



## Press release – Annual results 2014

Lochem (the Netherlands), 24 March 2015

### ForFarmers operating result up 36% at € 59 million

Tightened strategy and increased operating efficiency bearing fruit

#### Highlights

- Total Feed volume 5.0% higher at 8.9 million tonnes; organic increase 1.8%
- Revenue down 7.3% at € 2.3 billion as a result of lower raw materials prices passed on to customers
- Gross profit up 4.5% at € 408.1 million, largely due to the effects of acquisitions and currency effects
- Result after tax up 25.2% at € 39.0 million; proposed dividend of € 0.176 per share
- Plan to move from current trading platform to public stock exchange listing in the course of 2016, subject to shareholder approval
- Healthy solvency and liquidity provide a strong foundation for the implementation of the newly tightened strategy and realisation of growth ambitions

#### Key figures

(x € million) (unless otherwise stated)	2014	2013	Δ%
Total Feed volume (x millions of tonnes)	8.9	8.5	5.0
Revenue	2,292.0	2,472.2	-7.3
Gross profit	408.1	390.4	4.5
Operating result	59.1	43.4	36.1
Result after tax	39.0	31.1	25.2
Earnings per share (x €)	0.37	0.29	25.2
Dividend per share (x €)	0.176	0.136	29.4
	<b>Year-end 2014</b>	<b>Year-end 2013</b>	
Equity	360.6	338.4	6.6
Solvency (%)	50.9%	43.7%	

**Yoram Knoop, CEO ForFarmers:** "In 2014, we demonstrated that we can make our client proposition more attractive, while at the same time improving our profitability. Our clients also benefited from lower raw materials prices passed on in our feed products. In line with our tightened strategy, we also realised synergy benefits in nutritional expertise and increased our focus on complete feed solutions (Total Feed), which help farmers to improve the efficiency of their operations and their returns. Combined with improved operational efficiency, this resulted in an increase in our operating result. The fact that we managed to improve profitability in a market that in 2014 was characterised by persistent volatility in raw materials prices, geopolitical tensions and a regional outbreak of avian flu shows that our operating model is relatively stable and that we can create added value for both clients and shareholders even in such challenging market conditions. To make sure we continue on this path, our key strategic priorities for 2015 and subsequent years include strengthening our market leadership position, continued growth and improved utilisation of scale and efficiency benefits."



### **Dividend proposal**

In line with the company's dividend policy, the General Meeting will be asked to approve payment of a dividend amounting to 50% of the available results after tax. This amounts to an increase of 29.4% to € 0.176 (2013: € 0.136) per share, to be paid in cash. This puts the dividend yield at 4.7%, based on the closing price as at 31 December 2014.

### **Horizon 2020**

In 2014, ForFarmers tightened its strategy and defined its priorities in the new medium-term programme Horizon 2020. As part of this programme, clear choices were made on the nutritional feeds concept in terms of product groups and market segments with growth potential. Within the chosen product groups and market segments, ForFarmers aims to achieve leading market positions, to enable the company to realise competitive advantages and utilise benefits of scale.

As part of this newly tightened strategy, first steps have been taken in 2014 towards universal client segmentation across all countries. In addition, a European marketing organisation per livestock group has been set up.

The market position in the United Kingdom, particularly the cattle sector, was boosted with the acquisitions of HST Feeds and Wheyfeed and the proposed acquisition of the agricultural activities of Countrywide Farmers.

In addition, ForFarmers also forged new strategic alliances with Nutreco and Agrifirm Plant, which will contribute to an improved utilisation of the Total Feed concept in certain sub-segments. ForFarmers wants to use the combination of its nutritional expertise and its complete portfolio of high-quality feed solutions to help clients maximise yields from their farming operations.

In 2014, ForFarmers also invested in the company's effectiveness by bolstering its management team and encouraging cooperation within the group on various fronts under the 'One ForFarmers' banner, for example by sharing best practices in the field of operations & logistics. In addition, a start was made with the rebranding of the activities in the United Kingdom to the ForFarmers brand.

### **Group results**

The **Total Feed volume** (the combination of compound feed and other solutions) increased by 5.0% in 2014 to 8.9 million tonnes. The organic volume growth was 1.8%. All categories, including compound feed, contributed to this increase. The largest growth came from the pig sector, but the dairy and layers segments also contributed to the organic volume increase. All countries saw higher organic volumes. For the financial year 2014, ForFarmers booked a **revenue** of € 2.3 billion. This was a 7.3% decline in revenue compared to 2013, due to lower raw materials prices, which were passed on to clients.

**Gross profit** was up 4.5% at € 408.1 million in 2014 (2013: € 390.4 million), as a result of the effects of acquisitions (€ 11.2 million) and a positive currency effect of € 6.9 million. Corrected for several exceptional effects in the United Kingdom, group gross profit was up by around € 4.3 million in 2014. Taking these effects into consideration, overall organic gross profit remained stable despite the lower revenue.

The **other operating income** includes the divestment of the export activities of BOCM PAULS International and the sale of the 50% stake in Subli (equine). These discontinued activities together accounted for an incidental gain of € 2.0 million.

**Operating expenses** increased to € 355.6 million in 2014, from € 351.5 million in the previous year. The increase in operating expenses was due to acquisitions (€ 9.4 million) and currency effects (€ 5.9 million). The comparative figures for 2013 include € 9 million for an allowance of bad debts.

The closure and transfer of manufacturing of one of the production facilities in Deventer in 2014 resulted in an incidental charge of € 2.1 million. The comparable figures for 2013 included an incidental charge of € 2.0 million, due to the downward revaluation of land holdings. In addition, in 2014 ForFarmers incurred

extra costs for a study into, and preparations for, a potential stock exchange listing and the measures taken in the context of the bird flu outbreak in the Netherlands and Germany in late 2014 (€ 1.0 million).

Corrected for acquisitions, currency effects and the above amounts, operating expenses declined by € 3.2 million (or 1%) in 2014, as a result of improved operating efficiency.

The **operating result** was 36.1% higher at € 59.1 million in 2014 (2013: € 43.4 million). All countries contributed to this increase. Acquisitions contributed € 1.7 million and currency effects have a net positive impact of € 0.9 million. The operating result as a percentage of revenue increased to 2.6% in 2014, from 1.8% a year earlier.

Corrected for incidental items, the operating result was 30.3% higher at € 59.2 million in 2014, from € 45.4 million in 2013. All segments contributed to the increase.

The **result after tax** was 25.2% higher at € 39.0 million. In 2014, ForFarmers incurred additional financing costs of € 1.5 million as a consequence of the refinancing operation successfully completed in October 2014, as well as structurally higher expenses related to the pension fund in the United Kingdom (€ 1.8 million). The results in 2013 included the positive impact of an exceptional gain (€ 1.6 million) from the sale of a minority stake. The effective tax rate was 25.4% in 2014 (2013: € 26.4%).

### Developments per segment

	Total Feed volume			Gross profit		
	In millions of tonnes			In millions of €		
	2014	2013	Δ%	2014	2013	Δ%
The Netherlands	3,936	3,880	1.4	180.4	180.8	(0.2)
Germany & Belgium	2,070	1,925	7.5	82.2	76.7	7.2
United Kingdom	2,883	2,662	8.3	145.5	132.9	9.5
<b>Total</b>	<b>8,889</b>	<b>8,467</b>	<b>5.0</b>	<b>408.1</b>	<b>390.4</b>	<b>4.5</b>

#### The Netherlands

In this segment, Total Feed volume increased by 1.4% to 3.9 million tonnes in 2014. This increase was largely on the back of an increase in co-products. Compound feed sales declined slightly, by 2.1%. This decline was in line with the decline in the market. Volumes were down in all sectors, except the broiler sector.

Gross profit was virtually unchanged in 2014, despite the sharp decline in revenue, at € 180.4 million. Reudink's organic feeds contribution to gross profit was higher in 2014 than in 2013. This growth was partly due to extra sales volume as a result of the new strategic cooperation with Agrifirm Plant. On top of this, the roughage crops and arable sectors had a good season and higher volumes, especially in the first half of 2014, made a positive contribution to gross profit.

#### Germany and Belgium

Total Feed volume in this segment increased by 7.5% to 2.1 million tonnes, partly as a result of the increased focus on growth segments within the sectors. In Germany, the pig and layers sectors made a particularly strong contribution to higher sales. Sales in the cattle sector remained stable in a slightly lower market. Sales of single feeds also increased. In Belgium, volumes were higher in 2014, largely due to an increase in the number of new clients in the pig and cattle sectors and the impact of synergies in the field of nutritional expertise. The Belgian poultry sector lagged slightly in relative terms.



Gross profit in this segment increased to € 82.2 million in 2014. This increase was largely due to higher sales and the improved utilisation of nutritional expertise. Positive developments in the transshipment activities of the HaBeMa joint venture also contributed to the improvement in gross profit.

#### United Kingdom

Total Feed volume in the United Kingdom was up 8.3% at 2.9 million tonnes, mainly on the back of the acquisitions of HST Feeds (consolidated as of 1 February) and Wheyfeed (consolidated as of 1 July). Excluding these acquisitions, last year saw a slight decline of 1.7% in volumes. The pig sector and the poultry sector did well in terms of volumes. The volumes in the cattle sector increased in the second half of the year, but this growth was not enough to offset the decline compared with the sales volumes recorded in the first half of 2013 due to weather conditions which were favourable for feed sales.

Gross profit was € 145.5 million in 2014, slightly lower in organic terms, due to the above-mentioned effect of more favourable weather conditions in the first half of 2013. In the second half of 2014, the DML (Dry, Moist and Liquid) business also had a negative impact on gross profit due to contracts.

#### **Capital structure and cash position**

**Solvency** had increased to 50.9% at year-end 2014, from 43.7% at year-end 2013. This increase was due to the addition of retained earnings to group equity and the repayment of a considerable portion of the long-term debts as part of the new financing facility agreed in October.

The new agreement is for a revolving credit facility of € 300 million in various currencies, which matures in early 2020. This group facility, which can be used for general operating activities, is unsecured and replaced the previous facilities. The new facility offers ForFarmers a more extensive, more flexible and more uniform financing structure with improved conditions. This provides ForFarmers with optimal financial support for pursuing growth both organically and via acquisitions as part of its strategy. In 2014, ForFarmers improved its **cash flow from operating activities** by € 35.2 million to € 90.1 million. This improvement was due to a higher operating result and an improvement in working capital, largely due to lower raw materials prices.

At year-end 2014, ForFarmers had a net cash position of € 24.1 million, compared with a **net debt** of € 8.7 million at year-end 2013. The improvement in net debt was mainly due to strong operating performances, improvements in working capital and the change in financing structure.

The strong balance sheet and healthy cash position put ForFarmers in a position to realise the strategic objectives of Horizon 2020 in a responsible fashion.

#### **Participation plan for employees**

ForFarmers intends to offer its employees the opportunity to join a participation plan up to a maximum of € 5,000 per person, with the aim of increasing motivation and employee engagement. This new plan will be supplementary to the existing participation plan for senior management. The opportunity to join the plan is entirely voluntary and the plan will be open to all ForFarmers employees. In connection with this participation plan, the General Meeting will be asked to approve the acquisition of 1.5 million certificates (1.4% of the total) with a total value of € 7.5 million.



### **Switch from trading platform to public stock exchange**

Under normal circumstances, ForFarmers is planning to switch from the current external trading platform for certificates to the Euronext Amsterdam stock exchange in 2016. Following this transition, the current majority shareholder Coöperatie FromFarmers will continue to be involved in the company and continue to serve the interests of its agrarian stakeholders. The transfer will probably take the form of a technical listing, for which the certificates in ForFarmers B.V. will be converted into ForFarmers N.V. shares, with no issue of additional shares. The Supervisory Board and the Executive Board will submit a proposal to this effect for approval to the General Meeting in April 2016. At the General Meeting on 17 April 2015, ForFarmers will present a more detailed explanation of the findings of the study into the potential switch to a public stock exchange listing, which has taken place over the past period.

### **Outlook 2015 and strategic priorities**

The environment in which ForFarmers operates is expected to remain highly dynamic in 2015. Raw materials prices are expected to remain strongly volatile due to the impact of instability in agrarian markets and (geo)political tensions in certain parts of the world. The effects of exchange rates for the British pound and the US dollar versus the euro will also impact results in 2015, while veterinary diseases may have a negative impact on sales volumes and result in higher costs.

In the current financial year, ForFarmers will take further steps in the implementation of its strategic programme Horizon 2020, as this was defined and launched in 2014. One of the priorities of this programme is the continued development of the client proposition of 'Total Feed' per type of livestock. This combination of specialist nutritional expertise and innovative feed solutions is aimed at maximising returns for farmers and will be the main driver of growth in gross profit.

To increase operational efficiency even further, ForFarmers will be investing in the professionalization and effectiveness of its organisation under the 'One ForFarmers' banner. This includes intensification of cooperation within the group, increased know-how exchange and a more uniform marketing approach. A part of this is the rebranding of all Dutch and UK activities under the ForFarmers brand, with the exception of the Reudink (organic), Pavo (equine) and PoultryPlus (poultry) brands. In 2015, efforts will also be made to further improve the uniformity of systems and processes across the group.

ForFarmers is aiming for leading market positions in all the sectors and segments it focuses on. This means that also in 2015 the active search for acquisitions to expand and strengthen those market positions will continue. Leading market positions and international scale are essential in the animal feed industry. Capitalising on synergies gives the company a greater competitive edge. ForFarmers ambition on this front is to both provide clients with the best feed solutions and to continue increasing profit in the long term, making ForFarmers one of the best-performing companies in the industry.

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Note for editors :

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**ForFarmers** (Lochem, the Netherlands) is an internationally operating company active in the field of conventional and organic feed solutions for the animal husbandry sector. ForFarmers is the European market leader, with annual volumes of around 8.9 million tonnes of livestock feeds. In addition to animal feeds for the cattle, pig-farming, poultry and equine sectors, ForFarmers supplies trade goods for the arable and grassland farming sectors. ForFarmers also offers its clients additional expertise and advice in the fields of nutrition, livestock farming and business development.

Given its position in the food chain, ForFarmers goal is to be a trend-setter on the sustainable business front. Through the efficient production of livestock feeds and by devising products and concepts that ensure a healthier and better quality of life for animals (improvement of nutritional efficiency), ForFarmers contributes to economically viable and sustainable food production. With this in mind, the company has its own innovation centre, which cooperates closely with leading research institutes and universities.



In 2014, ForFarmers recorded revenue of € 2.3 billion. The company has a workforce of more than 2,300 employees and production facilities in the Netherlands, Belgium, Germany and the United Kingdom.

At year-end 2014, **Coöperatie FromFarmers** had a controlling interest of 68.9% in ForFarmers B.V, and with the certificates of its members 74.1% of the control over the company. FromFarmers is a cooperative with 6,272 members and is based in Lochem (the Netherlands). The cooperative's activities include the management of its participation in ForFarmers B.V.

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#### **PRESENTATION ANNUAL RESULTS ON 24 MARCH 2015**

A combined analysts' meeting / press conference will be held at the ForFarmers head office, Kwinkweerd 12, Lochem (NL), from 10.00 am (CET).

#### **PUBLICATION 2014 ANNUAL REPORT**

The 2014 annual report (incl. financial statements) will be available from 24 March 2015 on the ForFarmers website ([www.forfarmers.eu](http://www.forfarmers.eu)).

#### **REPORTING STANDARDS**

The figures in this press release are derived from the ForFarmers 2014 financial statements, upon which KPMG Accountants issued a positive auditor's report on 18 March 2015. The 2014 financial statements and the figures derived from the same in this press release have been drawn up in accordance with Dutch accounting standards. From the 2015 annual results onwards, ForFarmers expects to report its results fully in accordance with the International Financial Reporting Standards (IFRS).

#### **SUPERVISION**

In view of the fact that (depository receipts) for shares are freely tradable on the current trading platform, ForFarmers operates under the supervision of the Financial Markets Authority (AFM) and the company acts in accordance with the prevailing regulations for share-issuing companies.

#### **KEY DATES 2015**

General Meeting	17 April 2015
Ex-dividend	20 April 2015
Dividend payable	24 April 2015
Publication interim results	28 August 2015

#### **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 2014 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.