Press Release

13 March 2018

Solid 2017 performance ForFarmers

Highlights of ForFarmers 2017 results:

- Total Feed volume: up 3.2% to 9.6m tonnes, through organic growth and mainly the Vleuten-Steijn acquisition;
- Compound feed volume: up 5.8% to 6.7m tonnes, due to farmers buying more performance feed;
- Gross profit: up 3.0% to €419,8 million, driven by 4.2% like-for-like growth and including a negative currency translation effect;
- Underlying EBITDA: up 8.3% to €101.4 million (10.1% growth at constant currencies) on sound like-for-like growth;
- Basic earnings per share: up 12% to €0.56, on improved net profit and due to share buy-back;
- Working capital improvements (€50.7 million) underpinning enhanced cash generation.

Consolidated key figures

In millions of euro (unless indicated otherwise)	2017	2016	Total change in %	Currency	Acquisition (5)	Like-for-like (6)
Total Feed volume (x 1.000 ton)	9,556.4	9,258.5	3.2%		2.2%	1.0%
Compound feed	6,727.8	6,359.4	5.8%		3.7%	2.1%
Revenue	2,218.7	2,109.0	5.2%	-1.9%	2.9%	4.2%
Gross profit	419.8	407.4	3.0%	-2.1%	0.9%	4.2%
Operating expenses	-346.8	-343.5	1.0%	-2.2%	0.2%	3.0%
EBITDA(1)	101.6	93.9	8.2%	-1.8%	3.7%	6.3%
Underlying EBITDA(2)	**101.4**	**93.6**	**8.3%**	**-1.8%**	**3.7%**	**6.4%**
Operating profit	74.0	67.8	9.1%	-1.5%	4.3%	6.3%
Profit attributable to shareholders of the Company	58.6	53.3	9.9%			
Net cash from operating activities	116.6	81.4	43.2%			
Underlying EBITDA / Gross profit	24.2%	23.0%				
ROACE(3)	24.3%	22.5%				
Basic earnings per share (x €1)	0.56	0.50	12.0%			

	31 December 2017	31 December 2016
Equity	409.9	429.0
Solvency(4)	52.1%	55.3%

(1) EBITDA is operating profit before depreciation and amortization.
(2) Underlying means excluding incidental items.
(3) ROACE means underlying EBITDA divided by 12-month average capital employed; see Note 27 of the financial statements 2017.
(4) Solvency ratio is equity divided by total assets.
(5) Relates to the net impact of acquisitions/divestments
(6) Like for like is the change excluding acquisitions and divestments and currency impact.
General remark: percentages are presented based on the rounded amounts in million euro. Additions may lead to slight differences due to roundings.

Yoram Knoop, CEO ForFarmers:
'In 2017, farmers chose more often for performance feed with more added value, in order to improve their returns on-farm. This was partly driven by the fact that economic circumstances were better for farmers than in 2016. Consequently, we have sold more compound feed and specialties, which has resulted in an increase in gross profit. Late 2017, we launched a new sow concept (NOVA) internationally, which was received well. The clusters the Netherlands and Germany/Belgium showed a clear improvement in their results. The results of the cluster the United Kingdom decreased. In that country we were confronted with challenges in the logistic services and rapidly changing market circumstances. In the meantime, the measures that were taken have resulted in enhancing our services to the required levels. Under leadership of the new COO, further action plans to improve the results in the United Kingdom cluster are also being implemented.

Besides organic growth, making acquisitions is an important pillar of the strategy Horizon 2020. In February 2018, we announced the acquisition of 60% of the shares in Tasomix, through which we will become active in the growing poultry sector in Poland. We expect to be able to close this transaction in the coming months, after approval by the authorities'.

Review 2017

The following (YoY) analysis first considers the full year consolidated results, followed by more detailed analyses of the individual clusters. The table below presents an overview of the YoY changes (in absolute amounts and in percentages) in the first half, second half and whole of 2017. Important developments in the second half of 2017 are explained.

Movements core parameters 2017 vs. 2016

In millions of euro (unless indicated otherwise)		Total		Currency		Acquisition		Like for like[1]	
Total Feed volume (x 1.000 ton)	HY1	162.3	3.6%			117.3	2.6%	45.0	1.0%
(x 1.000 ton)	HY2	135.6	2.9%			86.0	1.8%	49.6	1.1%
	FY	297.9	3.2%			203.3	2.2%	94.6	1.0%
Compound feed	HY1	194.6	6.2%			150.3	4.8%	44.3	1.4%
(x 1.000 ton)	HY2	173.8	5.4%			82.3	2.6%	91.5	2.8%
	FY	368.4	5.8%			232.6	3.7%	135.8	2.1%
Gross profit	HY1	0.8	0.4%	-6.7	-3.2%	1.6	0.8%	5.9	2.8%
	HY2	11.6	5.8%	-1.9	-0.9%	2.0	1.0%	11.5	5.7%
	FY	12.4	3.0%	-8.6	-2.1%	3.6	0.9%	17.4	4.2%
Operating expenses	HY1	7.0	-4.0%	5.9	-3.4%	0.1	-0.1%	1.0	-0.5%
	HY2	-10.3	6.2%	1.8	-1.0%	-0.8	0.5%	-11.3	6.7%
	FY	-3.3	1.0%	7.7	-2.2%	-0.7	0.2%	-10.3	3.0%
Underlying EBITDA	HY1	5.4	11.7%	-1.4	-3.1%	2.0	4.3%	4.8	10.5%
	HY2	2.4	5.1%	-0.3	-0.6%	1.5	3.0%	1.2	2.7%
	FY	7.8	8.3%	-1.7	-1.8%	3.5	3.7%	6.0	6.4%

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

Total volume Total Feed increased by 3.2% to 9.6 million tonnes in 2017, with 2.2% growth resulting from the net effect of acquisitions and divestments and 1.0% like-for-like growth. Volume growth was particularly strong in the clusters the Netherlands and Germany/Belgium, which reported growth of 3.8% and 5.0% respectively. In the United Kingdom, Total Feed volume decreased by 2.0% for the full year; the volume decline was 3.9% in the first half of the year, whilst the volume development was stable in the second half (compared to the year before).

The increase in compound feed volume was 5.8%. The net effect of acquisitions/divestments was 3.7%. This was mainly attributable to Vleuten-Steijn (the pig feed company in the Netherlands and Germany that was acquired in October 2016) and by the divestments made in the United Kingdom (Wheyfeed transport and Leafield). Like-for-like volume growth for compound feed amounted to 2.1%. Thanks to enhanced milk, swine and poultry prices, the financial situation for farmers in Europe generally improved in 2017. Volume growth in (higher value-add) compound feed was consequently larger than growth in Total Feed, which includes lower added value products as co-products (dry, moist and liquid).

Total revenue increased by €109.7 million (5.2%) to €2,218.7 million. Revenue was impacted by a negative currency translation effect of the weak Pound sterling of €40.7 million (-1.9%). Net growth from acquisitions/divestments was 2.9%. Like-for-like revenue growth was 4.2%, because of volume growth and higher raw material prices (mainly in the United Kingdom) which are passed on to customers.

Gross profit increased by 3.0% to €419.8 million. Strong like-for-like growth of 4.2% and a net contribution from acquisitions/divestments (0.9%) was offset by a negative currency translation effect (-2.1%).

The increase in gross profit was due to like-for-like volume growth in the clusters the Netherlands and Germany/Belgium, which more than compensated for the like-for-like loss in volume in the United Kingdom. The improved product mix – i.e. more compound feed and specialties – and the contribution from the strategic partnerships also helped push gross profit higher. Furthermore, gross profit increased to cover higher energy/fuel prices.

Total operating expenses increased by €3.3 million (1.0%). Currency translation of the Pound sterling into euro resulted in operating expenses being lower by €7.7 million (-2.2%). Acquisitions (Vleuten-Steijn and Wilde Agriculture) and divestments (Wheyfeed transport and Leafield) added a net €0.7 million (0.2%) to expenses.

On a like-for-like basis, operating expenses rose by €10.3 million (3.0%). Operating expenses in 2017 included an incidental impairment of €1.9 million with respect to a UK factory location. 2016 included an incidental reorganisation charge of €1.9 million for the United Kingdom. The increase in operating expenses were due to volume growth in the Netherlands and Germany/Belgium, and higher energy costs in all clusters. The expenses were positively influenced by a (net) release from the allowance for bad debts of €1.6 million (2016: net addition of €0.9 million) due to the improved financial position of customers in all clusters and improved management of accounts receivable.

Depreciation and amortisation increased, due to an increase in capital investments and the mentioned incidental impairment (€1.9 million). The extension of the depreciation term (as of 1 January 2017) of property, plant and equipment (particularly plants and machinery) following the periodic assessment of the expected economic life of these assets had a positive effect of -€2.4 million.

In millions of euro	2017	2016	Δ	Δ%
EBITDA	**101.6**	**93.9**	**7.7**	**8.2%**
Gain on sale of investments and assets held for sale	-0.4	-2.2	1.8	
Restructuring cost	0.2	1.9	-1.7	
Underlying EBITDA[1]	**101.4**	**93.6**	**7.8**	**8.3%**
FX effect	1.7		1.7	
Underlying EBITDA, at constant currencies[1]	103.1	93.6	9.5	10.1%
Operating profit (EBIT)	74.0	67.8	6.2	9.1%

(1) 'Underlying EBITDA' means EBITDA excluding incidental items
General remark: percentages are presented based on the rounded amounts in million euro. Additions may lead to slight differences due to roundings.

EBITDA increased by 8.2% to €101.6 million. The negative currency translation effect of the weaker Pound sterling was 1.8%. The net contribution from acquisitions/divestments was 3.7%. Like-for-like growth was 6.3%. One-off restructuring costs (€0.2 million) included incidental expenses related to the introduction of a shared service center on the Continent. In 2016, a €1.9 million restructuring charge was taken in relation to ForFarmers United Kingdom.

Underlying EBITDA at constant currencies increased by 10.1% to €103.1 million. Acquisitions /divestments (net) contributed 3.7%. The like-for-like increase (6.4%) was driven by volume growth in the Netherlands and Germany/Belgium. This increase was 10.5% in the first half of the year and 2.7% in the second half of 2017.

The underlying EBITDA /gross profit ratio increased from 23.0% in 2016 to 24.2% in 2017.

Net finance expenses were lower, mainly due to lower interest costs regarding the pension liability in the United Kingdom following an additional payment into the closed fund at the beginning of the reporting year. This additional payment was agreed in return for the pension trustees agreeing to change the inflation definition for aforementioned liability from the higher RPI (retail price index) to the lower CPI (consumer price index).

The contribution from the German joint venture HaBeMa increased by 0.2% to €3.9 million thanks to trading volumes growing slightly in 2017.

The effective tax rate in 2017 was 22.7% (2016: 22.3%). The increase is because a relatively larger part of the results was realised in the Netherlands. In 2016 a larger deferred tax asset was formed for losses carried forward than in 2017.

Profit attributable to shareholders of the Company increased by €5.3 million (9.9%), to €58.6 million.
Basic earnings per share increased by 12.0% due to the increase in net profit and the impact of the share buy-back programme. Basic earnings per share is calculated based on the weighted average number of ordinary shares outstanding. In 2016 this equalled 106,150,160 compared to 104,077,496 in 2017 (as a result of the share buy-back).

ForFarmers Group had 2,325 employees at 31 December 2017, presented in full time equivalents (FTEs), 2.3% more than at 31 December 2016 (2,273). Mainly because of volume growth, amongst others, in the clusters the Netherlands and Germany/Belgium, there was an increase of 52 FTEs.

Capital structure

Group Equity as at 31 December 2017 amounted to €409.9 million; €19.1 million lower than a year earlier. The 2017 result of €59.3 million was added to Group Equity, while the amount distributed in dividends (€26.7 million) and a net amount of €53.7 million mainly relating to the share buy-back programme (as announced on 2 May 2017) were subtracted. Other Comprehensive Income, a positive amount of €2.1 million net of tax, mainly comprised two elements: the negative currency translation effect relating to the investment in the United Kingdom, and an addition to the pension liability as a result of the change in relating interest rate assumptions in the United Kingdom.

Solvency declined from 55.3% at end 2016 to 52.1% as at 31 December 2017. The ratio underlying EBITDA divided by 12-month average capital employed ('ROACE') increased from 22.5% in 2016 to 24.3% in 2017. The same ratio based on EBIT increased from 16.3% in 2016 to 18.2% in 2017.

The net balance of available cash and cash equivalents minus the bank loans and borrowings (long and short term) amounted to €67.1 million at end 2017 (end 2016: €61.5 million). The net increase of the positive balance was mainly attributable to realised EBITDA (€101.6 million) and the improvement in working capital, partially offset by capital investments, the share buy-back and dividend distribution. Furthermore, an additional payment (€11.7 million) was made into the closed pension fund in the United Kingdom at the beginning of the reporting year.

Working capital decreased substantially from €119.9 million (end of 2016) to €69.2 million at the end of 2017. As a result of the procurement optimisation process payment terms with suppliers were extended. In addition, constant focus on accounts receivable management and the improvement in the financial situation of our customers contributed to a decrease in accounts receivable.

This is also demonstrated by the reduction in the percentage of overdue receivables: 14.9% at year-end 2017 compared to 18.6% at year-end 2016.

At the beginning of 2017, ForFarmers announced the intention to increase capital investment to approximately €40 million to €45 million in both 2017 and 2018, compared to historically investing some €25 million annually, in line with depreciation. In 2017, capital investments made in property, plant and equipment increased by 20.9% to €38.2 million. The increase is largely due to the investment of £10 million in the construction of a new factory in Exeter and £4 million in a new central office in Bury St Edmunds (both in the United Kingdom). Other investments in 2017 mainly consist of a new process control system, renovation of bulk silos, trucks and the replacement of a grinder in the Netherlands.

Results and developments per cluster

2017

In thousands of euro	The Netherlands	Germany/Belgium	United Kingdom	Group / eliminations	Consolidated
Total Feed volume (in tons)	4,538,548	2,111,171	2,906,659	-	9,556,378
Revenue	**1,117,112**	**546,542**	**622,398**	**-67,392**	**2,218,660**
Gross profit	**221,714**	**75,919**	**121,301**	**906**	**419,840**
Other operating income	412	211	338	-	961
Operating expenses	-154,106	-63,919	-116,290	-12,464	-346,779
Operating profit	**68,020**	**12,211**	**5,349**	**-11,558**	**74,022**
Gain on sale of investments and assets held for sale	-115	-	-248	-	-363
Restructuring cost / Impairment non-current assets	-	160	1,932	-	2,092
Incidental items	**-115**	**160**	**1,684**	**-**	**1,729**
Underlying operating profit[1]	**67,905**	**12,371**	**7,033**	**-11,558**	**75,751**
Depreciation and amortisation[2]	7,491	3,276	11,546	3,382	25,695
Underlying EBITDA[1]	**75,396**	**15,647**	**18,579**	**-8,176**	**101,446**
Underlying EBITDA / Gross profit[1]	34.0%	20.6%	15.3%		24.2%
ROACE[3]	**49.1%**	**18.3%**	**10.5%**	**-6.3%**	**24.3%**

(1) Underlying means excluding incidental items
(2) Excluding impairment non-current assets
(3) ROACE means underlying EBITDA divided by 12-month average capital employed; see Note 27 of the financial statements 2017.

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
Segment 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[2]	**57,347**		**10,447**	**15,495**	**-15,724**	**67,565**
Depreciation and amortisation[3]	8,550		4,035	10,712	2,747	26,044
Underlying EBITDA[2]	**65,897**		**14,482**	**26,207**	**-12,977**	**93,609**
Underlying EBITDA / Gross profit[2]	32.7%		20.7%	19.5%		23.0%
ROACE[4]	**45.4%**		**15.2%**	**14.2%**	**-11.8%**	**22.5%**

(1) Mainly relates to the sale of Oss
(2) Underlying means excluding incidental items
(3) Excluding impairment non-current assets
(4) ROACE means underlying EBITDA divided by 12-month average capital employed; see Note 27 of the financial statements 2017.

General market developments

Generally speaking, the financial situation of farmers was better in 2017 than in 2016. Dairy farmers benefitted from rising milk prices. Milk prices started to decline towards the end of 2017, albeit they are still at a historic above average level.

The strong demand from China for pig products combined with reduced EU production (in 2016) led to an increase in pig prices until the second half of 2017. Prices then started to decline as the EU swine herd increased. Most pig farmers are still able to maintain positive margins.

The poultry sector had to deal with outbreaks of bird flu and, especially in the Netherlands, the fipronil affair. On average, prices for poultry products showed a (slight) upward trend in 2017.

Cluster the Netherlands

In thousands of euro	2017	2016	Δ%
Total Feed volume (in tons)	4,538,548	4,282,620	6.0%
Revenue	**1,117,112**	**1,019,072**	
Gross profit	**221,714**	**201,555**	**10.0%**
Other operating income	412	1,557	
Operating expenses	-154,106	-144,762	
Operating profit	**68,020**	**58,350**	**16.6%**
Gain on sale of investments and assets held for sale	-115	-1,003[1]	
Restructuring cost / Impairment non-current assets	-	-	
Incidental items	**-115**	**-**	
Underlying operating profit[2]	**67,905**	**57,347**	
Depreciation and amortisation[3]	7,491	8,550	
Underlying EBITDA[2]	**75,396**	**65,897**	**14.4%**
Underlying EBITDA / Gross profit[2]	34.0%	32.7%	
ROACE[4]	**49.1%**	**45.4%**	

(1) Mainly relates to the sale of Oss
(2) Underlying means excluding incidental items
(3) Excluding impairment non-current assets
(4) ROACE means underlying EBITDA divided by 12-month average capital employed; see Note 27 of the financial statements 2017.

Market and Sector developments

Since the beginning of 2017, dairy farmers needed to take measures to comply with the phosphate ceiling determined by the EU for the Netherlands. Feed companies reduced the amount of phosphate in feed, the government paid compensation to dairy farmers who decided to stop farming and farmers reduced their herd sizes by approximately 10%. Subsequently farmers started to focus on increasing the milk production per cow, also driven by the relatively high milk price.

The fipronil affair impacted some individual layer farmers significantly in the third quarter of 2017. Farmers were temporarily banned from selling their eggs. After the ban was lifted, consumers were initially reluctant to eat eggs. Egg consumption and export returned to normal levels in the fourth quarter.

Results

Total Feed volume sold in the cluster the Netherlands increased by 6.0% to 4.5 million tonnes. Vleuten-Steijn (acquired end of 2016) contributed 5.3% growth. Like-for-like growth amounted to 0.7%. Farmers were focusing on technical results, resulting in substantially higher growth in compound feed volume than in Total Feed. Dairy farmers, for instance, focused on optimising production per individual cow by using compound performance feeds.

Total Feed and compound feed volumes were higher in the swine sector. This is fully attributable to the (nine months) acquisition effect of Vleuten-Steijn. Like-for-like, volume in the swine sector decreased marginally. In the poultry sector, both in the layer and the broiler segment, volumes increased due to gaining new customers.
Reudink, the biological (organic) feed company, reported significant growth of over 20%, attributable to all species.

Gross profit increased by €20.2 million (10.0%) to €221.7 million. Higher volumes, the acquisition effect of Vleuten-Steijn, and better margins due to more performance feed and better formulation (optimum use of ingredients in feed) were the reason for this increase. Furthermore, strategic partnerships contributed to gross profit improvement, including the new partnership with Chr. Hansen for silage additives (forage).

Other operating income decreased in comparison to 2016, when the sale of land in Oss was reported.

Operating expenses increased by 6.5%. This was due to an increase in volume related production and logistics costs, growth of the sales and production organisation, and the acquisition effect of Vleuten-Steijn. Production costs per tonne decreased despite higher energy costs. Due to consistent implementation of allocation of overhead costs, these were €2.2 million higher for the cluster the Netherlands than in 2016.

Underlying EBITDA increased by 14.4% to €75.4 million. All sectors, Reudink and Pavo contributed to this increase. The underlying EBITDA/gross profit ratio improved to 34.0% (2016: 32.7%).

ROACE increased from 45.4% in 2016 to 49.1% in 2017. EBITDA improved and capital employed decreased as the increase in capital investments were more than compensated by the reduction in working capital.

Cluster Germany / Belgium

In thousands of euro	**2017**	**2016**	**Δ%**
Total Feed volume (in tons)	2,111,171	2,009,255	5.1%
Revenue	**546,542**	**522,285**	
Gross profit	**75,919**	**69,901**	**8.6%**
Other operating income	211	1,017	
Operating expenses	-63,919	-60,471	
Operating profit	**12,211**	**10,447**	**16.9%**
Gain on sale of investments and assets held for sale	-	-	
Restructuring cost / Impairment non-current assets	160	-	
Incidental items	**160**	**-**	
Underlying operating profit[1]	**12,371**	**10,447**	
Depreciation and amortisation[2]	3,276	4,035	
Underlying EBITDA[1]	**15,647**	**14,482**	**8.0%**
Underlying EBITDA / Gross profit[1]	20.6%	20.7%	
ROACE[3]	**18.3%**	**15.2%**	

(1) Underlying means excluding incidental items
(2) Excluding impairment non-current assets
(3) ROACE means underlying EBITDA divided by 12-month average capital employed; see Note 27 of the financial statements 2017.

Market and sector developments

In Germany there is a noticeable increase in public interest in environmental protection measures and animal welfare. We see that the use of regionally grown raw materials is being promoted, with a specific focus on soy. There is also growing pressure on feed companies to use raw materials that are non-GMO. This strong focus on sustainability has consequences for farmers. For example, pig farmers are forced to reduce nitrate and phosphate levels in slurry/manure because of the fertilizer ordinance, which was approved in the first quarter of 2017. Overall, it is becoming increasingly difficult for farmers to build new stables or expand their businesses.

In Belgium, the importance of reducing medication in feed is gaining traction. ForFarmers is active in organising meetings to demonstrate the possibilities and benefits of medication-free feed.

Results

Total Feed volume for the Germany/Belgium cluster increased (like-for-like) by 5.1% to 2.1 million tonnes. In the ruminant sector, volume increased following the strengthening of the sales organisation and the addition of a new dealer.

Volume in the swine sector also increased thanks to a new dealer and new customers. In the poultry sector, volume sold to layer farmers grew because of increased market share. Volume sold to broiler farmers also increased. Growth in compound feed was higher than in Total Feed, although growth tapered off slightly in the second half of the year.

Gross profit increased by €6.0 million (8.6%) because of volume increase, better formulation and better product mix with more specialties. In addition, there was a higher contribution from strategic partnerships in the second half of the year.

Total operating expenses increased by €3.4 million (5.6%). Manufacturing and logistics costs increased (mostly volume-driven but also due to higher energy costs and lower subsidies under the German EEG Renewable Engery Act) and higher costs were incurred to strengthen the sales organisation for volume growth. Overhead cost allocation was equal to 2016.

Underlying EBITDA increased by €1.2 million to €15.6 million (8.0%). The underlying EBITDA/gross profit ratio fell marginally to 20.6% (2016: 20.7%).

ROACE increased from 15.2% in 2016 to 18.3% in 2017 due to higher EBITDA and lower working capital.

Cluster the United Kingdom

In thousands of euro	2017	2016	Δ%
Total Feed volume (in tons)	2,906,659	2,966,672	-2.0%
Revenue	**622,398**	**630,704**	
Gross profit	**121,301**	**134,654**	**-9.9%**
Other operating income	338	1,271	
Operating expenses	-116,290	-121,165	
Operating profit	**5,349**	**14,760**	**-63.8%**
Gain on sale of investments and assets held for sale	-248	-1,152	
Restructuring cost / Impairment non-current assets	1,932	1,887	
Incidental items	**1,684**	**735**	
Underlying operating profit[1]	**7,033**	**15,495**	
Depreciation and amortisation[2]	11,546	10,712	
Underlying EBITDA[1]	**18,579**	**26,207**	**-29.1%**
Underlying EBITDA / Gross profit[1]	15.3%	19.5%	
ROACE[3]	**10.5%**	**14.2%**	

(1) Underlying means excluding incidental items
(2) Excluding impairment non-current assets
(3) ROACE means underlying EBITDA divided by 12-month average capital employed; see Note 27 of the financial statements 2017.

Market and sector developments

Brexit continues to influence all aspects of the agricultural business.

In 2017, the ruminant and swine sectors benefitted from rising milk and pig prices. Ruminant and swine herd sizes started to recover from the dire situation in 2016 and the financial situation of farmers improved. From the second half of the year, farmers started focusing on enabling better returns on farm, and consequently reverted to using performance feed. The consolidation of larger players in the market continued particularly in the swine sector, leading to new market dynamics.

Results

Total Feed volume in the United Kingdom cluster decreased by 2.0% to 2.9 million tonnes. Most of the decline was recorded in the first half of the Year, with volume recovering in the second half. Excluding the net effect of acquisitions/divestments, the like-for-like annual decrease was 1.2%. The volume decline for compound feed was less pronounced than for Total Feed, with compound feed seeing volume growth in the second half of the year.

Market dynamics affected volume development in the ruminant sector negatively. The introduction of Feed2Milk in the dairy sector is looking promising, however. Volumes in the swine sector increased, particularly in the second half of the year as herd sizes grew. There was a marginal increase in volume sold to the poultry sector.

Gross profit decreased by €13.4 million (-9.9%), of which €8.6 million was attributable to negative currency translation. Farmers increasingly reverted to buying performance feed and specialties. The larger share of volume of 'XL customer' contracts in the swine sector, which have lower value add, offset this positive development. Initial steps have been taken to improve the relevant commercial proposition.

Operating expenses decreased by €4.9 million (4.0%). The currency translation impact amounted to lower operating expenses by €7.7 million. Temporary higher third party logistics costs negatively affected operating expenses. This was due to a higher than usual turnover of drivers, and the fact that it was difficult to recruit new drivers in time. This was due to many non-UK drivers having left the United Kingdom because of concerns around

Brexit. Measures were also taken in the second half of 2017 which have led to much enhanced customer service levels. This serves as an important enabler for supply chain optimisation.

Depreciation and amortisation costs were higher, due to the investment in the new mill in Exeter, which is now operational. The increase also includes an impairment cost of €1.9 million relating to one of the factories. Overhead costs that were allocated to the cluster in a consistent manner were €2.2 million higher than in 2016.

Underlying EBITDA decreased by 29.1% to €18.6 million. The underlying EBITDA/gross profit ratio decreased to 15.3% from 19.5% in 2016.

The lower EBITDA and the slight delay in realising the savings from the supply chain optimisation plans, reduced the headroom between the recoverable amount and carrying amount regarding the goodwill impairment test for the United Kingdom.

ROACE decreased from 14.2% (2016) to 10.5% in 2017 because of the lower EBITDA and a rise in assets due to the investment in the factory in Exeter and the office in Bury St Edmunds.

Central and support expenses

In thousands of euro	2017	2016	Δ%
Gross profit	**906**	**1,262**	**-28.2%**
Other operating income	-	104	
Operating expenses	-12,464	-17,090	
Operating profit	**-11,558**	**-15,724**	**-26.5%**
Gain on sale of investments and assets held for sale	-	-	
Restructuring cost / Impairment non-current assets	-	-	
Incidental items	**-**	**-**	
Underlying operating profit(1)	**-11,558**	**-15,724**	
Depreciation and amortisation(2)	3,382	2,747	
Underlying EBITDA(1)	**-8,176**	**-12,977**	**-37.0%**
ROACE(3)	**-6.3%**	**-11.8%**	

(1) Underlying means excluding incidental items
(2) Excluding impairment non-current assets
(3) ROACE means underlying EBITDA divided by 12-month average capital employed; see Note 27 of the financial statements 2017.

Central operating expenses decreased after allocation of overhead expenses to the operational clusters. Taking into consideration that total overhead allocation in 2017 was higher by €4.4 million (cluster the Netherlands and the United Kingdom) than in 2016, central and support expenses decreased by €0.3 million. In 2016, one-off expenses of €1.5 million for the listing on Euronext Amsterdam were included.

Dividend proposal

ForFarmers aims to distribute dividend, taking into consideration long-term value creation and a healthy financial structure to execute its strategy. The dividend policy of ForFarmers is to pay out between 40% and 50% of the profit after taxes (the result after tax attributable to the shareholders of the Company) excluding non-recurring items. In 2017 this profit amounted to €60.3 million. Based on the healthy financial position of the Company, a pay-out ratio of 50% is proposed, which equates to a proposed dividend of €0.30 per ordinary share (based on 100.8 million outstanding shares) which is 25% higher than the dividend of €0.24 in 2016. The annual accounts will be submitted for adoption at the Annual

General Meeting on 26 April 2018. The dividend is payable on 9 May 2018.

Outlook for 2018

The long-term prospects for the agricultural sector in northwest Europe remain positive. Demand for animal protein continues to grow on the back of a growing world population and increasing prosperity. At the same time, the more prosperous countries focus more on the environment and the wellbeing of humans and animals when manufacturing these products. Sustainability is therefore an integral and natural element of the business operations of ForFarmers. Farmers face increasing regulatory obligations and consequently cost increases.

The ruminant sector overall is expected to show a slight growth. There is growing consumer interest in non-GMO foodstuffs, dairy produce from Europe (provenance) and organic (biological) food. This has direct consequences for dairy farmers and for ForFarmers. For instance, ForFarmers recently announced to reopen a mill in the Netherlands, to produce non-GMO feed. Due to the decrease of herd sizes in the Netherlands following the implementation of the phosphate measures, the dairy sector in the Netherlands is expected to contract marginally in 2018. In the other countries of operation, ForFarmers expects the ruminant sector to continue to strengthen. Demand for data driven solutions is increasing. ForFarmers is actively involved in developing the UK sector version of 'Agroscoop' to enable farmers to monitor their technical performance and thus help them to improve their returns.

Consumers, particularly in western Europe, eat slightly less pig meat. In addition, there is an increasing interest in local produce, welfare concepts (e.g. Beter Leven),the use of non-GMO raw materials, and phasing out the use of medication in feed. Farmers are demanding more data driven solutions in order to optimise their results. This affects the swine sector on many levels, both negatively and positively. The large increase in export of pig meat to particularly China, which started at the beginning of 2017, has begun to taper off. This, combined with the increase in the EU pig herd is forcing pig prices down, albeit to levels that are still profitable for farmers. The consolidation trend among pig farmers is continuing, particularly in the United Kingdom. These developments require ForFarmers to sharpen its commercial proposition for XL customers with the first steps already having been taken. ForFarmers expects that pig farmers in the United Kingdom (UK) will expand their herds. There is a clear opportunity for them as the UK is not self-sufficient in pig meat and imports to the UK have become more expensive since the Brexit referendum.

The outlook for the poultry sector is positive, as consumers are increasingly turning to chicken meat and eggs as a price friendly and healthy alternative to other protein types. In North Western Europe, poultry farmers face a growing number of environmental regulations that hamper expansion, whereas in Eastern European countries, such as in Poland, they can grow without too many restrictions. Particularly in the Netherlands, animal welfare concepts (e.g. free range and organic) are growing.

Milk prices and pig meat prices have started to taper off, when compared to mid-2017, but are on average still at historically good levels. Prices for broilers have also started to decline since the end of 2017. Egg prices are presently at a historically high level.

ForFarmers continues to optimise its organisation and processes, in line with its Horizon 2020 strategy. ForFarmers is accordingly investing in projects to improve its supply chain efficiency and in IT solutions. ForFarmers strives to keep growth in the number of FTEs and related costs lower than growth in volume. This does not take into consideration any impact from potential acquisitions.

The rollout of the supply chain optimisation plans in the United Kingdom, as announced at the presentation of the 2016 results, has suffered a slight delay. The progress hereof will be considered in the annual impairment test. In the latter half of 2017, all attention in the United Kingdom was focused on improving service reliability. The full focus is currently on realising the previously announced £5 million savings in operating expenses in 2020 (compared to 2016).

ForFarmers expects to invest approximately €40 million to €45 million (2017: €38.2 million) in 2018 in supply chain optimisation plans and other One ForFarmers initiatives. These investments in operational efficiency projects will support sustainable, longer-term growth of the EBITDA/gross profit ratio. At the same time, the Company will maintain its strict focus on accounts receivables management and on working capital management.

ForFarmers continues to focus on identifying suitable acquisition candidates in the existing countries as well as in new countries in Europe and the surrounding regions (Europe+), always subject to the Company's stringent take-over criteria.

As at the date of this report, ForFarmers expects to continue to have a healthy financial position. ForFarmers reiterates its guidance for the medium term of an average annual increase in underlying EBITDA in the mid-single digits at constant currencies, excluding the impact of significant acquisitions and barring unforeseen circumstances.

Subsequent events

After balance sheet date, the sale of the arable activities of ForFarmers the Netherlands to CZAV, which was announced at the beginning of December 2017, was completed. This sale concerns the non-livestock feed related products (e.g. fertilizers, crop protection products and seeds) that ForFarmers supplied to Dutch arable farmers, with annual revenues of €13 million. CZAV took over these activities and the associated storage facility on 5 February 2018. ForFarmers received €5.65 million.

The sale of these (non-livestock feed related) arable activities is fully in line with ForFarmers' strategy, that focuses specifically on the Total Feed approach for livestock farmers. ForFarmers continues to sell seeds, fertilizers and crop protection products to its customers relating to forage production on farms. These forage related products represent an important part of the Total Feed approach and were therefore not included within this sale.

The strategic cooperation, which was announced in 2017 between ForFarmers the Netherlands and Baks, started as of 1 February 2018. This cooperation entails that ForFarmers the Netherlands has acquired from Baks Agri Foods, the sales activities of moist feedstuffs for the swine sector (especially wey products), and consequently the customer portfolio. Conversely, Baks Logistics has acquired from FF Logistics, a subsidiary of ForFarmers the Netherlands, the logistic activities (including the relevant fleet and drivers) for this product stream.

On 20 February 2018, ForFarmers announced that it had signed a share purchase agreement with the owners of the Polish company Tasomix to acquire 60% of their shares. Tasomix is a large and innovative feed company, mainly active in the poultry sector. Through this transaction, ForFarmers adds its fifth country of operation and takes another step in strengthening its position as the leading feed company in Europe. This step is in line with ForFarmers' Horizon 2020-strategy to grow both organically and through acquisitions in Europe and surrounding regions. Tasomix provides access to a European market with an above average growth rate in the attractive poultry sector. In recent years, Poland has become the largest broiler producing country in Europe, servicing the local market and exporting to mostly EU countries.

Through this transaction, ForFarmers acquires a 60% stake in a business with two operational production facilities, with a joint capacity is approximately 450kT, and one new facility, which is under construction and has a maximum capacity of approximately 350kT. Tasomix mainly produces feed for poultry farmers, but also serves the ruminant and pig farmers. The feed mill being constructed in Pionki (approx. 110 km south of Warsaw) is scheduled to open later this year. This mill is destined to manufacture feed for a dedicated poultry integrator, which is linked to the owners of Tasomix. A supply agreement has been put in place with this integrator. The mill in Pionki will also serve non-integrated poultry farmers and pig farmers.

In 2016, Tasomix sold 395kT of feed, manufactured in its two operational mills, with a revenue of PLN 429 million (currently approximately €103 million) and a normalised EBITDA of approximately PLN 34 million (currently approximately €8 million). Tasomix has 180 employees. Based on these results, Tasomix currently ranks number 4 in the Polish feed market. At closing of the transaction, ForFarmers will make a first payment of PLN 234 million (currently approximately €56 million) in cash and will receive 60% of the shares. The second payment will be made in 2021 and is dependent on achieving specified targets, relating to future operational results of the mill in Pionki. The agreement includes the possibility for ForFarmers to over time obtain the remaining shares. Closing of the agreement is expected to take place within approximately three months after today, subject to obtaining the required approval of the Polish Competition Authorities.

Other

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 2017 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 2017 annual results today from 10.00 – 11.00 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 9.6 million tons of feed annually, ForFarmers is market leader in Europe. ForFarmers has 2,325 employees and production facilities in the Netherlands, Belgium, Germany and the United Kingdom. In 2017, the turnover arrived at €2.2 billion.

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Notifications and disclaimer

Reporting standards

Publication 2017 annual report

The 2017 annual report (incl. financial statements) will be available from 13 March 2018 on the ForFarmers website (www.forfarmersgroup.eu).

Reporting standards

The results in this press release are derived from the ForFarmers 2017 audited financial statements. The financial statements 2017 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

Financial calendar

29-03-2018	Registration date General Meeting of Shareholders
26-04-2018	General Meeting of Shareholders
30-04-2018	Ex-dividend listing
02-05-2018	Registration date for those entitled to a dividend
03-05-2018	Q1 2018 Trading update
09-05-2018	Dividend payment
16-08-2018	Publication of half-year figures 2018
01-11-2018	Q3 2018 Trading update
13-03-2019	Publication annual results and annual report 2018
26-04-2019	General Meeting of Shareholders

Forward-looking statements

This document could contain forward-looking statements, which, rather than referring to historical facts, refer to the Executive Board's expectations based on current insights and assumptions which are subject to known and unknown risks and uncertainties, and may cause the actual results, presentations or events to differ materially from the statements in this annual report. Many of these risks and uncertainties are linked to factors over which ForFarmers has no control and/or which it is unable to accurately estimate, such as, for example, the effect of general economic or political circumstances, price development and the availability of raw materials, animal diseases or interest-rate and currency fluctuations ForFarmers accepts no obligation or responsibility whatsoever to update forward-looking statements contained in this document, irrespective of whether they reflect new information, future events or otherwise, subject to ForFarmers' legal obligation to do so.