

ForFarmers N.V.: ForFarmers third quarter 2017 Trading Update

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ForFarmers third quarter 2017 Trading Update

Highlights third quarter 2017¹:

- **Volume Total Feed: growth in all clusters**
- **Gross profit: growth (including negative currency translation impact Pound sterling)**
- **Underlying EBITDA²: limited growth**
- **(Market)circumstances in the United Kingdom remain difficult**

The volume Total Feed increased in the clusters the Netherlands and Germany/Belgium in line with the first half year. Aside from organic growth, the Dutch Vleuten-Steijn (acquired as of October 2016) contributed significantly. The Total Feed volume in the United Kingdom increased for the first time this year.

In all clusters, volume growth in compound feed was larger than in Total Feed. This indicates that the financial situation of farmers in general has improved and that there is more demand for value added feeds. Milk prices are higher than last year. Pig prices have started to decline in the third quarter of 2017, but are generally still on a historically high level. The consolidated revenue increased as a result of volume growth and rising raw material prices, which are passed on to customers. Gross profit rose, including a negative currency translation impact of the Pound sterling, especially in the clusters the Netherlands and Germany/Belgium. In local currency, gross profit in the United Kingdom was nearly equal in the third quarter, whereas there was a decline in the first half year.

"Our third quarter results paint a positive but varied picture. We have sold more volume in all clusters. In addition, the product mix improved, particularly on the Continent, which led to a better gross profit. In the United Kingdom, however, we are facing challenges, both in the market as in our own organisation. The reliability of our service to our customers was negatively affected by a shortage of drivers. In order to improve the service levels, with which good progress has already been made, additional costs were made to deploy 3rd party logistics providers. We still remain positive about our mid to long-term United Kingdom strategy.

Throughout the ForFarmers group, our prime objective is to improve the return on the farm. We recently launched our new sow concept NOVA, simultaneously in our four countries of operation, which focuses specifically on healthier animals and a better production for the farmer", states Yoram Knoop, CEO of ForFarmers.

(1) Results and developments of the third quarter 2017 are compared to the third quarter 2016, unless stated differently

(2) Underlying EBITDA means EBITDA excluding incidental items

Developments per cluster

The Netherlands

ForFarmers has sold more volume of both Total Feed and compound feed. This was due to organic growth and especially the acquisition of Vleuten-Steijn. The Total Feed volume development was in line with the first half year, that of compound feed was higher. Contrary to our earlier announced expectation that volume in the dairy sector would decrease following the phosphate measures of 1 March last, more volume was sold in this sector. After the enforced decrease of the number of animals, farmers are currently focusing on increasing the milk production per cow, also due to the current milk price, and accordingly to a higher demand for performance feed.

More volume was sold in the slightly decreasing swine sector, both organically as through Vleuten-Steijn. Volume also increased in the poultry sector. Reudink (organic feed) again showed volume growth in the third quarter.

Germany / Belgium

The volume growth in compound feed was higher than in Total Feed in all sectors. Total Feed volume growth was in line with the first half year. This was driven by, amongst others, the new dealers which were attracted last year and the additional sales advisors. The stronger focus on customer segmentation, and the accompanying sales organisation, are starting to bear fruit. The focus on cost control, however, remains important.

United Kingdom

Volume increased in both Total Feed and compound feed in the United Kingdom. After the impact of the low milk and pig prices in 2016, it seems that the decrease in feed demand in both the dairy and the pig sector is bottoming out. The demand by dairy farmers for the recently introduced Feed2Milk concepts is noticeably increasing. This has a positive effect on the gross profit. In addition, more volume was sold in the pig sector to XL customers, leading to on average lower margins. This forces us to sharpen our commercial proposition, in order to achieve decent returns.

In our supply chain we experienced a higher than usual turnover of drivers which proved difficult to replace as a result of many non-UK drivers leaving the United Kingdom due to concerns around Brexit. This negatively affected the reliability of the service to our customers. Improving this is our main priority, and there are already signs of a strong recovery. Accordingly, our operational costs were temporarily higher, resulting in a lower underlying result. The roll-out of the supply chain optimisation plans in the United Kingdom, as announced during the annual results, is slightly delayed due to these developments. The opening of the new factory in Exeter is planned for the fourth quarter of this year.

One ForFarmers initiatives and others

In our objective to help improve returns on the farm, the focus is on delivering sustainable feed solutions and advice that lead to a healthier herd and a more efficient production. Our sales advisors continuously discuss items to improve with our customers. Based thereon, new concepts are subsequently devised, developed and tested before these are brought to market. As an example, recently the new sow concept NOVA was introduced in all countries in which we operate. This delivers a higher milk production per sow, more piglets per litter, a higher weaning weight per piglet and a longer life for the sow. In all of ForFarmers' countries of operation, the concept was successfully tested simultaneously on multiple thousands of sows and piglets on approximately 40 selected pig farms. The development and roll-out of NOVA demonstrates the One ForFarmers approach where knowledge is shared to improve the returns on the farm and for ForFarmers.

Working capital developed positively, both due to sharpened payment terms and to a further reduction in the overdues. End of September, an amount of approximately €45.5 million was spent on the share

buyback programme. In the half year results press release it was announced that the authorised maximum of €60 million for the share buyback programme will be fully used. In the third quarter, fewer shares were bought back than in the previous period.

This press release contains information which qualifies as inside information within the meaning of article 7, paragraph 1 of the EU Market Abuse Regulation.

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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 9.3 million tons of feed annually, ForFarmers is market leader in Europe. ForFarmers has 2,273 employees and production facilities in the Netherlands, Belgium, Germany and the United Kingdom. In 2016, revenues amounted to over €2.1 billion.

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