Press Release
Lochem, 2 May 2019

ForFarmers first quarter 2019 Trading Update

Highlights first quarter 2019[1]:

- Volume Total Feed[2]: growth; fully driven by the acquisitions which were completed in the second half-year 2018 (Tasomix and Voeders Algoet in particular); like-for-like volume decline in the Netherlands and the United Kingdom
- Volume compound feed grew more (in percentage terms) than Total Feed due to the acquisitions; like-for-like volume decline in the Netherlands, Belgium and the United Kingdom
- As of the beginning of the year there are temporary unfavourable purchasing positions, which were not passed on to customers because of the competitive positions. This resulted in pressure on gross profit and underlying EBITDA especially in the Netherlands, Belgium and the United Kingdom
- Gross profit: small growth, through acquisitions albeit offset by the adverse effect of the purchasing positions
- Underlying EBITDA[3]: strong decline

Outlook:

- Underlying EBITDA in the first half-year 2019: expected decline of between 30%-35% and underlying EBIT and underlying net profit: expected decline between 55%-60%
- Underlying EBITDA, -EBIT and –net profit for the full year 2019 expected to be lower than in 2018

'The development of underlying EBITDA in the first quarter of 2019 is disappointing, although in line with expectation for the first half-year as announced last March. The positive contribution of the acquisitions could not compensate the like-for-like decline in the results. Like-for-like, less compound feed was sold in all species and in all countries except Germany. The volume decline was particularly due to the decline at the end of 2018 in cattle and pig herds in the Netherlands, the country with the largest contribution in our results. In general, in challenging market circumstances in the countries in which we are active, we managed to gain customers compared to the fourth quarter of 2018. The temporary unfavourable purchasing positions, however, led to a strong decline of underlying EBITDA. The purchasing risk procedure is currently being further assessed to determine how to better bear the impact of intense volatility of raw material prices on results in the future. Because of the impact of the temporary unfavourable purchasing positions on the results of the first half-year we expect underlying EBITDA for the full year 2019 to be lower than in 2018', states Yoram Knoop, CEO of ForFarmers.

Price developments in the agricultural sector

Average prices for milk, meat and eggs in Europe were slightly lower in the first quarter of 2019 than in the comparative quarter last year.

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1. Results and developments of the first quarter 2019 are compared to those of the first quarter 2018, unless stated differently
2. Total Feed covers the entire ForFarmers product portfolio and comprises compound feed, specialties, co-products (from the feed industry, referred to as DML products), seeds and other products (such as forage)
3. Underlying EBITDA means EBITDA excluding incidental items

Average milk prices were relatively stable in the first quarter of 2019, at a slightly higher level than the 5-year average. At the end of 2018 average pig prices started to rise rapidly. In the first quarter of 2019 prices were still below the 5-year historic average, whilst they are currently already much higher. The sharp increase in pig prices is attributable to, amongst others, a growing demand from China where the pig herd has substantially decreased due to the outbreak of African swine fever. The average price for eggs remained fairly stable in the first quarter of this year, albeit at a lower level than the 5-year average. Prices for broilers were unstable in the past quarter and lower than the 5-year average. As of the end of the first quarter prices for broilers have risen rapidly.

Development consolidated results

Total Feed volume increased. This was fully attributable to the contribution of the acquisitions (all of which were closed in the second half of 2018), which mitigated by a like-for-like decline in volume in the Netherlands and the United Kingdom.

Total compound feed volume rose faster (percentagewise) than that of Total Feed because of the acquisitions, whilst the like-for-like decline (percentagewise) was larger than that of Total Feed.

Gross profit showed a small increase. This was the result of a positive contribution of the acquisitions and a like-for-like decline. This decline was due to the temporary unfavourable purchasing positions, which were not passed on to customers (especially in the Netherlands, Belgium and the United Kingdom) and to the like-for-like decline in volumes. The like-for-like decline in gross profit was despite higher volumes in specialties and having partly passed on the rise in energy prices.

Total operating costs increased more than gross profit (in percentage terms), due to the acquisitions and a like-for-like rise. The main reasons were higher energy and logistics costs as well as integration costs with respect to the acquisitions, which were absent in the comparative quarter last year. Moreover, a limited addition was made to the allowance for bad debt in the last quarter whereas in the comparative period last year a (net) release took place.

In addition, as of the beginning of 2019 there is a one-off positive impact of the implementation of IFRS 16 relating to the accounting treatment of leases (estimated impact of approximately €5 million for the full year 2019). This was not the case in 2018.

Ultimately this resulted in a strong decline of underlying EBITDA.

Excluding the impact of the acquisitions, ForFarmers served more customers in the first quarter of 2019 than in the fourth quarter of 2018. This was mainly the result of attracting new customers on the back of the successful introduction of the poultry concept Apollo.

Developments per cluster

As a result of the acquisitions and the consequently changed market positions in the various countries, the classification of the reporting clusters has been altered. This is in accordance with the IFRS segmentation guidelines which stipulate that reporting segments need to be comparable in terms of market developments and market positions. As of 1 January 2019 ForFarmers reports on the following clusters: the Netherlands/Belgium, Germany/Poland, the United Kingdom and the cluster 'Central and support expenses'.

The Netherlands/Belgium

Total Feed volume remained stable due to a positive acquisition impact (Voeders Algoet, Maatman and Van Gorp Biologische Voeders) which was offset by a like-for-like volume decline.

Total Feed volume decreased in the ruminant sector. The dairy herd in the Netherlands decreased substantially at the end of 2018 following the measures to reduce phosphate emissions. The number of cattle, for beef, in Belgium declined because of low customer profitability.

In the swine sector Total Feed volumes increased mainly due to the acquisition of Voeders Algoet in Belgium. Less Total Feed was sold to pig farmers in the Netherlands because of declining herd sizes.

Total Feed volume declined in the poultry sector, especially among layer farmers, as a number of pre-sales contracts were discontinued at the end of 2018. In addition, the decision in Belgium to discontinue a number of loss-making contracts with broiler farmers also put pressure on the volume development.

Whilst volumes in Total Feed remained stable, volumes in compound feed declined. As their returns were lower than last year, farmers decided to choose for performance feeds less frequently.

Reudink, which caters exclusively to organic farmers, benefitted from the takeover of Van Gorp Biologische Voeders and consequently realised solid volume growth.

Germany/Poland
As a result of the acquisition of Tasomix (as of July 2018) and like-for-like growth in Germany in all species, much more Total Feed was sold. More volume was sold in Germany particularly to pig farmers and layer farmers.
In Poland, the volatility in prices for broilers in the past quarter led to the situation that, when prices were low, poultry farmers refilled their stables with chickens at a slower pace. This was temporary noticeable in volume developments. Towards the end of the first quarter prices for broilers recovered. Growth of the produced volume and the ramp-up activities for the new factory in Pionki are developing in line with expectations.
In terms of percentage, compound feed volumes grew faster than Total Feed. This was due to the contribution of Tasomix and like-for-like growth in all species.

The United Kingdom
Total Feed volume declined. Less feed was sold in the ruminant sector, particularly to sheep farmers whilst volumes in the dairy sector remained stable. Contrary to last year when sheep were kept inside because of the cold weather and there was consequently demand for (compound) feed, the animals generally went to pasture in the relatively warm winter months of 2018/2019.
Volumes in the swine sector declined further because a larger customer sold fewer pigs in the value chain and due to the sharpened commercial proposition in which margin improvement is an important element.
Volume growth in the poultry sector continued, especially in the broiler sector as a result of increased focus in this sector.
Compound feed volumes declined more than Total Feed (measured in terms of percentage).

Outlook
The IFRS 16 accounting treatment of leases as of 1 January 2019 results in one-off positive impact of approximately €5 million on underlying EBITDA in 2019. There is hardly any impact on underlying EBIT and the negative impact on underlying net profit is approximately €0.5 million.

In the first half-year 2019, underlying EBITDA (as mentioned above including a positive IFRS 16 impact) is expected to be 30%-35% lower than in the first half-year of 2018. Underlying EBIT (hardly any IFRS impact) is expected to decline in the first half-year of 2019 by 55%-60% because of the decrease of underlying EBITDA and higher depreciation and amortisation following the acquisitions and the investment programme. Underlying net profit will show a similar decline (in percentage terms) as underlying EBIT.

Underlying EBITDA, -EBIT and –net profit for the full year 2019 are expected to be lower than in 2018 because of the impact of the temporary unfavourable purchasing position on the first half-year 2019 results.

Integration of acquisitions
The integration activities with respect to the four acquisitions are running according to plan. Cooperation in the field of formulation, production and innovation has started. The focus in Poland, at Tasomix, is on the ramp-up of manufacturing at the Pionki mill and integrating processes. ForFarmers sales teams together with the teams of Voeders Algoet and Van Gorp Biologische Voeders are working on customer alignment and retention. The integration of Maatman has been completed. Typically, integration activities, and associated costs, have a through-put time of approximately 12 months after completion of the acquisition. Integration costs will therefore continue in the coming months.

Efficiency plans 2019 – 2020
A start has been made with the efficiency plans, which were announced last March to achieve a cost saving of €10 million in 2021 compared to 2018, to improve the underlying EBITDA/gross profit ratio. These plans include various projects such as optimisation of mill locations. The plans will lead to incidental costs, including impairments, which will be accounted for in the results once the final decision on a project has been taken. The earlier announced closing of the Blandford mill in the

United Kingdom will take place later in May. Associated herewith, incidental costs were accounted for in the first quarter of 2019. Further information on other parts of the efficiency plans will be published when relating decisions have been taken.

This press release contains information that qualifies as inside information in the sense of Article 7 paragraph 1 of the EU Market Abuse Regulation.

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Company profile
ForFarmers N.V. is an international organisation that offers complete and innovative feed solutions for livestock farming. With its "For the Future of Farming" mission, ForFarmers is committed to the continuity of farming and further sustainalising the agricultural sector.

ForFarmers is the market leader in Europe with annual sales of approximately 10 million tonnes of animal feed. The organisation is operating in the Netherlands, Germany, Belgium, Poland and the United Kingdom. In 2018, ForFarmers has approximately 2,700 employees. In 2018, the turnover amounted to over € 2.4 billion. ForFarmers N.V. is listed on Euronext Amsterdam.

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