

the *total* feed business



ForFarmers results first half year 2016

Lochem (NL), 26 August 2016

NOTIFICATIONS AND DISCLAIMER

REPORTING STANDARDS

PUBLICATION 2016 HALF-YEAR REPORT

The 2016 half-year report (incl. condensed consolidated interim financial statements) will be available from 26 August 2016 on the ForFarmers website (www.forfarmersgroup.eu).

REPORTING STANDARDS

The results in this presentation are derived from the ForFarmers 2016 half-year financial statements, which have not been audited by the external auditor, and have been drawn up in accordance with the International Financial Reporting Standards as adopted by the EU (IFRS).

General remark: percentages are presented based on the rounded amounts in million euro

SUPERVISION

In view of the fact that shares are freely tradable on Euronext Amsterdam, 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.

IMPORTANT DATES

23-11-2016 Publication Q3 2016 Trading Update

14-03-2017 Publication 2016 annual results

26-04-2017 Annual General Meeting

17-08-2017 Publication first half-year 2017 results

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.

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Outlook & Summary

Highlights

First half year 2016

- Growth in volume (2.9%) and underlying EBITDA* (8.2%) on output oriented **Total Feed approach**, in still challenging markets for customers
- **Mixed developments markets in general**
 - Milk production: NL strong increase, DE/BE slightly up, UK decrease; low milk prices in all clusters
 - Swine prices starting to recover due to Chinese demand
 - Poultry: egg prices starting to decline in Q2; broilers facing more international competition
- **ForFarmers performance per cluster**
 - NL :* volume growth Total Feed & solid growth gross profit result in strong increase underlying EBITDA (+12.7%)
 - DE/BE:* Total Feed volume up with better mix & strong gross profit increase lead to significant improvement underlying EBITDA (+28.9%)

UK: Volume growth due to acquisitions, but gross profit decreased. Reorganisation initiated. Increase underlying EBITDA (+7.8%)

- **Further implementation efficiency program One ForFarmers** results in growth underlying EBITDA
- **Brexit:** translation of weaker Pound sterling to Euro
- **UK streamlining organisation** to accelerate Total Feed roll-out and to improve supply chain efficiencies
- On track with **Sustainability GRI** process implementation
- Smooth transitioning multilateral platform to **public listing EURONEXT Amsterdam**

(*)EBITDA excluding incidentals

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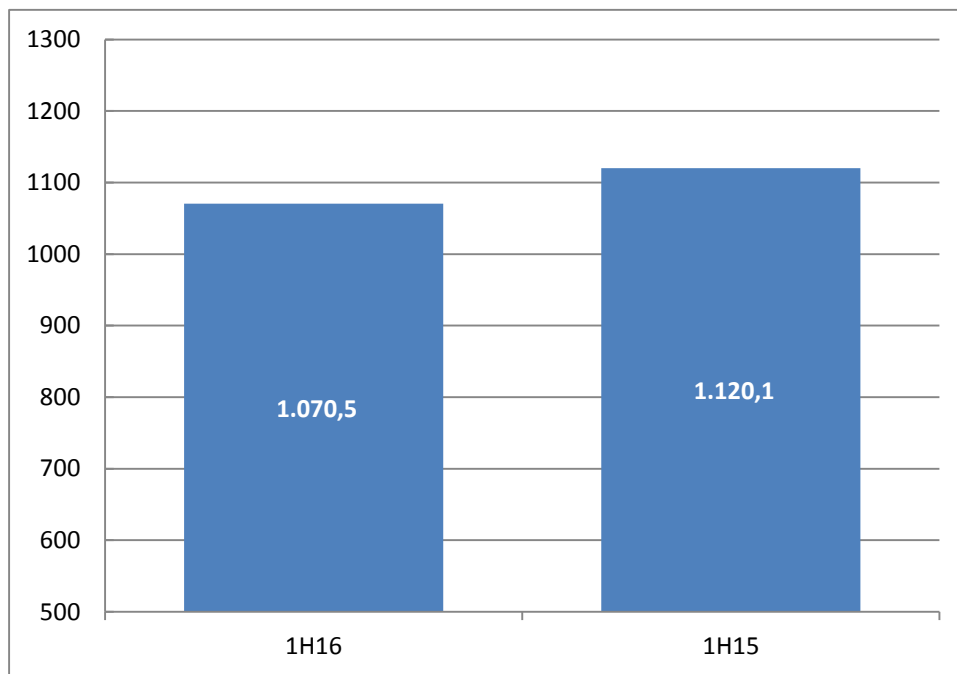
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Lower raw material prices and Pound sterling impacted revenue at higher volumes

(In €m)



	1H16	1H15
The Netherlands	501.6	500.4
Germany/Belgium	261.4	262.4
United Kingdom	339.1	386.2
Elimination/ Reconciling items	-31.6	-28.9
Revenue	1,070.5	1,120.1

Revenue: €1.1bn -€49.6m (-4.4%)

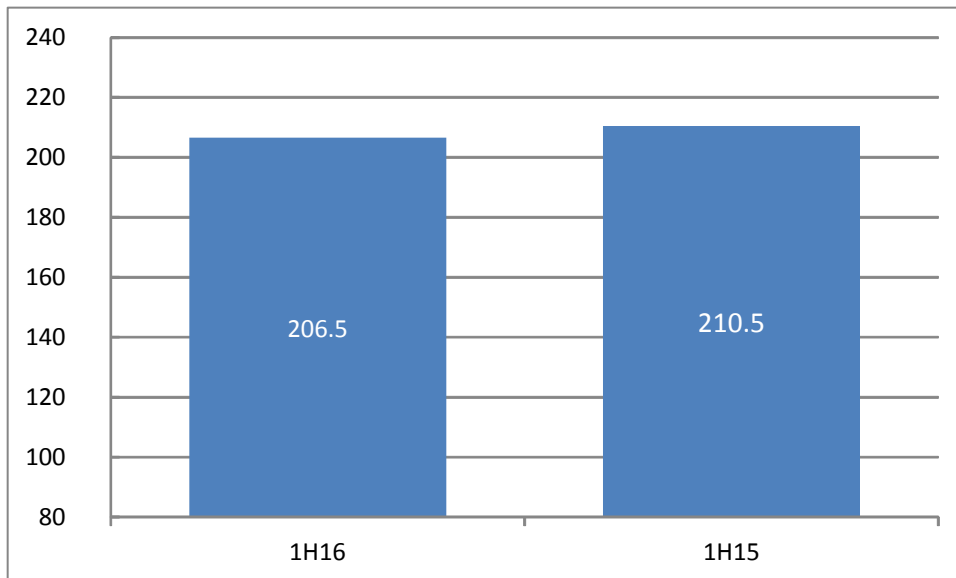
- Currency effect: -€20.4m (-1.8%)
- Acquisition effect: +€17.0m (+1.5%)
- Like-for-like: -€46.2m (-4.1%)
 - Decrease raw material prices passed on to customers
 - Increase Total Feed volume

Volume

- Total: +2.9% Total Feed to 4.6m tonnes
 - Like-for-like Total Feed volume +1.3%
 - Compound feed slightly decreased like-for-like
- The Netherlands: +4.2% Total Feed
 - Increase in Compound feed dairy and poultry, slight decrease pigs
 - Significant growth Organic feed (Reudink)
- Germany/Belgium: +2.9% Total Feed
 - Further roll out Total Feed concepts and more direct sales
 - Volume Compound feed is stable
- UK: +1.1% Total Feed
 - Like-for-like -3.6%, due to market conditions
 - Decrease in dairy and pigs, increase in poultry
 - Like-for-like Compound feed decreased

Gross profit impacted by currency

(In €m)



	1H16	1H15
The Netherlands	98.4	94.3
Germany/Belgium	34.5	32.3
United Kingdom	73.4	83.5
Elimination/ Reconciling items	0.2	0.4
Gross Profit	206.5	210.5

Gross profit: €206.5 **-€4.0m** **(-1.9%)**

- Currency effect: -€4.5m (-2.1%)
- Acquisition effect: +€2.6m (+1.2%)
- Like-for-like: -€2.1m (-1.0%)
- Positive contribution from strategic partnerships in all clusters

- The Netherlands: +€4.1m
 - Higher volumes and increase in organic feed
 - Better mix sold Total Feed volume

- Germany/Belgium: +€2.2m
 - Higher volumes
 - Margin per tonne increased by better product mix
 - Increased share of direct sales at farmers gate

- UK: -€10.1m
 - Net acquisition effect Countrywide €2.6m
 - Like-for-like (excluding currency effect): -€8.2m because of lower milk prices and change in product mix to lower-value feed products

Growth underlying EBITDA* due to efficiency programme One ForFarmers

<i>(In €m)</i>		
	1H16	1H15
Gross profit	206.5	210.5
Other operating income	2.4	1.5
Operating expenses		
Employee benefit expenses	77.0	74.0
Depreciation and amortisation	13.2	12.2
Other operating expenses	85.9	95.1
Total	176.1	181.3
Operating profit (EBIT) <i>incl. incidental items</i>	32.8	30.7
EBITDA	46.0	42.9
- Gain on sale of investments and assets held for sale	-1.3	-0.1
- Restructuring costs / Impairment non-current assets	1.6	-
Underlying EBITDA*	46.3	42.8
Effect of movements in exchange rates	0.7	-
Underlying EBITDA at constant currencies	47.0	42.8

Operating expenses: €176.1m	-€5.1m	(-2.8%)
• Currency effect:	-€4.1m	(-2.3%)
• Acquisition effect:	+€1.6m	(+0.9%)
• Incidental item, restructuring	+€1.6m	(+0.9%)
• Like-for-like excl. inc. items:	-€4.2m	(-2.3%)
- Lower due to efficiency program One ForFarmers		
- Lower net addition to debtors allowance compared to 1H15: -€0.7m		
- Extra expenses listing €1.5m		
Underlying EBITDA: €46.3m	+€3.5m	(+8.2%)
• Acquisition effect:	+€1.4m	(+3.3%)
• Growth in all clusters		
Incidental items:		
- 1H16: impact on underlying EBITDA €0.3m		
- 1H15: impact on underlying EBITDA -€0.1m		
(*) Underlying EBITDA is the operating profit before depreciation and amortisation (EBITDA) excluding incidental items		

Profit slightly increased

(In €m)

	1H16	1H15
Operating profit	32.8	30.7
Net finance costs	(2.0)	(0.5)
Share of profit of equity-accounted investees, net of tax	1.5	2.8
Income tax expense	(7.2)	(8.1)
Profit after tax	25.1	24.9
Effective Tax Rate (in %)	23.3%	27.0%
Non-controlling interests	(0.1)	(0.2)
Profit for the period	25.0	24.7
Profit for the period per share after tax (in €)	0.236	0.231

Profit for the period: €25.0m (+€0.3m, +1.2%)

- Finance income and expenses
 - In 2015 the net finance costs are positively impacted by an one off currency effect (+€0.7m)
 - The net profit of HaBeMa is almost halved because a very high result on storage activities in 1H15 and a significant lower result in 1H16 because of decreasing raw material prices and hence storage activities in 1H16
- Effective tax rate 23.3% (1H15: 27.0%)
 - Compared to the same period in 2015 the effective tax rate has been impacted by some one-off expenses

Profit per share: +2.2%

Underlying EBITDA improvement in all clusters

(In €m)

	Netherlands		Germany / Belgium		United Kingdom		Group / Eliminations		Consolidated	
	1H16	1H15	1H16	1H15	1H16	1H15	1H16	1H15	1H16	1H15
Total Feed Volume (in thousand tonnes)	2,050.5	1,967.1	976.7	948.8	1,535.0	1,518.4	–	–	4,562.2	4,434.3
Revenue	501.6	500.4	261.4	262.4	339.1	386.2	-31.6	-28.8	1,070.5	1,120.1
Gross profit	98.4	94.3	34.5	32.3	73.4	83.6	0.2	0.4	206.5	210.5
Operating profit	31.1	26.4	4.8	3.4	8.4	9.2	-11.5	-8.3	32.8	30.7
EBITDA	35.4	30.6	6.7	5.2	14.0	14.2	-10.1	-7.1	46.0	42.9
Gain on sale of investments and assets held for sale	-0.9	–	–	–	-0.4	-0.1	–	–	-1.3	-0.1
Restructuring costs / Impairment non-current assets	–	–	–	–	1.6	–	–	–	1.6	–
Underlying EBITDA	34.5	30.6	6.7	5.2	15.2	14.1	-10.1	-7.1	46.3	42.8
Effect currency exchange changes	–	–	–	–	0.7	–	–	–	0.7	–
Underlying EBITDA at constant currency	34.5	30.6	6.7	5.2	15.9	14.1	-10.1	-7.1	47.0	42.8

Capital structure further improved

Condensed consolidated balance

<i>(In €m)</i>	30-06-16	31-12-15
Non-current assets	303.1	323.1
Current assets		
- Cash and cash equivalents	99.8	88.3
- Assets held for sale	–	4.6
- Other current assets	289.1	321.2
Total assets	692.0	737.2
Equity	396.7	407.2
Non-current liabilities		
- Loans and borrowings	47.0	53.0
- Other	81.8	82.9
Current liabilities		
- Loans and borrowings	–	2.0
- Other current liabilities	166.5	192.1
Total equity and liabilities	692.0	737.2

<i>(In €m)</i>	30-06-16	31-12-15
Net working capital	122.6	129.0
Net debt / (cash)	(52.8)	(33.3)

- Solvency ratio: 57.3% (55.2% per 31.12.15)
- Working capital
 - Strongly impacted by currency effect
 - Inventories: €74.2m (2015: €89.8m)
 - Trade receivables: €176.1m (2015: €200.4m)
 - Overdue receivables at 22.5% (2015: 20.5%)
- Net cash: €52.8m (+19.5m)
 - Dividend paid: -€24.7m
 - Sale of assets/investments: +€6.7m
 - Operational cash flow +€36.8m

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Horizon 2020

THE LEADING TOTAL FEED PARTNER FOR FARMERS IN EUROPE+



Horizon 2020 – Activities update



Focus on attractive segments

- Client segmentation & organisational adjustments progressing in all countries
- SAP CRM rolled -out in UK; other countries as of beginning 2017
- European marketing strategies per specie determined & implementation on track

Partner and deliver the Total Feed Business portfolio

- Partnerships (Nutreco & Agrifirm (seeds and fertilizers in NL)) contributing to better nutritional performance & margin growth
- Crop assortment in the Netherlands also offered through dealers, in UK following Countrywide acquisition
- Integration DML & Compound Feed to simplify route to and for customers
- Several projects started to enhance product portfolio by harmonising group wide knowledge & experience
- Launch of new proposition 'For the Future of Farming' to underpin our mission to deliver better returns, healthier livestock and greater efficiency for farmers

Horizon 2020 – Activities update

Acquisitions

- Post balance sheet: acquisition Vleuten-Steijn (NL) will further strengthen position in swine sector, adding 295,000 tonnes volume specifically in sows & piglets segments. Production outsourced. Acquisition pending approval competition authorities (NL and Germany). Expected closing of acquisition by end 2016. Payment of transaction (approx. €30 million): 70% at closing, 30% 3 years later, on achievement targets.

One ForFarmers: functional excellence & leverage scale

- Health & Safety standards further enhanced through audits, investments and training but decrease of LTI*s slower than desired
- New ruminants plant in Exeter (announced investment £10 million) progressing & expected completion in 2017; new office UK (£4 million)
- Reorganisation in UK announced to accelerate Total Feed roll-out and to improve productivity. 2H: further plans to optimise supply chain efficiencies in line with Horizon 2020.

(*) LTI= Lost Time Incident

Horizon 2020 – Deliverables update

Employee development

- Second employee participation scheme: uptake 2016 approx. 15%. Including participation of 2015 scheme currently approx. 25% employees have become shareholders
- Large percentage of management appointments through internal promotions
- Ruminant, Swine and Logistics Academies live

Total nutrition solutions

- Good progress with transformation from compound feed to Total Feed approach
- Successful portfolio expansion by means of strategic collaboration among others enhanced sows and piglet range
- Progress nutritional solutions addressing key sustainability themes such as AMR* and reduction of soy

Results 1H16

- Underlying EBITDA** up by 8.2%, from €42.8 million to €46.3 million
- EBIT / Revenue up from 2.7% to 3.1%

(*) AMR: Antimicrobial resistance

(**)EBITDA excluding incidentals

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Outlook

- Market conditions remain difficult and margins for farmers are still under pressure
- Sentiment in ruminant sector still negative, but first signs of recovery are visible
- Due to increased demand from China the outlook for swine sector has improved
- Poultry sector is expected to be impacted by increasing competition (global / Eastern European)

- Persistent fluctuations in raw materials prices expected as a result of instability in agricultural markets and (geo)political tensions
- Devaluation of Pound Sterling expected to continue and to have larger negative impact on 2H16 result (in comparison to 2H15) than in 1H16 versus 1H15

- We remain confident in progress through further roll out of strategy Horizon 2020 and reconfirm our guidance: for the medium term of an on average annual increase of EBITDA growth in the mid single digits at constant currencies

Summary

Total Feed approach and acquisitions supporting volume growth despite continued challenging markets

Efficiency programme
One ForFarmers strengthens underlying EBITDA growth

Reorganisation UK to accelerate Total Feed roll-out & improve supply chain efficiencies

Successful listing on EURONEXT Amsterdam

Announcement acquisition Vleuten-Steijn in line with Horizon 2020

Reconfirm medium term guidance: on average annual increase EBITDA growth in mid single digits at constant currencies

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