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Annual Overview 2015



AMATHEON AGRI

Growing value.

Annual Overview 2015

2015



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From The CEO

2015 was a milestone year for the Amatheon Agri Group as we simultaneously expanded farming operations, fully integrated our food processing activities, and proved execution capacity of our entire strategy.

On the farming front, a major project in 2015 was the USD 25 million development and construction of two dams in Zambia – one of which was through a strategic project with the internationally renowned Toyota Tsusho Corporation. These dams accelerated our investment program and will provide the backbone for future farming - giving us access to much more irrigated land, despite the short-term effects of El Nino in the country.

In Uganda, our farming clusters were solidified and further developed, though shortfalls on margins and yields remain. While there were patches of hostile weather over the year which affected crops, our Ugandan farming operations became much more efficient in 2015 and we became one of the largest grain producers in the country. In Zimbabwe, we harvested our first maize crop with comparatively good yields – reinforcing the potential for a first-mover advantage as the country's agricultural sector restructures.

While we strengthened our commercial farming networks, we have developed a significant client base with smallholder farmers and have formalized our trading activities with them. In fact, after the profits seen from smallholder grain purchases in 2015, it has become the cornerstone of our trading portfolio and will continue to expand as Amatheon grows.

A key highlight for the year was our meat processing operations under the Real Meat Group umbrella, which increased our revenue. By consolidating four companies, we're setting ourselves up to improve margins and are structurally lowering our operating costs – though this is not yet reflected in 2015 as the cost inflation and currency devaluation heavily impacted the bottom line.

However, we see the opportunity for fast recovery as the market is absorbing the price increases introduced to compensate cost inflation.

In line with our sustainable approach to operations, we developed new partnerships with international and local institutions – helping make smallholder farming more viable and profitable, and exemplifying the strong social impact that Public Private Partnerships can make.

The year was by no means easy. Every agribusiness in the region is feeling the pressure caused by the El Niño weather phenomenon, and the significant Zambian Kwacha devaluation and recent economic setbacks due to declining copper prices. However, agriculture remains highly attractive and despite these short-term struggles, the medium to long term outlook for agri and foods in Africa remains buoyant. Though our economic performance has not yet reached our targets, we remain confident in our strategy and see no reason to change it.

I sincerely thank all of Amatheon's supporters – shareholders, staff, communities, governments, suppliers and cooperating partners – for their unwavering confidence in our vision and execution. I feel more certain than ever before that our strategy, people and resources are setting us up to become a leading player in the African agri sector, and I look forward to sharing this journey with you.



Carl Heinrich Bruhn

“ I feel more certain than ever before that our strategy, people and resources are setting us up to become a leading player in the African agri sector



Amatheon at a Glance

Core Competencies



1. Farming

combining large-scale high-tech commercial farming and smallholder outgrower programs



2. Trading

storing and selling significant volumes of grain and livestock to domestic/regional markets



3. Food

slaughtering, processing and packaging – for wholesale and retail markets

Amatheon Agri is a European agribusiness and food company, headquartered in Berlin and operating in Sub-Saharan Africa. Focusing on farming, trading and food processing, Amatheon integrates its activities along the agricultural value chain. As a triple-bottom-line company, Amatheon acts as an anchor investor in rural areas to uplift neighboring communities economically, socially and environmentally. Its combination of international expertise with local Africa know-how, and a long-term vision with a sustainable approach, makes it set to become a leading player in the African agri sector.

Founded in 2011, Amatheon established its subsidiaries in Zambia in 2012, Uganda in 2013, and Zimbabwe in 2014. During this relatively short timeframe, Amatheon has proven its business model and demonstrated its ability to build large, replicable, scalable platforms – in both farming and food processing. With over USD 100 million invested in its operations so far, Amatheon believes that the key to unlocking Sub-Saharan Africa's vast agricultural potential is combining world-class farming techniques, partnerships with smallholder farmers, and vertical value chain integration.



4. Sustainability

developing significant partnerships with Governments, UN, NGOs and local communities to maximize social impact

5. Scalability

building large-scale, replicable models to roll-out across Sub-Saharan Africa

Farming

Despite the visible, short-term effects of El Niño in the region, Amatheon's farming activities expanded in 2015; opening up additional land, planting new crops, developing a large Outgrower network of smallholder farmers and constructing two significant dams that will provide the backbone of future farming.



Zambia

OPERATIONAL HECTARES DEVELOPED FOR CROPPING	2,988
CROPS PLANTED (MAIZE, WHEAT, SOYA, GROUNDNUTS AND SUGAR BEANS)	5
HECTARES FOR CATTLE GRAZING	2,000
HEADS OF CATTLE	1,277
JOINT VENTURE WITH TOYOTA TSUSHO CORPORATION	1
SMALLHOLDER FARMERS REGISTERED IN OUTGROWER PROGRAMME	5,000
MT OF GRAIN PURCHASED FROM SMALLHOLDER FARMERS	4,686
STRATEGIC PARTNERSHIPS FOR POSITIVE SOCIAL IMPACT	5

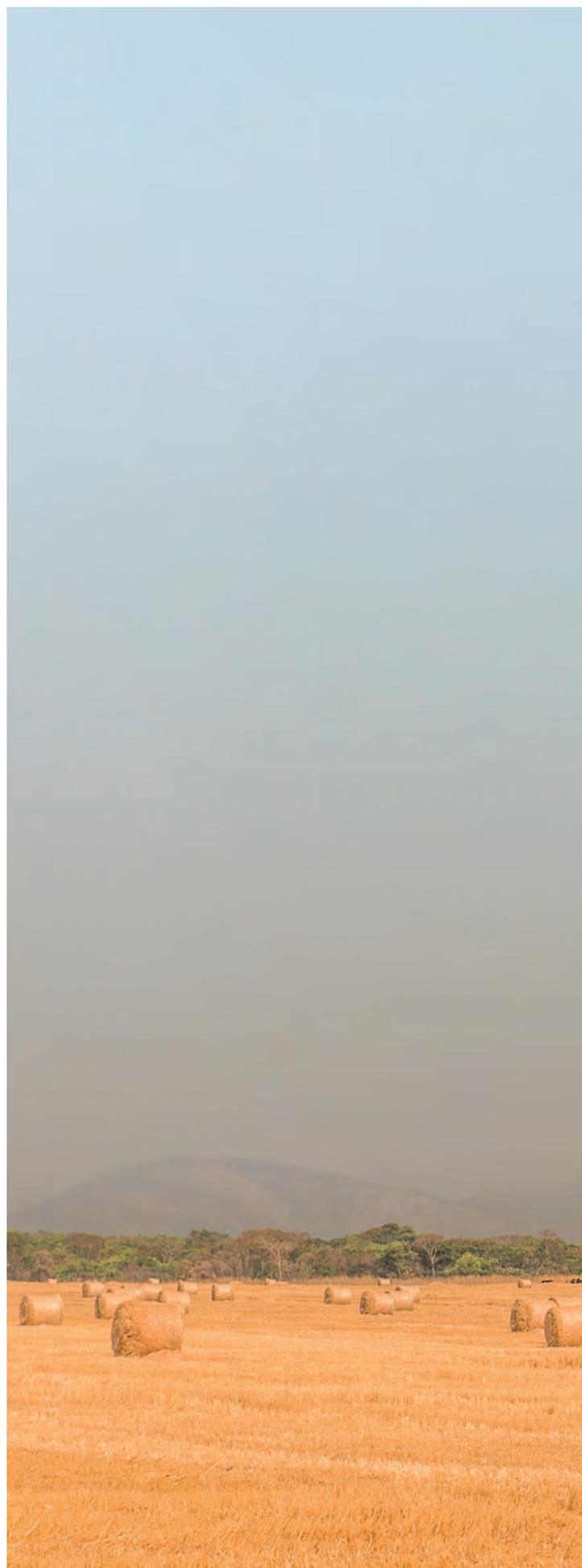


In 2015, Amatheon's ambitious farming expansion targets were met and have solidly laid the foundation for future operations. By the end of the year, the water storage milestones of two new dams were achieved and significant bush clearing had taken place – both enabling additional operational hectares. The Abba Dam provides a storage capacity of 10.3 million m³ of water, and the Katonga Dam provides 7.6 million m³ of water. Despite the visible impact of El Nino in 2015, these two dams are critical to Amatheon's long-term farming success and were a major highlight of the year.

In addition to growing soya, maize and wheat, ground nuts and sugar beans were planted for the first time and have performed well so far, with the first harvest expected in April/May 2016. The short rainy season compromised borehole replenishment and crop growing itself, and caused significant power challenges country-wide. In July, the Zambia Energy Supply Company (ZESCO) announced it needed to ration energy to all sectors due to the severe supply shortages as a result of the poor rains. For Amatheon, this meant limited access to power for 12-16 hours per day until generators arrived in August – with cost implications and impact on yields.

During the year, Amatheon entered into a project with Toyota Tsusho Corporation (TTC) - the trading arm of the Toyota Group – who saw Amatheon as a strategic partner to implement a greenfield farming project. Katonga Farm Ltd. involves developing 2,700 hectares of land for cropping and to construct a dam for enhanced irrigation capacities. The company is built around back office synergies with Amatheon Agri Zambia to streamline processes and benefit from reduced overheads. Within six months, the land had been cleared and 1,361 hectares were planted, and the dam construction was near completion as targeted.

Importantly, Amatheon formalized and expanded its trading activities with nearby smallholder farmers. Around 4,500 metric tonnes of grain was purchased through 10 rural depots, and a livestock component was introduced whereby Amatheon buys cattle from the community and fattens them through its feedlot. After the clear benefits of establishing a network of depots and a database of registered 'clients' in the area, Amatheon will continue significantly scaling up its smallholder engagement next year as a core component of farming and trading activities.





Wheat field in Zambia





Grain trading with smallholder farmers surrounding Amatheon's farm

Uganda

OPERATIONAL HECTARES DEVELOPED FOR CROPPING	2,262
CROPS PLANTED (MAIZE, SOYA, RICE AND SUNFLOWER)	4
SMALLHOLDER FARMERS REGISTERED IN OUTGROWER PROGRAMME	1,344
MT OF GRAIN PURCHASED FROM SMALLHOLDER FARMERS	470



Following modest beginnings in 2014, Amatheon's Ugandan farming operations significantly expanded in 2015 with 2,262 hectares growing maize, rice, sunflower and soya and a network of over 1,300 smallholder farmers developed.

During the year, additional land was opened up, satellite clusters were solidified and new land was acquired, bringing the total size to 7,500 hectares. This has laid solid foundations for future developments and has firmly established Amatheon's presence in Uganda – now one of the largest grain producers in the country.

Despite this year's challenging weather conditions - especially with dry periods between July and August - yields for rice and certain maize varieties were good, highlighting the fertile land and favorable climate conditions without the need for irrigation investment. While the limited availability of soya seeds proved problematic, Amatheon established channels to import better seeds into the country and started trialing other grain varieties, such as hybrid rice, following an extensive soil survey with multiple specialist companies.

In line with the expansion of the farming operations, a drier and cleaner system was installed on two clusters as well as large warehousing facilities on both sites. These will play a critical role in providing insulation against inclement weather, and allowed Amatheon to be approved as a supplier to the United Nations World Food Programme (WFP). Additionally, Amatheon invested in new equipment and a workshop upgrade. Rice milling options were also explored with a strong business case prepared for 2016.

Trading relationships with smallholder farmers were developed in 2015 and Amatheon built a strong base supplying grain at its depots. While the training and trading activities provide economic empowerment and social impact for smallholders in Nwoya District, they also provide Amatheon with a growing network for suppliers and clients for significant trading volumes in the future.

The management team in Uganda achieved its training objectives – ensuring Amatheon now has a capable team of operators for a sophisticated machinery fleet. This is no minor feat in a country with very limited history of large-scale in commercial grain farming and has proven to be a real challenge in the past.





Part of Amatheon's fleet in Uganda



Maize field in Uganda





Zimbabwe

HECTARES HARVESTED	880
CROP HARVESTED: MAIZE	1
HARVEST	1 st



Zimbabwe is on the edge of a return to commercial farming activities and Amatheon seeks a first mover advantage. After establishing Amatheon Agri Zimbabwe (AAZim) last year, the company's first maize harvest took place in mid-2015 with a satisfying performance – exemplifying the potential despite challenging conditions.

Amatheon's modus operandi in Zimbabwe is contract farming, whereby Amatheon provides the equipment, capital and management of the operations, and carefully vetted farmers receive a percentage of the revenue. This first harvest of 880 hectares resulted in good yields in some areas – comparatively better than rain-fed farming operations in neighboring areas, despite erratic rains that caused water stress on some crop.

Considering the significant threat of El Niño for the 2015 summer planting season, Amatheon mitigated its risks by deciding against further continuation or expansion of the rain-fed cropping operations. The impact of El Niño seen in early 2016 confirmed it was a sound decision. During this period, Amatheon began identifying appropriate land for irrigation and redefined its Zimbabwe strategy – which includes various crops and commodities with direct access to European markets running in parallel to large-scale cropping for the local market.

With the country's high agricultural productivity, superior infrastructure to many nearby countries and skilled labor force, Amatheon's Zimbabwe strategy is now clearly defined and important networks are well established – positioning the company for the future and ensuring competitive advantages as the reconstruction of the agriculture sector begins.





Food

The demand for animal protein is expected to rapidly grow in Sub Saharan Africa - around 43% until 2030 compared to 13% in industrialized countries – and Amatheon has successfully consolidated its downstream operations including slaughtering, processing, and meat retailing in Zambia.



2nd Largest Meat Company in Zambia

In 2015, Amatheon established itself as a top player in the Zambian meat market, by consolidating, integrating and solidifying its place as the second largest meat company in the country. Over the year, four meat companies were acquired and incorporated under one umbrella - structurally lowering operating costs and driving strong brand recognition. In January, following the competition authority approval, Amatheon acquired a majority shareholding in the Real Meat Company, a Lusaka-based pork abattoir and meat processor. Immediately thereafter, the Real Meat Company acquired control of More Beef Ltd., a company operating the butcheries in Pick n Pay supermarkets across Zambia, and its fully owned subsidiary Buccamore Foods Ltd. By June, the Real Meat Company had acquired control of Best Beef Company Ltd and Best Pork Company Ltd - two abattoirs and meat processors.

The Real Meat Group produces a full range of fresh and processed meats, and is listed in all major outlets throughout Zambia, including Shoprite, Pick n Pay, Spar and most individual retailers. This strong meat platform – and accompanying consumer brand – has allowed Amatheon access to both wholesaling and retailing sectors, and provides synergies with its ranching operations. Importantly, Amatheon has now successfully proven concept, increased margins through economies of scale, and built a replicable model that can be applied

in other countries.

Operationally, a new organizational structure was introduced following the acquisition of Real Meat Company and More Beef – driving merger execution and operational excellence. The well-seasoned Real Meat Company CEO was retained to lead the Group. To increase savings in back office and logistics, all offices were relocated to the Real Meat Group premises, thus starting to create one strong team in one location. Furthermore, a feedlot was closed and a new abattoir was built in Choma, thereby creating the opportunity to source in Southern and Central Provinces, and allowing more sourcing while diversifying the risk. By the end of the year, a new brand strategy had been defined that will drive growth and margins, position Real Meat Company as a premium brand and Best Pork as a price entry brand, and introduce new products that will increase offerings and increase the number of sales points for higher volumes.

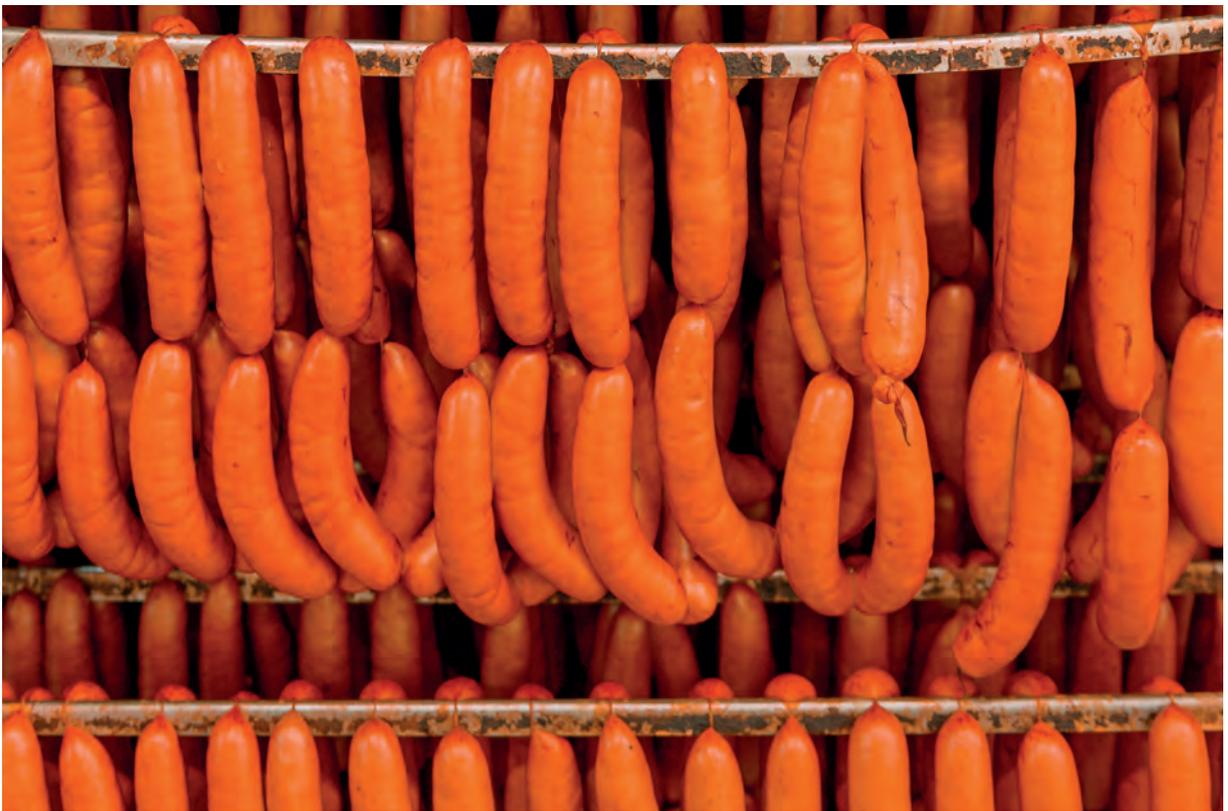
Following this consolidation phase, the Real Meat Group owns, operates or supplies:



38x Supermarkets supplied country-wide



Left: Meat processing
factory in Lusaka



Smoked Hungarian sausages

Sustainability

Amatheon's core business relies on healthy ecosystems, strong rural communities and talented staff. Knowing that large-scale commercial activities impact the environments and communities where they take place, Amatheon acts as an anchor investor to significantly uplift its surrounding community socially, environmentally and economically. This approach helps create healthy populations, empowered with business and life skills to continue developing their communities in a sustainable way.

In September 2015, as the world adopted the new Sustainable Development Goals, Amatheon was pleased to see the explicit recognition of the Private Sector as a powerful partner to help achieve global development objectives. Throughout the year, Amatheon strengthened its existing cooperation with NGOs and non-profit companies, and warmly welcomed a new partnership with DEG – the German Investment and Development Corporation, part of Germany's Federal Ministry for Economic Participation and Development. DEG confirmed a contribution of almost kEUR 200 to support Amatheon's Outgrower Programme through farmer trainings, market access and regular monitoring.

Another important 2015 milestone was Amatheon's acceptance into the world's largest corporate sustainability initiative - the UN Global Compact. Heeding the Compact's call for companies to align their strategies and operations with universal principles on human rights, labour, environment and anti-corruption, Amatheon takes actions that advance societal goals and is becoming a leading example of responsible investment in agriculture.

**Amatheon's core
business relies on
healthy ecosystems,
strong rural communities
and talented staff**



Triple-Bottom-Line Approach

01

Economic Empowerment

Alongside its large-scale farming operations, Amatheon uses its commercial farms as a nucleus to support and trade with thousands of small-scale farmers. Leveraging the platform, infrastructure and communication channels that Amatheon has established, the Outgrower Programme provides structured access to a network of smallholders – in turn allowing Amatheon to significantly increase its trading volumes while simultaneously achieving significant social impact. By incorporating smallholder farmers into the rural value chain, Amatheon helps build vibrant outgrower networks, fosters entrepreneurship, stimulates local productivity and diversifies sources of income.

The Outgrower Programme provides free training on conservation farming and business skills, establishes rural depots to sell inputs and buy grain, and links farmers with credit institutions. It developed significantly in 2015 - by the end of the year, 6,344 farmers were registered, 13 depots were established and 140 farmers participated in a loan trial scheme. Payback rate for these loans was 100% and farmers were able to take their business to the next level. In Zambia alone, almost kUSD 500 was injected into the local economy through Amatheon's grain purchases from smallholders.

Importantly, a livestock component was also introduced into the Programme whereby a veterinary firm provides vaccinations and animal health trainings, and Amatheon provides a reliable output market. This new addition to Amatheon's buying basket helps farmers see the opportunities of investing in their livestock and reduces their dependency on cropping.

Partners



02

Social Improvements

To strengthen local relations, further develop mutual trust and understanding, and ensure two-way communication, Amatheon holds regular meetings with its neighboring communities and consultative meetings with district representatives. To bolster these efforts, in 2015 Amatheon developed the framework for Community Sustainability Committees which bring together local leaders, community members, local government representatives and Amatheon staff in an open and participatory manner.

More than 80% of Amatheon's workforce comes from its areas of operations, hence Amatheon is committed to boosting nearby physical and social infrastructure. In Uganda in 2015, Amatheon provided school furniture to teachers and children of Wii-Anaka Primary School where 300 children were sitting on the floor during study time. This furniture has helped establish a more supportive and motivating learning environment for children. Furthermore, Amatheon partners with local NGOs to provide HIV counseling and testing and Hepatitis B screening for employees as well as local community members. In Uganda in 2015, around 500 people were tested, screened and sensitized on HIV/AIDS and Hepatitis B.

03

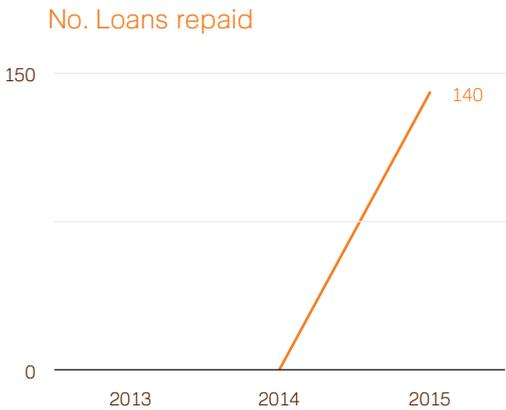
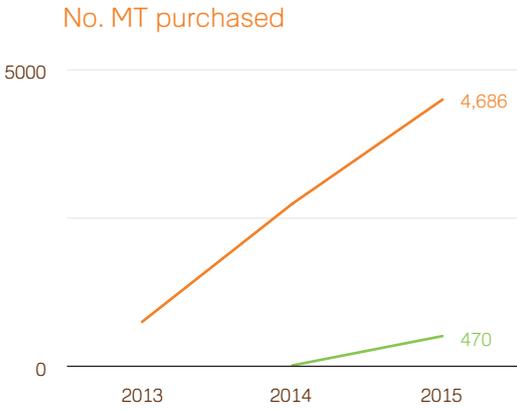
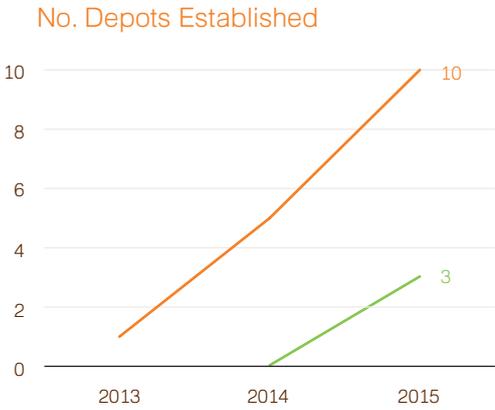
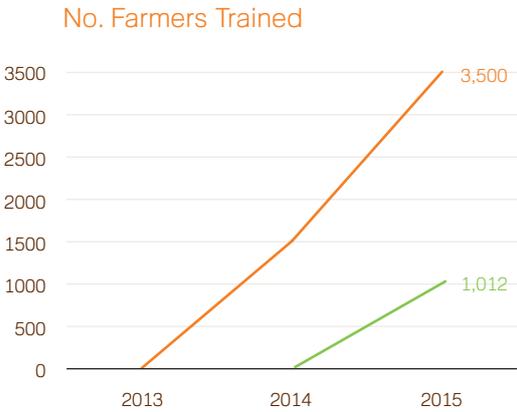
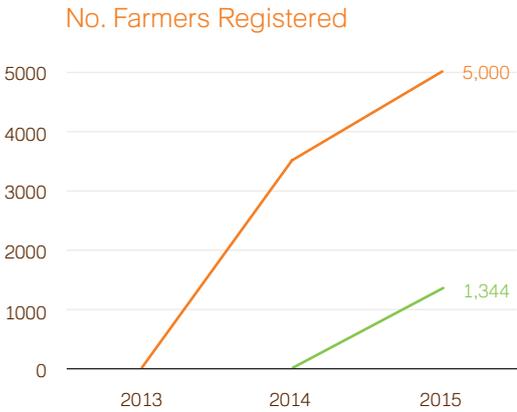
Environmental Enhancement

Amatheon is committed to improving and protecting critical natural resources and operates using sound environmental practices – all of which are vital to the sustainability of agricultural businesses. Prior to any of new land development in 2015, Amatheon undertook another 10 Environmental Impact Assessments, adhered to all applicable environmental regulations, and developed Environmental Management Plans.

In its large-scale farming operations, Amatheon protects the soil and biodiversity, uses low-tillage cultivation methods, protects water sources with appropriate signage, and measures the company's environmental impact using indicators such as water, soil, air and noise levels. In 2015, no contamination of soil or water was found in any Amatheon operation. To continuously learn and improve performance, Amatheon attends workshops and seminars focusing on environmental matters, such as the United Nations Climate Change Conference in Paris in December 2015.

Outgrower Programme Development

Zambia — Uganda



FARMING As A BUSINESS

1. WHAT IS A BUSINESS?
2. WHAT FACTORS FARMING AS A BUSINESS?
 - 3 - LAND
 - CAPITAL
 - LABOUR.
 - MACH

People

Recognising that its success relies on the calibre and capabilities of its staff, Amatheon aims to attract, motivate and retain the best talent by being an inspiring, supportive and rewarding employer. Amatheon prioritises fair and safe working conditions for all employees, zero corruption, non-discrimination, and upholding internationally recognized human rights. In 2015, all key human resources services were rolled out across countries to provide a strong and stable platform for business execution, and there was regular deployment of staff from Berlin to Africa and vice versa.

“ I am passionate about generating market opportunities for rural farmers. Amatheon Agri allows me to utilize that passion with a great team to create not only solid financial but social return too.

S. MANGENA

Outgrower Manager, Amatheon Agri Zambia



“ Ensuring that Amatheon Agri Uganda invests responsibly is a great task with versatile activities as we engage all stakeholders throughout our operations. Most importantly, my interest lies among the farmers and their families that live and work around our operations. When we aim to make them more productive, we are transforming lives of communities in which we operate and in turn this will create a platform for Amatheon's further business growth.

N. AKUMU

Sustainable Development Manager, Amatheon Agri Uganda



“ I enjoy the challenge of building cross-country and cross-operational solutions, and selecting specific best practices from European agriculture which can be tailored to the African farming environment.

T. C. ROWLES NICHOLSON

Business Development Manager, Amatheon Agri Holding



Breakdown of staff by company, location, status and nationality by December 2015:

Amatheon Agri Holding N.V.		Amatheon Agri Zambia		Amatheon Agri Zimbabwe	
Total number of people employed		Total number of people employed		Total number of people employed	
21		771		5	
Permanent	Casual	Permanent	Casual	Permanent	Fixed term
90%	10%	33%	67%	—	100%
Male	Female	Male	Female	Male	Female
12	9	681	90	2	3
German	62.0%	Zambian	99.48%	Zimbabwean	100%
Russian	9.5%	Zimbabwean	0.26%		
Australian	9.5%	Swasi	0.13%		
British	9.5%	Austrian	0.13%		
Dutch	9.5%				

Katonga Farm Ltd.		Amatheon Agri Uganda		Real Meat Group	
Total number of people employed		Total number of people employed		Total number of people employed	
634		222		484	
Permanent	Casual	Permanent	Casual	Permanent	Casual
2%	98%	40.5%	59.5%	100%	—
Male	Female	Male	Female	Male	Female
634	—	185	37	431	53
Zambian	99.8%	Ugandan	93.5%	Zambian	98.0%
Zimbabwean	0.2%	Kenyan	5.5%	South African	0.5%
		Zimbabwean	1.0%	British	0.5%
				Zimbabwean	0.25%
				German	0.25%
				Irish	0.25%
				Indian	0.25%



Amatheon Foundation



Despite many macro-economic gains in Sub-Saharan Africa over the past decade, a large percentage of the population still do not have access to basic services, amenities and infrastructure. Agriculture is widely seen as the industry that has the biggest potential to positively impact economic growth and living conditions for the majority of lower income and impoverished families. However, there is a dependency on non-sustainable food security methods and much still needs to be done on enhancing rural infrastructure to help farmers turn subsistence activities into farming as a real business opportunity.

In 2015, the Amatheon Foundation focused on tackling bottlenecks for smallholder farmer development along the value chain in central Zambia and northern Uganda. Key activities included supporting production and marketing trainings, linkages to NGOs, non-profits and the private sector, and establishing a strong Monitoring and Evaluation system. This system is based on software called Farm Force - specifically designed by the Syngenta Foundation to support smallholders - and allows real-time data capture about individual farmers to track progress and the impacts of interventions.

Photo Credits:

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www.mono-space.com

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