

ForFarmers N.V.: Trading Update third quarter 2016

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Highlights third quarter 2016:

- Volume Total Feed decreased slightly
- Gross profit: - small growth at constant currencies
 - ultimately a decrease due to devaluation of Pound sterling
- EBITDA growth in line with the improvement in the first half year 2016

ForFarmers has had a strong third quarter (Q3) 2016, with an EBITDA growth in line with the improvement as reported in the first half year 2016. The volume Total Feed that was sold in Q3 (like-for-like) decreased slightly. Revenue decreased due to lower raw material prices, which are passed on to customers, and the translation of the devaluated Pound sterling. Gross profit showed a small increase at constant currencies, but ultimately a decrease was reported due to the currency effect.

"Due to a strong focus on cost control and further implementation of the One ForFarmers program we are on schedule with the realisation of our Horizon 2020 strategy and the earlier disclosed target with respect to an average EBITDA growth of in the mid single digits at constant currencies", states Yoram Knoop, CEO of ForFarmers.

In line with one of the pillars of the strategy, the acquisition of Vleuten-Steijn Voeders was announced in Q3. This acquisition was completed at the beginning of October and has led to a stronger market position in the sow and piglet sector in the south east of the Netherlands and in Germany. The integration has started immediately.

Developments per cluster

The Netherlands

ForFarmers the Netherlands has sold more volume of Total Feed in Q3 than in the comparative period last year, particularly in the ruminant sector. More volume was also sold in the poultry sector: a combination of a significant volume growth for layers but less volume for broilers as the demand for welfare concepts (fewer animals in the same housing area) continues to grow. In swine, although import demand from China had a positive impact on the price for pig meat this has as yet not led to a structural improvement in this sector which still suffers from a reduction in the number of animals. Accordingly, in line with the first half year, less volume was sold to pig farmers in Q3.

Reudink (organic feed) again reported strong volume growth in Q3.

In September, the trade journal V-focus announced that ForFarmers delivers the best advice to farmers. This was the outcome of a survey that was conducted with Dutch ruminant farmers.

It was announced last week that an agreement had been reached between parties concerned to reduce phosphate production in the Netherlands. The agreement comprises three pillars: giving premiums to farmers who reduce the number of cows, introducing a penalty discount for delivering surplus milk and diminishing the phosphate levels in compound feed. ForFarmers understands and supports these measures in light of retaining the derogation. The manner in which the agreed upon measures will be implemented remains to be seen, but will lead to some reduction in the volume sold to Dutch dairy farmers in the coming year according to ForFarmers.

Germany / Belgium

This cluster reported a growth in sold volume of Total Feed in Q3, particularly in the poultry and ruminant sector. More volume was also sold in the swine sector in Germany, mainly as a result of adding a new dealer.

United Kingdom

On a like-for-like basis, less volume Total Feed was sold in Q3. The structural reduction in the dairy herd accelerated, due to the difficult market circumstances. This resulted in a larger decrease of volume in the quarter than in the first half year. The volume sold in the swine sector also dropped due to the reduced number of animals. This reduction started at the beginning of the year as a reaction to the low meat prices. In the mean time the price for pork meat has substantially increased in comparison with the situation in the first half year. The production of the British swine sector currently meets 60% of local demand. Therefore, some 40% of the required pork meat needs to be imported. Given the fact that this has become more expensive following the devaluation of the Pound sterling, a growth in the swine sector could be expected in the medium term. Besides the market challenges in general and the cautiousness of farmers pending the outcome of the Brexit on the agricultural sector specifically, the devaluation of the Pound sterling has had a negative impact on the contribution of the United Kingdom to the consolidated results of ForFarmers.

The reorganisation process in the United Kingdom, which was announced and provided for in the first half year results, has started. Furthermore, plans are currently being finalised in order to optimise the supply chain. The positive effects of the reorganisation and the process changes will contribute to the results as of 2018.

One ForFarmers

Progress has been made during Q3 with One ForFarmers projects such as, among other things, the implementation of the SAP-CRM (customer relationship management) system in the United Kingdom to support the sales organisation. This system will also be rolled out in the other clusters in 2017. Furthermore, a start was made with the Total Feed Support project, which will move the sales organisation to a way of working focussed on the whole business of the customer (total feed) rather than the current product focus. This project will take approximately two years to be completed. The other clusters are also preparing to start with this project. The One ForFarmers efficiency programs, particularly with respect to logistics and non-feed related procurement, contributed to the reduction of costs.

Sustainability and innovation

ForFarmers aims to help improve returns on farm by providing advice that will lead to healthier livestock and greater efficiency, and a focus on sustainability. In this light progress has been made in Q3 with various innovative concepts, such as those that reduce the production of phosphate. This is particularly relevant in the Netherlands. To help farmers with a better method to quantify, measure and reduce phosphate production, ForFarmers also introduced the parameter "true phosphor" as part of the Feed2Milk program.

In addition, efforts are continuously being made to improve feed conversion. An example is the introduction of a fermentation feed concept, Ferm4Farm for the swine sector, that reduces the annual feed cost, enhances gut health of the animal and uses less antibiotics.

Note to the editor / For additional information:

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Company profile

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 9.1 million tons of feed annually, ForFarmers is market leader in Europe. ForFarmers has 2,370 employees and production facilities in the Netherlands, Belgium, Germany and the United Kingdom. In 2015, the turnover arrived at € 2.2 billion.

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