Press Release

14 March 2017

ForFarmers: Improvement of result mainly due to One ForFarmers efficiency programme

Highlights 2016*

- Volume Total Feed: 2.5% increase to 9.3 million tonnes, driven by growth in clusters the Netherlands and Germany/Belgium;
- Net revenue: 6.0% decline to €2,109.0 million, mainly due to decreasing raw material prices, which are passed on, and translation effect of lower Pound sterling, partly compensated by acquisitions;
- Gross profit mainly influenced by negative translation effect; excluding currency impact stable development;
- Underlying EBITDA: 3.5% growth, due to cost efficiency program One ForFarmers and acquisitions, partly off-set by currency impact;

  at constant currencies underlying EBITDA grew by 7.2%;
- Listing on Euronext Amsterdam successful; increase in trading volume;
- Acquisition of Vleuten-Steijn strengthens position in swine sector in the Netherlands and Germany.

(*) Results 2016 are compared to results 2015

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

Consolidated key figures

In millions of euro (unless indicated otherwise)	2016	2015	Total change in %	Currency	Acquisition	Like-for-like (7)
Total Feed volume (x 1.000 ton)	9,259	9,035 [1]	2.5%		1.1%	1.4%
Compound feed	6,359	6,364	-0.1%		1.2%	-1.3%
Revenue	2,109.0	2,244.5	-6.0%	-3.9%	1.5%	-3.6%
Gross profit	407.4	424.2	-4.0%	-4.5%	0.7%	-0.2%
Operating expenses	-343.5	-363.5	-5.5%	-4.7%	0.3%	-1.1%
EBITDA[2]	93.9	90.1	4.2%	-3.7%	2.7%	5.2%
Underlying EBITDA[3]	**93.6**	**90.4**	**3.5%**	**-3.7%**	**2.7%**	**4.5%**
Operating profit	67.8	64.1	5.8%	-3.1%	3.0%	5.9%
Profit attributable to owners of the Company	53.3	50.7	5.1%			
Profit for the period	53.8	51.3	4.9%			
Net cash from operating activities	81.4	61.9	31.5%			
Underlying EBITDA / Gross profit	23.0%	21.3%				
Basic earnings per share (x €1)	0.502	0.479	4.8%			

	31 December 2016	31 December 2015
Equity	429.0	407.2
Solvability[4]	55.3%	52.1%
ROACE[5]	21.6%	19.2% [6]

(1) Adjusted downwards by 58k tonnes, because volume of warehousing activities were included.
(2) EBITDA is operating profit before depreciation and amortization
(3) Underlying means excluding incidental items
(4) Solvency ratio is equity divided by total assets
(5) ROACE means EBITDA divided by the average capital employed; see Note 27 of the financial statements
(6) The 2015 ROACE has been adjusted according to the definition as presented in Note 27 of the financial statements.
(7) Like for like is the change excluding acquisition and divestments and currency impact.
General remark: percentages are presented based on the rounded amounts in million euro

Yoram Knoop, CEO ForFarmers:

'This year has been a strong and unique one. Strong, because we focused our Total Feed approach with integrated feed solutions (feed, advice, and tools) on improving returns on farm. During times in which our customers are faced with continuous complexity and challenges, this has borne its fruit. Unique, by bringing ForFarmers to the stock exchange, with overwhelming support from the members of the Coöperatie FromFarmers (FromFarmers Cooperative). The Horizon 2020 strategy, with which we have made progress in all areas, has clearly made a contribution to our good results.

We have continued to focus on helping to improve farmers' returns, by offering sustainable solutions combined with advice. This has resulted in good improvements in the underlying EBITDA* for ForFarmers in the clusters the Netherlands and Germany/Belgium. In the United Kingdom, volume sales fell due to the low prices for agricultural products. As a result of effective measures, however, the decrease of the underlying EBITDA in the United Kingdom was limited. The One ForFarmers efficiency programme, which is being implemented in all clusters, has again been important for the improvement of the result. By integrating the DML activities in other business units, both in the Netherlands as in the United Kingdom, more effective and efficient work is delivered; the customer has one point of call. With respect to management of accounts receivable, improvements have been made which, in a more positive economic climate, have resulted in that substantially less has been added to the provision for bad debts. Moreover, the two acquisitions, being the feed and forage activities of Countrywide Farmers (2015) and Vleuten-Steijn (2016) have contributed positively to the results. The devaluation of the Pound sterling, however, has had a negative impact on our results, particularly in the second half of 2016. Overall, the underlying EBITDA at constant currencies increased by 7.2% to €96.9 million in 2016.

In 2016, we launched our mission 'For the Future of Farming' with which we show our confidence in, and contribution to, a sustainable agricultural sector. With the Total Feed approach, and working side by side with our customers, we devote ourselves to ensure healthier livestock and a higher efficiency so that returns on farm can improve. In doing so, we focus on making further progress on the three pillars of our sustainability strategy: Environment, People & Society, and Animal Health & Welfare.

Geopolitical developments are expected to continue to influence the markets in 2017. Furthermore, the volatility in raw material prices and on the currency markets is expected to continue, whereby the changes in the valuation of the Pound sterling in particular affect our consolidated results. The dairy market, however, is improving somewhat, the swine sector is benefitting from the better prices and the market for poultry appears to remain stable in 2017. We expect that these trends will translate in a growing demand for sustainable Total Feed solutions and reiterates its guidance for the medium term of an on average annual increase of underlying EBITDA in the mid single digits at constant currencies, barring other unforeseen circumstances.

Review 2016

The ForFarmers results 2016 were impacted by the following:

- challenging market situation for farmers particularly in the United Kingdom;
- growth volume Total Feed, compound feed flat;
- continued contribution from the One ForFarmers efficiency programme;
- restructuring of the organisation in the United Kingdom leads to efficiency improvement;
- solid EBITDA growth on the continent;
- translation effect of the Pound sterling, specifically in the second half of 2016;
- acquisition of Vleuten-Steijn in the Netherlands as per 1 October 2016;
- improvement of working capital.

In the following analysis, the 2016 full year consolidated results are explained first, followed by a more detailed analysis by individual cluster. The table below presents an overview of the y-o-y movements (both in absolute amounts and percentages) in the first half, second half and full year 2016 results. The most important developments in the second half of 2016 are explained.

Movements core parameters 2016 vs. 2015

In millions of euro (unless indicated otherwise)		Total		Currency		Acquisition		Like for like[1]	
Total Feed volume (x 1.000 ton)	HY1	128.2	2.9%			71.4	1.6%	56.8	1.3%
(x 1.000 ton)	HY2	95.0	2.1%			29.7	0.6%	65.3	1.5%
	FY	223.2	2.5%			101.1	1.1%	122.1	1.4%
Compound feed	HY1	-27.7	-0.9%			-	0.0%	-27.7	-0.9%
(x 1.000 ton)	HY2	23.2	0.7%			76.2	2.4%	-53.0	-1.7%
	FY	-4.5	-0.1%			76.2	1.2%	-80.7	-1.3%
Gross profit	HY1	-4.0	-1.9%	-4.5	-2.1%	2.6	1.2%	-2.1	-1.0%
	HY2	-12.8	-6.0%	-14.6	-6.8%	0.5	0.2%	1.3	0.6%
	FY	-16.8	-4.0%	-19.1	-4.5%	3.1	0.7%	-0.8	-0.2%
Operating expenses	HY1	5.1	-2.8%	4.1	-2.3%	-1.6	0.9%	2.6	-1.4%
	HY2	14.9	-8.2%	13.1	-7.2%	0.4	-0.2%	1.4	-0.8%
	FY	20.0	-5.5%	17.2	-4.7%	-1.2	0.3%	4.0	-1.1%
Underlying EBITDA	HY1	3.5	8.2%	-0.7	-1.6%	1.4	3.3%	2.8	6.5%
	HY2	-0.3	-0.6%	-2.6	-5.5%	1.0	2.1%	1.3	2.8%
	FY	3.2	3.5%	-3.3	-3.7%	2.4	2.7%	4.1	4.5%

(1) Like for like is the change excluding acquisition and divestments and currency impact.

Total **volume of Total Feed** increased in 2016 by 2.5% to 9.3 million tonnes, a combination of 1.1% increase resulting from the net effect of acquisitions and divestments and 1.4% like-for-like growth. The clusters the Netherlands and Germany/Belgium recorded growth rates in reported Total Feed volume of 5.9% and 4.4% respectively. The cluster United Kingdom reported a volume decrease of 3.3%, which is mainly due to the ruminant sector as a result of low milk prices. The reduction in the pig sow herd in the United Kingdom, which took place in the first half year, resulted in a decline in volumes, particularly in the second half of the year.

Compared to 2015, the total volume of compound feed remained stable, albeit that this is the balance of a positive acquisition effect and a like-for-like decrease due to, among other things, a shift to other products in the Total Feed portfolio. In addition, the developments per species differed. An increase was reported in the ruminant sector. This is the result of the volume growth in the Netherlands and Germany/Belgium which more than off-set the decline in the United Kingdom. The increase in compound feed volume in the swine sector in the Netherlands is fully attributable to the acquisition of Vleuten-Steijn. The volume growth in the Netherlands was lower than the volume decrease in the swine sector in the other clusters. All clusters reported growth in compound feed volume in the poultry sector. This reflects the combination of significant growth of volume sold to layer farmers and a decline of volume sold to broiler farmers. There were less broilers due to the increase of welfare concepts (a.o. fewer animals on m^2).

Total **revenue** decreased by €135.5 million to €2,109.0 million in 2016, a decrease of 6.0%. The translation impact of the devaluation of the Pound sterling accounts for -3.9% in the decrease (negative impact of €88.2 million). The net effect of acquisitions and divestments was a contribution of €34.4 million (1.5%). Like-for-like revenue decreased by 3.6% (€81.7 million) as a result of on average lower raw material prices than in 2015, and a change in the product mix (compound feed versus co-products). Changes in raw material prices are passed on to customers. The change in product mix can largely be explained by the fact that more co-products were sold. This is partly due to slightly more home-mixing as farms tend to become larger and as specifically in the United Kingdom customers buy more lower-value feed products due to lower prices for their products.

Gross profit decreased in 2016 by €16.8 million (-4.0%) of which €19.1 million (-4.5%) is explained by the devaluation of the Pound sterling. Excluding the currency impact, the gross profit development was near stable. Total gross profit showed a larger (y-o-y) decline in the second half of 2016 than in the first half year, predominantly as the currency impact (-€14.6 million) was almost three times larger than in the first half of the year (-€4.5 million). Like-for-like, the gross profit showed a slight increase in the second half of 2016.

In the clusters the Netherlands and Germany/Belgium, gross profit increased (y-o-y) by 6.0% and 5.8% respectively. This is mainly due to higher volumes, better formulation results (optimal use of ingredients in feed) and the positive contribution of strategic partnerships. Gross profit in the United Kingdom, excluding the currency impact, decreased by 8.9%, which is more than the decrease in volume. This is predominantly due the fact that customers chose to buy more lower-value feed products.

Total **operating expenses** decreased in 2016 by €20.0 million (-5.5%) to €343.5 million, due to currency effect of -€17.2 million (-4.7%) and a net impact of acquisitions and divestments of +€1.2 million (+0.3%). Like-for-like, operating expenses therefore decreased by €4.0 million (-1.1%), including one-off costs of €1.5 million with respect to the listing on the Euronext Amsterdam stock exchange on 24 May 2016. Net incidental expenses amounting to €1.9 million are also included with respect to the reorganisation in the United Kingdom, of which €1.6 million was taken in the first half of 2016. In 2015, net incidental expenses amounted to €1.7 million (impairments and pension costs). The reduction in operating expenses was predominantly due to the reduction in FTEs and the lower volumes in the United Kingdom. There were higher pension costs in the Netherlands and more volume related production costs on the Continent. The energy costs were lower in 2016 than in 2015 due to decreasing prices. This was applicable to all three clusters. The continued focus on One ForFarmers initiatives also contributed to cost efficiencies. As an example, especially due to better management of accounts receivable in improving market circumstances in the latter part of 2016, the net addition to the provisions for bad debts was significantly lower, by €3.7 million, than in 2015. These improvements took place specifically in the clusters the Netherlands and Germany/Belgium. Depreciations and amortisation in 2016 amounted to €26.0 million, equal to the amount in 2015. This is the result of a currency translation effect (of -€1.4 million) combined with a like-for-like increase of €0.9 million and €0.5 million due to acquisitions.

In millions of euro	2016	2015	Δ	Δ%
EBITDA	**93.9**	**90.1**	**3.8**	**4.2%**
Gain on sale of investments and assets held for sale	- 2.2	-1.4	- 0.8	
Restructuring cost / Impairment non-current assets	1.9	1.3	0.6	
IFRS effect on employee benefits in The Netherlands	-	0.4	- 0.4	
Underlying* EBITDA	**93.6**	**90.4**	**3.2**	**3.5%**
FX effect	3.3	-	3.3	
Underlying* EBITDA, at constant currencies	96.9	90.4	6.5	7.2%
Operating profit (EBIT)	67.8	64.1	3.7	5.8%
Underlying* operating profit (EBIT)	67.5	64.4	3.1	4.8%

** 'Underlying' entails excluding incidental items*

In 2016, EBITDA increased by €3.8 million (4.2%), including a negative currency effect of €3.3 million (-3.7%). The 'gain on the sale of investments and assets held for sale' (€2.2 million) relates to the divestments of Leafield (€0.8 million) and the indirect transport business of Wheyfeed (€0.4 million) in the United Kingdom, and the sale of assets (€1.0 million) particularly in Oss in the Netherlands. In addition, restructuring costs amounting to €1.9 million were taken in connection with the restructuring in the United Kingdom. The reorganisation is progressing to plan.

The 2016 **underlying EBITDA** increased by 3.5% to €93.6 million. At constant currencies, the improvement in underlying EBITDA increased by 7.2% (€6.5 million). The One ForFarmers programme, aimed at driving cost efficiencies through leveraging scale and further enhancing the quality of the organisation, contributed to the improvement of the ratio of the underlying EBITDA/Gross profit from 21.3% in 2015 to 23.0% in 2016.

The number of employees on 31 December 2016, presented in full time equivalents (FTEs), was 2,273, 4% lower than on 31 December 2015 (2,370). This is the result of the net effect of natural outflow and the reorganisation in the United Kingdom (-70 FTEs approximately), the net effect of acquisitions and the divestments (-40 FTEs) and strengthening of the commercial team in Germany and the Netherlands.

The **profit for the period** increased by €2.5 million (4.9%), to €53.8 million. The profit was also influenced by:

- the net finance expenses were positively affected by a one-off currency effect of €0.7 million in 2015. This explains the higher reported net financing expenses in 2016.
- the contribution of the joint venture HaBeMa was lower by €0.9 million. In 2015, warehousing activities were relatively very high. In the first six months of 2016 considerably less activities took place to due lower trading volumes as a result of decreasing commodity prices.

The effective tax rate over 2016 was 22.3% compared to 24.2% over the comparative period in 2015. In 2016 a deferred tax asset was formed while in 2015 one-off additions to tax provisions were made.

Capital structure

Group Equity as at 31 December 2016 amounted to €429.0 million, an increase of €21.8 million compared to 31 December 2015. This is largely the combined effect of the addition of the 2016 profit and the distributed dividend of €24.7 million. The Other Comprehensive Income elements also impacted the movement in the Group equity, being the amount of the currency translation differences of the subsidiary in the United Kingdom (€9.5 million) and the net addition to the pension provision in the United Kingdom and Belgium of €0.5 million resulting from the balance of adjustments in actuarial assumptions. The pension addition was due to lower interest rates at the end of 2016 which off-set the positive effect of the decrease of the inflation definition in the United Kingdom. The inflation definition is currently determined by the lower CPI (Consumer Price Index) and no longer the RPI (Retail Price Index). Consequently, the pension liability in the United Kingdom decreased by €17 million.

ForFarmers has, however, committed to an additional payment of €11.7 million in 2017 which will be deducted from the provision.

The solvency ratio at the end of 2016 had risen to 55.3% compared to 52.1% as at 31 December 2015. The balance of available cash and cash equivalents minus the bank loans and borrowings amounted to €61.5 million as at year-end 2016, compared to €33.3 million at the end of 2015. As a result, there was a net improvement of €28.2 million in the net cash position. The net working capital decreased by €9.0 million to €120.0 million, mainly due to the decrease in raw material prices, the effect of the devaluation of the Pound sterling and better accounts receivable management. The percentage of overdue receivables arrived at 18.6% in 2016 (2015: 20.5%). In 2016 ForFarmers had a credit facility of €300 million at its disposal (2015: €300 million). Capital investments made in intangible fixed assets and fixed assets amounted in 2016 to €33.7 million and the depreciation and amortisation on both amounted to €26.0 million. The investments related, among other things, to the construction of the new factory in Exeter and the new central office in Bury St. Edmunds in the United Kingdom as well as refurbishments in several factories in the Netherlands, Germany and the United Kingdom.

Results and developments per cluster

2016

2016

In thousands of euro	The Netherlands		Germany/Belgium	United Kingdom	Group / eliminations	Consolidated
Total Feed volume (in tons)	4,282,620		2,009,255	2,966,672	-	9,258,547
Revenue	**1,019,072**		**522,285**	**630,704**	**-63,099**	**2,108,962**
Gross profit	**201,555**		**69,901**	**134,654**	**1,262**	**407,372**
Other operating income	1,557		1,017	1,271	104	3,949
Operating expenses	-144,762		-60,471	-121,165	-17,090	-343,488
Operating profit	**58,350**		**10,447**	**14,760**	**-15,724**	**67,833**
Gain on sale of investments and assets held for sale	-1,003	(1)	-	-1,152	-	-2,155
Restructuring cost / Impairment non-current assets	-		-	1,887	-	1,887
Incidental items	**-1,003**		**-**	**735**	**-**	**-268**
Underlying operating profit	**57,347**		**10,447**	**15,495**	**-15,724**	**67,565**
Depreciation, amortisation and impairment	8,550		4,035	10,712	2,747	26,044
Underlying EBITDA	**65,897**		**14,482**	**26,207**	**-12,977**	**93,609**
Underlying EBITDA / Gross profit	32.7%		20.7%	19.5%		23.0%
ROACE[(2)]	**45.6%**		**12.5%**	**14.3%**	**-4.1%**	**21.6%**

(1) Mainly relates to the sale of Oss
(2) ROACE means EBITDA divided by the average capital employed; see Note 27 of the financial statements

2015

2015 In thousands of euro	The Netherlands		Germany/Belgium	United Kingdom	Group / eliminations	Consolidated
Total Feed volume (in tons)	4,044,389	[3]	1,924,380	3,066,529	-	9,035,298
Segment revenue	**1,001,866**		**529,585**	**771,508**	**-58,489**	**2,244,470**
Gross profit	**190,131**		**66,045**	**166,904**	**1,124**	**424,204**
Other operating income	1,866		563	943	8	3,380
Operating expenses[1]	-141,109		-58,627	-150,455	-13,343	-363,534
Operating profit	**50,888**		**7,981**	**17,392**	**-12,211**	**64,050**
Gain on sale of investments and assets held for sale	-		-	-1,378	-	-1,378
Restructuring cost / Impairment non-current assets	-		-	1,281	-	1,281
IFRS effect on employee benefits in The Netherlands	400		-	-	-	400
Incidental items	**400**		**-**	**-97**	**-**	**303**
Underlying operating profit	**51,288**		**7,981**	**17,295**	**-12,211**	**64,353**
Depreciation, amortisation and impairment	8,167		3,609	11,754	2,508	26,038
Underlying EBITDA	**59,455**		**11,590**	**29,049**	**-9,703**	**90,391**
Underlying EBITDA / Gross profit	31.3%		17.5%	17.4%		21.3%
ROACE[2]	**43.5%**		**9.7%**	**14.4%**	**-4.1%**	**19.2%**

(1) Operating expenses in 2015 have been adjusted for comparison reasons due to refining of the overhead allocation.
(2) ROACE means EBITDA divided by the average capital employed; see Note 27 of the financial statements
(3) Adjusted downwards by 58k tonnes, because volume of warehousing activities were included.

Cluster the Netherlands

In thousands of euro	2016		2015
Total Feed volume (in tons)	4,282,620	[4]	4,044,389
Revenue	**1,019,072**		**1,001,866**
Gross profit	**201,555**		**190,131**
Other operating income	1,557		1,866
Operating expenses[1]	-144,762		-141,109
Operating profit	**58,350**		**50,888**
Gain on sale of investments and assets held for sale	-1,003	[2]	-
Restructuring cost / Impairment non-current assets	-		-
IFRS effect on employee benefits in The Netherlands	-		400
Incidental items	**-1,003**		**400**
Underlying operating profit	**57,347**		**51,288**
Depreciation and amortisation	8,550		8,167
Underlying EBITDA	**65,897**		**59,455**
Underlying EBITDA / Gross profit	32.7%		31.3%
ROACE[3]	**45.6%**		**43.5%**

(1) Operating expenses in 2015 have been adjusted for comparison reasons due to refining of the overhead allocation.
(2) Mainly relates to the sale of Oss
(3) ROACE means EBITDA divided by the average capital employed; see Note 27 of the financial statements
(4) Adjusted downwards by 58k tonnes, because volume of warehousing activities were included.

Total Feed Volume

The volume of Total Feed sold in the cluster the Netherlands increased by 5.9% to 4.3 million tonnes. Growth in compound feed volume was lower than that in Total Feed. This indicates a slight shift to alternative feed solutions.

During 2016 more Total Feed volume was sold in the ruminant sector than in 2015. The increase took place largely in the first half of 2016, as the abolition of the milk quotum took effect per 1 April 2015. The relative improvement in milk prices during the second half of the year 2016, and the higher number of animals and growing milk production are the reason for the increasing demand for Total feed solutions. The volume was also higher in the poultry sector. This was driven by growth in the layer sector which was partly neutralised by a decrease in the volume for broilers as result of increasing interest in welfare concepts (fewer animals per m^2). There is an overall decline in market size in the Netherlands due to a decreasing demand for pig meat. Many swine farmers were in a dire financial situation, particularly in the first half of 2016, many when prices for pig meat were low. Nevertheless, volumes in the swine sector increased marginally on the back of the Vleuten-Steijn acquisition. In the meantime, prices for pig meat are higher than the average for the past number of years.
Volumes of biological (organic) feed (Reudink) showed strong growth of over 20% compared to 2015. This growth was attributable to all species.

Gross profit

A gross profit of €201.6 million was realised in 2016. This is an increase of €11.4 million (+6.0%) compared to 2015, mainly caused by the higher volumes and better margins in the second half of the year due to better formulation (optimal use of ingredients in feed) and the acquisition of Vleuten-Steijn.

Operating expenses

Operating expenses increased by 2.6% in 2016 compared to 2015, and amounted to €144.8 million. This is due to the acquisition effect of Vleuten-Steijn and an increase in volume related production and logistic costs. Production costs per tonne, however, decreased versus 2015. There were also higher pension costs, higher maintenance costs and additional costs with respect to the #bettersafethansorry working method. The economic climate improved for both the swine and the dairy sector, respectively from Q2 and Q3 2016 onwards. This situation, more stringent cash management and additional securities made for lower outstanding overdue amounts as at year end 2016. Accordingly, significantly lower additions to the allowance for bad debts were made in 2016 than in 2015.

Underlying EBITDA

As a result of the volume growth (+5.9%), the improved gross profit (6.0%) and the lower increase in operating expenses (2.6%), the underlying EBITDA increased by 10.8% to €65.9 million. Consequently, the ratio of the underlying EBITDA/gross profit improved from 31.3% in 2015 to 32.7% in 2016.

Cluster Germany / Belgium

In thousands of euro	2016	2015
Total Feed volume (in tons)	2,009,255	1,924,380
Revenue	**522,285**	**529,585**
Gross profit	**69,901**	**66,045**
Other operating income	1,017	563
Operating expenses	-60,471	-58,627
Operating profit	**10,447**	**7,981**
Gain on sale of investments and assets held for sale	-	-
Restructuring cost / Impairment non-current assets	-	-
Incidental items	**-**	**-**
Underlying operating profit	**10,447**	**7,981**
Depreciation and amortisation	4,035	3,609
Underlying EBITDA	**14,482**	**11,590**
Underlying EBITDA / Gross profit	20.7%	17.5%
ROACE[1]	**12.5%**	**9.7%**

(1) ROACE means EBITDA divided by the average capital employed; see Note 27 of the financial statements

Total Feed volume

The Germany/Belgium cluster reported a 4.4% increase in Total Feed volume to 2.0 million tons and a more limited growth in compound feed. Similar to the situation in the Netherlands, this indicates a slight shift to alternative feed solutions. In the ruminant sector an increase in volume Total Feed was recorded in 2016, particularly driven by growth in compound feed sales in the first half of the year. More volume was also sold in the poultry sector, specifically for layers due to new customers. This growth was partially off-set by a decrease in volume in the broilers segment which was particularly weak in the first half of the year. In the swine sector volumes declined in the first half year 2016 as a result of a reduction in the herd following low swine prices. In the second half year sales volumes increased following better swine prices and new customers.

Gross profit

Gross profit increased by €3.9 million to €69.9 million (+5.8%). This can be attributed to a higher formulation effect in the first half of 2016 and the stronger increase in compound feed volume in the second half of the year.

Operating expenses

Total operating expenses increased by €1.8 million to €60.5 million (3.1%). A larger sales force and volume related production and logistics costs are the reason for this. Production costs per tonne, however, decreased versus 2015 due to the One ForFarmers way of working. The 2016 additions to bad debt reserves were lower than in 2015, but were off-set by a higher allocation of central overhead costs (€1.7 million). Depreciation expenses increased slightly by €0.4 million.

Underlying EBITDA

The growth in volume and higher gross profit, next to fractionally more operating expenses, resulted in an improved underlying EBITDA (y-o-y) by 25.0% to €14.5 million. The ratio of the underlying EBITDA/gross profit improved from 17.5% in 2015 to 20.7% in 2016.

Cluster the United Kingdom

In thousands of euro	2016	2015
Total Feed volume (in tons)	2,966,672	3,066,529
Revenue	**630,704**	**771,508**
Gross profit	**134,654**	**166,904**
Other operating income	1,271	943
Operating expenses	-121,165	-150,455
Operating profit	**14,760**	**17,392**
Gain on sale of investments and assets held for sale	-1,152	-1,378
Restructuring cost / Impairment non-current assets	1,887	1,281
Incidental items	**735**	**-97**
Underlying operating profit	**15,495**	**17,295**
Depreciation and amortisation	10,712	11,754
Underlying EBITDA	**26,207**	**29,049**
Underlying EBITDA / Gross profit	19.5%	17.4%
ROACE[1]	**14.3%**	**14.4%**

(1) ROACE means EBITDA divided by the average capital employed; see Note 27 of the financial statements

Total Feed Volume

Total Feed volume in the United Kingdom cluster decreased by 3.3% to a total volume of 3.0 million tonnes, particularly due to a larger decline in volume of compound feed. The decrease was larger in the second than in the first half of 2016, mainly due to lower demand for feed in the ruminant sector. ForFarmers also decided not to extend a number of poorly yielding contracts. Moreover, the volume was impacted by a reduction in the pig sow herd.
This reduction was instigated by farmers in the first half of 2016 and led to a further decline in sales volume in the second half of the year. In the poultry sector a like-for like growth was realised as new customers were acquired leading to additional volume particularly in the second half of 2016.

Gross profit

Gross profit decreased by €32.2 million (-19.3%), of which €19.1 million is attributable to currency translation. The devaluation of the Pound sterling had a negative (y-o-y) impact on the second half year which was three times larger (-€14.6 million) than in the first half of 2016. The net effect of acquisitions and divestments amounted to €1.1 million; a combination of €2.6 million in the first half of 2016 relating to the acquisition of Countrywide and -€1.5 million in the second half of 2016 with respect to the divestments of Leafield and the indirect transport business of Wheyfeed. Gross profit decreased like-for-like by €14.2 million in 2016 (y-o-y). This was due to the decrease in volume and the choice of farmers to buy lower-value feed. This started in the first half of the year 2016 and carried on during the year as farmers continued to face pressure on their liquidity situation.

Operating expenses

Total operating expenses decreased by €29.3 million (-19.5%), including a positive currency effect of €17.2 million. The net effect of acquisitions and divestments was nearly nil, as the acquisition effect in the first 4 months of 2016 was balanced out by the divestment effect of the same amount in the second half of the year. Like-for-like, therefore, operating expenses decreased by €13.6 million (-9.0%), despite restructuring costs of €1.9 million. The objective of this restructuring, as announced in the first half year (€1.6 million charge), is to streamline the organisation. The reduction in volume related costs, a reduction in number of FTEs and implementation of a number of cost saving initiatives (One ForFarmers), resulted in lower like-for-like operating expenses than in 2016.

Underlying EBITDA

The underlying EBITDA decreased by 9.8% to arrive at €26.2 million. At constant currency, the underlying EBITDA improved by 1.7% to €29.5 million. The net impact of acquisitions and divestments amounted to €1.2 million, split over the first and second half year 2016 in €1.4 million and -€0.2 million respectively. Like-for-like, underlying EBITDA decreased by 3% in the full year, as cost savings particularly in the second half of the year resulted in a significant mitigation of the first half year decrease. The ratio of the underlying EBITDA/gross profit improved from 17.4 % in 2015 to 19.5% in 2016.

Central and support expenses

In thousands of euro	2016	2015
Gross profit	**1,262**	**1,124**
Other operating income	104	8
Operating expenses[1]	-17,090	-13,343
Operating profit	**-15,724**	**-12,211**
Gain on sale of investments and assets held for sale	-	-
Restructuring cost / Impairment non-current assets	-	-
Incidental items	**-**	**-**
Underlying operating profit	**-15,724**	**-12,211**
Depreciation and amortisation	2,747	2,508
Underlying EBITDA	**-12,977**	**-9,703**
ROACE[2]	**-4.1%**	**-4.1%**

(1) Operating expenses in 2015 have been adjusted for comparison reasons due to refining of the overhead allocation.
(2) ROACE means EBITDA divided by the average capital employed; see Note 27 of the financial statements

After allocation of overhead expenses to the operational clusters, the central and support expenses increased (€3.5 million) as a result of the full year impact of enhancing the organisation. This included, among other things, further enhancement of the IT department to support the growth of the business. In 2016, additional costs were made for the project to reduce and optimise indirect procurement costs. Moreover, one-off expenses of €1.5 million which were made relating to the listing on Euronext Amsterdam were included in the central and support expenses. In 2015 a one-off benefit (€2.0 million) was realised as the result of a reassessment of the provisions. The overhead expenses are partly allocated to the clusters. In 2016 the method was refined. For comparison reasons, the 2015 allocations have been adjusted accordingly.

Dividend proposal

The dividend policy of ForFarmers is distributing a dividend between 40% and 50% of the normalised profit after taxes, which is the result after tax attributable to the shareholders of the Company, excluding the gain on sale of investments and assets held for sale. The normalised profit amounted to €51.4 million, which is the consolidated profit attributable to the owners of the Company of €53.3 million minus the gain on sale of investments and assets held for sale. A dividend distribution is proposed of €0.24218 per ordinary share (pay-out ratio of 50% of the qualifying normalised result). On 26 April 2017 the annual accounts will be submitted to the Annual General Meeting for adoption. The dividend is payable on 9 May 2017.

2017 Outlook

Geopolitical developments are expected to influence the markets in which ForFarmers is active in 2017. The volatility in raw material prices and on the currency markets is also expected to continue. In particular, changes in the valuation of the Pound sterling affect the consolidated results of ForFarmers. However, the dairy market is improving somewhat, the swine sector seems to be benefitting from the better prices and the poultry market appears to remain stable in 2017. ForFarmers expects that this will translate in a growing demand for sustainable Total Feed solutions.

The long-term prospects for the agricultural sector in Northwest Europe remain good. With a growing world population and increasing prosperity, demand for animal protein grows. At the same time, in the more prosperous countries, more attention is focused on the environment and the wellbeing of humans and animals in the manufacture of these products. Sustainability is therefore an integral and natural element of the business operations of ForFarmers. Farmers are confronted by increasing rules and regulations and consequently costs.

In general, it is expected that the ruminant sector will show a slight growth. In the Netherlands, however, it is expected that the phosphate regulation will put some pressure on the dairy sector. The Dutch government decided to introduce phosphate rights as of 2018. In order to reduce phosphate levels in 2017, the Dutch dairy chain (dairy industry, feed companies, LTO, consultancy organisations and the government) decided to a joint approach as of March 2017 to realise phosphate reduction. ForFarmers understands and supports these measures. It is expected that this will result in, among other things, a limited reduction in herd size over the course of the year.

Consumers, particularly in Western Europe, tend to eat slightly less pig meat. This influences the swine sector. An improvement is expected due to the increased export of pig meat to particularly China. In the United Kingdom, ForFarmers expects that in the medium term the pig herd size will grow as a reaction to the devaluation of the Pound sterling, leading to more expensive import, and the 'Buy British' campaigns.
ForFarmers continues to enforce operational improvements and further implementation of Horizon 2020. In line herewith and in order to optimise its organisation and processes, ForFarmers invests in making the factories more efficient and in IT solutions. Moreover, ForFarmers expects to see a downward trend in the number of FTEs (excluding any potential impact of possible acquisitions) following the ongoing rationalisation of the supply chain in the United Kingdom. The aim is to achieve an optimal specialisation, spread of locations and size of factories and logistics, in line with the One ForFarmers approach and initiatives. The relating plans are currently being developed and will subsequently be discussed with the organisation. This should lead to cost savings of at least £5 million by 2020, compared to the current cost level. As a consequence of these plans, and due to additional One ForFarmers initiatives, ForFarmers expects to invest approximately €40 million to €45 million (previously €35 million) both in 2017 and in 2018. The investments for operational efficiency projects should lead to a further improvement of the underlying EBITDA/gross profit ratio. At the same time, the strict focus on accounts receivables will be continued, as well as further improving working capital management. In addition, ForFarmers will continue to focus on identifying appropriate acquisition candidates in the existing four countries as well as in new countries in Europe and adjoining regions (Europe Plus), whilst retaining the Company's stringent take-over criteria.
ForFarmers generates a substantial cash flow and has additional financial headroom by means of an existing credit facility. ForFarmers wishes to be flexible to make relevant acquisitions in the coming years but also aims to make its balance sheet more efficient. Accordingly, ForFarmers proposes to make part of its cash position available to shareholders by means of a share buy-back programme.
The proposal is to initiate a limited share buy-back programme ending ultimately October 2018, as part of the annual requested buy-back mandate, of an amount ranging between €40 million and €60 million.

As of the date of this report no major changes are expected in the financing position. ForFarmers reiterates its guidance for the medium term of an on average annual increase of the underlying EBITDA in the mid single digits at constant currencies, barring other unforeseen circumstances.

Subsequent events

There are no material subsequent events after balance sheet date.

Other

In 2017, the direct capital interest of Coöperatie FromFarmers U.A. (the cooperative FromFarmers) will be reduced, in line with the Equity on Name programme. Under the terms of this programme, the last credits on the participation accounts of the members of the cooperative FromFarmers will take place. Accordingly, the direct capital interest that the cooperative FromFarmers has in ForFarmers will decrease from 20.8% in 2016 to approximately 17.5% in 2017. The decision on this will, as is expected, be taken by the member council of the cooperative in April. The holder of the participation account can convert the credits to depositary receipts or shares.

Responsibility statement

Pursuant to section 5:25d, paragraph 2(c), of the Dutch Financial Supervision Act (Wet op het financieel toezicht (Wft)), the Board of Directors state that to the best of their knowledge the 2016 financial report, which comprise the Company and its subsidiaries (jointly 'the Group' or 'ForFarmers') and the Group's interest in its joint venture, give a true and fair view of the condensed consolidated statement of financial position, the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the notes to the condensed consolidated financial statements.

This press release contains inside information within the meaning of Article 7 (1) of the EU Market Abuse Regulation.

Audio webcast

Messrs Yoram Knoop (CEO), Arnout Traas (CFO) and Jan Potijk (COO) will present the ForFarmers 2016 annual results today from 09.30 – 10.30 am. This can be followed via an audio webcast (in English). To listen to the live audio webcast, you can log on via the corporate website www.forfarmersgroup.eu. You can also download the presentation slides via the corporate website. The audio webcast will be available on the website afterwards.

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 9.3 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, the turnover arrived at €2.1 billion.

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Notifications and disclaimer

Reporting standards

Publication 2016 annual report
The 2016 annual report (incl. financial statements) will be available from 14 March 2017 on the ForFarmers website (www.forfarmersgroup.eu).

Reporting standards
The results in this press release are derived from the ForFarmers 2016 audited financial statements. The financial statements 2016 and the derived numbers is this press release have been drawn up in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

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

29-03-2017	Registration date for the Annual General Meeting of Shareholders
26-04-2017	Annual General Meeting of Shareholders
28-04-2017	Ex-dividend listing
02-05-2017	Registration date for those entitled to a dividend
09-05-2017	Dividend payment
11-05-2017	Q1 Trading update
17-08-2017	Publication of 2017 half-year results
09-11-2017	Q3 Trading update
13-03-2018	Publication Annual Report 2017
26-04-2018	Annual General Meeting of Shareholders

Forward-looking statements

This document 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 document 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.