

# ForFarmers N.V.: first quarter 2018 Trading Update

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## ForFarmers first quarter 2018 Trading Update

### Highlights first quarter 2018<sup>1</sup>:

- Volume Total Feed: growth, driven by clusters the Netherlands and Germany/Belgium, small decrease in the United Kingdom
- Gross profit: growth in all clusters (including negative currency translation impact Pound sterling)
- Underlying EBITDA<sup>2</sup>: limited decrease due to a.o. temporary higher advisory costs relating to the planned acquisition of Tasomix (Poland) and to higher energy and diesel costs
- Announcement intended acquisition 60% stake in Tasomix

Total Feed volume grew in the clusters the Netherlands and Germany/Belgium. Compared to the first quarter of 2017 Total Feed volume decreased in the United Kingdom, but volume increased compared to the fourth quarter of 2017. Volume growth in Total Feed, in terms of percentage, was higher than in compound feed. In the first quarter 2018, volume growth was driven nearly completely by organic growth.

Milk prices are declining as of the fourth quarter 2017 but are higher than last year around this time of year. Average European pig prices started to decline as of October 2017 and are currently lower than in the comparative period last year. Prices for broilers are higher than in the first quarter of 2017 and show a mild upward trend. Egg prices are also higher than a year ago, but have started to decline as of the beginning of this year. In the second half 2017 egg prices increased significantly due to a shortage of eggs following the Fipronil case.

Consolidated revenue increased primarily as a result of volume growth. Gross profit grew in all clusters, including a limited negative currency translation impact of the Pound sterling. Gross profit improvement was realised particularly by the clusters Germany/Belgium and the United Kingdom.

Net profit increased due to an incidental gain from the sale of the arable activities (non-livestock feed related) to CZAV in the Netherlands, which was completed last February.

"Our first quarter results paint a varied picture. Volume development is positive in all clusters and we are also satisfied with the improvement of our gross profit. Our underlying EBITDA showed a limited decrease due to, amongst others, temporary higher M&A related consultancy costs and increasing energy and diesel prices which we have not been able to fully pass on to our customers. We are on track with the implementation of the various pillars of our Horizon 2020 strategy and are looking forward to the moment that we become operational in Poland", states Yoram Knoop, CEO of ForFarmers.

(1) Results and developments of the first quarter 2018 are compared to the first quarter 2017, unless stated differently

(2) Underlying EBITDA means EBITDA excluding incidental items

### Developments per cluster

#### The Netherlands

More volume Total Feed was sold in the first quarter 2018 than in the comparative period last year. In terms of percentage, volume growth in Total Feed was nearly equal to that in compound feed. Volume growth was realised in all species (ruminant, swine and poultry). In the (beef) cattle sector more volume

was sold, which was offset slightly by lower volume in the dairy sector. This was due to the decrease in the dairy herd following the implementation of the phosphate measures in 2017. Volumes were higher particularly in the poultry sector. This includes the continued volume increase of Reudink (biological/organic feed) that sells a lot of volume in specifically this sector.

#### Germany / Belgium

Total Feed and compound feed volume increased in all species in this cluster during the first quarter of 2018. In terms of percentage, volume growth in Total Feed was larger than in compound feed. Both the NOVA sow concept and the relaunch of the VIDA piglet range were successful and led to volume growth in the swine sector. Volume increased in the poultry sector due to, amongst others, attracting new customers.

#### United Kingdom

Total Feed volume in Q1 2018 was lower than a year ago, but higher than in Q4 2017. This is a continuation of the mild upward trend since mid-2017. In terms of percentage, compound feed volume decreased less than Total Feed in the first quarter. In Q1 2018, more Total Feed (y-o-y) was sold to cattle farmers. Volume in the swine sector was lower due to, amongst others, the adaption of our commercial proposition in which margin improvement is an important motive.

#### **Cost development**

Some costs affected the underlying EBITDA development in the first quarter. These were (temporary) consultancy and integration costs in relation to the intended 60% participation in Tasomix. Energy and diesel costs were higher due to higher prices and volume growth. Employee benefit expenses increased due to, amongst others, temporary additional staff relating to the transfer to one financial shared service centre on the Continent. License costs for IT were higher following the implementation of new applications, including the recently implemented HR system.

#### **One ForFarmers initiatives and others**

It is expected that the reopening of the factory in Deventer, as announced in January last, will take place at the beginning of the second half of 2018. This factory is being prepared to produce non-GMO and VLOG-certified\* feed for those dairy and goat farmers, whose products are mainly being exported to Germany where retail demand for non-GMO dairy products is increasing.

In February last, the strategic partnership between ForFarmers the Netherlands and Baks was started successfully. This cooperation is aimed at making the value chain more efficient and is consequently completely in line with the One ForFarmers objective to be able to deliver the Total Feed solutions in an effective and efficient manner.

Due to changing circumstances in the ruminant sector, ForFarmers United Kingdom has recently started to combine the two existing regional ruminant sales organisations to one national organisation.

In February, we announced the intended acquisition of 60% of the shares of the Polish (poultry) feed company Tasomix. In the meantime, approval has been given by the competition authorities and we are currently waiting for some external approvals for administrative formalities.

(\*) VLOG-certified: VLOG (Verband Lebensmittel Ohne Gentechnik) is a German Association, responsible for certifying and issuing the "Ohne Gentechnik" label.

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

**Note to the editor / For additional information:**

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**Company profile**

ForFarmers N.V. ('ForFarmers', Lochem, the Netherlands) is an internationally operating feed company that offers total feed solutions for conventional and organic livestock farming. ForFarmers gives its very best "For the Future of Farming": for the continuity of farming and for a financially secure sector that will continue to serve society for generations to come in a sustainable way. By working side-by-side with farmers ForFarmers delivers real benefits: better returns, healthier livestock and greater efficiency. This is achieved by offering tailored and Total Feed solutions and a targeted approach with specialist and expert support.

With sales of approximately 9.6 million tonnes of feed annually, ForFarmers is market leader in Europe. ForFarmers has approximately 2,300 employees and production facilities in the Netherlands, Belgium, Germany and the United Kingdom. In 2017, revenues amounted to over €2.2 billion.

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**FORWARD-LOOKING STATEMENTS**

This press release contains forward-looking statements, including those relating to ForFarmers legal obligations in terms of capital and liquidity positions in certain specified scenarios. In addition, forward-looking statements, without limitation, may include such phrases as "intends to", "expects", "takes into account", "is aimed at", "plans to", "estimated" and words with a similar meaning. These statements pertain to or may affect matters in the future, such as ForFarmers future financial results, business plans and current strategies. Forward-looking statements are subject to a number of risks and uncertainties, which may mean that there could be material differences between actual results and performance and expected future results or performances that are implicitly or explicitly included in the forward-looking statements. Factors that may result in variations on the current expectations or may contribute to the same include but are not limited to: developments in legislation, technology, jurisprudence and regulations, share price fluctuations, legal procedures, investigations by regulatory bodies, the competitive landscape and general economic conditions. These and other factors, risks and uncertainties that may affect any forward-looking statements or the actual results of ForFarmers, are discussed in the last published annual report. The forward-looking statements in this press release are only statements as of the date of this document and ForFarmers accepts no obligation or responsibility with respect to any changes made to the forward-looking statements contained in this document, regardless of whether these pertain to new information, future events or otherwise, unless ForFarmers is legally obliged to do so.