

the *total* feed business



Annual Results 2016

14 March 2017

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Highlights

Financial Results 2016

Horizon 2020

Outlook & Summary

Highlights:

Result improvement mainly due to One ForFarmers efficiency programme

2016

- **Mixed developments markets in general**
 - Ruminant: first low milk prices in all clusters, recovery in H2
 - Milk production: NL strong increase, GE/BE slightly up, UK decrease
 - Swine prices: strongly recovering due to a.o Chinese demand, number of animals decreased H1 2016, growing as of Q4
 - Poultry: egg prices low mid year and increasing in Q4; broilers facing price pressure due to more international competition
- Growth in Total Feed volume (2.5%) on **Total Feed approach**, compound feed flat
- **Brexit:** devaluation of Pound sterling results in translation impact; potential growth opportunities UK swine market
- **ForFarmers performance per cluster**
 - NL :** Strong growth volume Total Feed and gross profit (a.o. better formulation) result in 10.8% increase underlying EBITDA
Completed Vleuten-Steijn acquisition (1-10)
 - GE/BE:** Total Feed volume up
Better formulation & strong gross profit increase lead to 25.0% growth underlying EBITDA

UK: Volume decline due to challenging markets. Gross profit decreased. Substantial currency impact. Reorganisation initiated. Cost reductions, One ForFarmers initiatives and acquisition effect lead to underlying EBITDA at constant currencies up by 1.7%

Group overhead: Increase expenses by €3.5m due to year impact of further professionalising organisation. Includes one-off costs relating to listing

7.2% growth underlying EBITDA* at constant currencies

- **UK streamlining organisation** to accelerate Total Feed roll-out and to improve supply chain efficiencies
- **Sustainability:** 5 KPIs defined, report according to **GRI G4** (Core)
- Smooth transitioning multilateral platform to **public listing EURONEXT Amsterdam**; trading volume more than tripled (compared to before listing)

(*)EBITDA excluding incidentals

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One ForFarmers cost initiatives drive growth underlying EBITDA**

(in €m)	2016	2015	Total change	Currency	M&A	Like-for-Like***	Explanation
Volume Total Feed	9,259	9,035*	2.5%				Growth in NL and GE/BE, decrease in UK M&A effect:1.1%; organic growth:1.4%
Gross profit	407.4	424.2	-4.0%	-4.5%	0.7%	-0.2%	Increase in NL and GE/BE on higher volumes & better formulation; decrease in UK due to market
Other operating income	3.9	3.4					Includes incidental proceeds on sale of real estate and divestments
Employee benefit expenses	-150.5	-148.5					4% fewer FTEs but higher pension costs NL and increase in restructuring costs
Depreciation and amortisation	-26.0	-26.0					
Other operating expenses	-166.9	-189.0					Volume related production costs up on Continent, savings in UK, €3.7m less contribution to bad debt provision & lower energy costs in all clusters
Total Operating expenses	-343.5	-363.5	-5.5%	-4.7%	0.3%	-1.1%	Includes €1.5m one-off listing costs
Operating profit (EBIT) incl. incidental items	67.8	64.1	5.8%	-3.1%	3.0%	5.9%	
EBITDA	93.9	90.1	4.2%	-3.7%	2.7%	5.2%	
Incidental items	0.3	-0.3					2016: Gain sold activities (€2.2m), restructuring costs UK (-€1.9m)
Underlying EBITDA**	93.6	90.4	3.5%	-3.7%	2.7%	4.5%	
Translation impact	3.3	-					
Underlying EBITDA at constant currencies	96.9	90.4	7.2%				

(*) Adjusted downwards by 58k tonnes, excluding warehousing activities in NL; (**) Underlying means excluding incidental items

(***) Like-for-like means excluding currency impact and net effect of acquisitions and divestments

Profit improvement on One ForFarmers

<i>(in €m)</i>	2016	2015	Explanation
Operating profit	67.8	64.1	
Net finance costs	-3.5	-2.6	2015: one-off €0.7 m positive currency gain
Share of profit of equity-accounted investees, net of tax	3.8	4.7	2016: lower contribution HaBeMa on lower trading volumes due to low commodity prices
Income tax expense	-14.3	-14.9	
Profit for the period	53.8	51.3	Up by 4.9%
Effective Tax Rate (in %)	22.3%	24.2%	2016: positive impact due to deferred tax asset 2015: one-off additions to tax provisions
Non-controlling interests	-0.5	-0.6	
Profit attributable to owners of the company	53.3	50.7	Up by 5.1%
Profit for the period per share after tax (in €)	0.502	0.479	Profit per share up 4.8%
Proposed dividend per share (in €)	0.24218	0.23299	Dividend up by 3.9%

Capital structure further improved

Condensed consolidated balance

(In €m)	31-12-16	31-12-15
Non-current assets	334.5	323.1
Current assets		
- Cash and cash equivalents	152.9	133.1
- Assets held for sale	-	4.6
- Other current assets	289.8	321.2
Total assets	777.2	782.0*
Equity	429.0	407.2
Non-current liabilities		
- Loans and borrowings	45.7	53.0
- Other	87.0	82.9
Current liabilities		
- Loans and borrowings	45.7	46.8
- Other current liabilities	169.8	192.1
Total equity and liabilities	777.2	782.0*

(*) adjusted to reflect IAS 32; *Off-setting of financial assets and financial liabilities*
 Additions may lead to slight differences due to roundings

(In €m) 31-12-16 31-12-15

Solvency ratio*	55.3%	52.1%
ROACE**	21.6%	19.2%
Net Working capital***	120.0	129.0
<i>Other current assets</i>	289.8	321.2
<i>Other current liabilities</i>	169.8	192.1
Overdue receivables	18.6%	20.5%

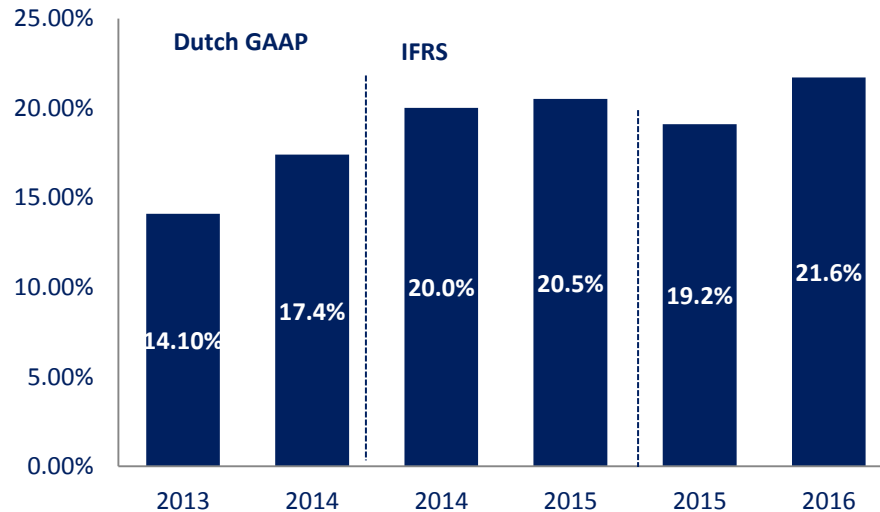
(*) Solvency ratio is group equity divided by total assets
 (**) ROACE means underlying EBITDA/average capital employed on 12 months rolling average; 2015 adjusted to enable comparison (see Note 27 Fin. Statements)
 (***) impact devaluation Pound sterling

Other non current liabilities includes pension liabilities UK: change in inflation definition reduced exposure by €17m, off-set by lower interest rates

Net Debt / (Cash)	(61.5)	(33.3)
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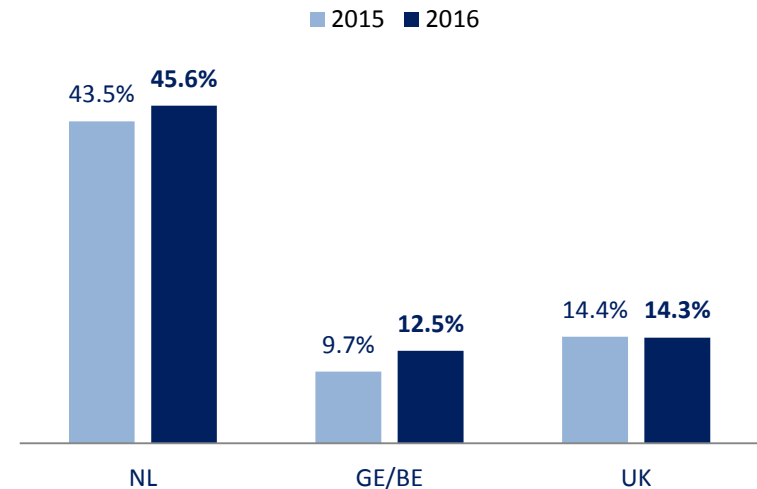
Improvement in Return (EBITDA) on Average Capital Employed¹

Increasing return on consolidated average capital employed (ROACE)¹



- 2014, 2015 & 2016 IFRS are based on figures excluding HaBeMa
- 2013 – 2014 Dutch GAAP are including HaBeMa figures

ROACE per geographic cluster for 2015 & 2016



- ROACE varies significantly amongst clusters
- An opportunity exists to improve ROACE in non-Dutch clusters, however:
 - Differences in valuation methodology of fixed asset bases (market value vs. historical value)
 - Working capital due to different market dynamics / requirements

1) ROACE up to 2015: Underlying EBITDA/average capital employed (begin – end year);
as of 2016: Underlying EBITDA/average capital employed on 12 months rolling average;
 2015 adjusted to enable comparison
 Reference made to Note 27 Financial Statements 2016

Total Feed volume development: up by 2.5%

Volume Total Feed: +2.5% (9.3 mT)

- Compound feed flat

The Netherlands: + 5.9% (4.3 mT)

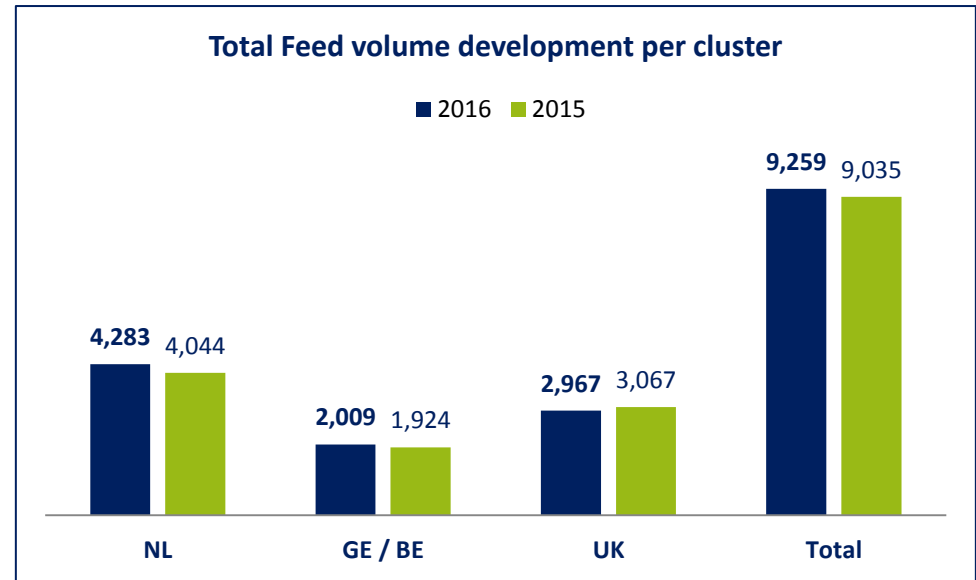
- growth in ruminant and poultry
- slight growth in swine resulting from Vleuten-Steijn acquisition
- compound feed lower increase
- significantly higher increase organic feed (Reudink)

Germany/Belgium: +4.4% (2.0 mT)

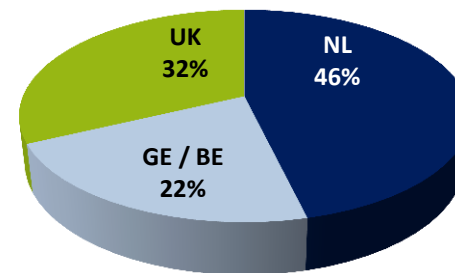
- growth in ruminant and poultry, decline in swine
- lower growth in compound feed

United Kingdom: -3.3% (3.0 mT)

- decrease in ruminant and swine
- growth in poultry
- larger decline in volume compound feed



2016 Volume split by cluster



Gross profit: solid growth in NL and GE/BE off-set by UK

(in € m and %)	Reported		Total Difference		Currency impact		Acquisition effect		Like-for-like*	
	2016	2015	2016 vs 2015							
Gross profit	407.5	424.2	-16.8	-4.0%	-19.1	-4.5%	3.1	0.7%	-0.8	-0.2%

Gross profit per cluster

The Netherlands: + €11.4 million (6.0%)

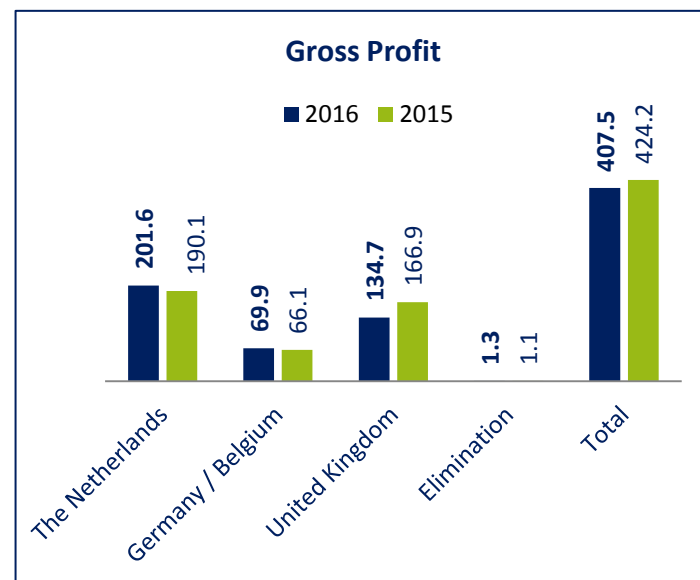
- Higher sales volumes and increase in organic feed
- Better formulation (optimal use of ingredients in feed) in H2
- Vleuten-Steijn acquisition per 1.10.2016

Germany / Belgium: + €3.9 million (5.8%)

- Better formulation effect in H1
- Stronger increase compound feed in H2

United Kingdom - €32.2 million (-19.3%)

- Translation effect of -€19.1 million, of which -€14.6 million in H2
- Net effect acquisitions/divestments €1.1 million
- Like-for-like: decrease of -€14.2 million due to declined volumes and farmers buying lower-value feed due to lower milk price



Additions may lead to slight differences due to roundings

(*) Like-for-like means excluding currency impact and net effect acquisitions & divestments

EBITDA / gross profit ratio improved in all clusters

<i>(in €m)</i>	The Netherlands		Germany/Belgium		United Kingdom		Group/Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Total Feed Volume (k tonnes)	4,283	4,044*	2,009	1,924	2,967	3,067	-	-	9,259	9,035
Revenue	1,019.1	1,001.9	522.3	529.6	630.7	771.5	-63.1	-58.5	2,109.0	2,244.5
Gross profit	201.6	190.1	69.9	66.0	134.7	166.9	1.2	1.1	407.4	424.2
Operating profit	58.4	50.9**	10.5	8.0	14.8	17.4	-15.7	-12.2**	67.8	64.1
EBITDA	66.9	59.1**	14.5	11.6	25.5	29.1	-13.0	-9.7**	93.9	90.1
Incidental items	1.0	-0.4	-	-	-0.7	0.1	-	-	0.3	-0.3
Underlying EBITDA	65.9	59.5	14.5	11.6	26.2	29.0	-13.0	-9.7	93.6	90.4
Effect currency exchange changes	-	-	-	-	3.3	-	-	-	3.2	-
Underlying EBITDA at constant currency	65.9	59.5	14.5	11.6	29.5	29.0	-13.0	-9.7	96.9	90.4
EBITDA/gross profit ratio	32.7%	31.3%**	20.7%	17.5%	19.5%	17.4%	-	-	23.0%	21.3%

Additions may lead to slight differences due to roundings

(*) Adjusted downwards by 58k tonnes, excluding warehousing activities in NL

(**) Adjusted for comparative purpose, due to refinement of overhead costs allocation

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Horizon 2020 – Activities update

Focus on attractive segments

- Client segmentation & organisational adjustments progressing in all countries
- SAP CRM rolled-out in UK; other countries live as of January 2017
- Group – cross country - marketing strategies per specie determined and being implemented
- Strong growth in organic feed solutions (Reudink)

Partner and deliver the Total Feed Business portfolio

- Harmonising group wide knowledge & experience leads to new products and concepts to enhance product portfolio
- Nutreco strategic partnership continues to provide leverage in purchasing and innovation
- Specific strategic partnerships initiated, e.g. Chr. Hansen on silage additives
- Integration DML & Compound Feed in NL and UK to simplify route to and for customers
- Introduction Total Feed support; live in NL
- ‘For the Future of Farming’: healthier livestock, greater efficiency & better returns for farmers

Horizon 2020 – Activities update

Acquisitions

- Vleuten-Steijn (1 – 10 – 2016) further strengthens position in swine sector in NL and GE

One ForFarmers: functional excellence & leverage scale

- Health & Safety standards further enhanced; increased awareness and consequential reporting: 55 LTIs* (slightly more than in 2015)
- Purchasing department organised across countries by commodity categories/buyers
- Construction of new plant in Exeter (investment £10 million) & new office in Bury St. Edmunds, UK (£4 million), progressing. Expected completion for both: mid 2017
- Reorganisation in UK announced to accelerate Total Feed roll-out and to improve productivity. Reduction of approx. 100 FTEs due to reorganisation (70 FTEs) and divestments (30 FTEs)
- Development supply chain optimisation plans in UK in process

(*) LTI= Lost Time Incident

Horizon 2020 – Deliverables update

Employee development

- Executive Committee: from 8 to 7 members
- Functional capability and quality enhancement senior management completed
- Close to 100% of senior management and approx. 22% of total staff shareholders through employee participation plan
- Strong focus on management development through dedicated training programmes
- First employee engagement survey: approx. 88% of staff participated, 77% highly engaged
- Ruminant, Swine, Sales and Logistics Academies live

Total nutrition solutions

- Good progress transformation to Total Feed approach
- Portfolio upgrade through Nutrition Innovation Centre enhancements
- Progress nutritional solutions addressing key sustainability themes such as AMR* and feed solutions that support specific animal welfare concepts

Results 2016

- At constant currencies underlying EBITDA up by 7.2% to €96.9m
- Underlying EBITDA/gross profit up from 21.3% to 23.0%
- Earnings per share up by 4.8% to €0.502

(*) AMR: Antimicrobial resistance

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Outlook 2017

- Geopolitical developments are expected to continue to influence markets in 2017
- Volatility in raw material prices and on currency markets expected to continue
- Changes in Pound sterling will continue to have translation impact on consolidated results

- Dairy market expected to see upward trend, albeit that the phosphate regulation will put some pressure on the sector in the Netherlands
- Due to increased demand from China the swine sector is expected to show volume growth
- Expected mid term growth in pig sector in the United Kingdom due to Brexit
- Poultry sector is expected to remain rather stable; increasing competition (global / Eastern European)
- Increasing consumer interest in welfare concepts, sustainability and organic food

- Reconfirmation of guidance: for the medium term an on average annual underlying EBITDA growth in the mid single digits at constant currencies, barring unforeseen circumstances

- Specific 2017 projects:
 - Supply chain excellence (UK) and Capex programme
 - Limited temporary share buy-back proposal submitted to General Meeting

Supply chain excellence (UK) and Capex programme

Supply chain optimisation United Kingdom

- Aim to achieve optimal specialisation, spread of locations and size of factories, and logistics, in line with the One ForFarmers approach and initiatives
- Plans are currently being developed and will be discussed with the organisation
- Besides other One ForFarmers cost savings, specific UK objective to save at least £5 million by 2020 compared to current UK cost level

Capex 2017 and 2018

- One ForFarmers initiatives and optimisation supply chain UK lead to temporary rise in capex to approx. €40m - €45m for both 2017 and 2018 (previously indicated: €35m p.a)
- Incremental cash requirement for capex expected to be off-set by working capital improvements

Limited, temporary, share buy-back proposal submitted to General Meeting of Shareholders

Strong cash generation

- Net cash balance as at 31 December 2016: €61.5m (2015: €33.3m)

Substantial headroom

- ForFarmers has Net debt/EBITDA comfort <2.5x, providing headroom of approx. €295m on 2016 annual results for operational improvements and M&A

Proposal for limited, temporary, share buy-back

- Proposal to General Meeting of Shareholders 26 April 2017:
- Limited share buy-back program as part of annual share buy-back mandate, ending ultimately October 2018, of an amount ranging between €40m and €60m

Summary

Horizon 2020 strategy, Total Feed approach & focus on cost efficiencies lead to strong results

One ForFarmers & acquisitions support 7.2% underlying EBITDA growth at constant currencies

Next steps in optimisation UK supply chain to drive further cost savings

Acquisition Vleuten-Steijn strengthens market position in NL and GE in swine sector

Successful listing on EURONEXT Amsterdam; strong increase trading volume

Guidance: on average annual underlying EBITDA growth in mid single digits at constant currencies

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