



Press Release

Lochem, 31 October 2019

ForFarmers third quarter 2019 Trading Update

Highlights third quarter 2019¹:

- Volume Total Feed²: small decline (-0.6%); the contribution of the acquisitions could not fully offset the like-for-like volume decline
- Volume compound feed: nearly stable (-0.4%); growth in Germany/Poland nearly compensates the decline in the Netherlands/Belgium and the United Kingdom
- Gross profit: nearly stable (0.4%); the contribution of the acquisitions was about equal to the like-for-like decline. Substantial improvement compared to the first half-year of 2019
- Underlying EBITDA³: increase of 6.9% (including a positive IFRS 16 effect of 6.6%)

Outlook:

- As announced earlier, underlying EBITDA, underlying EBIT and underlying net profit for the full year 2019 will be lower than in 2018 because the decline of the results in the first-half of 2019 (compared to the first-half of 2018) can not be compensated
- Political discussion in the Netherlands about impact agricultural sector on the environment (i.e. nitrogen emissions) can possibly lead to reduction of animals herds

Yoram Knoop, CEO of ForFarmers, states: "The results in the third quarter indicate, among other things, that the effect of the unfavourable purchasing position, which we had in the first half-year, is behind us. We have realised substantial growth in Poland with which we have compensated the effects of the challenging market circumstances in the other countries. We consider the fast growing agricultural market in Poland as an important pillar of growth for the future and are well positioned there with our stake in Tasomix.

The discussion in the Netherlands about which measures should be taken to reduce the nitrogen emissions has led to great unrest among farmers. In this context it is understandable that they remain reluctant to increase their production. It is crucial that the nitrogen discussion is held based on facts and is not only focused on reduction of herd size. We are convinced that much can be achieved in terms of reduction of nitrogen emissions through innovative feed concepts, management measures, better barn designs and effective use of manure. In addition, we are contributing to the realisation of a consistent, long-term vision of the Dutch government vis-à-vis the agricultural sector, in which investments to make the sector more sustainable are being supported.

We made good progress with the implementation of the group-wide efficiency plans, which were announced earlier this year, particularly in the United Kingdom and the Netherlands. This is starting to lead to cost savings. Going forward we will continue to focus on making our organisation more efficient and flexible."

Price developments⁴ in the agricultural sector

Average prices for milk in Europe were lower in the third quarter of 2019 than in the comparative quarter last year, and than the 5-year average.

Average pig prices were substantially higher than in the third quarter in 2018. This is due to the growing demand from Asian countries for pig meat, because their local pig herds have significantly reduced due to the outbreak of African swine fever. This disease is still spreading in China and has now also been detected in other countries including Vietnam, South-Korea and the Philippines. The

1. Results and developments of the third quarter 2019 are compared to those of the third quarter 2018, unless stated differently
2. Total Feed covers the entire ForFarmers product portfolio and comprises compound feed, specialties, co-products (from the feed industry, referred to as DML products), seeds and other products (such as forage)
3. Underlying EBITDA means EBITDA excluding incidental items
4. Source <https://ec.europa.eu>

export of pig meat from Europe to China has increased this year by approximately 45%. Despite the fact that Dutch and German pig farmers are benefitting from the high pig prices, it has not led to higher production for them. The uncertainty about possible new environmental measures is currently holding back pig farmers in both countries to invest in production growth. In addition, the earlier announced 'warm restructuring' of the pig sector in the Netherlands is starting soon.

It is expected⁵ that the effects of the African swine fever in Asia will continue in the coming years. As a result hereof, consumer demand in Asia for poultry products is rising.

Prices for broilers were volatile in the past quarter and were, on average, lower than in the comparative period in 2018. The average price for eggs was higher in the third quarter 2019 than in the same period last year.

Development consolidated results in the third quarter of 2019

Total Feed volume showed a small decline of 0.6%. The contributions of the acquisitions (Voeders Algoet in Belgium, Van Gorp Biologische Voeders and Maatman in the Netherlands) could not fully offset the like-for-like volume decline in the United Kingdom.

During the third quarter there were a number of days with extremely high temperatures. At such high temperatures animals hardly eat, if anything at all. This had an effect on volume development.

Total Feed volume grew like-for-like in the clusters Netherlands/Belgium and Germany/Poland.

Total compound feed volume was nearly stable (-0.4%). Compound feed volume grew in Germany/Poland, but declined in Netherlands/Belgium and the United Kingdom.

Gross profit remained nearly stable with a small increase of 0.4%. The contribution of the acquisitions was nearly equal to the like-for-like decline. Gross profit grew in the cluster Germany/Poland, which was made up of a decline in Germany and an increase in Poland. In the clusters Netherlands/Belgium and the United Kingdom, gross profit fell. However, gross profit/tonne compound feed increased in the United Kingdom and in Poland. In the cluster Netherlands/Belgium this ratio was nearly stable, and in Germany it decreased.

Total underlying operating costs rose, both through acquisitions and like-for-like. Logistic costs, depreciation and amortisation were higher. Employee benefit expenses hardly increased. This was mainly the result of the implementation of the efficiency plans, particularly in the United Kingdom, which were announced earlier this year. There was a minimal release from the provision for bad debts in the third quarter of 2019, whilst there was no mutation last year. Production costs per tonne rose slightly because of the like-for-like decline in volumes. The closure of a number of production locations by transferring volumes to other ForFarmers' mills and third parties should be seen in this context. Executing these plans led to temporary double expenses.

As of the beginning of 2019 there is a one-off positive impact of the implementation of IFRS 16 relating to the accounting treatment of leases (the positive effect in the third quarter was €1.5 million on underlying EBITDA). The comparative data for 2018 have not been adjusted for the IFRS 16 effect. On balance, underlying EBITDA increased by 6.9% (including a positive IFRS 16 effect of 6.6%). The conversion ratio (underlying EBITDA/gross profit) improved slightly.

Depreciation and amortisation increased as a result of items including concluded investment projects in factories, the acquisitions and the IFRS 16 effect. Underlying EBIT declined accordingly.

Developments per cluster

The Netherlands/Belgium

Total Feed volume increased, both like-for-like as through acquisitions. Whilst Total Feed volume rose, compound feed volume fell, which put pressure on the gross profit.

In the second half-year of 2018 Dutch dairy farmers reduced their herd size to comply with the phosphate reduction measures. As of the beginning of 2019, the phosphate emission is below the maximum ceiling as laid down by the European Committee. The dairy herd increased again slightly in the past months, but there were still fewer dairy cows in the Netherlands than in the same period last year. In addition, dairy farmers remained reluctant to buy performance feed to increase their production per cow, which affected the sale of compound feed.

Volume in the pig sector remained virtually flat. This was mainly attributable to the contribution of the acquired feed company Voeders Algoet in Belgium and the successful launch of the finishers' concept Ultra. In the Netherlands volume declined due to, amongst others, the 'stoppers arrangement' which aims to reduce the number of pigs. The outbreak of African swine fever among wild boars in Belgium appears to be under control. The disease has not been detected at pig farms. There is however still an export ban on pigs (and pig meat) from Belgium to some countries, which affects the returns for pig farmers. A number of farmers has therefore stopped farming.

Total Feed volume fell in the poultry sector. Reasons included the non-renewal of a number of large forward-sales contracts with layer farmers in the Netherlands at the end of 2018. Since then new customers have been gained, although not yet enough to compensate for the volume loss. Avian flu had a negative effect on volumes in Belgium.

Reudink, which caters exclusively to organic farmers, saw volumes increase because of the acquisition of Van Gorp Biologische Voeders.

Germany/Poland

In this cluster more Total Feed volume was sold in all sectors. Volume growth was realised fully like-for-like. There was no acquisition effect this quarter. Compound feed volume grew more (percentagewise) than Total Feed volume, resulting in a higher gross profit.

In Germany volume grew in the ruminant sector as market share was gained in the dairy sector. In the pig sector volume remained virtually flat despite the decline of the pig herd following the new phosphate measures. As a result of a targeted market approach for layer farmers more volume was sold in this sector. Lower volumes were sold to broiler farmers.

Volume grew in Poland in all sectors. Broiler farmers were slower in refilling their barns because of the volatile price for broilers. Accordingly, volume growth slackened. Both in the dairy and the pig sector volume rose. Production in the mill in Biskupice and in the new mill in Pionki increased.

The United Kingdom

Total Feed volume declined substantially. Compound feed volume, however, declined less (percentagewise) than Total Feed. Gross profit per tonne improved accordingly, but also as a result of the tightened commercial positioning.

Volumes in the ruminant sector were lower than last year when it was necessary to feed the animals compound feed because there was not enough grass after the dry summer months. In particular, volumes to sheep farmers and in the beef sector were down due to the very low market prices and the uncertainty about Brexit. Volume also decreased in the pig sector. The reason for this was twofold: the commercial positioning not to deliver feed at too low margins, and a larger buyer having less pigs.

Volume in the poultry sector increased, specifically in the broiler sector due to good performance of recently launched feed concepts. ForFarmers has a growing market share in this sector.

Outlook

ForFarmers determined its strategy Horizon 2020 in 2014. In 2016, as part of the listing, the Company disclosed to Investors the medium-term financial guidance appertaining to this strategy. The medium-term target is to realise an average annual increase in underlying EBITDA in the mid-single digits at constant currencies, excluding the impact of significant acquisitions and barring unforeseen circumstances.

As announced earlier, underlying EBITDA, underlying EBIT and underlying net profit for the full year 2019 will be lower than in 2018 because the decline of the results in the first-half of 2019 (compared to the first-half of 2018) can not be compensated.

The results in 2019 include the IFRS 16 accounting treatment of leases. IFRS 16 has a positive effect on underlying EBITDA, which is just about offset on underlying EBIT, and has a negative effect on underlying net profit. The comparative data for 2018 have not been adjusted for the IFRS 16 effect.

ForFarmers is currently working on the strategy for the years 2020 -2025. This strategy, and the associated objectives, will be finalised and disclosed in the second quarter of 2020.

In the Netherlands the impact of the agricultural sector on nature is currently an item on the political agenda, specifically as to the manner in which nitrogen emissions should be reduced. The Dutch government is for instance reserving funds for the voluntary withdrawal of farms near nature areas. There is however still a lot of uncertainty about the proposed measures for this complex situation. It is possible that this can lead to a reduction of the herd size in the Netherlands. Also in other countries the sector is faced with government measures to reduce the environmental impact of animal husbandry. The speed and intensity with which such measures are being introduced are being taken into account in determining the strategy for the period 2020 up to 2025.

Geopolitical developments can affect the markets that ForFarmers operates in. The uncertainty surrounding Brexit as well as the trade relations between the United States and other countries (in particular China) continues. Volatility in raw material prices and on the currency markets is expected to continue. The interest rate development in Europe results in an increase in pension costs for ForFarmers. This is a reason for ForFarmers to review its current pension arrangements in the Netherlands.

Integration of acquisitions

The integration of Van Gorp Biologische Voeders in the Netherlands has been completed. In addition, Voeders Algoet was merged into ForFarmers Belgium to become one organisation. Retaining all specialists and customers during the integration of smaller acquisitions remains challenging. In Poland, the integration of all operational departments of Tasomix has been completed. The focus continues to be the further enhancement of production in the Pionki mill and to achieve further growth in all sectors.

Progress efficiency plans 2019 – 2020

The implementation of the efficiency plans, which were announced earlier this year, progressed according to plan and is starting to lead to cost savings. These plans include optimisation of mill locations. In the third quarter the closure of a second mill in the United Kingdom was announced and completed. Since the beginning of 2019, four mills (two in the Netherlands and two in the United Kingdom) have now been closed. The efficiency plans should result in a cost saving of €10 million in 2021 compared to 2018. This should lead to an improvement of the underlying EBITDA/gross profit ratio.

This press release contains information that qualifies as inside information in the sense of Article 7 paragraph 1 of the EU Market Abuse Regulation.

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Company profile

ForFarmers N.V. is an international organisation that offers complete and innovative feed solutions for livestock farming. With its "For the Future of Farming" mission, ForFarmers is committed to the continuity of farming and further sustainalising the agricultural sector.

ForFarmers is the market leader in Europe with annual sales of approximately 10 million tonnes of animal feed. The organisation is operating in the Netherlands, Germany, Belgium, Poland and the United Kingdom. In 2018, ForFarmers has approximately 2,700 employees. In 2018, the turnover amounted to over € 2.4 billion. ForFarmers N.V. is listed on Euronext Amsterdam.

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FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that can also relate to ForFarmers' legally required capital and liquidity positions in certain specific scenarios. Forward-looking statements can include but are not limited to statements that include words such as, "intended", "expected", "based on", "focused on", "plans", "estimate" and words with similar meanings. These statements relate to or can have an effect on circumstances that will occur in the future, such as ForFarmers' future financial results, business plans and current strategies. Forward-looking statements are subject to various risks and uncertainties that could cause actual results and performance to differ materially from the expected future results or performances that are implicitly or explicitly included in forward-looking statements. Factors that can lead to or contribute to differences in current expectations include, but are not limited to: developments in legislation, technology, taxes, laws and regulations, fluctuations in share prices, legal procedures, investigations by regulators, competitive relationships and general economic conditions. These and other factors, risks and uncertainties that may affect any forward-looking statement or the actual results of ForFarmers are discussed in the latest published annual report. The forward-looking statements in this document only concern statements from the date of this document, ForFarmers accepts no obligation or responsibility whatsoever to update forward-looking statements contained in this message, irrespective of whether they reflect new information, future events or otherwise, subject to ForFarmers' legal obligation to do so.