



Press release

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ForFarmers third quarter 2020 Trading Update

Highlights third quarter 2020¹:

- Volume Total Feed²: down (-2.8%); smaller decline than in H1-2020; stable in cluster Germany/Poland, decline in clusters Netherlands/Belgium and the United Kingdom
- Volume compound feed: down (-3.7%); also smaller decline than in H1-2020; almost stable volumes in cluster Germany/Poland, decline in clusters Netherlands/Belgium and the United Kingdom
- Gross profit: down (-6.8%); specifically due to volume decline; margin pressure in Poland and due to temporary deterioration of product mix also in the United Kingdom
- Underlying EBITDA: down (-9.4%); lower operating expenses could not compensate gross profit decline

First phase efficiency plan 2021 & 2022:

- €7 million cost savings, of which the full effect will be visible in 2023 (compared to normalised³ level of 2020)
- Savings to be achieved through operational excellence programmes and business process optimisation

Yoram Knoop, CEO of ForFarmers: "Volumes in the third quarter were lower than in the same period last year, when there were no COVID-19 measures and the 'stoppers arrangement' for pig farmers in the Netherlands had, for instance, not yet been put into effect. However, compared to the second quarter, when the corona-virus impacted all, volumes increased somewhat. As of March it has certainly not been an easy time for farmers, who saw both their markets decline and prices for their products come under pressure. It remains to be seen how long COVID-19 will still lead to drastic measures. Farmers, consumers and companies remain cautious in their spending. In our recently presented strategy Build to Grow 2025 we indicated that we will definitely continue to invest in innovative concepts and solutions, which will help our customers achieve better returns especially in changing market circumstances. That is why cost efficiency and scale are essential. We are therefore making the next step in enhancing the efficiency of our organisation. Furthermore, I am of course tremendously pleased with the acquisition of De Hoop Mengvoeders, which we announced last week. We are creating a leading player in the Dutch poultry market, focusing on delivering the best feed and the best advice."

Price developments in the agricultural sector in the first quarter of 2020

Prices for dairy, meat and eggs were all lower in the third quarter of 2020 than in the same quarter last year. As a result of the temporary easing of rules with respect to eating out-of-home, demand for meat, dairy and eggs grew slightly. However, this was not sufficient to compensate all of the significant price declines which occurred in the second quarter of this year. At present the average European pig prices are on a level that is even under the 5-year average. This is due to factors including China having installed an import ban on pig meat from Germany, following the detection of African swine fever among wild boars in East-Germany.

Development consolidated results in the third quarter of 2020

Total Feed volume declined by 2.8% and compound feed volume by 3.7% compared to the same period last year. However, the volume decline in both Total Feed and compound feed is relatively lower

1. Results and developments of the third quarter 2020 are compared to those of the third quarter 2019, 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. Normalised in this context means adjusted for one-off effects of COVID-19

than in the first half year, during which the impact of the governmental COVID-19 measures manifested itself particularly in the second quarter.

Net revenues declined on both lower volumes and lower raw materials prices. Price fluctuations of raw materials are passed on to customers.

Gross profit fell by 6.8%. Besides the overall volume-effect, there was margin pressure in Poland and a temporary deterioration of the product mix in the United Kingdom.

Underlying total operating expenses declined, particularly as less feed was produced. In addition, the closure of the four mills in the second half of 2019 (as part of the efficiency plans), contributed to the decrease in expenses. The objective to have saved €10 million of costs (in 2021 versus 2018) was achieved, mainly due to the reduction of the number of FTEs following the closure of the mills and due to optimisation projects. Total operating expenses declined more (in terms of percentage) than volumes declined, partly due to the steps that have been made in flexing costs. This was, however, not enough to also compensate for the lower gross profit. Underlying EBITDA declined by 9.4%.

Developments per cluster

The Netherlands/Belgium

Both Total Feed volume and compound feed volume fell. In terms of percentage compound feed volume fell more than volume of co-products in Total Feed.

Volumes in the ruminant sector decreased due to the impact of the COVID-19 measures, which continued to be large, particularly on the beef sector. In the pig sector volumes fell mainly due to the impact of the 'stoppers arrangement' in the Netherlands. The export ban for pig meat from Belgium to countries outside of the EU, which was imposed because of the detection of African swine fever among wild boar, was not yet lifted. Consequently pig prices remained low and the pig herd contracted. Volumes in the poultry sector remained fairly stable. Volume growth in the Netherlands, based on good technical results on-farm, compensated the volume decline in Belgium.

The margin in cluster Netherlands/Belgium improved.

Reudink, which caters exclusively to organic farmers in various ForFarmers regions, reported lower volumes. Reudink has not yet been able to fill the gap of the loss of volume from one customer, with which van Gorp Biological feed had a toll milling contract until the full integration in Reudink.

Pavo, the brand under which horse feed is sold, realised better results again.

Germany/Poland

Total Feed-volume showed a marginal decline and compound feed volume remained stable. The decline in compound feed volume in Poland was compensated by volume growth in Germany.

More co-products were sold in the ruminant sector whilst there was slightly less demand for compound feed. Volumes in the pig sector increased, especially following new tenders which were won in Germany and new customers.

In the poultry sector volumes fell. The Polish poultry sector has been hit hard this year. First by the bird flu, resulting in export bans for products of Polish poultry farmers to countries outside of the EU. These bans were lifted in the third quarter. Subsequently, the closure of the out-of-home sector in relation to COVID-19 led to a significant drop in demand for poultry meat. Several poultry farmers waited in filling their barns with new chicks, due to the low price for broilers. Moreover, the increased demand for poultry products in the past months, resulting from the opening of the out-of-home sector, could be met given the large inventories of slaughter houses. Volumes in the poultry sector in Germany also declined due to the loss of several contracts.

There was margin pressure in Poland due to the temporary overcapacity in the market.

The United Kingdom

Total Feed volume and compound feed volume declined in all sectors, albeit less than in the first half



year. Compound feed volume declined more (in terms of percentage) than Total Feed volume.

Volumes in the ruminant sector were under pressure. Dairy farmers were faced with the effects of the corona measures and the good grass growth led to a reduction in supplementary feeding. In addition, the volume decline in the beef sector continued. Volumes in the pig sector fell slightly due to the continuous focus on profitable customers. In the poultry sector volumes dropped because of the impact of the COVID-19 measures. The margin per tonne declined due to a temporary deterioration of the product mix.

Subsequent events

ForFarmers announced on 19 October 2020 that it had signed an agreement with De Hoop Mengvoeders (de Hoop) to join forces. Both companies consider one powerful, international organisation, focusing on feed quality and advice for poultry farmers, to be of great added value to the poultry sector in the Netherlands. In 2019 De Hoop sold 322,000 tonnes of poultry feed, primarily to broiler farmers and generated €110 million of revenues. Approximately 80% of the produced volume is being sold in the Netherlands, with the remaining 20% being sold from the Netherlands in Belgium and West-Germany. The company has 52 employees and production takes place in the modern mill in Zelhem (Gelderland, the Netherlands).

ForFarmers will buy De Hoop's shares for the compound feed business, its related transport activities and the mill with adjacent real estate. Completion of the transaction, which is pending approval of the Dutch and German competition authorities, is expected to take place in the first quarter of 2021. The financial details of the transaction will be disclosed at closing.

Outlook

COVID-19

ForFarmers, having been identified as part of the vital food chain, has taken several measures to safeguard the health of its employees and to be able to continue producing and delivering feed to farmers. The company has managed to minimize the impact on its business processes. Farmers have consequently hardly encountered any service issues. However, the COVID-19 situation has had an impact on ForFarmers' volumes and consequently on its results. Recently, a tightening of governmental corona measures has been imposed in all countries, including a renewed closure of the out-of-home sector in some. This creates more uncertainty in the markets. It is expected that the newly imposed measures will lead to a larger economic impact and a slower recovery of the economy. This may likely impact the demand for farmers' products in the short term.

Impact COVID-19 on Polish activities

The recently published EU short-term outlook for 2020⁴ states that the export of poultry products from Europe is expected to decrease by 6% in 2020. Poland, the largest European export country for poultry products, is being hit hard. The short-term growth expectation for the Polish poultry sector is substantially lower than at the time of the initial valuation of Tasomix. The uncertainty of the Polish market circumstances is therefore closely being monitored, also in relation to the valuation of the goodwill and put-option of Tasomix. The outlook for the Polish poultry sector for the mid to long-term remains positive.

'Warm restructuring' and nitrogen debate in the Netherlands

It seems that the impact of the 'warm restructuring', the subsidy for pig farmers in the Netherlands to stop their farming business, will be lower than the earlier anticipated 10%. It appeared recently that currently only some 50% of the pig farmers who had registered for the subsidy, are actually going to stop their businesses. Many pig farmers had pre-emptively registered, to gain time to come to a final decision.

⁴. Source: https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/farming/documents/short-term-outlook-autumn-2020_en.pdf

The political debate in the Netherlands about the future of the agricultural sector and how to reduce nitrogen emissions close to the Nature 2000 areas, is still continuing. It is expected that in due course this will lead to a decline in the dairy herd and pig herd in the Netherlands. At the same time, it is expected that dairy farmers will, among other things, focus on producing more milk per cow following the moderately growing global demand for dairy products. ForFarmers supports farmers with feed, advice and monitoring tools in order to continuously optimise feed rations and contribute to a sustainable food chain.

Brexit

It remains uncertain what the impact of any future trade agreements post Brexit will be. However, with the pig and poultry sectors in the United Kingdom having a self-sufficiency rate of around 60%-70%, there are growth opportunities for local livestock farmers and consequently for ForFarmers.

Animal diseases

Outbreaks of animal diseases continue to pose a risk to the agricultural sector. The outbreak of avian flu in Poland at the beginning of 2020 is under control. Consequently the export ban, which was temporarily imposed on Polish poultry products by countries outside of the EU, has been lifted. In the beginning of September, African swine fever was detected among wild boars in East-Germany. Restricted zones and hygiene measures have been put in place in the meantime to prevent the disease from spreading. No commercial pigs have been infected (yet). Very recently, bird flu was detected at a poultry farm in the Netherlands. All animals will be culled, to prevent the virus from spreading.

Efficiency Plan 2021 & 2022

As announced earlier, ForFarmers deems it important to create and maintain an optimally efficient organisation and processes. One of the pillars of the recently announced strategy Build to Grow 2025 is Operational Excellence, which includes a cost saving target of at least €10 million in 2025 compared to 2020.

The first step of this objective is to reduce operating costs by €7 million, of which the full effect will be visible in 2023 (compared to normalised level of 2020).

ForFarmers is working on finalising plans, including optimising business processes.

Guidance 2020 ForFarmers

The position of ForFarmers in the vital sector supports the continuity of the cash flow. In addition, ForFarmers' balance sheet is strong and the company has a solid financial position with sufficient funds and credit facilities. Despite expectations of a protracted impact from COVID-19, ForFarmers forecasts that underlying EBITDA and net profit in 2020 will comfortably exceed the weak result in 2019, partly as a result of the efficiency measures 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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About ForFarmers N.V.

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 10.1 million tonnes of animal feed. The company is operating in the Netherlands, Germany, Belgium, Poland and the United Kingdom. ForFarmers has approximately 2,600 employees. In 2019, the turnover amounted to approximately € 2.5 billion. ForFarmers N.V. is listed on Euronext Amsterdam.

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