses and quota	1.5	20
Brand names	5.4	20
Customer relationships	11.8	20
TOTAL INTANGIBLE ASSETS	**18.7**	

Goodwill

The goodwill recognised as a result of the Shihai acquisition is as follows:

(€ x million)	
Total consideration transferred	28.0
Fair value of identifiable net assets	27.5
GOODWILL	**0.5**

The goodwill recognised is related to the development of Nutreco's position in strategic markets and the synergies expected to be achieved.

Acquisition of additional shares in non-controlling interest

Trouw Nutrition Russia B.V.

In February 2011, Nutreco acquired in the segment Premix & Feed Specialties an additional 15% equity interest in Trouw Nutrition Russia B.V. This acquisition has been accounted for following the economic entity model, which requires that the acquisition of an additional equity interest in a controlled subsidiary be accounted for at its carrying amount, with the difference arising on purchase price allocation being recorded directly in equity. The purchase price of the acquired equity interest amounts to € 4.6 million. The Group recognised a decrease in non-controlling interest of € 2.0 million and a decrease in retained earnings of € 2.6 million. The carrying amount of the Russian premix activities net assets in the Group's financial statements on the date of acquisition was € 5.3 million.

7 OTHER OPERATING INCOME

(€ x million)	2012	2011
Interest received on trade receivables	3.9	3.3
Result on disposed fixed assets	1.7	1.6
Fair value adjustment on investments	-	0.1
Other	3.3	3.4
TOTAL	**8.9**	**8.4**

The gain on the sale of fixed assets amounts to € 0.7 million (2011: loss of € 0.1 million) and is recorded in profit or loss on the line other operating income for an amount of € 1.7 million (2011: € 1.6 million) and on the line other operating expenses for an amount of € -1.0 million (2011: € -1.7 million). The result on disposed fixed assets consists of various small amounts in all segments.

Government grants

(€ x million)	2012	2011
Research and development grants (recorded in research and development costs, part of other operating expenses)	3.3	3.3
Grants on capital expenditures (part of capitalised investments)	2.5	2.5
Training grants (recorded in other operating income)	0.8	1.1
TOTAL	**6.6**	**6.9**

8 PERSONNEL COSTS

(€ x million)	2012	2011
Wages and salaries	321.6	311.6
Compulsory social security contributions	64.1	58.6
Third-party staff	35.8	36.5
Pension costs	19.8	17.5
Company cars	14.8	14.0
Expense arising from share-based payments	3.7	3.5
Expense arising from employee share participation plan	0.1	0.1
Change in liability for long-term service obligations	-0.2	0.1
Other personnel costs	21.3	15.0
TOTAL	**481.0**	**456.9**

The effect of acquisitions in 2012 on personnel costs is € 6.7 million (2011: € 1.7 million). At year-end the number of employees acquired through acquisitions in 2012 is 196 (2011: 325).

Personnel costs include € 9.6 million (2011: € 9.7 million) for restructuring expenses. The total restructuring expenses of € 9.4 million (2011: € 11.6 million) also include other operating expenses for an amount of € 0.8 million (2011: € 1.9 million) and a release of the restructuring provision of € 1.0 million which was recognised as other operating expenses.

Research and development expenses amount to € 24.4 million (2011: € 19.9 million) and are included for € 16.4 million (2011: € 14.4 million) in personnel costs.

(Average) number of employees

Breakdown by country of the (average) number of employees in FTE (on payroll):

	2012	2011
Spain	3,159	3,210
Canada	1,142	1,124
China	773	748
Brazil	637	467
The Netherlands	623	601
Chile	414	316
Vietnam	342	334
Norway	334	337
United Kingdom	310	308
USA	280	294
Mexico	275	277
Poland	183	201
Russia	143	135
Italy	132	134
Germany	130	126
Indonesia	119	124
Czech Republic	88	99
Belgium	81	79
Other countries	552	433
AVERAGE NUMBER OF EMPLOYEES IN FTE	**9,717**	**9,347**
NUMBER OF EMPLOYEES IN FTE AT 31 DECEMBER	**9,654**	**9,565**

The main increase in average employee numbers in 2012 is due to the effect of acquisitions concluded in 2012 and 2011 of 334 employees (2011: 236 employees) and the re-opening of a production plant in Chile. This increase is partly offset by a restructuring in China.

9 OTHER OPERATING EXPENSES

(€ x million)	2012	2011
Energy & utility	82.8	75.6
Maintenance & repair	80.4	76.4
Travel	25.8	23.3
Consultancy	24.3	25.2
Rent & lease	19.6	17.4
Insurance	17.9	15.4
Advertising & promotion	13.5	11.6
IT	9.3	7.7
Communication	7.9	9.6
(Reversal of) impairment on trade receivables	5.8	18.5
(Release of) provisions	4.4	3.3
Fees external auditor	3.4	3.4
Other	22.2	8.1
TOTAL	**317.3**	**295.5**

For property damage and business interruption, and general and products liability losses of a frequent nature, Nutreco operates its own captive re-insurance company, located in the Netherlands and under supervision by the Dutch central bank 'De Nederlandsche Bank'. This company has a maximum insured amount per occurrence and per year and is fully consolidated within the results of Nutreco.
The negative result of the captive re-insurance company amounts to € 1.7 million (2011: a positive result of € 2.2 million) and is included in 'Insurance', as part of other operating expenses.

Provisions include a release of restructuring provision of € 1.0 million (2011: nil), restructuring expenses of € 0.8 million (2011: € 1.9 million) and expenses for claims for an amount of € 1.1 million (2011: € 1.6 million) (see also Note 25).

Research and development expenses amounted to € 24.4 million (2011: € 19.9 million) and are included in several items of other operating expenses for € 6.9 million (2011: € 4.5 million). The remaining research and development costs are included in personnel costs for € 16.4 million (2011: € 14.4 million) and depreciation and amortisation expenses for € 1.1 million (2011: € 1.0 million).

Operating lease payments are recognised as part of other operating expenses in profit or loss as incurred.

The acquisition effect on other operating expenses is € 7.1 million (2011: € 1.5 million) related to acquisitions concluded in 2012 and 2011.

Fees external auditor

(€ x million)	2012	2011
Audit fees	2.5	2.4
Audit-related fees	0.5	0.3
Tax fees	0.1	0.1
Other	0.3	0.6
TOTAL	**3.4**	**3.4**

Audit-related fees primarily consist of fees in connection with IT security audits, half year procedures, reviews on sustainability reporting, and procedures related to acquisitions.

10 NET FINANCING COSTS/INCOME

(€ x million)	2012	2011
Interest income on deposits	0.1	0.2
Net change in fair value of financial assets through profit or loss	0.7	-
Other interest income	5.1	7.3
Financial income	**5.9**	**7.5**
Interest expenses on syndicated loan	-6.0	-8.7
Interest expenses on private placement	-14.7	-11.4
Interest expenses on short-term loans and bank overdrafts	-7.7	-4.6
Net change in fair value of financial assets through profit or loss	-	-4.7
Other expenses	-1.8	-4.2
Other financial related costs	-2.1	-1.6
Financial expenses	**-32.3**	**-35.2**
Foreign exchange gains	0.4	0.4
Foreign exchange result	**0.4**	**0.4**
NET FINANCING COSTS/INCOME	**-26.0**	**-27.3**

Financial income decreases to € 5.9 million (2011: € 7.5 million) mainly due to interest income on the financing of the Hendrix business which was reported as financial income up to the divestment in March 2012.

Financial expenses decrease to € 32.3 million (2011: € 35.2 million), which is mainly a result of the decreased net change in fair value of financial assets which was related to the valuation of the loan to Aegon. Interest expenses on the syndicated loan decrease mainly due to a lower average usage. The improvement of interest margin and fees has an effect as of the amendment in September 2012. Interest expenses on the private placement increase with the issuing of senior notes in a private placement in July 2012.

Other expenses mainly include arrangement and amendment fees which are amortised over the life of the facility.

Foreign exchange result (€ 0.4 million) is similar to the previous year (€ 0.4 million).

The interest received and paid are € 4.4 million (2011: € 4.1 million) and € 29.0 million (2011: € 33.3 million) respectively and are reported in the consolidated cash flow statement.

11 INCOME TAX EXPENSE

In 2012, the income tax expense from continuing operations amounts to € 54.1 million (2011: € 45.5 million). The components of taxation on income are:

(€ x million)	2012	2011
Current tax expense		
Current tax this year	-47.7	-45.7
Adjustments for prior years	0.5	-0.3
Total current tax expense	**-47.2**	**-46.0**
Deferred tax expense		
Origination and reversal of temporary differences	-1.2	6.6
Tax losses (de-)recognised	-6.7	-5.6
Change in tax rate	1.0	-0.5
Total deferred tax expense	**-6.9**	**0.5**
TOTAL INCOME TAX EXPENSE	**-54.1**	**-45.5**

The increased tax expense is in line with the higher result in 2012.

The reconciliation of the weighted average statutory income tax rate (as a percentage of result before taxes) to the effective tax rate is as follows:

(€ x million)	2012		2011	
Result before tax from continuing operations	212.4		171.6	
Income tax expense	-54.1		-45.5	
Result after tax from continuing operations	**158.3**		**126.1**	
Weighted average income tax	**-58.4**	**27.5%**	**-48.5**	**28.2%**
Tax effect due to change in valuation				
Utilisation of previously unrecognised tax losses	0.4	-0.2%	0.6	-0.3%
Recognition of previously unrecognised tax losses	-	-	0.5	-0.3%
(New) losses carry-forward not expected to be realised	-3.2	1.5%	-2.0	1.2%
Non-taxable income (including share in result of associates)	1.0	-0.4%	0.6	-0.3%
Non-tax-deductible expenses	-2.2	1.0%	-2.2	1.3%
Tax effect due to tax incentives				
Notional interest deduction Belgium	2.7	-1.3%	2.7	-1.6%
Fiscal amortisation goodwill	3.4	-1.6%	-	-
Participation exemption	2.2	-1.0%	2.9	-1.7%
Prior year adjustments	-0.2	0.1%	-0.2	0.1%
Other	0.2	-0.1%	0.1	-0.1%
EFFECTIVE INCOME TAX	**-54.1**	**25.5%**	**-45.5**	**26.5%**

The weighted average tax rate is based on the statutory corporate income tax rates applicable in the various countries.
The nominal rates vary from 11.5% (Ireland) to 43% (Japan), which is comparable with 2011. In the reconciliation of the weighted average effective tax rate, the share in results of associates is included.

The weighted average statutory income tax rate of 27.5% decreased compared to 2011 (28.2%) mainly caused by a change in geographical spread of income before tax.

The effective tax rate is mainly affected by tax incentives like the notional interest deduction, the participation exemption in the Netherlands, new losses carry-forward not expected to be realised and fiscal amortisation of goodwill.
New losses carry-forward not expected to be realised relates to net operating losses in various countries that are not expected to be realised in the foreseeable future. Fiscal amortisation goodwill relates to the positive tax impact following mergers of various Nutreco entities in Brazil.

The tax cash out versus tax charge is illustrated in the table below:

(€ x million)	2012	2011
Total tax charge	54.1	45.5
Payments current tax	55.7	37.8

The tax effect of components of other comprehensive income is as follows:

	Other comprehensive income		Tax (expense) / benefit	
(€ x million)	2012	2011	2012	2011
Currency translation differences	-6.7	-1.5	2.0	-1.4
Cash flow hedges	1.5	3.2	0.8	-0.2
Net loss on revaluation related to inflation accounting	1.5	0.6	-	-
OTHER COMPREHENSIVE INCOME	**-3.7**	**2.3**	**2.8**	**-1.6**

12 EARNINGS PER SHARE

Basic earnings per share

The calculation of the basic earnings per share at 31 December 2012 is based on the total results for the period attributable to owners of Nutreco of € 176.8 million (2011: € 130.5 million) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2012 of 34,764 (x 1,000) (2011: 34,882 (x 1,000)), which is calculated as follows:

(x 1,000 shares)	2012	2011
Number of ordinary shares at 1 January	**34,766**	**34,963**
Average effect of (re)purchase of shares	-645	-631
Average effect of shares issued in March	99	72
Average effect of shares issued in April	3	-
Average effect of shares issued in April, stock dividend	408	282
Average effect of shares issued in July	5	-
Average effect of shares issued in August, stock dividend	128	196
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES AT 31 DECEMBER	**34,764**	**34,882**

The calculation of the diluted earnings per ordinary share is based on 34,965 (x 1,000) (2011: 35,036 (x 1,000)) shares, taking into account the outstanding unvested performance shares.

(x 1,000 shares)	2012	2011
Weighted average number of ordinary shares at 31 December	**34,764**	**34,882**
Effect of performance shares outstanding*	201	154
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (DILUTED) AT 31 DECEMBER	**34,965**	**35,036**

** Based on performance shares awarded under the terms of the long-term incentive plan 2007 and the performance shares awarded under the terms of the bonus conversion plan.*

The average market (economic) value of Nutreco's shares for the purpose of calculating the dilutive effect of performance shares awarded under the terms of the long-term incentive plan is based on the average closing share price over the first five trading days of 2012 multiplied by the expected vested percentage for performance shares. The average market (economic) value of Nutreco's shares for the purpose of calculating the dilutive effect of performance shares awarded under the terms of the Bonus conversion plan is based on Monte Carlo simulation methodology, conducted by a third party advisor.

Key figures per share

	2012	2011
Continuing operations		
Basic earnings per ordinary share for continuing operations (€)	4.53	3.59
Cash earnings per ordinary share (€)	4.94	3.97
Diluted earnings per ordinary share for continuing operations (€)	4.51	3.58
Weighted average number of ordinary shares outstanding during the year (x 1,000)	34,764	34,882
Weighted average number of ordinary shares for diluted earnings per share (x 1,000)	34,965	35,036
Number of ordinary shares outstanding as at 31 December (x 1,000)	34,600	34,766
Discontinued operations (€)		
Basic earnings per ordinary share for discontinued operations	0.56	0.15
Diluted earnings per ordinary share for discontinued operations	0.55	0.14
Key figures per ordinary share (€)		
Basic earnings per share	5.09	3.74
Cash earnings per share	5.50	4.14
Diluted earnings per share	5.06	3.72
Diluted cash earnings per share	5.47	4.12
Basic earnings per share for dividend calculation	4.56	4.00
Diluted basic earnings per share for dividend calculation	4.53	3.98

The earnings per share for dividend calculation are based on the net profit for the year attributable to holders of ordinary shares, excluding impairment charges and book results on disposed activities.

13 PROPERTY, PLANT AND EQUIPMENT

(€ x million)	Land and buildings	Machinery and equipment	Other	Under construction	Total
Cost					
Balance at 1 January 2011	**417.7**	**747.5**	**98.4**	**59.6**	**1,323.2**
Capital expenditure	9.4	31.3	3.2	48.3	92.2
Disposals	-3.9	-16.4	-3.6	-1.6	-25.5
Acquisitions through business combinations	6.4	6.4	-	-	12.8
Transfer between categories	5.5	33.2	-4.8	-33.9	0.0
Capitalised borrowing costs	-	-	-	0.7	0.7
Reclassification to assets held for sale	-43.6	-93.1	-6.1	-	-142.8
Effect of movement in foreign exchange rates	1.5	6.2	0.1	-0.1	7.7
Balance at 31 December 2011	**393.0**	**715.1**	**87.2**	**73.0**	**1,268.3**
Balance at 1 January 2012	**393.0**	**715.1**	**87.2**	**73.0**	**1,268.3**
Capital expenditure	3.3	9.5	2.9	92.8	108.5
Disposals	-5.2	-21.5	-5.8	-0.4	-32.9
Acquisitions through business combinations	0.2	1.4	0.5	2.9	5.0
Acquisitions through business combinations previous year	5.1	-6.5	-	-	-1.4
Transfer between categories	26.3	46.5	2.2	-75.0	0.0
Capitalised borrowing costs	-	-	-	1.6	1.6
Reclassification to assets held for sale	-7.3	-4.9	-0.8	-	-13.0
Effect of movement in foreign exchange rates	2.5	6.6	0.3	1.0	10.4
Balance at 31 December 2012	**417.9**	**746.2**	**86.5**	**95.9**	**1,346.5**
Accumulated depreciation and impairment losses					
Balance at 1 January 2011	**-173.8**	**-508.8**	**-75.6**	**-0.4**	**-758.6**
Depreciation	-10.7	-37.0	-6.2	-	-53.9
Impairment losses	-3.4	-3.3	-0.2	-	-6.9
Reversal of impairment losses	-	0.5	-	-	0.5
Disposals	2.2	14.7	3.4	0.4	20.7
Transfer between categories	2.1	0.6	-2.7	-	0.0
Reclassification to assets held for sale	31.2	80.6	5.0	-	116.8
Effect of movement in foreign exchange rates	-0.7	-2.8	-0.1	-	-3.6
Balance at 31 December 2011	**-153.1**	**-455.5**	**-76.4**	**0.0**	**-685.0**
Balance at 1 January 2012	**-153.1**	**-455.5**	**-76.4**	**0.0**	**-685.0**
Depreciation	-11.7	-41.2	-5.2	-	-58.1
Impairment losses	-0.1	-0.6	-	-	-0.7
Reversal of impairment losses	0.1	1.2	-	-	1.3
Disposals	5.0	20.7	5.2	-	30.9
Transfer between categories	-0.3	-1.1	1.4	-	0.0
Reclassification to assets held for sale	6.7	4.6	0.8	-	12.1
Effect of movement in foreign exchange rates	-1.5	-5.5	-0.4	-	-7.4
Balance at 31 December 2012	**-154.9**	**-477.4**	**-74.6**	**0.0**	**-706.9**
Carrying amount at 1 January 2011	**243.9**	**238.7**	**22.8**	**59.2**	**564.6**
Carrying amount at 31 December 2011	**239.9**	**259.6**	**10.8**	**73.0**	**583.3**
Carrying amount at 1 January 2012	**239.9**	**259.6**	**10.8**	**73.0**	**583.3**
CARRYING AMOUNT AT 31 DECEMBER 2012	**263.0**	**268.8**	**11.9**	**95.9**	**639.6**

In the statement of comprehensive income, depreciation is reported under 'depreciation and amortisation expenses' and the impairment loss under '(reversal of) impairment of long-lived assets'.

Assets not in use

Nutreco has a few production facilities not in use. The assets include fish feed production facilities in Ireland and China, premix & feed specialties production facilities in Italy, Poland and Belgium, an animal nutrition production facility in Canada as well as compound feed and meat production facilities in Spain. The total book value of these production facilities is € 11.0 million at 31 December 2012 (2011: € 9.3 million) of which € 6.5 million is recognised as assets classified as held for sale.

Furthermore, Nutreco has received assets from customers for an amount of € 1.7 million (2011: € 1.7 million) as payment for their outstanding debt. These assets are not in use.

Assets under construction

The most material and important assets under construction in 2012 relate to projects that already started in 2011, with the intention of constructing new factories and modernising production lines. These investments are capitalised as assets under construction for an amount of € 95.9 million (2011: € 73.0 million) and consist mainly of projects in the segment (i) Fish Feed in Norway (€ 32.7 million), (ii) Premix & Feed Specialties in Russia (€ 21.6 million) and Brazil (€ 5.6 million).

Capital expenditure projects

During 2012, Nutreco invested a total amount of € 108.5 million (2011: € 92.2 million) in property, plant and equipment. Investments in factories took place across different businesses and were intended to enable growth in new markets. Furthermore, the Group has invested in efficiency processes and capacity extension projects in more mature markets. This included projects for (i) maintaining the quality level of Nutreco's asset base through upgrade and replacement projects, (ii) further automation of the packaging processes and (iii) additional production lines for extra capacity and the flexibility to use different raw materials. The total capital expenditure for expansion amounted to € 69.6 million in 2012, which is related to significant expansion of existing factories in Norway, building a new production facility in Russia and increasing capacity in Brazil.

Borrowing costs

Nutreco has capitalised borrowing costs of € 1.6 million (2011: € 0.7 million) for its expansion capital expenditure in Norway for € 0.9 million (2011: € 0.2 million) and in Russia for € 0.7 million (2011: nil). The average interest rate for these capitalised borrowing costs is 2.8% (2011: 5.2%).

(Reversal of) impairment losses

The total (reversal of) impairment losses amounts to € 0.6 million (2011: € 6.4 million) which is mainly related to the reversal of impairment losses of € 1.3 million (2011: € 0.5 million) as a result of the reopening of two compound feed factories in Spain. This is partly offset by the closure of compound feed factories in Spain for an amount of € -0.4 million (2011: € -6.0 million) and in Brazil for an amount of € -0.3 million (2011: nil).

Disposals

During 2012, Nutreco sold property, plant and equipment with a carrying amount of € 2.0 million (2011: € 4.8 million). The gain on the sale of property, plant and equipment amounted to € 0.6 million (2011: loss of € 0.1 million) and is recorded on the line other operating income in profit or loss for an amount of € 1.6 million and on the line other operating expenses for an amount of € -1.0 million.

In 2012 the Group did not lease property, plant and equipment which are qualified as finance lease.

14 INTANGIBLE ASSETS

(€ x million)	Goodwill	Concessions, licences and quota	Development costs	Software	Brand names	Customer relationships	Total
Cost							
Balance at 1 January 2011	**243.2**	**54.1**	**8.5**	**35.1**	**28.4**	**53.4**	**422.7**
Capital expenditure	-	0.4	-	11.2	-	-	11.6
Disposals	-	-	-	-0.4	-	-	-0.4
Acquisitions (through business combinations)	1.8	0.3	-	-	5.4	11.8	19.3
Capitalised (borrowing) costs	-	-	-	0.1	-	-	0.1
Reclassification to assets held for sale	-8.1	-	-	-5.7	-	-	-13.8
Effect of movement in foreign exchange rates	2.8	0.5	0.1	-	0.4	1.3	5.1
Balance at 31 December 2011	**239.7**	**55.3**	**8.6**	**40.3**	**34.2**	**66.5**	**444.6**
Balance at 1 January 2012	**239.7**	**55.3**	**8.6**	**40.3**	**34.2**	**66.5**	**444.6**
Capital expenditure	-	0.2	0.1	19.1	-	-	19.4
Disposals	-	-0.6	-0.1	-1.5	-	-0.2	-2.4
Acquisitions (through business combinations)	33.0	-	-	-	4.0	10.6	47.6
Acquisitions through business combinations previous year	-1.3	1.2	-	-	-	-	-0.1
Capitalised (borrowing) costs	-	-	-	0.3	-	-	0.3
Effect of movement in foreign exchange rates	-3.8	0.5	0.1	0.3	-0.6	-1.0	-4.5
Balance at 31 December 2012	**267.6**	**56.6**	**8.7**	**58.5**	**37.6**	**75.9**	**504.9**
Accumulated amortisation and impairment losses							
Balance at 1 January 2011	**-27.7**	**-1.1**	**-3.5**	**-20.5**	**-0.1**	**-22.5**	**-75.4**
Amortisation	-	-	-0.7	-4.9	-0.1	-7.3	-13.0
Impairment losses	-2.0	-	-	-0.7	-	-	-2.7
Disposals	-	-	-	0.4	-	-	0.4
Reclassification to assets held for sale	2.7	-	-	4.3	-	-	7.0
Effect of movement in foreign exchange rates	0.2	-0.2	-0.1	0.1	-	-0.4	-0.4
Balance at 31 December 2011	**-26.8**	**-1.3**	**-4.3**	**-21.3**	**-0.2**	**-30.2**	**-84.1**
Balance at 1 January 2012	**-26.8**	**-1.3**	**-4.3**	**-21.3**	**-0.2**	**-30.2**	**-84.1**
Amortisation	-	-0.1	-0.8	-5.6	-0.5	-7.3	-14.3
Disposals	-	0.3	-	1.7	-	0.2	2.2
Effect of movement in foreign exchange rates	-0.3	-	-	-0.2	-	-0.1	-0.6
Balance at 31 December 2012	**-27.1**	**-1.1**	**-5.1**	**-25.4**	**-0.7**	**-37.4**	**-96.8**
Carrying amount at 1 January 2011	**215.5**	**53.0**	**5.0**	**14.6**	**28.3**	**30.9**	**347.3**
Carrying amount at 31 December 2011	**212.9**	**54.0**	**4.3**	**19.0**	**34.0**	**36.3**	**360.5**
Carrying amount at 1 January 2012	**212.9**	**54.0**	**4.3**	**19.0**	**34.0**	**36.3**	**360.5**
CARRYING AMOUNT AT 31 DECEMBER 2012	**240.5**	**55.5**	**3.6**	**33.1**	**36.9**	**38.5**	**408.1**

The increase of intangible assets of € 47.6 million in 2012 is mainly due to (i) the acquisition of Bellman of € 25.3 million, (ii) the increase in shareholding of Nutreco Fri-Ribe of € 22.3 million, (iii) capital expenditure of € 19.4 million, (iv) amortisation for an amount of € 14.3 million and (v) the negative effect of foreign exchange rates of € 5.1 million.

During 2012, Nutreco has added internally-generated intangibles of € 11.8 million (2011: € 5.9 million) which mainly relate to the business process standardisation and optimisation programme Unite and is reported as capital expenditure. The total amount of internally-generated intangibles at 31 December 2012 amounts to € 17.7 million (2011: € 5.9 million) and has been recorded under software.

Amortisation of intangible assets is reported on the line 'depreciation and amortisation expenses' of the consolidated statement of comprehensive income.

Goodwill

At 31 December 2012, the carrying amount of goodwill amounts to € 240.5 million (31 December 2011: € 212.9 million). The increase of goodwill of € 27.6 million mainly relates to (i) acquisition of 46% of the shares in Nutreco Fri-Ribe of € 22.3 million, (ii) acquisition of Bellman of € 10.7 million and (iii) negative effect of movement of foreign exchange rates of € 4.1 million.

Nutreco Fri-Ribe Nutriçao Animal S.A.

In March 2012, Nutreco increased its shareholding in its Brazilian joint venture Nutreco Fri-Ribe Nutriçao Animal S.A. ('Nutreco Fri-Ribe') from 51% to 97% for a purchase price of € 29.7 million which results in an additional goodwill of € 22.3 million. The business combination was formed in November 2009. Nutreco Fri-Ribe supplies premix & feed specialties products for ruminant, swine, poultry and aquaculture species. Nutreco Fri-Ribe is market leader in Brazil in shrimp feed with more than 20% market share and the number two feed provider for tilapia with more than 10% market share.

In 2012, the reclassification of the goodwill related to the acquisition of Shihai amounts to € -1.3 million. In 2011, acquisitions through business combinations include goodwill related to this acquisition for € 1.8 million.

In 2012 no impairments have been recognised for goodwill. Per 31 December 2012 the accumulated impairment losses are € 2.0 million.

Concessions, licenses and quota

In 2012, concessions, licenses and quota amounted to € 55.5 million at 31 December 2012 (31 December 2011: € 54.0 million) and mainly consists of quota which have been acquired in 2007 as part of the acquisition of Maple Leaf Animal Nutrition. Quota is an acquired right to sell poultry products in markets in which sales of these products are regulated and limited by the government and is recognised in Meat & Other (Canada).

Quota has an indefinite useful life as there is no indication of possible rescission of the quota system.

In 2012, no impairments have been recognised for concessions, licenses and quota (2011: nil).

Brand names

The useful lives of brand names have been determined on the basic factors, such as the economic environment, the expected use of an asset and related assets or groups of assets, and legal or other provisions that might limit the useful life. The main part of the brand names has an indefinite useful live.

The increase of brand names in 2012 of € 2.9 million relates to acquisition of Bellman for € 4.0 million, amortisation expenses for an amount of € 0.5 million and the negative effect of movement in foreign exchange rates for € 0.6 million.

The carrying amount of brand names at 31 December 2012 of € 36.9 million (2011: € 34.0 million) is mainly related to the acquisition of Nutreco Canada's brand names Shur-Gain and Landmark Feeds in 2007, recognised in Animal Nutrition Canada, the brand name Fri-Ribe related to our Brazilian acquisition in 2009, the brand name related to the acquisition of Tomboy in 2010, and the brand name related to the acquisition of Bellman in 2012.

Customer relationships

The remaining average amortisation period for customer relationships is five years. The increase in 2012 of € 2.2 million mainly relates to the acquisition of Bellman for € 10.6 million, amortisation expenses for an amount of € 7.3 million and the negative effect of movement in foreign exchange rates for € 1.1 million. The increase for acquisitions in 2011 of € 11.8 million relates to the acquisition of Shihai.

At 31 December 2012 the carrying amount of customer relationships of € 38.5 million (2011: € 36.3 million) mainly relates to the acquisition of Nutreco Canada in 2007, recognised for an amount of € 8.6 million (2011: € 12.7 million) in Animal Nutrition Canada and for € 0.6 million (2011: € 1.7 million) in Meat & Other, the acquisition of Shihai of € 11.7 million (2011: € 12.2 million) and the acquisition of Bellman in 2012 for an amount of € 9.5 million.

There are no intangible assets whose titles are restricted or pledged as security for liabilities.

Impairment tests for assets with indefinite useful lives

Changes in composition of cash-generating units containing goodwill

In November 2011 the Group's announced new strategy, and consequently its further transformation in 2012 towards a global leader in animal nutrition and fish feed that delivers innovative and sustainable nutritional solutions, and a further implementation of a business unit structure within the divisions, resulted in a change in the composition of one or more groups of cash-generating units to which goodwill has been allocated. A new business unit structure was created to ensure increased leverage from a higher degree of centralisation in research & development, strategic marketing and procurement and cross-country realisation of synergies from past and future acquisitions within business units. Consequently the internal reporting structure of the Group changed and revised management information is provided to the Executive Board.

Goodwill is monitored and allocated as follows:

- Goodwill for which it could be determined to which business unit it belongs has been directly allocated to a business unit; and
- Goodwill that could not be allocated to a business unit as it exceeded the level of a reportable segment, is allocated to a part of that business unit based on the segment allocation.

The Group reviews at each reporting date whether there is an indication that any of the cash-generating units that contain goodwill, concessions, licenses, quota and part of the brand names may be impaired. Furthermore, the Group carries out an annual impairment test by comparing the carrying amount of the cash-generating units to which the goodwill belongs, net of related deferred taxes, to the recoverable amount of the cash-generating units. The recoverable amount is determined based on a calculation of its fair value less cost to sell.

The recoverable amount of (a group of) cash-generating units with goodwill, quota or brand names is the greater of its fair value less costs to sell and value in use. The fair value less costs to sell is based on the best information available reflecting the amount that an entity could obtain, at the end of the reporting period, from disposal of the asset in an at arm's length transaction between knowledgeable, willing parties, after deducting the cost of disposal.
The costs to sell are estimated at 1% of the total fair value of the cash-generating units.

In assessing fair value less cost to sell the estimated future cash flows are discounted to their present value using a discount rate, determined as a pre-tax blended Weighted Average Cost of Capital per group of cash-generating units that reflects the current market assessments of the time value of money and the risks of the asset.
This assessment uses cash flow projections over a period of 5 years based on past performance and its expectations of market and business developments. Cash flows beyond that period are extrapolated assuming limited or no growth. The cash flow projections are discounted to their present value using a discount rate that reflects the market assessments of the time value of money and the risks of the asset. The business development plans are reviewed and adjusted if appropriate to reflect the market participant's view, as required under the fair value less cost to sell-methodology.

The fair value less cost to sell calculations in 2012 were determined in a similar manner as in 2011. The cash flow projections are in line with actual operating results and business development plans, as approved by the Executive Board and Supervisory Board.

The carrying amounts for assets with indefinite useful lives are allocated to the following groups of cash-generating units:

(€ x million)	Goodwill		Concessions, licences and quota		Brand names		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Animal Nutrition Canada	98.6	98.2	-	-	25.2	25.0	123.8	123.2
Meat & Other - Canada	24.5	24.4	53.7	53.4	-	-	78.2	77.8
Animal Nutrition Europe	4.6	4.6	0.1	0.2	0.3	0.3	5.0	5.1
Animal Nutrition Americas	34.3	34.4	-	-	-	-	34.3	34.4
Animal Nutrition Brazil	33.2	4.0	-	-	-	-	33.2	4.0
Selko Feed Additives	7.9	7.9	-	-	-	-	7.9	7.9
Nutreco Asia & Australia	33.1	35.0	0.2	0.1	-	-	33.3	35.1
Skretting Americas & UK	4.3	4.4	-	-	-	-	4.3	4.4
Carrying amount of intangible assets with indefinite useful lives	**240.5**	**212.9**	**54.0**	**53.7**	**25.5**	**25.3**	**320.0**	**291.9**
Carrying amount of intangible assets with definite useful lives	-	-	1.5	0.3	11.4	8.7	12.9	9.0
TOTAL	**240.5**	**212.9**	**55.5**	**54.0**	**36.9**	**34.0**	**332.9**	**300.9**

Key assumptions used in discounting cash flows

The key assumptions used in determining the fair value less costs to sell for groups of cash-generating units per segment are:

(%)	Average revene growth 2013-2017	Average operating margin 2013-2017	Blended pre-tax discount rates
Premix & Feed Specialties	3.2 - 9.4	5.9 - 12.0	6.1 - 9.5
Animal Nutrition Canada	1.5	4.0	6.2
Meat & Other	1.5	7.9	6.5
Fish Feed	3.7 - 12.6	7.0 - 8.5	6.9 - 9.2

All assumptions are in line with past performance and business development plans as approved by the Executive Board and Supervisory Board. The cash flows and the blended pre-tax discount rates used are on a real basis and accordingly do not include future inflation. The upper range increases of revenue growth in Premix & Feed Specialties and Fish Feed are related to Selko Feed Additives and our Animal Nutrition and Fish Feed businesses in Asia and reflect the Group's ambition to accelerate growth in these growth segments and geographies.
The operating margins are in line with past performance or show some improvement reflecting the Groups ambition to grow in higher margin nutritional solutions.

The pre-tax discount rate reflects a blend of country specific weighted average cost of capital calculated on the basis of a 3-years average earnings before interest, tax and amortisation allocation key. In general the discount rate of our cash-generating units decreased compared to previous reporting period resulting from lower risk free interest rates and higher inflation rates.

The 2012 annual impairment testing for goodwill resulted in no impairment, neither under the former cash-generating units definition prior to 2012, nor under the newly defined composition of cash-generating units.

Sensitivity analysis

Management performed sensitivity analyses around the current assumptions for the groups of cash-generating units containing goodwill. The table below reflects the changes in the blended pre-tax discount rate or revenue growth that would result in a fair value less cost to sell lower than its carrying value.

Cash generating unit	Excess value (€ x million)	Change in blended pre-tax discount rates	Change in revenue growth
Animal Nutrition Canada	165	+ 3.5%	- 2.1%[1]
Meat & Other - Canada	53	+ 4.5%	- 3.9%[1]
Animal Nutrition Europe	849	+ 33.2%	- [2]
Animal Nutrition Americas	83	+ 9.0%	- 20.0%
Animal Nutrition Brazil	27	+ 2.3%	- 3.8%
Selko Feed Additives	183	+ 51.6%	- 49.1%
Nutreco Asia & Australia	326	+ 12.9%	- 25.6%
Skretting Americas & UK	616	+ 37.2%	- 43.9%

1 For Animal Nutrition Canada and Meat & Other Canada the numbers refer to an indefinite growth rate that if applied would result in an excess value of nil.
2 Change in revenue growth for Animal Nutrition Europe does not represent a meaningful number as it exceeds a change of the average growth rate of 100%.

Sensitivity analysis is based on absolute changes of the blended pre-tax discount rate or absolute changes of the average growth rate over the period 2013-2017 that, if applied would result in an excess value of nil.

On the basis of this sensitivity analysis management concluded that no reasonably possible changes in key assumptions would cause the carrying amount of any group of cash-generating units with goodwill, quota and/or brand names to exceed its recoverable amount.

15 INVESTMENTS IN ASSOCIATES

Nutreco has the following investments in associates, directly or indirectly through subsidiaries:

(€ x million)	Ownership		Amount (€ x million)	
	2012	**2011**	**2012**	**2011**
Couvoir Scott Ltée, Canada (Meat & Other)	50%	50%	10.3	9.8
Nanta de Venezuela C.A., Venezuela (Premix & Feed Specialties)	50%	50%	8.2	5.4
Advanced Nutrition Ltd., Canada (Animal Nutrition Canada)	50%	50%	-	-
Nieuwland Feed and Supply Ltd., Canada (Animal Nutrition Canada)	40%	40%	2.8	2.6
Gène-Alliance Inc., Canada (Meat & Other)	40%	40%	0.4	0.4
Yantzi's Feed & Seed Ltd., Canada (Animal Nutrition Canada)	40%	40%	0.4	0.4
Lactech L.P., Canada (Animal Nutrition Canada)	33%	33%	3.7	3.5
Ens partnership, Canada (Fish Feed)	33%	33%	1.0	1.1
Centre for Aquaculture Competence A/S, Norway (Fish Feed)	33%	33%	-	-
Beijing Dejia Honesty Livestock Import & Export Co. Ltd., China (Premix & Feed Specialties)	20%	20%	-	-
BALANCE AT 31 DECEMBER			**26.8**	**23.2**

No goodwill has been recognised separately in relation to these investments in associates. Nutreco is not responsible for the (contingent) liabilities of the associates.

Changes in investments in associates

(€ x million)	2012	2011
Balance at 1 January	**23.2**	**21.9**
Share in results	2.9	2.6
Dividends received	-0.7	-2.0
Disposals	-0.1	-
Effect of movement in foreign exchange	1.5	0.7
BALANCE AT 31 DECEMBER	**26.8**	**23.2**

Breakdown of the share in results of associates

(€ x million)	2012	2011
Couvoir Scott Ltée, Canada	1.0	0.9
Nanta de Venezuela C.A., Venezuela	1.4	1.5
Advanced Nutrition Ltd., Canada	-	-
Nieuwland Feed and Supply Ltd., Canada	0.2	-
Gène-Alliance Inc., Canada	-	0.1
Yantzi's Feed & Seed Ltd., Canada	0.1	-
Lactech L.P., Canada	-	0.1
Ens partnership, Canada	-	-
Centre for Aquaculture Competence A/S, Norway	0.2	-
Beijing Dejia Honesty Livestock Import & Export Co. Ltd., China	-	-
TOTAL	**2.9**	**2.6**

In the statement of comprehensive income the share in results of associates and other investments of € 3.2 million (2011: € 3.2 million) includes the share in results of other investments for an amount of € 0.3 million (2011: € 0.6 million).

Main balance sheet items of associates

The breakdown of the main balance sheet items is as follows:

(€ x million)	Premix & Feed Specialties	Fish Feed	Animal Nutrition Canada	Meat & Other	Total 2012	Total 2011
Total non-current assets	2.1	1.7	21.1	13.6	38.5	34.4
Total current assets	15.1	7.2	17.4	7.7	47.4	39.4
TOTAL ASSETS	**17.2**	**8.9**	**38.5**	**21.3**	**85.9**	**73.8**
Equity	10.3	1.5	15.0	13.5	40.3	36.1
Total non-current liabilities	0.3	-	9.8	0.6	10.7	6.4
Total current liabilities	6.6	7.4	13.7	7.2	34.9	31.3
TOTAL EQUITY AND LIABILITIES	**17.2**	**8.9**	**38.5**	**21.3**	**85.9**	**73.8**

These figures were stated based on the latest audited statutory financial statements which have several dates ranging from 31 July 2011 to 31 December 2011, with adjustments recognised to align with IFRS.

The total revenue of these associates amounted to € 157.1 million and net profit amounted to € 6.3 million.

At reporting date there are no jointly controlled operations.

16 OTHER INVESTMENTS

(€ x million)	Equity securities		Debt securities		Other long-term investments		Total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Balance at 1 January	**4.1**	**4.1**	**27.7**	**36.1**	**13.4**	**0.0**	**45.2**	**40.2**
Share in result	0.3	0.6	-	-	-	-	0.3	0.6
Change in fair value	-	-	0.2	-4.6	0.7	-	0.9	-4.6
Additions	-	-	3.4	2.1	-	13.4	3.4	15.5
Disposals/loans repaid	-1.7	-	-0.1	-1.7	-0.9	-	-2.7	-1.7
Transfer from/(to) other balance sheet items	-	-	-4.4	-3.5	-	-	-4.4	-3.5
Dividends received	-0.3	-0.6	-	-	-	-	-0.3	-0.6
Reclassification to assets held for sale	-	-	-	-0.7	-	-	0.0	-0.7
BALANCE AT 31 DECEMBER	**2.4**	**4.1**	**26.8**	**27.7**	**13.2**	**13.4**	**42.4**	**45.2**

Equity securities

The equity securities consist of interests in several non-listed companies ranging from 1.8% up to 33.3% in which Nutreco does not have control or significant influence.

The € 2.4 million includes interests in Hendrix Misr (33.3%), Sociedad Comercializadora de Aves, S.L. (34.96%), and Aragonesa de Piensos S.A. (23.98%), and other smaller equity interests. Nutreco does not participate in the management of these entities and is not able to exercise significant influence on the strategy and daily operations. The disposal of € 1.7 million relates to the sale of the 15.03% interest in AquaGen A/S in Norway.

Debt securities

(€ x million)	**2012**	**2011**
Loans to Aegon	7.4	7.4
Loan related to divestment Euribrid	-	3.4
Loans to customers	26.9	28.0
Tax credits	3.8	3.8
	38.1	**42.6**
Provisions	-11.3	-14.9
BALANCE AT 31 DECEMBER	**26.8**	**27.7**

Loans to Aegon

At 1 January 2011, the subordinated loans were transferred to Aegon as part of an agreement to place the Dutch pensions plan with the insurer Aegon with an interest rate of one year Euribor plus 0.5%. The loan is initially accounted for at fair value with a subsequent measurement at amortised cost, resulting in a carrying value of € 7.6 million as of 31 December 2012. This loan is accounted for under debt securities for € 7.4 million (2011: € 7.4 million) and under trade and other receivables for € 0.2 million (2011: € 0.2 million).

Loan related to divestment of Euribrid

At the balance sheet date a loan of € 3.6 million (2011: € 7.5 million) is related to Euribrid, a former investment of Nutreco divested in 2007. An interest rate of 5% is being charged by Nutreco. The interest-bearing value of this loan amounts to € 3.6 million (2011: € 7.6 million) and has been discounted for with a rate of 5.6% (2011: 6.4%). This loan is subordinated and has been fully accounted for under trade and other receivables for € 3.6 million (2011: € 4.1 million). As at December 2011 an amount of € 3.4 million was also recorded under other investments.

Loans to customers

The loans to customers are mainly related to the sale of feed. Interest is charged based on normal business conditions. The loans to customers are amongst others transfers from short-term receivables, which were not paid within one year due to the financial situation of some of our customers. To the extent possible, loans are secured by pledges on assets such as livestock.

Provisions

The provision relates to loans to customers, which for the majority are located in China, Italy, Greece, Spain and Turkey. Reference is made to credit risk in Note 27.

Other long-term investments

Other long-term investments include an unlisted equity participation which was transferred from the Dutch Nutreco Pension Fund to the Group in 2011.

17 CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

Current tax receivables and liabilities

Classification of the current tax assets and liabilities, which is determined at fiscal entity level, is as follows:

(€ x million)	31 December 2012	31 December 2011
Income tax receivables	11.9	9.4
Income tax liabilities	-23.7	-29.3
NET INCOME TAX LIABILITIES	**-11.8**	**-19.9**

The income tax receivables represent the amount of income taxes recoverable in respect of current and prior periods that exceeds taxes paid. Income tax receivables and liabilities have been offset in cases where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the intention exists to settle on a net basis or to realise the receivable and liability simultaneously.

The movements of the net current assets and liabilities are as follows:

(€ x million)	2012	2011
Balance at 1 January	**-19.9**	**-6.8**
Recognised in profit or loss	-47.2	-46.0
Recognised in other comprehensive income	2.3	-2.4
Payments	55.7	37.8
Acquisitions and divestments	-0.1	-2.1
Transfer to/from deferred tax	-3.0	-0.1
Effect of movement in foreign exchange	0.4	-0.3
BALANCE AT 31 DECEMBER	**-11.8**	**-19.9**

Deferred tax assets and liabilities

Classification of the deferred tax assets and liabilities, which is determined at fiscal entity level, is as follows:

(€ x million)	31 December 2012	31 December 2011
Deferred tax assets		
Deferred tax asset to be settled after more than 12 months	15.2	17.1
Deferred tax asset to be settled within 12 months	3.8	9.0
Total deferred tax assets	**19.0**	**26.1**
Deferred tax liabilities		
Deferred tax liabilities to be settled after more than 12 months	-24.8	-31.1
Deferred tax liabilities to be settled within 12 months	-2.2	-
Total deferred tax liabilities	**-27.0**	**-31.1**
NET DEFERRED TAX LIABILITIES	**-8.0**	**-5.0**

The net deferred tax liabilities increased by € 3.0 million due to the changes presented in the table below:

(€ x million)	2012	2011
Balance at 1 January	**-5.0**	**1.7**
Recognised in profit or loss	-6.9	0.5
Recognised in other comprehensive income	0.5	0.8
Acquisitions and divestments	-5.1	-4.3
Acquisitions previous year	1.6	-
Transfer to/from current tax	3.0	0.1
Reclassification from/to assets held for sale	3.1	-3.4
Effect of movement in foreign exchange	0.8	-0.4
BALANCE AT 31 DECEMBER	**-8.0**	**-5.0**

The net deferred tax on valuation differences relates to the following balance sheet items:

(€ x million)	Assets		Liabilities	
	2012	2011	2012	2011
Property, plant and equipment	-1.8	-2.4	-9.1	-10.3
Intangible assets	7.6	11.5	-14.0	-17.2
Other non-current assets	0.3	-0.1	-0.3	-0.2
Inventories	1.2	-0.8	-1.9	-3.6
Biological assets	0.7	-1.6	-2.2	-
Trade and other receivables	5.5	8.1	-	1.1
Employee benefits	2.9	0.7	0.6	0.1
Provisions	0.3	0.3	-1.0	-1.0
Trade and other payables	2.1	6.9	0.1	-0.7
Total	**18.8**	**22.6**	**-27.8**	**-31.8**
NET DEFERRED TAX LIABILITIES ON VALUATION DIFFERENCES			**-9.0**	**-9.2**

A specification of the net operating losses is provided in the table below:

(€ x million)	31 December 2012	31 December 2011
Net operating losses not recognised	53.8	46.9
Net operating losses recognised	3.7	13.8
NET OPERATING LOSSES	**57.5**	**60.7**

The effect of net operating losses on the net deferred tax on valuation differences of € -9.0 million (2011: € -9.2 million), results in a net deferred tax liability of € -8.0 million (2011: € -5.0 million) and is summarised in the table below:

(€ x million)	31 December 2012	31 December 2011
Net deferred tax liabilities on valuation differences	-9.0	-9.2
Deferred tax on tax loss carried forward	0.2	3.7
Netting net operating loss	0.8	0.5
NET DEFERRED TAX LIABILITIES	**-8.0**	**-5.0**

The deferred tax asset on net operating losses is split between tax loss carried forward and netting net operating losses. The latter figure is a result of netting deferred tax liabilities on valuation differences with deferred tax assets on net operating losses, if applicable within a fiscal unit. A deferred tax liability will not materialise before the deferred tax asset on net operating losses is utilised.

Movements in recognised deferred taxation during 2012

(€ x million)	Balance at 1 January 2012	Recognised in profit or loss	Recognised in other comprehensive income	Acquired business combinations	Reclassification from assets / liabilities held for sale	Effect of movement in foreign exchange	Transfer to/ from current tax	Balance at 31 December 2012
Property, plant and equipment	-13.1	2.3	-	-0.2	-0.1	0.3	-0.1	-10.9
Intangible assets	-5.5	3.5	-	-5.1	-	0.6	-	-6.5
Other non-current assets	-0.4	-	0.5	-	-	-	-	0.1
Inventories	-4.4	3.8	-	-	-	-0.1	-	-0.7
Biological assets	-1.6	0.1	-	-	-	-	-	-1.5
Trade and other receivables	9.2	-6.5	-	1.9	0.5	-	0.5	5.6
Employee benefits	0.8	2.5	-	-	0.1	-	0.1	3.5
Provisions	-0.7	-0.1	-	-	0.1	-	-	-0.7
Trade and other payables	6.5	-4.3	-	-0.1		-	-	2.1
Tax loss carried forward	3.7	-3.5	-	-	-	-	-	0.2
Netting net operating losses	0.5	-4.7	-	-	2.5	-	2.5	0.8
TOTAL	**-5.0**	**-6.9**	**0.5**	**-3.5**	**3.1**	**0.8**	**3.0**	**-8.0**

Movements in recognised deferred taxation during 2011

(€ x million)	Balance at 1 January 2011	Recognised in profit or loss	Recognised in other comprehensive income	Acquired business combinations	Reclassification to assets / liabilities held for sale	Effect of movement in foreign exchange	Other	Balance at 31 December 2011
Property, plant and equipment	-10.7	-0.9	-	-0.4	-1.0	-0.1	-	-13.1
Intangible assets	0.5	-1.5	-	-4.2	-	-0.3	-	-5.5
Other non-current assets	-0.4	0.4	0.8	-	-1.2	-0.1	0.1	-0.4
Inventories	0.3	-4.6	-	-	-	-0.1	-	-4.4
Biological assets	-2.7	1.1	-	-	-	-	-	-1.6
Trade and other receivables	7.1	2.0	-	-	-	0.1	-	9.2
Employee benefits	3.5	-2.7	-	-	-	-	-	0.8
Provisions	-0.1	-0.6	-	-	-	-	-	-0.7
Trade and other payables	-5.4	11.6	-	0.3	-	-	-	6.5
Tax loss carried forward	4.2	-0.5	-	-	-	-	-	3.7
Netting net operating losses	5.4	-3.8	-	-	-1.2	0.1	-	0.5
TOTAL	**1.7**	**0.5**	**0.8**	**-4.3**	**-3.4**	**-0.4**	**0.1**	**-5.0**

The unused income tax credits at 31 December 2012 amount to € 5.3 million and are included in other investments for an amount of € 3.8 million (2011: € 3.8 million) and trade and other receivables for an amount of € 1.5 million (2011: € 1.8 million) and are mainly related to R&D tax credits in Canada and Spain.

Unrecognised net operating losses

The total of unrecognised net operating losses is € 53.8 million at the end of December 2012 (2011: € 46.9 million) and will expire as follows:

(€ x million)	31 December 2012	31 December 2011
Expiration < 5 years	7.1	1.4
Expiration 5-10 years	1.7	2.1
Expiration > 10 years	45.0	43.4
TOTAL	**53.8**	**46.9**

Deferred tax assets have not been recognised in respect of these items, because based upon the level of historical taxable income and projections for future taxable income, management believes that it is more likely than not that no sufficient tax profits will be available against which the benefits can be utilised.

18 INVENTORIES

(€ x million)	31 December 2012	31 December 2011
Raw materials	264.0	201.9
Finished products	106.1	94.9
TOTAL	**370.1**	**296.8**

There are no inventories pledged as security for liabilities. In 2012, inventories increased by € 73.3 million of which € 71.3 million relates to price and volume effects, € 1.6 million relates to the acquisition of Bellman completed in 2012 and € 0.4 million relates to the positive effect of movement in foreign exchange rates.

In 2012 inventory days (including biological assets) are 48 days (2011: 41 days).

The write-down of inventories to net realisable value amounted to € 8.5 million (2011: € 5.8 million), which is recognised in the lines 'raw materials and consumables used' and 'changes in inventories of finished goods and work in progress'.

19 BIOLOGICAL ASSETS

(€ x million)	2012	2011
Balance at 1 January	**140.5**	**127.8**
Expenses capitalised	698.7	560.8
Decrease due to sales	-299.1	-187.0
Decrease due to harvest	-374.9	-358.5
Change in fair value	-0.2	0.3
Reclassification to assets held for sale	-	-2.9
BALANCE AT 31 DECEMBER	**165.0**	**140.5**

The increase of biological assets is mainly due to the increase in feed prices for pigs in Spain of 17.4%.

At balance sheet date, Nutreco has biological assets in Spain, Canada and the Netherlands related to pig livestock, poultry livestock, hatching eggs and a small amount of animals used for research purposes. In Spain, the poultry business is integrated whereby the fattened broilers are transferred from the fattening farm to our processing facility. The decrease of biological assets due to harvest as shown in the above movement schedule refers to these transfers. The poultry livestock in all other countries and the fattening pigs in Spain are sold externally which is reflected by the decrease due to sales.

The table below shows the biological assets per relevant country and applied valuation method:

(€ x million)	Spain	Canada	The Netherlands	Total
Fair value less cost to sell	132.0	3.7	0.1	135.8
At cost less accumulated depreciation and impairment losses	26.3	2.9	-	29.2
CARRYING AMOUNT AT 31 DECEMBER 2012	**158.3**	**6.6**	**0.1**	**165.0**
Fair value less cost to sell	110.2	3.0	0.2	113.4
At cost less accumulated depreciation and impairment losses	24.3	2.8	-	27.1
CARRYING AMOUNT AT 31 DECEMBER 2011	**134.5**	**5.8**	**0.2**	**140.5**

Spain

The value and the volumes of the biological assets in Spain can be summarised as follows:

(€ x million)	2012			2011		
	Poultry livestock	Pig livestock	Total	Poultry livestock	Pig livestock	Total
Fair value less cost to sell						
Broilers	29.0	-	29.0	26.6	-	26.6
Hatching eggs	3.1	-	3.1	2.8	-	2.8
Fattening pigs	-	99.9	99.9	-	80.8	80.8
Total	**32.1**	**99.9**	**132.0**	**29.4**	**80.8**	**110.2**
At cost less accumulated depreciation and impairment losses						
Parent stock:						
Gross carrying amount	14.8	21.2	36.0	12.7	19.9	32.6
Accumulated depreciation and impairment losses	-5.4	-4.3	-9.7	-4.2	-4.1	-8.3
Total	**9.4**	**16.9**	**26.3**	**8.5**	**15.8**	**24.3**
CARRYING AMOUNT AT 31 DECEMBER	**41.5**	**116.8**	**158.3**	**37.9**	**96.6**	**134.5**

(Volumes x million)	2012			2011		
	Poultry livestock	Pig livestock	Total	Poultry livestock	Pig livestock	Total
Broilers	18.0	-	18.0	19.3	-	19.3
Hatching eggs	13.3	-	13.3	13.3	-	13.3
Fattening pigs	-	0.7	0.7	-	0.7	0.7
Parent stock	1.3	0.1	1.4	1.2	0.1	1.3
NUMBER OF ANIMALS AT 31 DECEMBER	**32.6**	**0.8**	**33.4**	**33.8**	**0.8**	**34.6**

Poultry livestock

In financial year 2012 Nutreco processed 149.0 million animals (2011: 139.0 million).

Parent stock

Parent stock refers to hens and is held for the production of hatching eggs. The eggs are transferred to hatcheries and hatched to become day-old-chicks. The day-old-chicks are transferred to the fattening farm and fattened in about 7 weeks to become a broiler. For accounting purposes parent stock is capitalised like a production asset. Parent stock is not sold and no active market exists for these birds. Other references to market prices such as market prices for similar assets are also not available. Valuation based on a discounted cash flow method is considered to be unreliable given the uncertainty with respect to mortality rates and the amount of eggs a hen will produce. Consequently, parent stock is measured at cost minus depreciation and impairment losses.

Costs include all production costs incurred during the rearing phase (e.g. cost of a day-oldchick, feed costs, medication and farmer fees). Parent stock is depreciated using a straight-line method starting from the laying phase and taking into account a small residual value (i.e. slaughter value). The depreciation period is approximately 40 weeks.

Broilers

In Spain, there is an active market for broilers which provides weekly quoted market prices ('Lonja price'). This Lonja price is by all market participants seen as a reference or target price. The actual price is established on the basis of demand and supply in the market and usually deviates from the Lonja price. Therefore, we do not consider the Lonja price a reliable estimate of fair value. In accordance with IAS 41.18, other techniques should be used to estimate fair value. Management considers the most recent achieved price (reference price) with a major customer as the most reliable estimate of fair value. This reference price is used as a basis for the input costs for the poultry production process. The fair value of broilers is measured on the basis of full production costs plus a proportional share of the margin to be realised at sale. Full production costs relate to all actual costs incurred up to a certain phase of the growth cycle (e.g. cost of day-old chick, feed, medication and farmer fees). The fattening process takes about 7 weeks. The margin is derived from the reference price and the costs and is allocated to the different phases of the growth cycle on the basis of a percentage of completion method and discounted at the applicable rate.

Hatching eggs

Hatching eggs are used for the production of day-old-chicks for the fattening process. There is no active market with quoted market prices for hatching eggs. Hatching eggs are not sold to the open market and accordingly there is no recent market transaction price available. Market prices for similar assets are also not available. The fair value of hatching eggs is determined in a similar way as the fair value of broilers. The growth cycle of a broiler starts with a hatching egg and accordingly a proportional part of the broiler margin should be allocated to the egg. Management considers this proportional share of the margin to be minimal so that the fair value of the egg is best reflected by the full production costs. The production costs of an egg include all costs incurred for parent stock in the laying phase e.g. depreciation, feed, medication and farmer fees.

Pig livestock

In financial year 2012 Nutreco sold 1.4 million fattening pigs (2011: 1.0 million).

Parent stock

Parent stock refers to sows (grandmothers and mothers) and a limited number of boars (male pigs). Grandmothers are held for the production of piglets that become sows. Sows are held for the production of piglets that are transferred to the fattening process. For accounting purposes parent stock is capitalised like a production asset. Parent stock is not sold and no active market exists for these pigs. Other references to market prices such as market prices for similar assets are also not available.

Valuation based on a discounted cash flow method is considered unreliable given the uncertainty with respect to mortality rates and the amount of piglets a sow will produce. Consequently, parent stock is measured at cost minus depreciation and impairment losses. Cost includes all costs during the growth cycle (e.g. cost of a piglet, feed costs, medication, and farmer fees). Parent stock is depreciated using a straight-line method starting from the reproduction phase and taking into account a residual value (i.e. slaughter value). The depreciation period is approximately 30 months.

The offspring of a sow is initially recognised when the birth has proven successful and the piglets are healthy. The value of a piglet before birth is therefore reflected in the value of the pregnant sow. The value of the unborn piglets is based on the costs incurred for the sow mother during her pregnancy. At balance sheet date, the value of the unborn piglets amounts to € 5.2 million (2011: € 4.8 million) and is presented in the gross carrying amount of the parent stock.

Fattening pigs

In Spain, there is an active market for fattening pigs which provides weekly quoted market prices ('Lonja price'). However, these quoted market prices are only used by a limited number of market participants and can only be interpreted as a reference price. In general, pig prices are established on the basis of negotiation between pig producers and pig meat processors. Therefore, we do not consider the Lonja price a reliable estimate of fair value. In accordance with IAS 41.18, other techniques should be used to estimate fair value. Management considers the most recent achieved transaction price (reference price) with major customers as the most reliable estimate of fair value. The fair value of fattening pigs is measured on the basis of full production costs plus a proportional share of the margin to be realised at sale. Full production costs relate to all actual costs incurred up to a certain phase of the growth cycle (e.g. cost of piglet, feed, medication and farmer fees). The fattening process takes about 19 weeks. The margin is derived from the reference price and the costs and is allocated to the different phases of the growth cycle on the basis of a percentage of completion method and discounted at the applicable rate.

Canada

The value and the volumes of the biological assets in Canada can be summarised as follows:

(€ x million)	2012	2011
Fair value less cost to sell		
Broilers	2.1	1.5
Hatching eggs	1.0	1.0
Turkeys	0.6	0.5
Total	**3.7**	**3.0**
At cost less accumulated depreciation and impairment losses		
Parent stock		
Gross carrying amount	8.2	8.1
Accumulated depreciation and impairment losses	-5.3	-5.3
Total	**2.9**	**2.8**
CARRYING AMOUNT AT 31 DECEMBER	**6.6**	**5.8**

(Volumes x million)	2012	2011
Broilers	1.2	0.8
Hatching eggs	2.4	2.8
Turkeys	0.1	0.1
Parent stock	1.6	1.5
NUMBER OF ANIMALS AT 31 DECEMBER	**5.3**	**5.2**

Poultry livestock

Parent stock

Parent stock refers to chicken breeders and laying hens. Chicken breeders are held for the production of hatching eggs in order to produce day-old-chicks. Laying hens are held for the production of embryonated eggs. The accounting treatment for parent stock is similar as to the parent stock in Spain. The depreciation period for chicken breeders and laying hens is 28 weeks and 44 weeks respectively.

Broilers & turkeys

In Canada, there is an active market for broilers and turkeys. Market prices for broilers & turkeys are established by provincial marketing boards who act as sales agents for the poultry producers. The fair value of broilers and turkeys is measured on the basis of full production costs plus a proportional share of the margin to be realised at sale. Full production costs relate to all actual costs incurred up to a certain phase of the growth cycle and include cost of day-old chick, feed, medication and other direct production costs. Broilers are marketed at about 6 weeks and turkeys at about 13 or 17 weeks dependent of the bird's type. The margin is derived from the market price as set by the provincial marketing boards and cost and is allocated to the different phases of the growth cycle on the basis of a percentage of completion method and discounted at the applicable rate.

Hatching eggs

Hatching eggs are both used for the production of day-old-chicks and for the production of embryonated eggs which are sold to the pharmaceutical industry. There is no active market with quoted market prices for hatching or embryonated eggs. Hatching eggs are not sold to the open market and accordingly there is no recent market transaction price available.
Also market prices for similar assets are also not available. The fair value of hatching eggs is determined in a similar way as the fair value of broilers & turkeys. The growth cycle of a broiler or turkey starts with a hatching egg and accordingly a proportional part of the broiler or turkey margin should be

allocated to the egg. Management considers this proportional share of the margin to be minimal so that the fair value of the egg is best reflected by the full production costs. The production costs of an egg include all costs incurred for parent stock in the laying phase (e.g. depreciation, feed, medication and farmer fees). Embryonated eggs are sold to the open market and therefore a recent market transaction price is available. The fair value of embryonated eggs is measured on the basis of full production costs plus a proportional share of the margin to be realised at sale.

Other biological assets

In Canada, a limited number of animals (i.e. dairy cows and hogs) are held by the research & development department for research purpose. These animals are measured at cost and revalued to slaughter value.

The Netherlands

The biological assets in the Netherlands amount to € 0.1 million (2011: € 0.2 million). A limited number of animals (i.e. dairy cows and hogs) are held by the research & development department for research purpose. These animals are measured at cost and revalued to slaughter value.

20 TRADE AND OTHER RECEIVABLES

(€ x million)	31 December 2012	31 December 2011
Trade receivables – third parties	757.8	653.1
Trade receivables – related parties	2.8	2.6
Trade receivables	**760.6**	**655.7**
Prepayments	12.9	14.2
Tax receivable (no income tax)	30.8	23.6
Fair value foreign exchange derivatives	5.8	9.8
Fair value interest rate derivatives	2.3	2.3
Other	45.0	36.4
Total other receivables	**96.8**	**86.3**
TOTAL TRADE AND OTHER RECEIVABLES	**857.4**	**742.0**

In 2012, trade and other receivables increased by € 115.4 million of which € 92.0 million is due to an increase in days sales outstanding, € 15.2 million relates to price and volume effects, € 6.5 million relates to the acquisition of Bellman completed in 2012 and € 1.7 million relates to the positive effect of movement in foreign exchange rates.

Trade receivables are shown net of impairment losses amounting to € 69.4 million (2011: € 73.4 million). In 2012, € 6.8 million (2011: € 18.5 million) was charged through profit or loss, of which € 17.6 million (2011: € 25.4 million) was recognised as impairment losses and € 10.8 million (2011: € 6.9 million) was recognised as a reversal of impairment losses. See also Note 27.

Days sales outstanding are 60 days (2011: 54 days).

Nutreco's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 27.
Nutreco has credit insurance, in a number of countries, to mitigate the credit risk on customers. In some countries, mainly Spain, part of credit risk on customers is mitigated by non-recourse factoring for an amount of € 81.3 million (2011: € 70.6 million).

Receivables which will be due after one year are presented as debt securities, as part of other investments.

The following table shows the fair value of derivative financial instruments per hedge category:

(€ x million)	Total	Fair value through profit or loss	Cash flow hedge accounting	Net investment hedge accounting	Fair value hedge acccounting
Derivative financial instruments at 31 December 2012					
Fair value foreign exchange derivatives	5.8	2.1	0.2	3.5	-
Fair value interest rate derivatives	2.3	-	-	-	2.3
TOTAL FAIR VALUE	**8.1**	**2.1**	**0.2**	**3.5**	**2.3**
Derivative financial instruments at 31 December 2011					
Fair value foreign exchange derivatives	9.8	8.2	1.5	0.1	-
Fair value interest rate derivatives	2.3	-	-	-	2.3
TOTAL FAIR VALUE	**12.1**	**8.2**	**1.5**	**0.1**	**2.3**

21 CASH AND CASH EQUIVALENTS

(€ x million)	31 December 2012	31 December 2011
Deposits	71.2	3.3
Bank accounts	178.5	162.1
Transit/cheques	13.1	11.4
In hand	0.2	-
Cash and cash equivalents	**263.0**	**176.8**
Bank overdrafts	-19.5	-43.8
Cash and cash equivalents - continuing operations	**243.5**	**133.0**
Cash and cash equivalents - discontinued operations	-	3.7
CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT	**243.5**	**136.7**

Cash and cash equivalents are at Nutreco's free disposal (see Note 27). Bank overdrafts are included in the interest-bearing borrowings (current) in the balance sheet (see Note 23).

22 EQUITY ATTRIBUTABLE TO THE OWNERS OF NUTRECO

Share capital

	Number of shares (x million)		Amount € x million)	
	2012	2011	2012	2011
Authorised share capital				
Ordinary shares	71	55	17.0	13.2
Cumulative preference shares 'A'	-	16	-	3.8
Cumulative preference shares 'D'	71	71	17.0	17.0
Cumulative preference shares 'E'	31	31	7.5	7.5
BALANCE AT 31 DECEMBER	**173**	**173**	**41.5**	**41.5**

In 2011 the 16 million preference shares 'A' were withdrawn and removed from the Articles of Association in 2012. These 16 million shares have been added to the ordinary shares. At 31 December 2012 the authorised share capital of Nutreco amounts to € 41,520,000 and consists of 71 million ordinary shares, 71 million cumulative preference shares 'D' and 31 million cumulative financing preference shares 'E', all with a nominal value of € 0.24.
During the year under review, no shares were issued and 700,000 ordinary shares were repurchased. At 31 December 2012 no cumulative financing preference shares ''D' or 'E' were outstanding.

At 31 December 2012, a total of 35,118,682 (2011: 35,118,682) ordinary shares had been issued, consisting of 35,118,682 (2011: 35,118,682) shares which are fully paid up and listed on the NYSE Euronext Amsterdam, of which 518,919 ordinary shares (2011: 352,847) were held in treasury.

Cumulative preference (anti-takeover construction) 'D' shares

The objective of the 'Stichting Continuïteit Nutreco' (Foundation), established in 1997, is to care for and protect the interests and continuity of the Company, its enterprise(s) connected therewith and all of those involved by, amongst other things, preventing as much as possible influences which would threaten the continuity, independence and identity of the Company in a manner contrary to such interests. A call-option agreement has been entered into between the Foundation and Nutreco N.V., that enables the Foundation to acquire Nutreco preference shares 'D' up to a maximum equal to the number of outstanding shares issued at the date in question. In case of a (gradual) acquisition of or an offer by a third party for the Nutreco shares, the Foundation may exercise the call option only in case such build-up of shares or offer has not received the support of the Executive Board and the Supervisory Board of Nutreco N.V.

At balance sheet date, the Board of the Foundation consisted of the following members:

- Mr J.G. van der Werf (chairman)
- Mr P. Barbas
- Mr C. van den Boogert
- Prof J. Huizink

The Executive Board of Nutreco and the Board of Stichting Continuïteit Nutreco are both of the opinion that, regarding the independence of management, there is full compliance with the requirements stipulated in article 5:71c of the Dutch Act on Financial Supervision (Wet op het Financieel Toezicht) and section 2:118a par. 3 of the Dutch Civil Code.

Cumulative preference (financing) 'E' shares

The Articles of Association incorporate the possibility to issue cumulative preference shares 'E' for financing purposes. The authorisation to issue cumulative preference shares 'E' is dependent on a specific authorisation which will be submitted to the approval of the General Meeting of Shareholders when the need arises to issue shares of this class.

Issuance of shares and pre-emptive rights

Shares may be issued following a resolution by the General Meeting of Shareholders with the approval of the Supervisory Board. The General Meeting of Shareholders may designate the Executive Board as the authorized body to resolve to issue shares, for a period of time not exceeding five years. Upon the issuance of new ordinary shares, holders of Nutreco' s ordinary shares have a pre-emptive right to subscribe to ordinary shares in proportion to the total amount of their existing holdings of Nutreco' s ordinary shares. This pre-emptive right does not apply to any issuance of shares to employees of Nutreco or a group company of Nutreco. The General Meeting of Shareholders may decide to restrict or exclude pre-emptive rights and may also resolve to designate the Executive Board as the corporate body authorised to restrict or exclude pre-emptive rights for a period not exceeding five years.

The General Meeting of Shareholders of 27 March 2012 approved a designation of the Executive Board, to resolve the issuance and/or granting of rights to acquire common shares up to a maximum of 10% (and 20% in case of mergers and/or acquisitions) of the issued common shares through 27 September 2013, subject to the approval of the Supervisory Board. In the same meeting, the Executive Board, subject to approval of the Supervisory Board, has been designated the authority to restrict or exclude the pre-emptive rights of holders of ordinary shares upon the issuance of ordinary shares and/or upon the granting of rights to subscribe for ordinary shares through 27 September 2013.

Repurchase of shares

Nutreco may acquire fully paid up shares of any class in its capital for a consideration only following authorisation by the General Meeting of Shareholders and subject to certain provisions of Dutch law and the Company's Articles of Association, if shareholders' equity minus the payment required to make the acquisition is not less than the sum of paid-in and called-up capital and any reserves required by Dutch law or Nutreco's Articles of Association.

The Executive Board has been authorised through 27 September 2013 to acquire ordinary shares in the Company up to a maximum of 10% of the issued share capital, subject to the approval of the Supervisory Board. Such acquisition of shares, at the stock exchange or otherwise, will take place at a price between the nominal value and 110% of the average price of the shares on NYSE Euronext Amsterdam during the five trading days prior to the acquisition as published in the Officiële Prijscourant of NYSE Euronext Amsterdam.

The authorisation to acquire shares provides Nutreco with the required flexibility to fulfill its obligations deriving from employment related share plans, (interim) stock dividend or for other purposes.
The Company has the right to re-issue these shares at a later date.

Treasury shares

Treasury shares are accounted for as a reduction of the equity attributable to the owners of the parent. Treasury shares are recorded at cost, representing the market price on the acquisition date. When issued, shares are removed from treasury stock on a First In First Out (FIFO) basis. Any difference between the cost and the cash received at the time treasury shares are issued is recorded in retained earnings.

To cover future stock dividends and employee stock plans, Nutreco acquired 700,000 (2011: 650,000) of its issued ordinary shares through purchases on the Euronext Stock Exchange. In addition, Nutreco acquired 138,575 (2011: 111,597) of its issued ordinary shares through purchases on the Euronext Stock Exchange to cover the tax effects on the vesting of the shares. The total amount paid in 2012 to acquire these shares was € 47.2 million (2011: € 40.5 million) and these shares are held as treasury shares.

In 2012 Nutreco re-issued 672,503 (2011: 564,572) treasury shares for stock dividend, performance shares and employee share participation scheme for a total consideration of € 36.4 million (2011: € 29.1 million).

Nutreco holds treasury shares to cover for its liabilities for performance plans. Before 2010, performance plan shares were conditionally held by the beneficial employees.

The movements in the treasury shares can be summarised as follows:

	Number of shares		Amount (€ x 1,000)	
	2012	**2011**	**2012**	**2011**
Balance at 1 January	**352,847**	**155,822**	**18,677**	**7,267**
Employee share participation scheme	-14,690	-16,412	-791	-765
Share repurchase/issuance	838,575	761,597	47,163	40,466
(Interim) stock dividend	-537,042	-478,373	-29,166	-25,028
Performance shares	-120,771	-69,787	-6,486	-3,263
BALANCE AT 31 DECEMBER	**518,919**	**352,847**	**29,397**	**18,677**

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. As at 31 December 2012 the hedging reserve amounted to € -4.0 million (2011: € -5.5 million).

Cash flow hedges have been defined for foreign exchange deals related to forecast transactions and corn futures which will both mature within 12 months and for an interest rate swap which will mature in 2016. The change in fair value related to the foreign exchange derivatives amounted to € -2.0 million as at 31 December 2012 (2011: € 2.9 million), the change in fair value related to the corn futures amounted to € 0.1 million (2011: € 0.0 million), and the change in fair value related to the (cross currency) interest rate swaps amounted to € -1.5 million as at 31 December 2012 (2011: € -3.5 million).

All cash flow hedges are highly effective as at 31 December 2012; during 2012 no material ineffectiveness is recognised in profit or loss.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of net investments in foreign operations, including intercompany loans with a permanent nature, and liabilities that are used as hedging instrument in a net investment. As at 31 December 2012 the translation reserve amounted to € -7.0 million (2011: € -1.8 million). The change in the translation reserve was mainly caused by fluctuations of the US Dollar, the Brazilian Real and the Norwegian Krone.

Dividends

On 19 April 2012 the Company delivered 408,573 shares as a final stock dividend over the year 2011. The cash dividend was paid out on the same date and amounted to € 22.6 million (2011: € 19.1 million).

In August 2012, the Company paid out an interim dividend over the year 2012 of € 0.60 in cash per ordinary share. 128,469 shares have been delivered as an interim stock dividend. On 16 August 2012, the remaining interim dividend of € 13.1 million (2011: € 8.7 million) was paid in cash out of the retained earnings.

After the balance sheet date the Executive Board proposed a dividend per ordinary share over the year 2012 of € 2.05 (2011: € 1.80). The final dividend of € 1.45 (2011: € 1.30) will be payable in cash or shares at the shareholder's option. The value of the stock dividend will be virtually equal to the cash dividend. The ex-dividend date is 3 April 2013.

The conversion ratio will be determined after trading hours on 18 April 2013, based on the weighted average share price on the last three days of the period allowed for shareholders to notify the Company of their preference, 16, 17 and 18 April 2013. Both the cash and stock dividends will be placed at the shareholders' disposal on 24 April 2013. These dividends have not been provided for and income tax consequences are not recognised as a liability

(Agreements with) major shareholders

Nutreco is neither directly nor indirectly owned nor controlled by another corporation or by any government. The Company does not know of any arrangements that may, at a subsequent date, result in a change of control except as described under Cumulative Preferred 'D' shares above.

Based on law and regulations, all transactions between the Company and legal or natural persons who hold at least 10% of the shares in the Company shall be agreed under the conditions customary in this branch of industry. During 2012, the Company had dealings with ING Groep N.V., which declared in June 2012 a 9.97% share interest in the Company. ING Groep N.V. is, by one of its subsidiairies, a member of the bank syndicate that granted a loan to the Company. Throughout the year several financial transactions took place with several banks in the syndicate, including ING. Such transactions were carried out subject to conditions customary for such transactions in this branch of industry

Non-controlling interest

The non-controlling interest mainly consists of Piensos Nanfor S.A. (50%) and Piensos Nanpro S.A. (50%) in Spain, Newtech Feed L.P. in Canada (45.05%) and Trouw Nutrition Russia B.V. (10%). For disclosure on the change of non-controlling interest reference is made to note 6 Acquisitions.

The key items for profit or loss (based on the non-Nutreco share) for the non-controlling interests are shown in the table below:

(€ x million)	2012	2011
Revenue	79.5	101.5
Gross margin	7.3	17.0
Operating result	1.5	3.5
Total result for the period	0.8	0.7

23 INTEREST-BEARING BORROWINGS

Total interest-bearing borrowings are as follows:

(€ x million)	31 December 2012	31 December 2011
Interest-bearing borrowings (non-current)	481.4	370.3
Interest-bearing borrowings (current)	43.4	58.4
TOTAL	**524.8**	**428.7**

The specification of interest-bearing borrowings (non-current) is as follows:

(€ x million)	31 December 2012	31 December 2011
Private placement	364.4	177.4
Syndicated loans	112.2	181.3
Other long-term loans	4.8	11.6
TOTAL	**481.4**	**370.3**

The breakdown of interest-bearing borrowings (non-current) by currency:

(€ x million)	31 December 2012	31 December 2011
US dollar	338.2	196.9
Canadian dollar	114.3	113.5
Euro	26.2	1.8
Norwegian krone	-	48.3
Other currencies	2.7	9.8
TOTAL	**481.4**	**370.3**

The specification of interest-bearing borrowings (current) is as follows:

(€ x million)	31 December 2012	31 December 2011
Short-term loans	25.7	16.5
Bank overdrafts	19.5	43.8
Capitalised refinancing costs	-1.8	-1.9
TOTAL	**43.4**	**58.4**

Syndicated loan

In September 2012, Nutreco extended the maturity of the revolving credit facility from May 2014 to September 2017. The facility amount is € 500.0 million and may be used for loans in various currencies. The facility is granted by a newly formed syndicate of existing and new international relationship banks.

The interest rates are based on Euribor or Libor of the applicable currency, whereas the interest margin is a function of the ratio of net senior debt to earnings before interest, tax, depreciation and amortisation (EBITDA). As a result of the amendment in September 2012, interest margin and fees have slightly improved compared to the former conditions.

The financial covenants of the syndicated loan facility are related to net senior debt compared to EBITDA and EBITDA compared to net financing costs. EBITDA and net financing costs are calculated on a 12-month rolling basis. In September 2012, the financial covenants of syndicated loan have been amended in favor of Nutreco and are now equal to the private placements. Nutreco remained well within the financial covenants agreed upon with the syndicated loan facility. Reference is made to chapter capital risk management in Note 27.
At 31 December 2012, an amount of € 112.2 million (2011: € 181.3 million) was drawn under the € 500.0 million revolving credit facility.

Private placements

In July 2012, Nutreco for the third time issued senior notes in a private placement in the United States of America and Europe for a total amount of $ 250.0 million. The senior notes consist of four tranches of $ 78.0 million, $ 45.0 million, $ 95.0 million and € 25.0 million which mature in respectively 2017, 2019, 2022 and 2019.

In April 2009, Nutreco issued senior notes in a private placement in the United States of America for a total amount of $ 150.0 million. The senior notes consist of three tranches of $ 54.3 million, $ 37.2 million and $ 58.5 million which mature in respectively 2014, 2016 and 2019.

In May 2004, Nutreco issued senior notes in a private placement in the United States of America for a total amount of $ 204.0 million. The senior notes consist of three tranches of which the first two tranches of $ 46.0 million and $ 80.0 million matured in respectively 2009 and 2011. The third tranche of $ 78.0 million will mature in 2014.

Interest rates on the private placements are fixed for the life of each of the eight outstanding tranches.

The financial covenants of the private placements are related to net senior debt compared to EBITDA and EBITDA compared to net financing costs. EBITDA and net financing costs are calculated on a 12-month rolling basis. In July 2012, the financial covenants of the 2004 and 2009 private placements have been amended in favor of Nutreco and are now equal to the 2012 private placement and the syndicated loan. During 2012, Nutreco remained well within the financial covenants agreed upon with the private placements. Reference is made to chapter capital risk management in Note 27.

At 31 December 2012, the private placements amounted to $ 446.0 million and € 25.0 million (2011: $ 228.0 million).

Uncommited facilities

In addition to the syndicated loan facility and the private placements, credit facilities of € 440.5 million (2011: € 380.6 million) are available to Nutreco.

Of the total facilities of € 1,303.7 million (2011: € 1,056.6 million) an amount of € 524.8 million (2011: € 428.7 million) had been used as of 31 December 2012. Reference is made to liquidity risk in Note 27.

The average fixed interest rate on the interest-bearing borrowings was 4.45% as at 31 December 2012 (2011: 5.48%) and the average variable interest rate on the interest-bearing borrowings was 5.48% as at 31 December 2012 (2011: 4.05%). The interest rates of the major currencies ranged from 2.59% to 8.22% (2011: 1.87% to 8.22%) depending on the currency of the interest-bearing borrowings. Reference is made to interest rate risk in Note 27.

Securities

All credit facilities are unsecured except for some standalone credit facilities of not fully-owned subsidiaries. Most of the credit facility agreements contain negative pledge and pari passu clauses. Several Group companies are jointly and severally liable for the amounts due to credit institutions.

24 EMPLOYEE BENEFITS

Employee pension plans have been established in a number of countries in accordance with legal requirements and the local situation in the countries involved.

Risks related to pension plans

The volatility of the financial markets requires Nutreco to closely monitor the development of the funded status of the defined benefit pension plans in order to forecast the financial consequences hereof and to take actions in time.

Defined benefit plans

The Company operates a number of defined benefit pension plans in Belgium, Canada, France, Germany, Italy, Mexico, Norway and the United Kingdom. The benefits provided by these plans are based on employees' years of service and compensation levels.
The measurement date for all defined benefit plans is 31 December 2012.

These plans cover 1,392 (2011: 1,420) persons currently or previously employed within the Group. These plans require detailed reporting and disclosure information for the financial statements.
The main changes for 2012 are relating to the pension schemes in Belgium and Norway. In Belgium, the compound feed activities were sold to ForFarmers in 2012, but the vested reserves for the 52 employees are still part of the obligation since the reserves have not yet been transferred. Nutreco will account for a curtailment upon transfer of the obligation to ForFarmers.

In Norway, 35 pensioners have received a paid up policy which reduced the liability and triggered settlement accounting for the retirement plan.

The 2013 estimated pension expense of € 3.9 million is higher than the 2012 pension expense of € 3.4 million. The difference between the 2013 estimated expense and the 2012 actual expense is caused by a lower expected return on assets and a lower discount rate which is partly offset by the fact that the revised IAS 19 does no longer allow actuarial results to be amortised.

Changes in IFRS (IAS 19)

The International Accounting Standard Board (IASB) has issued a revised IAS 19 (revised 2011). The revised IAS 19 is effective for accounting year beginning 1 January 2013. This report has been prepared on the basis that the IAS 19 (revised 2008) applies for the fiscal year ending 31 December 2012 and the revised IAS 19 (revised 2011) applies for the fiscal year starting on 1 January 2013.

The projected expense for 2013 needs to be based on the IAS 19 Revised standard. This implies among other things the following:

- the expected return on assets is set equal to the discount rate;
- actuarial results are no longer amortised in profit or loss, but recognised in equity (as part of other comprehensive income) immediately.

Defined contribution plans

In addition to defined benefit plans Nutreco is engaged in defined contribution agreements with local pension funds.

The components of the employee benefits for the financial years 2012 and 2011 are shown in the following table:

(€ x million)	2012	2011
Defined benefit obligation		
Balance at beginning of year	**134.9**	**115.2**
Current service cost	2.2	1.9
Interest cost	6.0	6.0
Plan participants' contributions	0.4	0.4
Actuarial (gains) and losses	9.2	11.7
Benefits paid from plan/company	-4.0	-3.9
Expenses paid	-0.1	-
Business combinations / divestments / transfers	0.3	0.9
Plan curtailments	-1.9	-
Plan settlements	-5.2	-
Effect of movement in foreign exchange rates	2.0	2.7
Defined benefit obligation at year-end	**143.8**	**134.9**
Plan assets		
Balance at beginning of year	**102.2**	**92.0**
Expected return on plan assets	5.6	5.4
Actuarial gains and (losses)	0.6	1.2
Contributions by the employer	8.2	5.0
Contributions by plan participants	0.4	0.4
Benefits paid	-4.0	-3.9
Expenses paid	-0.1	-
Plan settlements	-5.2	-
Effect of movement in foreign exchange rates	1.6	2.1
Fair value of plan assets at year-end	**109.3**	**102.2**
Present value of net obligations	**34.5**	**32.7**
Unrecognised actuarial gains and losses	-35.4	-28.8
Unrecognised past service costs	-0.2	-0.2
Net asset/liability for defined benefit obligations	**-1.1**	**3.7**
Liability for defined contribution obligations	4.3	2.0
Liability for long-term service obligations	1.9	3.9
Liability for wages and variable payments to be paid	29.2	32.2
Accrued holiday entitlements	8.0	11.8
Reclassification to liabilities held for sale	-	-9.0
TOTAL EMPLOYEE BENEFITS	**42.3**	**44.6**
Recorded under:		
Non-current employee benefits (non-current assets)	-8.0	-6.1
Non-current employee benefits (non-current liabilities)	12.8	11.7
Current employee benefits (current liabilities)	37.5	39.0
TOTAL	**42.3**	**44.6**

The expenses and income are recognised in personnel cost in profit or loss (see Note 8) and can be summarised as follows:

Expenses and income recognised in profit or loss

(€ x million)	2012	2011
Current service cost	2.2	1.9
Interest cost	6.0	6.0
Expected return on plan assets	-5.6	-5.4
Curtailment result	-1.7	-
Change of restriction on asset recognition	-	-1.0
Settlement result	0.8	-
Amortisation of unrecognised gains/losses	1.7	1.9
Expenses related to defined benefit obligations	**3.4**	**3.4**
Expense related to defined contribution obligations	16.4	14.1
Income / expense arising from long-term service obligations	-0.2	0.1
Expense arising from share-based payments	3.7	3.5
Expense arising from employee share participation plan	0.1	0.1
Other expenses	**20.0**	**17.8**
TOTAL EXPENSES AND INCOME RECOGNISED IN PROFIT OR LOSS	**23.4**	**21.2**

The table below provides a summary of the number of employees participating in a defined benefit pension plan:

(Number of participants)	Active		Deferred		Pensioners		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
United Kingdom	-	-	308	308	116	116	424	424
Canada	261	256	22	20	25	16	308	292
Belgium	46	97	102	49	-	-	148	146
Germany	78	81	12	13	38	38	128	132
Italy	47	53	-	-	-	-	47	53
Mexico	249	254	-	-	-	-	249	254
Norway	-	-	-	-	12	41	12	41
France	76	78	-	-	-	-	76	78
TOTAL	**757**	**819**	**444**	**390**	**191**	**211**	**1,392**	**1,420**

Plan assets related to defined benefit obligations

The actual return on plan assets was € 6.2 million (2011: € 6.6 million). The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

The plan assets consist of the following:

	31 December 2012		31 December 2011	
	Amount (€ x million)	%	Amount (€ x million)	%
Government bonds	63.0	57	27.7	27
Equity securities	41.2	38	41.0	40
Insurance	5.1	5	32.4	32
Real estate	-	-	1.1	1
TOTAL	**109.3**	**100**	**102.2**	**100**

Actuarial assumptions

%	Discount rate		Long-term rate of return on assets		Salary increases		Inflation (RPI)	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
United Kingdom	4.6	5.0	4.6	4.5	-	-	3.2	3.3
Canada	4.0	4.3	7.0	7.0	3.5	3.5	2.0	2.0
Belgium	3.3	4.7	5.2	5.3	3.5	3.5	2.0	2.0
Germany	3.3	4.7	4.5	4.5	2.5	2.5	2.0	2.0
Italy	3.3	4.7	-	-	-	-	2.0	2.0
Mexico	5.8	7.3	-	-	5.0	5.0	4.0	4.0
Norway	2.3	2.5	4.7	4.7	3.0	3.8	2.5	2.5
France	3.3	4.7	3.8	4.0	2.3	2.3	2.0	2.0
Average	**4.2**	**4.6**	**5.5**	**5.5**	**3.5**	**3.5**	**2.6**	**3.0**

Historical information of experience gains and losses

(€ x million)	**2012**	**2011**	**2010**	**2009**	**2008**
Present value of defined benefit obligation	143.8	134.9	115.2	118.3	95.9
Fair value of plan assets	-109.3	-102.2	-92.0	-101.7	-87.4
DEFICIT	**34.5**	**32.7**	**23.2**	**16.6**	**8.5**
Experience gains/(losses) on plan liabilities	0.6	0.1	-1.9	0.8	6.3
Experience gains/(losses) on plan assets	0.6	1.2	2.3	3.9	-17.2

Sensitivity analysis

Assuming discount rates can have a significant effect on the defined benefit obligation reported for the employee benefit plans, a sensitivity analysis was performed. A 0.5% change in the assumed discount rates would have the following effects as at 31 December 2012:

(€ x million)	Discount rate in %	Benefit obligation determined at		
		Discount rate used	Discount rate +0.5%	Discount rate -0.5%
United Kingdom	4.6	65.9	59.9	72.6
Canada	4.0	61.7	56.9	66.9
Belgium	3.3	6.5	6.1	6.9
Germany	3.3	4.0	3.7	4.2
Italy	3.3	2.2	2.1	2.3
Mexico	5.8	1.7	1.7	1.8
Norway	2.3	1.1	1.0	1.2
France	3.3	0.7	0.7	0.8
TOTAL		**143.8**	**132.1**	**156.7**

Cash flows

Nutreco expects to contribute € 7.5 million to the defined benefit pension and other long-term benefit plans in 2013. This includes a payment of £ 2.0 million following the arrangement with the trustees of the UK pension scheme, during a 10 year period which started 1 April 2011.

Share-based compensation

To stimulate the realisation of long-term Company objectives and goals, Nutreco has a share-based incentive plan:

Long-term incentive plan 2007

At the Annual General Meeting of Shareholders of 26 April 2007, a long-term incentive plan for the year 2007 and beyond was approved.

The long-term incentive plan (LTI Plan) is designed to enhance the alignment between the remuneration and the implementation of the Company's strategy over the longer term. The key terms of the approved LTI Plan applying as from 2007 are as follows:

- On an annual basis, were the grant date is the first business day of that plan year, performance shares will be granted conditionally. The conditional grant will vest three year and two months as of grant date.
- Vesting is subject to whether the Company achieves a pre-set level of the Total Shareholders' Return (TSR) relative to a peer group which was proposed to and approved by the General Meeting of Shareholders and that consists of all companies, except for Nutreco, listed on the NYSE Euronext Amsterdam AEX, AMX and AScX segments. The achievement of the performance conditions shall be audited by an independent advisor.
- No vesting takes place if the TSR achieved during the three-year vesting period is below the median position of the peer group. Vesting of 50% of the initial granted number of shares takes place when the Company's TSR is at the median position, linearly up to a maximum of 150% of the initially granted number of shares if the Company achieves the number one position within the peer group.
- For members of the Executive Board a lock-up will be effective for a period of five years after grant date or until the end of employment term as Executive Board member, whichever is the shortest, with the allowance to sell shares as from vesting date in order to satisfy taxes due.
- Participants of the plan are entitled to cash dividends each year on the number of shares granted, but these are only paid out in case of vesting.

In 2012 the number of performance shares conditionally awarded to the Executive Board amounted to 44,383 (2011: 52,250), of which the number of shares granted to the former CEO amounted to 15,122 (2011: 16,903), to the present CEO 10,436 (2011: 7,922), to the CFO 7,088 (2011: 7,922), to the COO Animal Nutrition 7,088 (2011: 7,922) and to the COO Aquaculture 4,649.

In addition, a total of 65,421 (2011: 73,743) performance shares were awarded to a number of senior executives and senior staff of the Company. These performance shares were subject to similar terms and conditions as those applying to the Executive Board, with the exception of the lock-up period after vesting which is not applicable for non-Executive Board participants.

For the grants made under the 2010 Performance Share Plan, for which the performance period runs from 1 January 2010 until 31 December 2012, the Total Shareholders Return has resulted in a third position (2011: fifth position) within the ranking of the peer companies. Therefore this ranking will result in a vesting of 144% (2011: 138%) of the initial grant. The vesting date will be 1 March 2013 (three years and two months after the grant date).

Movements in LTI shares of the (former) members of the Executive Board

The movements in the number of LTI shares outstanding of the (former) members of the Executive Board can be summarised as follows:

(Number of shares)	Vesting	Expiration – restricted until	Balance at 1 January 2012	Granted in 2012	Vested in 2012 [1]	Balance at 31 December 2012	
						To be vested	Restricted
K. Nesse							
2008[3]	2011	2013	2,822				2,822
2009[3]	2012	2014	9,300		12,834		6,725
2010[2]	2013	2015	7,623			7,623	
2011[2]	2014	2016	7,922			7,922	
2012[2]	2015	2017		10,436		10,436	
G. Boon							
2011[2]	2014	2016	7,922			7,922	
2012[2]	2015	2017		7,088		7,088	
V. Halseth							
2009[3 5]	2012	2014	6,000		8,280		n.a.
2010[2 5]	2013	2015	3,603			3,603	
2011[2 5]	2014	2016	3,245			3,245	
2012[2]	2015	2017		4,649		4,649	
J.A. Vergeer							
2008[3]	2011	2013	3,306				3,306
2009[3]	2012	2014	9,300		12,833		8,454
2010[2]	2013	2015	7,623			7,623	
2011[2]	2014	2016	7,922			7,922	
2012[2]	2015	2017		7,088		7,088	
W. Dekker[4]							
2006	2008	2013	20,166				n.a.
2007	2010	2012	8,176				n.a.
2008[3]	2011	2013	14,558				n.a.
2009[3]	2012	2014	32,000		44,160		n.a.
2010[2]	2013	2015	19,848			n.a.	
2011[2]	2014	2016	16,903			n.a.	
2012	2015	2017		15,122		n.a.	

1 Vesting percentage in 2012: 144%.
2 If performance targets are met, vesting of the 2010, 2011 and 2012 performance shares will take place on 1 March 2013, 2014 and 2015, respectively. The shares are entitled to dividend and the dividend is restricted until 1 March 2013, 2014 and 2015, respectively.
3 After income tax.
4 Mr W. Dekker stepped down from the Executive Board on 1 August 2012.
5 Granted before date of appointment as a member of the Executive Board.

The economic value per share of the LTI shares in the year when granted was: 2008 € 22.56, 2009 € 15.16, 2010 € 25.91, 2011 € 31.43 and 2012 € 35.13.

In 2012, the share price on vesting date for LTI shares granted in 2009 was € 56.36. All shares that vest are subject to income tax.

Bonus conversion plan

A bonus conversion plan was introduced in 2007 for a range of senior executives and staff. Under the terms of the plan, the eligible managers, with the exclusion of the members of the Executive Board, are entitled, but not obliged, to invest part of the proceeds of the annual performance payment which is awarded to them (if any) in shares of the Company.
After a three-year period, the Company will match the eligible managers' investment in a ratio ranging from a guaranteed 25% linearly up to a maximum of 300% depending on the Company's TSR performance over the three-year period. In the year under review, 62 (2011: 59) managers opted to invest in a total of 11,263 (2011: 8,390) shares. The bonus conversion plan, which started in 2010, will be matched for 282% on 1 March 2013.

Employee share participation scheme

On 15 March 1999, the Company introduced an employee share participation scheme. Each year, the Supervisory Board decides whether the Company's performance allows execution of the employee share participation scheme. In any year in which the employee share participation scheme is allowed, each employee of a Nutreco company is granted the opportunity to buy Nutreco shares up to a maximum of € 1,800 during a defined period. Every employee who subscribes also receives a bonus of 25% (or less, depending on restrictions imposed by national legislation for certain foreign staff) on the subscription in the form of additional shares. Bonus conditions may change from one year to another. The purchase price per share equals the closing market price 21 days after the publication of the annual results. The shares bought under the employee share participation scheme are put in a stock deposit during a period of three years. During this period, these shares cannot be sold or transferred.

In February 2012, the Supervisory Board decided that the 2011 results of the Company allowed the execution of the employee share participation scheme. Under this plan, 414 employees (2011: 439) bought (including ESP bonus) 14,690 shares (2011: 16,412 shares).

Remuneration of (former) members of the Executive Board and of the Supervisory Board

The remuneration (in €) for the (former) members of the Executive Board is as follows:

	Salary costs	Variable payments	Pension costs	Total 2012	Total 2011
W. Dekker[1]	653,751	401,250	179,298	1,234,299	2,579,314
K. Nesse[2]	493,116	365,940	71,667	930,723	785,358
G. Boon[3]	437,813	285,690	65,114	788,617	601,748
V. Halseth[4]	164,933	102,988	29,797	297,718	-
J.A. Vergeer[5]	430,016	466,430	90,490	986,936	798,097
C.J.M. van Rijn[6]	-	-	-	-	912,603
F.J. Tielens[7]	-	-	-	-	800,425
TOTAL	**2,179,629**	**1,622,298**	**436,366**	**4,238,293**	**6,477,545**

1 Mr W. Dekker stepped down from the Executive Board on 1 August 2012 and has left Nutreco at 31 December 2012 (full year costs reflected).
2 Mr K. Nesse, member of the Executive Board, was appointed as CEO on 1 August 2012.
3 The 2011 figures of Mr G. Boon relate to the period 28 March till 31 December.
4 Mr V. Halseth was appointed as member of the Executive Board on 1 August 2012.
5 Variable payment of Mr. J.A. Vergeer is including relocation allowance of € 200,000 as contractual agreed.
6 Mr C. J. M. van Rijn stepped down from the Executive Board on 26 September 2011 and retired at 31 December 2011.
7 For 2011, the stated figures of Mr F.J. Tielens relate to the period 1 January 2011 - 31 August 2011 and include a severance payment of € 395,000 in conjunction with his departure from the Company.

In 2012 a crisis tax of 16% was introduced by the Dutch government, payable by the employer on salaries exceeding € 150,000. The impact of this tax on the renumeration of the (former) members of the Executive Board amounts to € 0.8 million.

The table below summarises profit or loss charges (in €) for performance shares of the members of the Executive Board:

	2012	2011
W. Dekker[1]	348,512	510,214
K. Nesse[2]	271,039	195,829
G. Boon[3]	165,997	87,478
V. Halseth[4]	119,554	n.a.
J.A. Vergeer	231,834	195,829
C.J.M. van Rijn[5]	n.a.	229,836
F.J. Tielens[6]	n.a.	81,487
TOTAL	**1,136,936**	**1,300,673**

1 Mr W. Dekker stepped down from the Executive Board on 1 August 2012 and has left Nutreco at 31 December 2012.
2 Mr K. Nesse, member of the Executive Board, was appointed as CEO on 1 August 2012.
3 The 2011 figures of Mr G. Boon relate to the period 28 March till 31 December.
4 Mr V. Halseth was appointed as member of the Executive Board on 1 August 2012.
5 Mr C. J. M. van Rijn stepped down from the Executive Board on 26 September 2011 and retired at 31 December 2011.
6 For 2011, the stated figures of Mr F.J. Tielens relate to the period 1 January 2011 - 31 August 2011.

The remuneration (in €) of the (former) members of the Supervisory Board can be summarised as follows:

	Board remuneration	Committee remuneration	Total 2012	Total 2011
J.M. de Jong	55,000	5,000	60,000	57,625
R.J. Frohn	43,000	10,000	53,000	53,000
A. Puri[1]	43,000	14,375	57,375	54,250
H.W.P.M.A. Verhagen[2]	43,000	5,625	48,625	49,875
J.A.J. Vink	43,000	12,500	55,500	55,500
R. Zwartendijk[3]	-	-	-	15,000
TOTAL	**227,000**	**47,500**	**274,500**	**285,250**

1 Mr A. Puri was member of the Remuneration Committee in the 1st quarter of 2012; as from 1 April 2012 he is the Chairman of the Renumeration Committee.
2 Mrs H.W.P.M.A. Verhagen was Chairman of the Remuneration Committee in the first quarter of 2012; as from 1 April she is a member of the Remuneration Committee.
3 Mr R. Zwartendijk was Chairman of the Supervisory Board and member of the Remuneration Committee until 28 March 2011.

Shares owned by the Executive Board and Supervisory Board

Members of the Executive Board are shareholders of the Company. The table below shows the share holdings of the Executive Board.

(Number of shares)	31 December 2012	31 December 2011
Conditional shares		
K. Nesse	35,528	27,667
G. Boon	15,010	7,922
V. Halseth[1]	11,497	n.a.
J.A. Vergeer	34,392	28,151
W. Dekker[2]	n.a.	111,651
Available shares		
K. Nesse	-	-
G. Boon	281	-
V. Halseth[1]	8,866	n.a.
J.A. Vergeer	-	-
W. Dekker[2]	n.a.	38,500

1 Mr V. Halseth was appointed as member of the Executive Board on 1 August 2012.
2 Mr W. Dekker stepped down from the Executive Board on 1 August 2012

Conditional shares are the total of unvested and restricted shares.

For the movement in shares held by the Executive Board and other managerial staff, please see page 175 of the consolidated financial statements.

None of the Supervisory Board members held any ordinary shares in 2012 and 2011.

25 PROVISIONS

(€ x million)	Restructuring	Claims	Total
Balance at 1 January 2012	**3.1**	**1.9**	**5.0**
Additions charged	10.4	1.1	11.5
Release	-1.0	-0.5	-1.5
Utilised	-7.2	-1.8	-9.0
Reclassification from liabilities held for sale	-	0.3	0.3
BALANCE AT 31 DECEMBER 2012	**5.3**	**1.0**	**6.3**
Non-current	0.5	0.2	0.7
Current	4.8	0.8	5.6

Restructuring

Provisions for restructuring include costs related to certain compensation to staff and costs which are directly associated with plans to execute specific activities and closing of facilities. For all restructuring provisions a detailed plan exists and the implementation of the plan has started or the plan has been announced before the balance sheet date.
The 2012 additions charged of € 10.4 million mainly relate to the restructuring of premix activities in Belgium, Hungary and Corporate. An amount of € 0.8 million is recognised as other operating expenses and an amount of € 9.6 million is recognised as personnel expenses in the statement of comprehensive income. Furthermore, there was a release of the restructuring provision of € 1.0 million, which was recognised as other operating expenses.

Claims and litigation

A number of claims as a result of normal course of business are pending against the Group. These claims, justified or not, were issued by suppliers, customers, former employees and consumers. The major part of the provision for claims as at 31 December 2012 consists of exposures from several customers of Nutreco which relate to discussions about past supplies.

Management ensures that these cases are firmly defended.

In consultation with in-house and outside legal counsels, management regularly evaluates relevant facts and circumstances of those claims.
Nutreco has global liability insurance coverage with a self-insured retention and a maximum pay-out level.

While the outcome of these disputes cannot be predicted with certainty, management believes that, based upon legal advice and information received, the final decision will not materially affect the consolidated position of Nutreco. To the extent management has been able to estimate the expected outcome of these claims, a provision has been recorded as at 31 December 2012. These provisions are reviewed periodically and adjusted if necessary to the extent that cash-outflow of related proceedings is probable, including defense costs and reimbursements by our insurance policies. Since the ultimate disposition of asserted claims and proceedings cannot be predicted with certainty, final settlement can differ from this estimate and could require revisions to the estimated provision, which could have a material adverse effect on Nutreco's consolidated financial position and consolidated results of operations for a particular period.

Most claims are expected to be completed within two years from the balance sheet date.

26 TRADE AND OTHER PAYABLES

(€ x million)	31 December 2012	31 December 2011
Trade creditors – third parties	869.4	736.0
Taxes and social security contributions	16.6	14.3
Other liabilities	66.5	79.9
Deferred income and accrued expenses	227.0	185.1
Fair value foreign exchange derivatives	5.8	13.2
Fair value cross-currency interest rate derivatives	14.5	9.6
Fair value interest rate derivatives	4.8	6.7
TOTAL	**1,204.6**	**1,044.8**

The exposure of Nutreco to currency and liquidity risk related to trade and other payables is disclosed in Note 27.

In 2012, trade and other payables increased by € 159.8 million, which mainly consists of € 113.7 million price and volume effects, € 38.8 million due to an increase in trade creditor days, a positive effect of € 4.0 million of movement in foreign exchange rates and € 3.3 million relates to the acquisition of Bellman completed in 2012.

Trade creditor days in 2012 are 99 days (2011: 94 days).

Nutreco notices an increasing number of suppliers that sell, factor or confirm their trade receivables on Nutreco companies, which enables these suppliers to maintain or extend the payment terms. As of 31 December 2012, Nutreco was aware of € 326.1 million (2011: € 238.5 million) usage of such solutions within Fish Feed and the Spanish business activities.

The following tables show the fair value of derivative financial instruments per hedge category.

(€ x million)	Total	Fair value through profit or loss	Cash flow hedge accounting	Net investment hedge accounting	Fair value hedge accounting
Balance at 31 December 2012					
Fair value foreign exchange derivatives	5.8	4.2	1.1	0.5	-
Fair value cross-currency interest rate derivatives	14.5	-	2.9	11.6	-
Fair value interest rate derivatives	4.8	-	4.8	-	-
TOTAL	**25.1**	**4.2**	**8.8**	**12.1**	**0.0**

(€ x million)	Total	Fair value through profit or loss	Cash flow hedge accounting	Net investment hedge accounting	Fair value hedge accounting
Balance at 31 December 2011					
Fair value foreign exchange derivatives	13.2	2.8	0.4	10.0	-
Fair value cross-currency interest rate derivatives	9.6	-	-	9.6	-
Fair value interest rate derivatives	6.7	-	6.7	-	-
TOTAL	**29.5**	**2.8**	**7.1**	**19.6**	**0.0**

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk management

The Group is exposed to a variety of financial risks, such as credit risk, interest rate risk, foreign currency risk, liquidity risk and capital risk. These risks are inherent to the way the Group operates as a multinational with a large number of local operating companies. The Group's overall risk management policy is to identify, assess, and if necessary mitigate these financial risks in order to minimise potential adverse effects on financial performance. The treasury risk management policy includes the use of derivative financial instruments to hedge certain exposures. The Executive Board is ultimately responsible for risk management. Financial risk management is, except for commodities risk and credit risk of non-financial counterparties, carried out by Group Treasury in line with clearly formalised treasury risk management policies.

Group Treasury identifies, evaluates and hedges financial risks at corporate level, and monitors compliance with the treasury risk management policies within the Group. Nutreco has a Risk Management Advisory Board that advises the Executive Board on risk management.

The capitalisation and funding of subsidiaries is a joint responsibility of Group Treasury and Group Tax, whereas the combination of equity and short-term intercompany loans is mostly used as financing structure. Decisions regarding the debt to equity ratio are based on various aspects including minimum regulatory requirements and the flexibility to change the structure. Except for dividend withholding tax in some countries and the currency control restrictions in Venezuela, the Group has no restrictions in paying intercompany cash dividends or in repaying intercompany loans.

The operating companies are primarily responsible for identifying and managing financial risks, especially in relation to transactions in foreign currencies, commodities and credit risk for non-financial counterparties.

Within the boundaries set forth by the treasury risk management policy, the operating companies execute appropriate foreign currency risk management activities. Nutreco does not allow for extensive treasury operations to be executed by operating companies with external parties, unless approved by Group Treasury. To the extent possible, derivative financial transactions are executed through Group Treasury.

Group Treasury is responsible for reporting to the Executive Board on the Group's exposures to a number of financial risks, including liquidity, foreign exchange, interest rate and credit risk on financial counterparties.

As a consequence of the current European sovereign debt crises and economic conditions, the Group analysed the impact on its operations and corporate functions. Contingency planning and other measures are taken to mitigate adverse impact to the extent possible. The measures taken consist of amongst others counterparty risk analyses for treasury and analyses of operational risks. Further contingency planning is available for the event Greece and for example Spain would leave the Euro zone.

Financial instruments by class and by category

Financial assets 31 December 2012

(€ x million)	Note	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Held to maturity	Available for sale	Carrying amount	Fair value
Equity securities	16	-	-	-	2.4	-	2.4	2.4
Debt securities and other long-term investments	16	26.8	13.2	-	-	-	40.0	40.0
Trade receivables	20	760.6	-	-	-	-	760.6	760.6
Other receivables	20	72.2	3.6	-	-	-	75.8	75.8
Fair value foreign exchange derivatives	20	-	2.1	3.7	-	-	5.8	5.8
Fair value interest rate derivatives	20	-	2.3	-	-	-	2.3	2.3
Cash and cash equivalents	21	263.0	-	-	-	-	263.0	263.0
TOTAL		**1,122.6**	**21.2**	**3.7**	**2.4**	**0.0**	**1,149.9**	**1,149.9**

Financial liabilities 31 December 2012

(€ x million)	Note	Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Carrying amount	Fair value
Interest-bearing borrowings (non-current)	23	-	-	-481.4	-481.4	-517.6
Interest-bearing borrowings (current)	23	-	-	-43.4	-43.4	-43.4
Trade payables	26	-	-	-869.4	-869.4	-869.4
Other payables	26	-	-	-83.1	-83.1	-83.1
Fair value foreign exchange derivatives	26	-4.2	-1.6	-	-5.8	-5.8
Fair value cross-currency interest rate derivatives	26	-	-14.5	-	-14.5	-14.5
Fair value interest rate derivatives	26	-	-4.8	-	-4.8	-4.8
TOTAL		**-4.2**	**-20.9**	**-1,477.3**	**-1,502.4**	**-1,538.6**

Financial assets 31 December 2011

(€ x million)	Note	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Held to maturity	Available for sale	Carrying amount	Fair value
Equity securities	16	-	-	-	4.1	-	4.1	4.1
Debt securities and other long-term investments	16	24.3	16.8	-	-	-	41.1	41.1
Trade receivables	20	655.7	-	-	-	-	655.7	655.7
Other receivables	20	55.9	4.1	-	-	-	60.0	60.0
Fair value foreign exchange derivatives	20	-	8.2	1.6	-	-	9.8	9.8
Fair value interest rate derivatives	20	-	2.3	-	-	-	2.3	2.3
Cash and cash equivalents	21	176.8	-	-	-	-	176.8	176.8
TOTAL		**912.7**	**31.4**	**1.6**	**4.1**	**0.0**	**949.8**	**949.8**

Financial liabilities 31 December 2011

(€ x million)	Note	Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Carrying amount	Fair value
Interest-bearing borrowings (non-current)	23	-	-	-370.3	-370.3	-396.1
Interest-bearing borrowings (current)	23	-	-	-58.4	-58.4	-58.4
Trade payables	26	-	-	-736.0	-736.0	-736.0
Other payables	26	-	-	-94.2	-94.2	-94.2
Fair value foreign exchange derivatives	26	-2.8	-10.4	-	-13.2	-13.2
Fair value cross-currency interest rate derivatives	26	-	-9.6	-	-9.6	-9.6
Fair value interest rate derivatives	26	-	-6.7	-	-6.7	-6.7
TOTAL		**-2.8**	**-26.7**	**-1,258.9**	**-1,288.4**	**-1,314.2**

The following methods and assumptions were used to estimate the fair value of financial instruments:

Equity securities

Equity securities consist of Nutreco's participation in several companies in which Nutreco does not have control or significant influence. The financial statements of these investments for the financial year 2012 have not been approved and received before publication of the Nutreco results. As the fair value can therefore not be measured reliably, the participations are valued at cost.

Debt securities

For investments in debt securities, the fair value and the carrying amount of the loan related to the divestment of Euribrid are based upon the current market rates. For the remainder the carrying amounts approximate fair value.

Other (long term) investments

For other long term investments the fair value can not be based on current market data. As a consequence fair value is determined based on 'unobservable' inputs which are obtained on a quarterly basis from the external fund manager.

Cash and cash equivalents and trade and other payables

The carrying amounts approximate fair value because of the short maturity of those instruments.

Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at actual market rates at the reporting date.

Interest-bearing borrowings (current and non-current)

The fair value is estimated on the basis of discounted cash flow analyses, including interest for the current year, based upon Nutreco's incremental borrowing rates for similar types of borrowing arrangements and interest rate contracts with comparable terms and maturities.

Fair value foreign exchange derivatives, interest rate derivatives and cross-currency interest rate derivatives

The fair value calculation of the foreign exchange derivatives, interest rate derivatives and cross-currency interest rate derivatives is based on the discounted cash flow method of future cash flows. The discounted calculation is based on actual market foreign exchange rates and actual market yield curves on the reporting date.

Credit risk

Credit risk represents the accounting loss that would have to be recognised on the reporting date if other counterparties fail to perform as contracted. To reduce credit risk, Nutreco performs ongoing credit analysis of the financial condition of its counterparts, including creditworthiness and liquidity. As a consequence of the financial crisis and to the extent possible, special attention is paid to the liquidity of other parties such as banks, insurance companies, customers and strategic suppliers.

Nutreco has strong positions in mature markets such as Canada, Norway, Spain and the US. The increased focus on geographic regions and markets like Brazil, China, Russia and South East Asia has resulted in a wider international spread of customers thus affecting the credit risk from emerging markets. The risk profile of Nutreco's customers differs per business segment:

- Premix & Feed Specialties has, due to the geographical presence, a widely spread portfolio of customers in all continents and, due to its growth strategy towards emerging markets, an increased exposure to emerging markets.
- The activities of Compound Feed and Animal Nutrition Canada are mainly in Spain and Canada. These business segments have a widely spread portfolio of customers, mostly farmers.
- Fish Feed: as a consequence of the concentration in the salmon farming industry, Nutreco observes a concentration of risk, which has been partly mitigated by credit insurance. As a consequence of the growth strategy towards emerging markets and towards feed for other aquaculture species, the exposure to a more widely spread portfolio of customers in emerging markets will increase.
- Meat & Other: the Spanish customers of meat activities are food and retail suppliers. Due to the economic circumstances in Spain, credit risk has increased. Concentration risk on large retailers is partly mitigated by non-recourse factoring.

The outstanding amounts of Nutreco's largest customers Mercadona and Marine Harvest together account for less than 3% of the total outstanding amount as per 31 December 2012.

As part of an agreement to place the Dutch pension plans with the insurer Aegon as of 1 January 2011, the former sub-ordinated loans to the Dutch Nutreco Pension Fund of € 12.1 million, have been transferred to Aegon. The interest rate is one year Euribor plus 0.5%. The loan is initially accounted for at fair value with a subsequent measurement at amortised cost, resulting in a carrying value of € 7.6 million as of 31 December 2012. This loan is accounted for under debt securities for € 7.4 million (2011: € 7.4 million) and under trade and other receivables for € 0.2 million (2011: € 0.2 million).

At the balance sheet date a loan of € 3.6 million (2011: € 7.5 million) related to Euribrid, a former investment of Nutreco divested in 2007. An interest rate of 5% is being charged by Nutreco. The interest-bearing value of this loan amounts to € 3.6 million (2011: € 7.6 million) and has been discounted at a rate of 5.3% (2011: 6.4%). This loan is subordinated and has been fully accounted for under trade and other receivables for € 3.6 million (2011: € 4.1 million). As at 31 December 2011 an amount of € 3.4 million was also recorded under debt securities.

Nutreco has an exposure to banks created by cash balances and the usage of cash investments and derivative financial instruments. The exposure created by cash balances and cash investments equals the notional amount; the exposure created by the derivative financial instruments equals the fair value of these instruments.

Nutreco has an exposure to reputable banks that have a sufficient credit rating. In the course of 2012, the group of core banks has been reassessed on basis of various criteria including credit rating. Banks are carefully monitored and credit limits are (temporarily) reduced in the event of uncertainty. Generally, cash and cash deposits and derivative financial instruments are held with banks with a credit rating of at least A- (Standard & Poor's). The maximum exposure as well as the maximum maturity of such exposure is a function of the credit rating of the counterparty.
The maturity of the exposure is, except for (cross-currency) interest rate derivatives, short-term and spread over various banks to reduce the counterparty risk. Nutreco is exposed to credit losses in the event of non-performance by other parties to derivative financial instruments but, given the credit ratings, management does not expect this to happen. Allowances are recognised when necessary.

The maximum amount of credit risk of all financial assets is € 1,149.9 million (2011: € 949.8 million).

Rating cash and bank

Cash at bank and short-term bank deposits

(€ x million)	31 December 2012	31 December 2011
AA	-	0.3
AA-	51.7	60.9
A+	72.3	8.3
A	118.2	64.2
A-	-	6.6
BBB+	0.3	-
BBB	6.7	12.0
< BBB	12.6	2.7
Not classified	1.2	21.8
TOTAL	**263.0**	**176.8**

The cash at bank includes an amount of € 9.4 million (2011: € 41.3 million) which is part of notional cash pools and a corresponding amount is reported as bank overdrafts.

All derivative financial instruments are concluded with counterparties that have a credit rating of at least A-.

Ageing of trade and other receivables

(€ x million)	Gross amount		Impairment	
	2012	2011	2012	2011
Before due date	758.6	661.3	19.3	19.5
0 < 3 months after due date	96.4	83.3	4.8	8.4
3 < 6 months after due date	14.4	19.4	4.1	3.1
6 months and longer after due date	57.4	51.4	41.2	42.4
TOTAL TRADE AND OTHER RECEIVABLES AT 31 DECEMBER	**926.8**	**815.4**	**69.4**	**73.4**

Movements in impairment of trade and other receivables

(€ x million)	2012	2011
Balance at 1 January	**73.4**	**64.1**
Additions charged	17.6	25.4
Release	-10.8	-6.9
Utilised	-11.4	-6.5
Acquisitions through business combinations	0.4	-
Transfer to other investments – debt securities	0.1	2.5
Reclassification to assets held for sale	-	-6.0
Effect of movement in foreign exchange	0.1	0.8
BALANCE AT 31 DECEMBER	**69.4**	**73.4**

Interest rate risk

Nutreco is partly financed with interest-bearing borrowings in order to obtain an optimal capital structure. The specification of the total interest-bearing borrowings is disclosed in Note 23. It is Nutreco's long-term policy to manage its interest rate risk exposure by fixing 50-70% of interest rates of interest-bearing borrowings. Nutreco has agreed fixed interest rates for the private placements. In addition, part of the floating syndicated loan has been fixed by means of an interest rate swap. Any short-term debt is at floating interest rates, resulting in a cash flow interest rate risk. The interest rate risk is measured on the mix of fixed and floating debt including the effects of derivative financial instruments.

In July 2012, Nutreco issued senior notes in a private placement in the United States of America and Europe for a total amount of $ 250.0 million. The senior notes consist of four tranches of $ 78.0 million, $ 45.0 million, $ 95.0 million and € 25.0 million which mature in respectively 2017, 2019, 2022 and 2019.

Cross-currency interest rate swaps, with a fixed interest, have been contracted to swap interest and future repayment liabilities of $ 91.0 million to Euro, which for $ 46.0 million matures in 2017 and for $ 45.0 million in 2019.

In April 2009, Nutreco issued senior notes in a private placement in the United States of America for a total amount of $ 150.0 million. These senior notes consist of three tranches for $ 54.3 million, $ 37.2 million and $ 58.5 million which mature in 2014, 2016 and 2019 respectively.

Cross-currency interest rate swaps, with a fixed interest, have been contracted to swap interest and future repayment liabilities of $ 54.3 million to Canadian $, which terminate in 2014.

In addition, the fixed rate of $ 37.2 million of the private placement has been swapped to floating by means of fixed-to-floating interest rate swaps that mature in 2016.

In May 2004, Nutreco issued senior notes in a private placement in the United States of America for a total amount of $ 204.0 million. These senior notes consist of three tranches of which the first two tranches of $ 46.0 million and $ 80.0 million matured in respectively 2009 and 2011. The third tranche of $ 78.0 million will mature in 2014.

A cross-currency interest rate swap, with a fixed interest rate, has been contracted to swap interest and future repayment liabilities of $ 60.4 million to Canadian $, which terminates in 2014.

The interest rate risk of the loan drawn under the syndicated loan agreement has been hedged by a floating-to-fixed interest rate swap of Canadian $ 150.0 million which matures in 2016.

With the private placements and these derivative financial instruments, 94% of the interest on Nutreco's non-current interest-bearing borrowings has been fixed (2011: 73%). The increase of this percentage is mainly due to the recent refinancing of floating interest rated loans with fixed rated loans. This percentage is expected to decrease with the Group realising its strategic growth ambitions.

The average fixed interest rate on the interest-bearing borrowings as at 31 December 2012 is 4.45% (2011: 5.48%) and the average variable interest rate on the interest-bearing borrowings as at 31 December 2012 is 5.48% (2011: 4.05%). The interest rates of the major currencies are ranging from 2.59% to 8.22% (2011: 1.87% to 8.22%) depending on the currency of the interest-bearing borrowing.

Sensitivity analysis

At the balance sheet date, € 28.2 million (2011: € 97.9 million) of interest-bearing borrowings (non-current) is exposed to interest rate fluctuations. The exposure on the sum of interest-bearing borrowings (current) and cash and cash equivalents amounts to € 219.6 million net cash (2011: € 118.4 million net cash) at year-end.

An increase of 100 basis points of all floating interest rates at the reporting date would have decreased the net financing costs in profit or loss by € 1.9 million (2011: decrease of € 0.2 million). A decrease of 100 basis points in interest rates at 31 December 2012 would have had the equal but opposite effect. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

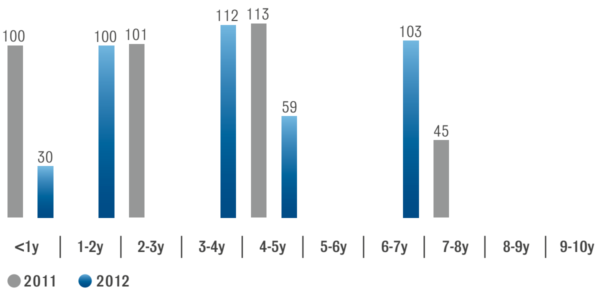
(€ x million)	2012	2011
Exposed interest-bearing borrowings (non-current)	-0.3	-1.0
Exposed interest-bearing borrowings (current) and cash and cash equivalents	2.2	1.2

An increase of 100 basis points of all floating interest rates at the reporting date would have increased the fair value of the outstanding interest rate swaps by € 3.2 million per 31 December 2012 (31 December 2011: € 4.0 million). As consequence of applying cash flow hedge accounting for the interest rate swaps the hedging reserve in equity would decrease by € 4.2 million (2011: € 5.3 million) and the net financing costs would increase by € 1.0 million (2011: € 1.3 million).

Repricing analysis

The following graph shows the repricing calendar for non-current interest-bearing borrowings as recognised at the balance sheet date:

(€ x million)



Foreign currency transaction risk

Foreign currency transaction risks within Nutreco mostly relate to the purchase of raw materials. In Animal Nutrition Canada, Compound Feed and Fish Feed, price changes as a result of foreign currency movements generally can be passed through to customers. Additionally, in some markets, sales contracts include price clauses to cover foreign currency movements. The possibility and time to pass foreign currency movements through to customers vary per market and are regulary assessed.

Nutreco's foreign currency transaction exposure is determined by foreign currency movements that are not likely to be passed through to customers. This foreign currency exposure is managed by means of derivative financial instruments like forward foreign exchange contracts and swaps as well as short-term bank balances in foreign currencies. Consistent with the average pass through period, the average maturity of derivative financial instruments is 3 months, generally with a maximum of 12 months.

Per 31 December 2012, foreign currency transaction risks for trade receivables mainly comprise the currencies Euro and US dollar for respectively € 37.9 million (2011: € 30.9 million) and € 30.5 million (2011: € 30.8 million). The foreign currency transaction risks for trade payables are, depending on the functional currency of an operating company, in the currencies Euro and US dollar for respectively € 109.7 million (2011: € 82.0 million) and € 175.0 million (2011: € 130.9 million).

Nutreco's risk management policy describes that recognised exposures of operating companies, mainly consisting of working capital and monetary items in non-functional currencies, are generally fully hedged. These exposures are offset internally as much as possible and only the remaining exposure is hedged using derivative financial instruments. The monthly revaluation of recognised items and the revaluation of the related derivative financial instruments are, according to the fair value accounting principles, reported in the gross margin of operating companies.

Unrecognised exposures, like highly probable forecasted payments and receipts in non-functional currencies in the coming 3 months, are hedged on the basis of pass through possibilities and probability of occurrence. These exposures are offset internally as much as possible and only the remaining exposure is hedged using derivative financial instruments. These are mainly used in cash flow hedge relationships.

The impact of unhedged transactions and balances in foreign currencies resulted in a loss recognised in cost of sales of € 2.8 million in 2012 (2011: € 1.8 million loss).

The revaluation of derivative financial instruments for which hedge accounting is applied is reported, for the effective part, in equity. The amount recognised in the cash flow hedge reserve in equity is recycled through profit or loss at the same moment the underlying hedge item is recognised in profit or loss. At 31 December 2012, derivative financial instruments with a negative fair value of € 4.0 million (2011: € 5.5 million) are reported in the hedging reserve, as part of equity.

On a monthly basis, operating companies report their recognised and unrecognised exposures as well as the related derivative financial instruments to Group Treasury. This report is used to determine compliance with the treasury risk management policy and to determine the need for additional hedging transactions.

Group Treasury is the counterparty for derivative financial instruments of the operating companies resulting in a foreign currency exposure for Group Treasury which is, together with the exposure from corporate transactions, hedged through derivative financial instruments externally.

The revaluation of corporate monetary items and internal and external derivative financial instruments is reported separately as part of net financing costs to the extent not recognised in equity. In 2012, the foreign currency exposure of Nutreco Corporate resulted in a positive foreign currency effect of € 0.4 million (2011: € 0.4 million).

On 31 December 2012, the notional amount of outstanding foreign exchange derivative financial instruments related to foreign exchange transaction risk totalled € 513.0 million (2011: € 561.7 million), mainly relating to American dollar, British pound, Norwegian krone and Canadian dollar. The net fair value of the outstanding foreign exchange derivative financial instruments related to foreign exchange transaction risk hedging amounted to negative € 3.0 million (2011: positive € 6.5 million).

Foreign currency translation risk

Nutreco is exposed to foreign currency translation risks of investments in foreign operations, including long term loans to foreign subsidiaries, and the net income of these foreign operations. Nutreco aims to minimise any direct impact on its other comprehensive income as a consequence of foreign currency risk related to net investments. The objective is to restrict the annual and cumulative impact on its equity as a consequence of foreign currency risk related to net investments.

To mitigate the foreign currency exposure of foreign operations, the currency of Nutreco's external funding is matched with the required financing of foreign operations, either directly by external foreign currency interest-bearing borrowings or by derivative financial instruments such as foreign exchange swaps and cross-currency interest rate swaps.

The translation exposure is measured on currency limits, a portfolio limit and the investment limit for specific net investments. The currency limit is defined as the maximum exposure to a certain foreign currency as a percentage of the capital invested in that foreign currency. The risk that the total value of the portfolio of net investments changes significantly in a year is managed by a portfolio limit. The probability of a significant change is calculated by the weighted exposure per currency and the volatility per currency.

Nutreco measures the translation exposure by the total amount of the capital invested per foreign currency reduced by the amount of net investment hedges in the same foreign currency. At the balance sheet date € 395.6 million (2011: € 368.5 million) of interest-bearing borrowings in foreign currencies, including the effect of Canadian dollar and US dollar (€ 99.1 million) cross-currency interest rate swaps, are effectively used as net investment hedge for investments in Canadian dollar and US dollar. Revaluation of these interest-bearing borrowings and related cross-currency interest rate swaps is recognised in the translation reserve.

In addition, Nutreco has used foreign currency exchange swaps to further reduce the exposure to translation risks of shareholders' equity of foreign Group companies or non-consolidated companies. On 31 December 2012, the notional amount of outstanding foreign exchange derivative financial instruments related to translation risk totalled € 346.9 million (2011: € 284.8 million), mainly relating to Australian dollar, Canadian dollar, Chinese yuan renminbi, British pound and Norwegian krone. The net fair value of the outstanding foreign exchange derivative financial instruments related to translation risk amounted to positive € 3.1 million (2011: negative € 9.8 million).

Translation exposure for the main foreign currencies

(€ x million)	Capital invested at 31 December		Net investment hedge at 31 December		Exposure at 31 December	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Australian dollar	63.6	57.7	27.6	27.5	36.0	30.2
Brazilian real	74.8	25.1	14.5	16.2	60.3	8.9
British pound	45.0	41.7	25.6	25.0	19.4	16.7
Canadian dollar	353.8	412.9	341.8	339.3	12.0	73.6
Chinese yuan renminbi	45.2	41.1	24.3	24.5	20.9	16.6
Norwegian krone	170.0	146.3	78.0	74.1	92.0	72.2
US dollar	233.5	199.1	182.2	108.4	51.3	90.7
Other currencies	110.7	101.6	45.4	49.5	65.3	52.1

Sensitivity analysis foreign currency translation risk

A 10% strengthening of the main foreign currencies, as listed in the table below, against the Euro at the reporting date would have increased equity by € 29.1 million (2011: € 31.0 million). A 10% weakening of these same main foreign currencies against the Euro at the reporting date would have had the equal but opposite effect. This analysis assumes that all other variables, in particular interest rates, remain constant.

The impact on equity of a 10% strengthening of the main foreign currencies on the exposure is as follows:

(€ x million)	**31 December 2012**	**31 December 2011**
Australian dollar	3.6	3.0
Brazilian real	6.0	0.9
British pound	1.9	1.7
Canadian dollar	1.2	7.4
Chinese yuan renminbi	2.1	1.7
Norwegian krone	9.2	7.2
US dollar	5.1	9.1

Liquidity risk

The primary objective of liquidity management is providing sufficient cash and cash equivalents at all times to enable Nutreco to meet its payment obligations. Management monitors forecasts of the Group's liquidity reserve on the basis of expected cash flows. Nutreco aims for sufficient committed credit facilities, a well-spread maturity schedule of its non-current interest-bearing borrowings and a strong liquidity position.

In September 2012, Nutreco extended the maturity of the revolving credit facility from May 2014 to September 2017. The facility amount is € 500.0 million and may be used for loans in various currencies. The facility is granted by a newly formed syndicate of existing and new international relationship banks.

In July 2012, Nutreco issued senior notes in a private placement in the United States of America and Europe for a total amount of $ 250.0 million. The senior notes consist of four tranches of $ 78.0 million, $ 45.0 million, $ 95.0 million and € 25.0 million which mature in respectively 2017, 2019, 2022 and 2019.

In April 2009, Nutreco issued senior notes in a private placement in the United States of America for a total amount of $ 150.0 million. The senior notes consist of three tranches of $ 54.3 million, $ 37.2 million and $ 58.5 million which mature in 2014, 2016 and 2019 respectively.

In May 2004, Nutreco issued senior notes in a private placement in the United States of America for a total amount of $ 204.0 million.
The first two tranches of $ 46.0 million and $ 80.0 million have matured in 2009 and 2011 respectively. The third tranche of $ 78.0 million matures in 2014.

Of the total facilities of € 1,303.7 million, an amount of € 524.8 million had been used as at 31 December 2012 (2011: € 1,056.6 million and € 428.7 million, respectively). In addition, Nutreco has € 263.0 million (2011: € 176.8 million) of cash and cash equivalents available as at 31 December 2012.

Nutreco aims to optimise its international cash and borrowings positions by minimising its net interest expenses and maximising its net interest income, respectively, and by minimising its bank costs.

Terms and debt repayment schedule

Terms and conditions of outstanding non-current interest-bearing borrowings are as follows:

(€ x million)	Currency	Effective interest rate at 31 December 2012 (%)	Effective interest rate at 31 December 2011 (%)	Year of maturity	Interest reprising	Carrying amount at 31 December 2012	Carrying amount at 31 December 2011
Syndicated loan	CAD	3.63	3.93	2017	Fixed	112.2	112.6
Syndicated loan	NOK	-	4.17	2017	Quarterly	-	48.0
Syndicated loan	USD	-	1.87	2017	Quarterly	-	20.7
Private placement	USD	4.85	4.85	2014	Fixed	59.0	59.6
Private placement	USD	6.80	6.80	2014	Fixed	41.0	41.8
Private placement	USD	5.48	5.44	2016	Semi Annual	30.5	31.0
Private placement	USD	8.22	8.22	2019	Fixed	44.2	45.0
Private placement	USD	2.85	-	2017	Fixed	59.0	-
Private placement	USD	3.04	-	2019	Fixed	34.0	-
Private placement	EUR	3.13	-	2019	Fixed	24.9	-
Private placement	USD	4.22	-	2022	Fixed	71.8	-

Maturity profile financial liabilities 2012

The following tables show Nutreco's contractually agreed (undiscounted) cash flows, including interest, as at the balance sheet date:

(€ x million)	Total amount	6 months or less	6-12 months	1-5 years	More than 5 years
Financial liabilities at 31 December 2012					
Interest-bearing borrowings (non-current)	-581.0	-8.8	-11.1	-360.8	-200.3
Interest-bearing borrowings (current)	-43.4	-43.4	-	-	-
Trade payables	-869.4	-869.4	-	-	-
Other payables	-83.1	-83.1	-	-	-
TOTAL OUTFLOW NON-DERIVATIVE FINANCIAL LIABILITIES	**-1,576.9**	**-1,004.7**	**-11.1**	**-360.8**	**-200.3**
Foreign exchange derivatives inflow	418.3	416.3	2.0	-	-
Foreign exchange derivatives outflow	-424.6	-422.5	-2.1	-	-
Cross-currency interest rate derivatives inflow	178.2	3.9	3.8	133.9	36.6
Cross-currency interest rate derivatives outflow	-193.6	-3.9	-3.9	-147.3	-38.5
Interest rate derivatives inflow	6.5	0.8	1.1	4.6	-
Interest rate derivatives outflow	-11.3	-1.5	-1.5	-8.3	-
TOTAL NET INFLOW/OUTFLOW DERIVATIVE FINANCIAL LIABILITIES	**-26.5**	**-6.9**	**-0.6**	**-17.1**	**-1.9**

Maturity profile financial liabilities 2011

(€ x million)	Total amount	6 months or less	6-12 months	1-5 years	More than 5 years
Financial liabilities at 31 December 2011					
Interest-bearing borrowings (non-current)	-414.5	-7.8	-6.8	-345.5	-54.4
Interest-bearing borrowings (current)	-58.4	-48.6	-9.8	-	-
Trade payables	-736.0	-736.0	-	-	-
Other payables	-94.2	-94.2	-	-	-
TOTAL OUTFLOW NON-DERIVATIVE FINANCIAL LIABILITIES	**-1,303.1**	**-886.6**	**-16.6**	**-345.5**	**-54.4**
Foreign exchange derivatives inflow	488.0	485.0	3.0	-	-
Foreign exchange derivatives outflow	-501.7	-498.6	-3.1	-	-
Cross-currency interest rate derivatives inflow	102.1	2.7	2.7	96.7	-
Cross-currency interest rate derivatives outflow	-112.6	-2.9	-2.9	-106.8	-
Interest rate derivatives inflow	7.4	0.8	1.0	5.6	-
Interest rate derivatives outflow	-14.2	-1.5	-1.5	-11.2	-
TOTAL NET INFLOW/OUTFLOW DERIVATIVE FINANCIAL LIABILITIES	**-31.0**	**-14.5**	**-0.8**	**-15.7**	**-**

The following table shows the (undiscounted) cash flows, including interest, as at the balance sheet date of foreign exchange derivatives classified as financial liability per hedge category at 31 December 2012:

(€ x million)	Total amount	6 months or less	6 – 12 months
Fair value accounting – inflow	238.9	236.9	2.0
Fair value accounting – outflow	-243.4	-241.3	-2.1
Net investment hedge accounting – inflow	109.9	109.9	-
Net investment hedge accounting – outflow	-110.6	-110.6	-
Cash flow hedge accounting – inflow	69.5	69.5	-
Cash flow hedge accounting – outflow	-70.6	-70.6	-

The following table shows the (undiscounted) cash flows, including interest, as at the balance sheet date of foreign exchange derivatives classified as financial liability per hedge category at 31 December 2011:

(€ x million)	Total amount	6 months or less	6 – 12 months
Fair value accounting – inflow	170.5	168.7	1.8
Fair value accounting – outflow	-173.4	-171.6	-1.8
Net investment hedge accounting – inflow	275.7	275.7	-
Net investment hedge accounting – outflow	-286.2	-286.2	-
Cash flow hedge accounting – inflow	41.7	40.5	1.2
Cash flow hedge accounting – outflow	-42.2	-41.0	-1.2

Fair value of financial assets and liabilities

The financial assets and liabilities at fair value have been disclosed by the level of the following fair value hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The estimated fair value of financial assets and liabilities by the level of fair value hierarchy is as follows:

(€ x million)	31 December 2012	31 December 2011
Assets		
- Level 2		
Fair value foreign exchange derivatives	5.8	9.8
Fair value interest rate derivatives	2.3	2.3
- Level 3		
Other long-term investments	13.2	13.4
Liabilities		
- Level 2		
Fair value foreign exchange derivatives	-5.8	-13.2
Fair value cross-currency interest rate derivatives	-14.5	-9.6
Fair value interest rate derivatives	-4.8	-6.7

During 2012 there were no transfers between level 1, level 2 and level 3.

Level 3 financial instruments include unlisted private equity participations which are currently held by the Group. In general, private equity investments cannot be valued directly from quoted market prices or by using valuation techniques supported by observable market prices or other market data.

The following table shows the movements of the fair value measurements in Level 3 of the fair value hierarchy:

(€ x million)	2012	2011
Balance at 1 January	**13.4**	-
Additions	-	13.4
Total gains and losses recognised in profit or loss	0.7	-
Other changes	-0.9	-
BALANCE AT 31 DECEMBER	**13.2**	**13.4**

Level 3 sensitivity information

The table below presents the level 3 financial instruments carried at fair value as at the balance sheet date for which fair value is measured using valuation techniques based on assumptions that are not supported by market observable inputs. There may be uncertainty about a valuation, resulting from the choice of the valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a result of other elements affecting the valuation technique or model.

At balance sheet date, the Group was not able to perform a detailed sensitivity analysis to assess the range of reasonably possible alternative assumptions that would have a significant impact (i.e. increase and decrease) on the fair value of the instrument. Based on back-testing procedures performed by the external fiduciary manager in prior years, it is expected that the final assessment of the fair value will differ only 1-5% from the current valuation of the private equity investments resulting in an increase/decrease of the fair value with a range between € 0.1 million and € 0.7 million.

(€ x million)	Valuation technique	Main assumptions	Carrying value
Level 3 financial assets			
Other long-term investments	Private equity - valuation statements	Net asset value / EBITDA multiples	13.2

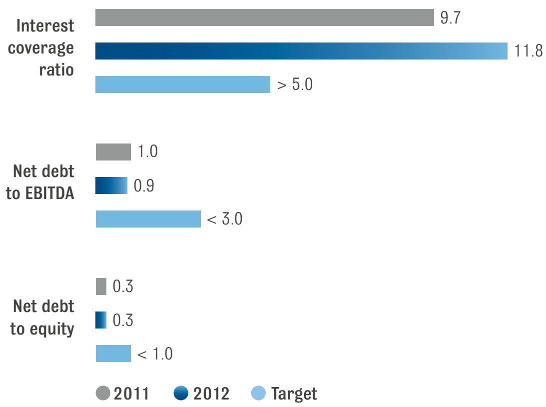
Capital risk management

An optimal capital structure contributes to Nutreco's objective to create shareholder value as well as the objective to satisfy its capital providers. Nutreco maintains a conservative financial strategy targeting a net debt to equity ratio of approximately 1.0, a maximum net debt to EBITDA ratio of 3.0 and a minimum interest coverage ratio of 5.0. The capital structure, in relation to the mentioned targets, is reported monthly. The strategic targets are evaluated regularly taking Nutreco's business profile and the objectives of Nutreco's capital providers into account. The capital of Nutreco consists of issued and paid-up share capital, share premium, retained earnings and other reserves (translation and hedging).

In 2012, the financial covenants of the 2004 and 2009 private placements and the syndicated loan have been amended in favor of Nutreco and are now equal to the 2012 private placement. The financial covenants of Nutreco's core financing facilities, being the syndicated loan and the private placements, are net senior debt compared to EBITDA of maximum 3.5 and EBITDA compared to net financing costs of at least 3.5 EBITDA with net financing costs calculated on a 12-month rolling basis. The interest rates of the syndicated loan facility are based on Euribor or Libor of the optional currency, whereas the interest margin is a function of the ratio of net senior debt to EBITDA.

During 2012, Nutreco remained well within the financial covenants agreed upon for both the syndicated loan and the private placements.
As at 31 December 2012 the net debt to equity ratio amounts to 0.3 (2011: 0.3), the net debt to EBITDA ratio amounts to 0.9 (2011: 1.0) and the interest coverage amounts to 11.8 (2011: 9.7). As at 31 December 2012, Nutreco has a net debt position of € 261.8 million (2011: € 251.9 million).

Capital risk management target ratios per 31 December



Commodity risk management

Risks relating to derivative financial instruments

The Group uses raw materials that are subject to price volatility caused by weather, supply conditions, political and economic variables and other unpredictable factors.

As part of the Group's commodity risk management strategy, contracts have been concluded for the purchase of physical commodities in line with the Group's commodity risk management policy.

28 CONTINGENT ASSETS AND LIABILITIES

At 31 December 2012, the total lease and rental commitments amount to € 174.5 million (2011: € 154.9 million).

The annual operating lease and rental commitments and contingencies are:

(€ x million)	31 December 2012	31 December 2011
Year 1	47.0	40.3
Year 2	43.7	35.1
Year 3	40.2	29.7
Year 4	36.9	25.5
Year 5	1.4	22.9
After five years	5.3	1.4
TOTAL LEASE AND RENTAL COMMITMENTS	**174.5**	**154.9**
Other contingencies		
Capital commitments	4.4	9.1
Guarantees	36.2	40.0

At 31 December 2012, a significant part of the total lease and rental commitments relates to a Skretting contract with a strategic fish feed transporter on outbound logistics.

In the normal course of business, certain group companies issued guarantees totalling € 36.2 million (2011: € 40.0 million). Included are guarantees of € 14.7 million (2011: € 14.2 million) that are issued on behalf of Nutreco Insurance N.V. and Nutreco Assurantie N.V., both 100% owned captive reinsurance companies, in favour of their general and products liability insurer in relation to potentially incurred but not reported nor provided liability claims in the years 2012 and 2011.

In 2012 Nutreco signed a contract to outsource IT-services until 2017 with an option to extend by three years. The commitment is estimated at an amount of € 46.3 million at 31 December 2012, including the extension option.

On the first of April 2011 Trouw UK has agreed to make payments of £ 2.0 million per annum to the trustees of the UK pension scheme, during a 10 year period. The total amount is based on the valuation per 31 December 2009 and subsequent negotiations with the trustees, in order to compensate for the funding shortfall as per 31 December 2009.

At year-end Nutreco had no significant contingent assets.

29 RELATED PARTY TRANSACTIONS

Nutreco has a related party relationship with its subsidiaries, associates, equity investments, joint ventures, pension funds and key management. Nutreco considers the members of the Executive Board as key management (see Note 24).

Transactions between related parties are subject to conditions that usually govern comparable sales and purchases with third parties. The details for related party transactions are as follows:

(€ x million)	**2012**	**2011**
Revenue to related parties	30.3	24.6
Amounts owed from related parties	2.8	2.6

The revenue to related parties is mainly related to associates in Canada.

A number of key management personnel, or their related parties, hold (board) positions in external companies giving them significant influence over the financial or operating policies of these companies. A number of these companies had transactions with the Group during the year.

30 SUBSEQUENT EVENTS

No subsequent events occurred.

31 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

General

The consolidated cash flow statement is drawn up on the basis of a comparison of the Financial positions as at 1 January and 31 December. Changes that do not involve cash flows, such as effects of movement in foreign exchange rates, revaluations and transfers to other balance sheet items, are eliminated. Changes in working capital due to the acquisition or sale of consolidated companies are included under investing activities.

Net cash from operating activities

Cash used for the payment of interest and income taxes reflects the actual amounts paid during the year.

Net cash used in investing activities

Cash used in the purchase of long-lived assets consists of the capital expenditures during the year.

Dividends paid

In 2012, € 35.7 million (2011: € 27.8 million) dividends were paid to the shareholders of Nutreco with ordinary shares.

Sundry

Most of the movements in the cash flow statement can be reconciled to the movement schedules for the balance sheet items concerned. For those balance sheet items for which no detailed movement schedule is included, the table below shows the relation between the changes according to the Financial position and the changes according to the cash flow statement:

(€ x million)	Working capital [1]	Employee benefits	Provisions	Interest-bearing debt [2]
Balance at year-end 2011	134.5	-44.6	-5.0	-384.9
Balance at year-end 2012	187.9	-42.3	-6.3	-505.3
Balance sheet movement	**-53.4**	**-2.3**	**1.3**	**120.4**
Adjustments				
Effect of movement in foreign exchange	-1.2	-0.3	-0.1	12.6
Acquisition through business combinations	5.5	-0.7	-	-3.5
Reclassification	4.3	-	-	-
Capex creditors	9.8	-	-	-
Other	-8.7	-	-0.2	-2.0
CHANGE IN CASH FLOW	**-43.7**	**-3.3**	**1.0**	**127.5**

1 Inventories, biological assets, trade and other receivables, and trade and other payables.
2 Non-current interest-bearing borrowings and current interest-bearing borrowings excluding bank overdrafts.

The adjustment 'Other' for Working capital mainly comprises changes in fair value of foreign exchange derivatives, biological assets and the effect of the share increase of Fri-Ribe which are presented in different categories in the cash flow statement.

The change in cash flow of interest-bearing debt of € 127.5 million can be split in € -92.9 million for repayment of borrowings and € 220.4 million for proceeds from borrowings.

COMPANY BALANCE SHEET

(€ x million)	Note	31 December 2012	31 December 2011
Financial fixed assets	4	**1,215.6**	**1,025.3**
Current assets			
Deferred tax assets		0.5	-
Income tax receivables		9.3	3.8
Receivables from Group companies	5	115.7	27.3
Cash and cash equivalents		0.2	2.1
		125.7	**33.2**
TOTAL ASSETS		**1,341.3**	**1,058.5**
Issued and paid-up share capital		8.4	8.4
Share premium		159.5	159.5
Treasury shares		-29.4	-18.7
Retained earnings		646.5	597.8
Undistributed result		176.8	130.5
Legal reserve		10.2	-3.0
Shareholders' equity	6	**972.0**	**874.5**
Non-current liabilities			
Interest-bearing borrowings	7	364.4	177.4
		364.4	**177.4**
Current liabilities			
Trade and other payables		4.9	6.6
		4.9	**6.6**
Total liabilities		**369.3**	**184.0**
TOTAL EQUITY AND LIABILITIES		**1,341.3**	**1,058.5**

COMPANY INCOME STATEMENT

(€ x million)	Note	2012	2011
Net result from Group companies		190.5	142.2
Other net result	8	-13.7	-11.7
NET RESULT		**176.8**	**130.5**

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

PRINCIPLES OF VALUATION AND INCOME DETERMINATION

1 General

The Company's financial statements are part of the 2012 consolidated financial statements of Nutreco N.V. With reference to the Company income statement of Nutreco N.V., use has been made of the exemption pursuant to section 402 of Book 2 of the Netherlands Civil Code.

2 Principles for the measurement of assets and liabilities and the determination of the result

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its Company's financial statements, Nutreco N.V. makes use of the option provided in section 2:362 (8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the Company's financial statements of Nutreco N.V. are the same as those applied for the consolidated IFRS financial statements. Participating interests, over which significant influence is exercised, are stated on the basis of the net asset value method. These consolidated IFRS financial statements are prepared according to the standards laid down by the International Accounting Standards Board and adopted by the European Union (hereinafter referred to as IFRS). Please see pages 114-128 for a description of these principles.

The share in the results of participating interests consists of the share of Nutreco N.V. in the result of these participating interests. Results on transactions where the transfer of assets and liabilities between Nutreco N.V. and its participating interests and mutually between participating interests themselves are not incorporated insofar can be deemed to be unrealised.

3 Changes in accounting policies

In 2012, no major changes have taken place.

4 Financial fixed assets

(€ x million)	2012	2011
Balance at 1 January	**1,025.3**	**869.7**
Net result from Group companies	190.5	142.2
Additions	-0.2	13.4
BALANCE AT 31 DECEMBER	**1,215.6**	**1,025.3**

5 Receivables from Group companies

The receivables from Group companies have a period shorter than one year and consist of a receivable position with Nutreco Nederland B.V., which acts as Nutreco's in-house bank.

6 Shareholders' equity

Treasury shares

The shares held in treasury are accounted for as a reduction of the equity attributable to the equity holders.

The treasury shares are deducted from other reserves.

Legal reserve

The legal reserve consists of the following:

(€ x million)	31 December 2012	31 December 2011
Hedging reserve	-4.0	-5.5
Translation reserve	-7.0	-1.8
Participations	21.2	4.3
TOTAL LEGAL RESERVE	**10.2**	**-3.0**

7 Interest-bearing borrowings

Interest-bearing borrowings consist of the private placements. See Note 23 of the consolidated financial statements.

8 Other net results

Other net results mainly represent the interest expenses related to the interest-bearing borrowings and the interest income from subsidiaries and associates.

9 Contingent assets and liabilities

Guarantees as defined in Book 2, section 403 of the Netherlands Civil Code have been given by Nutreco N.V. on behalf of several Group companies in the Netherlands and filed with the Chamber of Commerce in 's-Hertogenbosch.

The liabilities of these companies to third parties and to investments in associates totalled € 465.1 million as at 31 December 2012 (2011: € 401.5 million).

Nutreco N.V. is jointly liable for several credit facilities of its subsidiaries, including the syndicated loan facility.

10 Average number of employees

The Company did not employ any person in 2012.

Amersfoort, 6 February 2013

The Supervisory Board
The Executive Board

OTHER INFORMATION

LEGAL TRANSPARENCY OBLIGATIONS (ARTICLE 10 OF THE TAKEOVER DIRECTIVE)

Most of the information that needs to be disclosed under Article 10 Takeover Directive Decree 2004/25/EC, and section 391 sub-sections 5, book 2 of the Dutch Civil Code is available in various sections of the annual report. Nutreco N.V. wishes to include the following explanatory notes:

- The Articles of Association do not provide for any limitation of the transferability of the (registered) ordinary shares. The transfer of cumulative preference shares 'D' and 'E' is subject to the approval of the Executive Board in accordance with the provisions of Article 13 of the Articles of Association.
- No agreement has been concluded with any shareholder that could give rise to any limitation of shares or any limitation of the voting rights.
- No agreements have been made with any Executive Board member and/or employee providing for a payment in the event of termination of employment following a public takeover bid.
- Nutreco N.V. has a syndicated loan facility that can be altered or terminated on condition of a change in control of the Company after a public takeover bid has been made.
- The US Private Placement Note Purchase Agreements entered into in 2009 and 2012 by Nutreco N.V. contain a change of control provision.

Nutreco International B.V., a subsidiary of Nutreco N.V., has a raw materials purchase agreement with BASF, which can be terminated in case of a change in control of the Company.

Appointment of the external auditor

At the Annual General Meeting of Shareholders held on 27 March 2012, KPMG Accountants N.V. was appointed as the Company's external auditor for a period expiring at the closure of the accounting year 2013.
Based on the new Auditors Bill in the Netherlands that will take effect on 1 January 2016 which introduces mandatory rotation of the audit firm every eight years, and since KPMG has been the Company's auditor since 1994, we will initiate a selection process to nominate another external registered audit firm to the General Meeting of Shareholders ultimately by the first half of 2015.

TEN YEARS OF NUTRECO INCOME STATEMENT

(€ x million)	2012	2011	2010	2009	2008	2007	2006	2005[1]	2004 IFRS[1]	2004 D-GAAP	2003[2]
Revenue	5,229	4,721	4,166	4,512	4,943	4,021	3,031	2,774	3,269	3,858	3,674
Raw materials	4,133	3,705	3,235	3,567	4,001	3,153	2,308	2,056	2,381	2,776	2,593
Gross margin	**1,096**	**1,016**	**931**	**945**	**942**	**868**	**723**	**718**	**888**	**1,082**	**1,081**
Personnel costs	481	457	436	442	428	368	308	322	417	487	473
Depreciation of property, plant and equipment	58	54	52	53	51	42	40	43	83	90	99
Other operating expenses	308	296	258	280	280	303	259	235	276	378	386
Total operating expenses	**847**	**807**	**746**	**775**	**759**	**713**	**607**	**600**	**776**	**955**	**958**
Operating result before amortisation (EBITA)	249	209	187	170	183	155	116	118	112	127	123
Amortisation expenses	14	13	12	12	11	6	3	2	6	6	5
Amortisation of goodwill	-	-	-	-	-	-	-	5	-	7	12
Operating result (EBIT)	**235**	**196**	**175**	**158**	**172**	**149**	**113**	**111**	**106**	**114**	**106**
Net financing costs	-26	-27	-34	-32	-31	-10	8	-12	-32	-27	-30
Share in results of associates and other investments	3	3	2	1	2	1	-	2	4	4	-1
Result before tax	**212**	**172**	**143**	**127**	**143**	**140**	**121**	**101**	**78**	**91**	**75**
Taxation	-54	-45	-36	-35	-37	-26	-16	-8	-22	-10	-15
Result after tax	**158**	**127**	**107**	**92**	**106**	**114**	**105**	**93**	**56**	**81**	**60**
Result after tax from discontinued operations	19	5	6	-	11	7	415	44	26	-	-
Total result for the period	**178**	**132**	**113**	**92**	**117**	**121**	**520**	**137**	**82**	**81**	**60**
Dividend on cumulative preference shares	-	-	-	-	-	-	-	-	-	5	5
Non-controlling interest	1	1	2	3	2	2	1	3	4	4	4
RESULT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF NUTRECO	**177**	**131**	**111**	**89**	**115**	**119**	**519**	**134**	**78**	**72**	**51**
Number of employees in FTEs as at year-end	9,654	9,565	9,280	9,690	9,278	9,090	7,405	6,993	12,408	12,408	12,763
Operating result (EBITA) as a % of revenue	4.8%	4.4%	4.5%	3.8%	3.7%	3.9%	3.8%	4.2%	3.2%	3.1%	3.2%
Turnover rate of weighted average capital employed[3]	4.4	4.4	4.2	4.5	5.0	5.5	3.8	2.8	3.9	3.9	3.2
Return (EBITA) on weighted average capital employed	21%	19%	19%	17%	19%	21%	15%	12%	14%	11%	10%
Interest cover	11.8	9.6	7.1	7.0	7.5	19.5	-19.4	13.4	6.1	7.8	7.4
Dividend (€ x million)	71	63	52	46	49	56	359	52	23	23	22
Dividend per share	2.05	1.80	1.50	1.32	1.43	1.64	1.60	1.52	0.53	0.53	0.53

1 Figures based on continuing operations
2 Results 2003 before impairment
3 Revenue divided by average capital employed

The 2003 Dutch GAAP figures have not been restated to IFRS accounting standards. The differences mainly relate to pensions, other employee benefits, the recognition of goodwill and the netting of income tax receivables with income tax liabilities.

TEN YEARS OF NUTRECO BALANCE SHEET

(€ x million)	2012	2011	2010	2009	2008	2007	2006	2005[1]	2004 IFRS[1]	2004 D-GAAP	2003
Property, plant and equipment	640	583	565	517	478	429	281	287	470	474	515
Intangible assets	408	361	347	310	286	319	91	84	166	180	199
Financial non-current assets	96	100	93	90	77	95	82	549	96	76	54
Non-current assets	**1,144**	**1,044**	**1,005**	**917**	**841**	**843**	**454**	**920**	**732**	**730**	**768**
Inventories/biological assets	535	437	437	356	385	342	235	204	473	421	397
Financial current assets	-	-	-	-	-	-	-	156	-	-	-
Trade and other receivables	869	751	685	620	734	600	531	415	462	472	506
Cash and cash equivalents	263	177	231	233	228	208	579	90	137	136	32
Assets held for sale	7	140	11	-	-	-	-	-	-	-	-
Current assets	**1,674**	**1,505**	**1,364**	**1,209**	**1,347**	**1,150**	**1,345**	**865**	**1,072**	**1,029**	**935**
TOTAL ASSETS	**2,818**	**2,549**	**2,369**	**2,126**	**2,188**	**1,993**	**1,799**	**1,785**	**1,804**	**1,759**	**1,703**
Equity attributable to the owners of Nutreco	972	875	810	730	655	643	744	698	527	604	536
Non-controlling interest	9	8	10	11	11	8	6	13	15	15	14
Total equity	**981**	**883**	**820**	**741**	**666**	**651**	**750**	**711**	**542**	**619**	**550**
Interest-bearing borrowings	481	370	282	414	467	410	250	276	502	434	396
Provisions / employee benefits	14	14	16	15	14	25	37	26	68	35	48
Other non-current liabilities	27	31	25	15	12	19	2	14	16	-	-
Non-current liabilities	**522**	**415**	**323**	**444**	**493**	**454**	**289**	**316**	**586**	**469**	**444**
Current interest-bearing borrowings	43	58	156	42	128	87	92	165	11	11	28
Current portion of provisions / employee benefits	43	42	49	57	37	45	31	22	27	-	-
Other current liabilities	1,229	1,074	1,021	842	864	756	637	571	638	660	681
Liabilities held for sale	-	77	-	-	-	-	-	-	-	-	-
Current liabilities	**1,315**	**1,251**	**1,226**	**941**	**1,029**	**888**	**760**	**758**	**676**	**671**	**709**
TOTAL EQUITY & LIABILITIES	**2,818**	**2,549**	**2,369**	**2,126**	**2,188**	**1,993**	**1,799**	**1,785**	**1,804**	**1,759**	**1,703**
Capital employed[1]	1,242	1,134	1,027	964	1,033	984	552	1,102	1,002	969	1,008
Net debt[2]	261	251	207	223	367	290	-237	351	376	309	392
Current assets divided by non-interest-bearing debt	1.33	1.27	1.29	1.41	1.54	1.49	2.01	1.46	1.64	1.62	1.45
Solvency ratio (equity of the parent divided by total assets)	35%	34%	34%	34%	30%	32%	41%	39%	29%	34%	31%
Net debt divided by equity of the parent	27%	29%	26%	31%	56%	45%	-27%	56%	71%	51%	73%

1 Total assets less cash and cash equivalents and non-interest-bearing liabilities, except dividends payable
2 Non-current interest-bearing borrowings and current interest-bearing borrowings less cash and cash equivalents

The 2003 Dutch GAAP figures have not been restated to IFRS accounting standards. The differences mainly relate to pensions, other employee benefits, the recognition of goodwill and the netting of income tax receivables with income tax liabilities.

INDEPENDENT AUDITOR'S REPORT

To the Supervisory Board and the Annual General Meeting of Shareholders of Nutreco N.V.

Report on the financial statements

We have audited the accompanying financial statements 2012 of Nutreco N.V., Boxmeer as set out on pages 108-198. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2012, the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Nutreco N.V. as at 31 December 2012 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Nutreco N.V. as at 31 December 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 6 February 2013

KPMG Accountants N.V.
D.J. Randeraad RA

INDEPENDENT ASSURANCE REPORT

To the Readers of the Nutreco Integrated Report 2012

We were engaged by the Executive Board of Nutreco N.V. (further 'Nutreco') to provide assurance on part of the Sustainability Chapter (pages 44-61) of the Nutreco Integrated Report 2012 (further 'the Sustainability Chapter'). The company's management is responsible for the preparation of the Sustainability Chapter, including the identification of material issues. Our responsibility is to issue an assurance report based on the engagement outlined below.

What was included in the scope of our assurance engagement?

Our assurance engagement was designed to provide limited assurance on whether the information in the Sustainability Chapter is presented fairly, in all material respects, in accordance with the G3 Guidelines of the Global Reporting Initiative.

We do not provide any assurance on the achievability of the objectives, targets and expectations of Nutreco.

Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and are less extensive than those for a reasonable level of assurance.

Which reporting criteria did Nutreco N.V. use?

Nutreco applies the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative, supported by internally developed guidelines as described in section 'About the Sustainability Chapter'. It is important to view the performance data in the context of these criteria.

Which assurance standard did we use?

We conducted our engagement in accordance with Standard 3410N: Assurance engagements relating to sustainability reports, issued by the Royal Netherlands Institute of Register Accountants. This standard requires, among others, that the assurance team possesses the specific knowledge, skills and professional competencies needed to provide assurance on sustainability information, and that they comply with the requirements of the Code of Ethics for Professional Accountants of the International Federation of Accountants to ensure their independence.

What did we do to reach our conclusions?

Our procedures included the following:

- A risk analysis, including a media search, to identify relevant sustainability issues for Nutreco in the reporting period.
- Evaluating the design and implementation of the systems and processes for the collection, processing and control of the information in Sustainability Chapter, including the consolidation of the data for the Sustainability Chapter.
- Interviews with relevant staff at corporate and business level responsible for providing the information in the Sustainability Chapter.
- Evaluating internal and external documentation, based on sampling, to determine whether the information in the Sustainability Chapter is supported by sufficient evidence.

Additionally we determined, as far as possible, whether the information concerning sustainability in the other sections of the Nutreco Integrated Report 2012 is consistent with the information in the Sustainability Chapter.

During the assurance process we discussed the necessary changes to the Sustainability information in the Nutreco Integrated Report 2012 and reviewed the final version of the Sustainability Chapter to ensure that it reflects our findings.

Conclusions

Based on the procedures performed, as described above, nothing has come to our attention to indicate that the information in the Sustainability Chapter is not fairly presented, in all material respects, in accordance with the G3 Guidelines of the Global Reporting Initiative.

We also report, to the extent of our competence, that the information on sustainability in the rest of the Nutreco Integrated Report 2012 is consistent with the information in the Sustainability Chapter.

Amsterdam, 6 February 2013

KPMG Sustainability,
part of KPMG Advisory N.V.
W.J. Bartels RA, Partner

PARTICIPATIONS OF NUTRECO N.V.

(100% unless mentioned otherwise)

Premix & Feed Specialties

Brazil
Bellman Centro-Oeste Ltda • Cuiabá
Bellman Nutriçao Animal Ltda • Mirassol
Biobell Technologies Ltda • Mirassol
Log Bell Logística Integrada Ltda • Valinhos
Nutreco – Fri Ribe Nutriçao Animal S.A. • São Paulo • 97%*
Trademan Importação, Exportação, Comércio e Representações Ltda • Mirassol
Trouw Nutrition Brasil Ltda • São Paulo

Cyprus
Selko Mid-East Ltd. • Limasol (in liquidation)

Czech Republic
Trouw Nutrition Biofaktory, s.r.o. • Prague

Egypt
Hendrix Misr S.A.E. • Cairo • 33.30%*** 1)

Germany
Sloten GmbH • Diepholz
Trouw Nutrition Deutschland GmbH • Burgheim

Greece
Trouw Nutrition Hellas S.A. • Athens

Guatemala
Trouw Nutrition Guatemala S.A. • Guatemala City

Hungary
Agri Services Hungary Kft. • Budapest • 96.80%* (in liquidation)
Trouw Nutrition Környe Kft. • Környe

India
Trouw Nutrition India Pvt. Ltd. • Bangalore

Indonesia
PT Trouw Nutrition Indonesia • Jakarta

Italy
Sloten Italia Srl • Crema
Trouw Nutrition Italia S.p.A. • Bussolengo

Mexico
Nutreco México S.A. de C.V. • Zapopan, Jalisco
Trouw Nutrition México S.A. de C.V. • Zapopan, Jalisco

Netherlands
Hifeed Russia B.V. • Boxmeer
Masterlab B.V. • Boxmeer
Selko B.V. • Goirle
Sloten B.V. • Deventer
Sloten Groep B.V. • Deventer
Trouw Horos B.V. • Boxmeer
Trouw Nutrition Belgorod B.V. • Boxmeer • 90%*
Trouw Nutrition Hifeed B.V. • Boxmeer
Trouw Nutrition India B.V. • Boxmeer
Trouw Nutrition International B.V. • Boxmeer
Trouw Nutrition Nederland B.V. • Putten
Trouw Nutrition Russia B.V. • Boxmeer • 90%*

Paraguay
Trademan Latinoamerica S.A. • Assunción

Poland
Trouw Nutrition Polska Sp. Z o.o. • Grodzisk Mazowiecki

Portugal
Trouw Nutrition Portugal Lda. • Lisbon

People's Republic of China
Taigao Nutrition Technology (Beijing) Co. Ltd. • Beijing
Beijing Dejia Honesty Livestock Import & Export Co. Ltd. • Beijing • 20%**
Taigao Nutrition Technology (Hunan) Co. Ltd. • Xiangtan
Trouw Nutrition Technology (Beijing) Co. Ltd. • Beijing

Romania
Hifeed Romania Srl • Bucharest

Russian Federation
Trouw Nutrition Voronezh LLC • Belgorod • 90%*
Techkorm LLC • Moscow • 90%*
Trouw Nutrition C.I.S. • Moscow

Slovak Republic
Trouw Nutrition Slovakia, s.r.o. • Bratislava

Spain
Trouwfarma S.A. • Madrid
Trouw Nutrition España S.A. • Madrid

Turkey
Trouw Nutrition Turkey • Ankara

Ukraine
Trouw Nutrition Ukraine LLC • Kiev

United Kingdom
Frank Wright Ltd. • Ashbourne
Nordos (UK) Limited • Wincham, Northwich
Trouw Nutrition Limited • Wincham, Northwich
Trouw Nutrition (Northern Ireland) Limited • Belfast
Trouw Nutrition (UK) Limited • Wincham, Northwich

United States
Trouw Nutrition USA LLC • Highland, Illinois

Venezuela
Nanta de Venezuela C.A. • Aragua • 50%**

Animal Nutrition Canada

Canada
138324 Canada Ltée • Upton
Advanced Nutrition Ltd. • Winnipeg • 50%**
Agriplacement J2M Inc. • Upton
Les Produits Agricoles Norelco Inc. • Upton
Nieuwland Feed & Supply Limited • Drayton • 40%**
Shur-Gain Holding Inc. • Toronto
Willie Dorais Inc. • Upton
Yantzi's Feed & Seed Ltd. • Tavistock • 40%**
Lactech Inc. • Lévis, Quebec • 50%**
Lactech L.P. • Lévis, Quebec • 32.95%
Newtech Feed Inc. • Montréal • 54.95%
Newtech Feed L.P. • Saint Hyacinthe • 54.95%

Compound Feed

Belgium
Hendrix N.V. • Merksem
Nutreco Feed Belgium N.V. • Ingelmunster

Denmark
Hendrix Danmark A/S • Vejen (in liquidation)

Portugal
Alimentação Animal Nanta, S.A. • Marco de Canaveses
Nutreco Portugal SGPS Limitada • Marco de Canaveses

Spain
Agrovic Alimentación, S.A. • Madrid
Alimentación Animal Nanta, S.L. • Madrid
Aragonesa de Piensos, S.A. • Utebo (Zaragoza) • 23.98%*** 1)
Nanta S.A. • Madrid
Piensos Nanfor S.A. • La Coruña • 50%*
Piensos Nanpro S.A. • Segovia • 50%*

Meat & Other

Canada
2542-1462 Quebec Inc. • St-Jean sur Richelieu
2969-1821 Quebec Inc. • St-Felix de Valois
Couvoir Scott Ltée • Scott Junction • 50%**
Ferme Baril de St.-Félix Inc. • St-Felix de Valois
Ferme Berthier Inc. • Berthier
Ferme Gaston Inc. • St-Felix de Valois
Ferme Léo Henault Inc. • St-Felix de Valois
Gène-Alliance Inc. • Yamachiche • 40%**
Isoporc Inc. • St-Hugues • 17%***
Poirier Berard Ltée • St-Felix de Valois

Portugal
Sada Portugal, Lda • Rio de Galinhas

Spain
Grupo Sada p.a. S.A. • Madrid
Inga Food, S.A. • Madrid
Sada p.a. Andalucia, S.A. • Alcalá de Guadaira
Sada p.a. Canarias S.A. • Santa Cruz de Tenerife
Sada p.a. Castilla-Galicia, S.A. • Valladolid
Sada p.a. Catalunya S.A. • Lleida
Sada p.a. Producciones Ganaderas S.A. • Madrid
Sada p.a. Tenerife S.A. • Santa Cruz de Tenerife
Sada p.a. Valencia, S.A. • Sueca
Sociedad Comercializadora de Aves, S.L. • Madrid • 34.96%*** [1]

Fish Feed

Australia
Gibson's Ltd. • Launceston, Tasmania
Tassal Ltd. • Hobart, Tasmania • 11.27%*** (in liquidation)

Canada
Skretting Canada Inc. • Toronto

Chile
Nutreco Chile S.A. • Santiago
Portuari Pargua Ltda. • Santiago

France
Trouw France S.A.S. • Vervins

Ireland
Trouw Aquaculture Limited • Roman Island, Westport

Italy
SC Italia S.p.A. • Mozzecane (VR)
Skretting Italia S.p.A. • Mozzecane (VR)

Japan
Skretting Co. Ltd. • Fukuoka

Norway
Centre for Aquaculture Competence A/S • Stavanger • 33%**
Gastronomisk Institutt A/S • 2.10%***
Lofitorsk A/S • 1.80%***
Skretting Aquaculture Research Centre A/S • Stavanger
Skretting A/S • Stavanger
Skretting Eiendom A/S • Stavanger
Skretting Investment A/S • Stavanger
Skretting Russia A/S • Stavanger

People's Republic of China
Skretting China Co. Ltd. • Shanghai
Zhuhai Shihai Aqua Seed Co., Ltd. • Doumen Town
Zhuhai Shihai Feed Co., Ltd. • Doumen Town
Zhuhai Yinjieli Biological Science & Technology Co., Ltd. • Doumen Town

Spain
Skretting España S.A. • Burgos

Sweden
T. Skretting AB Sweden • Stockholm

Turkey
Skretting Yem Uretim Anonim Sirketi • Bodrum

United Kingdom
Trouw Aquaculture Limited • Invergordon
Trouw (UK) Limited • Wincham, Northwich

United States
Moore-Clark USA Inc. • Seattle, Washington
Nelson and Sons, Inc. • Utah
ENS Partnership • Utah • 33%**

Vietnam
Tomboy JSC • Ho Chi Minh City

Corporate

Belgium
Nutreco Belgium N.V. • Ghent
Nutreco Capital N.V. • Ghent

Canada
Nutreco Canada Inc. • Guelph

Chile
Inversiones Nutreco Limitada • Santiago
Nutreco Chile Participations SpA • Santiago

Curacao
Nutreco Insurance N.V. • Willemstad

France
Nutreco France S.A.S. • Vervins

Germany
Nutreco Deutschland GmbH • Burgheim

Hong Kong
Nutreco Asia Co. Ltd. • Hong Kong

Netherlands
De Körver B.V. • Boxmeer
Dinex B.V. • Bodegraven
Hendrix' Assurantiekantoor B.V. • Boxmeer
Hendrix Beleggingen International B.V. • Boxmeer
Hendrix International Investments B.V. • Boxmeer
Nutreco Asia Support B.V. • Amersfoort
Nutreco Assurantie N.V. • Boxmeer
Nutreco Brasil B.V. • Boxmeer
Nutreco B.V. • Boxmeer
Nutreco Chile Holding B.V. • Boxmeer
Nutreco International B.V. • Boxmeer
Nutreco Investments B.V. • Amersfoort
Nutreco Nederland B.V. • Boxmeer
Nutreco North America B.V. • Boxmeer
Nutritional Ingredients B.V. • Amersfoort
Trouw International B.V. • Boxmeer

Spain
Nutreco España S.A. • Madrid
Nutreco Servicios S.A. • Madrid

United Kingdom
Nutreco Limited • Northwich
Trouw (UK) Pension Trust Limited • Wincham, Northwich

United States
Anchor USA Inc. • Delaware
Nutreco USA Inc • Delaware

Discontinued operations

Hedimix B.V. • Boxmeer
Hendrix UTD B.V. • Boxmeer
Reudink Biologische Voeders B.V. • Vierlingsbeek
Stimulan B.V. • Boxmeer
Hendrix UTD GmbH • Goch
Hendrix-Illesch GmbH • Bardenitz
PAVO Pferdenahrung GmbH • Neuss

* *Fully consolidated*
** *Investment in associates (see Note 15)*
*** *Other investments (see Note 16)*
1 *No influence*

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Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **Nutreco** has presented its report "Integrated report 2012" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.
For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 5 February 2013

B+
GRI REPORT
GRI CHECKED

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

The "+" has been added to this Application Level because Nutreco has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

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