Press release

11 March 2021

Results 2020 ForFarmers

Financial highlights 2020[1] :

- Total Feed volume[2]: -3.5% to 9.7 million tonnes
  of which Compound Feed volume: -3.9% to 6.8 million tonnes; only growth in dairy and pig sector in Germany/Poland
- Gross profit: -1.7% to €433.2 million; despite better product mix mainly due to volume decline
- Underlying EBITDA: +8,7% to €96.2 million; compared to a weak 2019 and especially due to execution of efficiency plans
  +9.3% to €96.7 million at constant currencies
- Underlying net profit[3]: +10.0% to €46.3 million, excluding a.o. gain on sale of closed mills and goodwill impairment of €34.2 million for activities in Poland due to a.o. Covid-19
- Dividend proposal: regular dividend substantially higher at €0.29 per ordinary share; distribution of 60% of underlying net profit
- Net cash flow from operating activities: +2.1% to €98.1 million; besides higher EBITDA also driven by lower working capital

Yoram Knoop, CEO ForFarmers: "We look back on 2020 as a turbulent year, dominated by the outbreak of Covid-19 and its consequences. Given the circumstances, our results are more than satisfactory. In March last year, we were quick to take measures to combat the spread of the coronavirus and to secure the continuity of production and feed deliveries. Thanks to the tremendous efforts of our employees, we were able to continue to provide a high level of service to our customers. As a result of the closure of the hospitality sector and the out-of-home segment our customers more or less saw a decline in demand for their products followed by a drop in the prices for their products. This also partly put pressure on our volumes and margins. It is hard to predict how long the Covid-19 measures will be sustained. This is one of the reasons, why we have taken a goodwill impairment on our Polish activities. Despite this we remain optimistic about the growth opportunities in the Polish poultry sector once the Covid measures are relaxed. We had already begun implementing efficiency measures in 2019 and have accordingly been able to reduce our cost level even further relatively quickly in 2020. We also managed our working capital well again. All together this has led to a solid contribution to our results.

Looking ahead, I have great confidence in our Build to Grow 2025 strategy despite the ongoing uncertainty. Following its launch in September last year the strategy has got off to a good start, with progress for example in terms of next-level innovation projects and of course the recent acquisitions of poultry feed company De Hoop Mengvoeders in the Netherlands in beginning 2021 and the Mühldorfer Pferdefutter equine feed brand in Germany."

[1] Results are always compared year-on-year
[2] Total Feed covers the entire ForFarmers product portfolio and comprises compound feed, specialties, co-products (including DML products), seeds and other products (such as forage)
[3] Underlying net profit: in this instance profit attributable to shareholders of the Company

Consolidated key figures

In millions of euro (unless indicated otherwise)	2020	2019	Total change in %	Currency	Acquisition	Like-for-like (3)
Total Feed volume (x 1.000 ton)	9,740	10,095	-3.5%		0.0%	-3.5%
Compound feed	6,804	7,083	-3.9%		0.0%	-3.9%
Revenue	2,351.9	2,463.1	-4.5%	-0.5%	0.0%	-4.0%
Gross profit	433.2	440.7	-1.7%	-0.5%	0.1%	-1.3%
Operating expenses	-415.4	-428.1	-3.0%	-0.6%	0.1%	-2.5%
Underlying operating expenses	-372.6	-385.7	-3.4%	-0.5%	0.1%	-3.0%
EBITDA	100.3	85.2	17.7%	-0.6%	0.1%	18.2%
Underlying (1) EBITDA	*96.2*	*88.5*	*8.7%*	*-0.6%*	*0.1%*	9.2%
EBIT	24.2	14.2	70.4%	1.5%	0.0%	68.9%
Underlying EBIT (2)	61.6	55.7	10.6%	-0.5%	0.2%	10.9%
Profit attributable to shareholders of the Company	14.2	17.7	-19.8%	-0.7%	0.0%	-19.1%
Underlying profit (2)	46.3	42.1	10.0%	-0.3%	0.2%	10.1%
Net cash from operating activities	98.1	96.1	2.1%			
Underlying EBITDA / Gross profit	22.2%	20.1%	10.4%			
ROACE on underlying EBITDA	*19.4%*	*16.2%*				
ROACE (4) on underlying EBIT	12.4%	10.2%				
Basic earnings per share (x €1)	0.15	0.18	-16.7%			
Underlying earnings per share (x €1)	0.49	0.43	14.0%			

(1) Underlying means excluding incidental items (see Note 17 regarding the Alternative Performance Measures (APMs))
(2) Underlying EBIT and underlying profit in 2019 have been adjusted for comparative reasons due to new definition of APMs
(3) Like for like is the change excluding currency impact and acquisitions and divestments
(4) ROACE means underlying EBITDA (EBIT) divided by 12-month average capital employed
Note, percentages are presented based on the rounded amounts in million euro. Additions may lead to slight differences due to roundings

General

In 2020 the markets where ForFarmers is active were mainly affected by the following developments:

Covid-19

The outbreak of Covid-19 in early 2020 and the subsequent government-imposed measures to combat the spread of the virus, had a significant impact worldwide in many industries. As part of the food chain the agricultural sector was designated a vital sector and was mainly impacted by the closure of the hospitality sector and other out-of-home-segments (including canteens and for example schools). This meant that a sizeable portion of the demand for dairy products, meat and eggs was lost. In addition, meat exports to countries outside Europe were temporarily suspended after slaughterhouse workers contracted Covid-19.

Increased demand for dairy products, meat and eggs in the retail channel was unable to offset the loss of the hospitality segment. Cattle, calf and poultry farmers in particular saw a decline in sales and consequently prices for their products. Generally speaking they responded by cutting back on refilling their barns.

ForFarmers experienced hardly any disruption to its operating processes as a result of Covid measures and was able to deliver to customers continuously. Due to the coronavirus, the absentee rate in 2020 was 3%, compared to 2.5% in 2019.

The decline in demand for products from farmers meant that ForFarmers did experience pressure on volumes, with margins also coming under pressure in the second half of 2020, especially in Poland and the United Kingdom.

It is difficult to indicate exactly what part of the volume decline can be attributed to the Covid-19 effect, as there was also margin pressure due to other factors including animal diseases in some markets and regulation effects especially in the Netherlands. Partly due to the execution of the already existing efficiency plans, ForFarmers was able to further reduce some of its costs relatively quickly and make other costs more flexible. This explains why the cost reduction was relatively larger than the volume decline.

Animal diseases

The impact of the outbreak of African Swine Fever in China at the end of 2018 was still noticeable. Despite the fact that the Chinese pig herd has grown slightly, demand for pig meat from other countries including Europe remained large.
In 2020, African swine fever was unfortunately also detected among wild boars in eastern Germany however, resulting in export bans from Germany to non-EU countries. Belgian pig farmers, on the other hand, have recently been allowed to start exporting worldwide again as the swine fever is no longer present in the country.
Poultry farmers were also faced with animal diseases. At the beginning of 2020, the contagious version of bird flu was detected among wild birds in Poland.
Later in the year, bird flu also emerged in other European countries, including the Netherlands.
Animal diseases remain a source of concern for the livestock farming industry, although important steps have been made during past years in determining hygiene protocols and collaborating in the sector to combat spreading of animal diseases. We are taking an active role in this.

Raw material prices

Raw material prices soared in the second half of 2020. Experts[4] attribute this partly to the drought in South America, especially Brazil and parts of Argentina. In addition, they refer to speculative buying by asset managers and traders seeking to spread the risk in their portfolios beyond bonds and equities. Prices for various raw materials were up to more than 30% higher at the end of 2020 compared to a year earlier. Fluctuations in raw material prices are generally passed on to customers, but it is not always possible to pass them on in time or in full.

Financial analysis

The table below shows how results were distributed across the first and the second half of 2020.
It reveals the following:

- The volume decrease was significantly smaller in H2 than in H1.
- The increase in gross profit in H1 should mainly be seen in the context of the weak H1 in 2019 due to an unfavourable purchasing position. The development of gross profit in H2 2020 was mainly driven by the volume decrease and pressure on margins in some countries, due to overcapacity in the market because of the Covid situation.

[4] *RaboResearch (Food & Agribusiness): Outlook 2021: Bull waves don't break*

Core parameters 2020 and year-on-year delta versus 2019 (1)

		2020	2019	Total change in %	Currency	Acquisition	Like-for-like (2)
Total Feed volume	H1	4,793	5,079	-5.6%		0.0%	-5.6%
(x 1.000 ton)	H2	4,947	5,017	-1.4%		0.0%	-1.4%
	FY	9,740	10,095	-3.5%		0.0%	-3.5%
Compound feed	H1	3,380	3,561	-5.1%		0.0%	-5.1%
(x 1.000 ton)	H2	3,425	3,522	-2.8%		0.0%	-2.8%
	FY	6,804	7,083	-3.9%		0.0%	-3.9%
Gross profit	H1	219.5	214.1	2.5%	-0.1%	0.2%	2.4%
	H2	213.7	226.6	-5.7%	-0.9%	0.0%	-4.8%
	FY	433.2	440.7	-1.7%	-0.5%	0.1%	-1.3%
Underlying operating expenses	H1	-188.9	-194.7	-3.0%	0.0%	0.1%	-3.1%
	H2	-183.7	-191.0	-3.8%	-0.9%	0.0%	-2.9%
	FY	-372.6	-385.7	-3.4%	-0.5%	0.1%	-3.0%
Underlying EBITDA	H1	48.2	35.8	34.6%	-0.3%	0.3%	34.6%
	H2	48.0	52.7	-9.1%	-0.8%	0.0%	-8.3%
	FY	96.2	88.5	8.7%	-0.6%	0.1%	9.2%

(1) In millions of euro (unless indicated otherwise)
(2) Like for like is excluding acquisition and divestments and currency impact

The year-on-year (YoY) analysis focuses on the full-year consolidated results for 2020, followed by more detailed analyses of the individual clusters. The contributions of acquired companies are recognised under 'acquisition effect' for a period of one year after the date of acquisition.

Alternative Performance Measures (APMs)

ForFarmers uses APMs to provide a better perspective of the Group's business development and performance, as they exclude the impact of significant incidental items, which are considered to be non-recurring, and are not directly related to the operational performance of ForFarmers. The underlying metrics are reported at the level of operating expenses, EBITDA, EBIT and profit for the shareholders.

As of 2020 amortisation of acquired intangible assets is also eliminated in the APMs. For comparative reasons the relating APMs of 2019 have been adjusted, both on consolidated level and in the clusters.

The APMs are further explained in Note 17 of the 2020 financial statements. The impact of the incidental items on the profit or loss account in the four defined categories are presented and explained below.

2020

In millions of euro	IFRS	Impairments	Business Combinations and Divestments	Re-structuring	Other	Total APM items	Underlying excluding APM items
EBITDA (1)	100.3		5.2	-1.2	-	4.1	96.2
EBIT	24.2	-34.2	-2.1	-1.2	-	-37.4	61.6
Net finance result	-		4.5		-	4.5	
Tax effect	-	-	0.7	0.3	-0.2	0.8	-
Profit attributable to Shareholders of the Company	14.2	-34.2	3.2	-0.9	-0.2	-32.1	46.3
Earnings per share in euro (2)	0.15	-0.36	0.03	-0.01	-	-0.34	0.49

(1) EBITDA is operating profit before depreciation, amortization and impairments.
(2) Earnings per share attributable to Shareholders of the Company.

On EBITDA level:

The €5.2 million gain from business combinations and divestments relates mainly to the gain on the sale of one mill in the Netherlands and one in the United Kingdom. The incidental restructuring costs (€1.2 million) are related to the execution of the efficiency plans as announced in 2019.

On EBIT level:

The outcome of the goodwill impairment test with respect to the activities in Poland resulted in an impairment of €34.2 million. Mainly due to the impact of Covid-19, the short-term growth expectation for the Polish poultry sector is significantly lower than at the time of determination of the initial valuation of Tasomix, which is why an impairment is required. The forecast for the Polish poultry sector for the mid to longer term remains positive.
The -€2.1 million is the net amount of the gain of €5.2 million due to the sale of the mills as explained earlier at the EBITDA level and the amortisation of acquired intangible assets (-€7.3 million).

On the level of net finance result:

€4.5 million (gain) relates to the remeasurement of the put option liability regarding the acquisition of Tasomix (Poland), alongside the regular annual accrual of the liability. It is currently anticipated, that in the future the put-option can be executed at a lower amount because of a lower growth expectation.
For more information on this topic, please see Note 6 and Note 17 of the 2020 financial statements.

Consolidated results 2020

The following analysis shows the total development of the consolidated results and the separate clusters unless stated otherwise. There is hardly any currency translation impact or acquisition impact in the 2020 results.

Total Feed volume was down 3.5% at 9.7 million tonnes. In H1-2020 Total Feed volume declined (YoY) by 5.6%. In H2-2020 the decline was less strong (-1.4%). Total Feed volumes remained virtually stable in the cluster Germany/Poland where, compared to last year, more feed was sold to dairy farmers and pig farmers but less to poultry farmers. In the clusters the Netherlands/Belgium and the United Kingdom Total Feed volumes fell in all species.

Compound feed volume, part of the Total Feed portfolio, declined relatively faster (-3.9%) than Total Feed volume. Volumes in compound feed also declined everywhere excluding in the dairy and pig sector in the cluster Germany/Poland.

Revenue fell by 4.5% to €2,352 million, including a negative currency translation effect of 0.5% due to the devaluation of the pound sterling and the Polish zloty. The revenue decline was mainly due to lower volumes.

Gross profit was 1.7% lower at €433.2 million. The gross profit improvement in the first half year of 2020 was mainly on the back of the comparison with the weak margin in H1-2019. The decline in the second half year of 2020 was mainly due to the volume decline. Despite a product mix with more specialties there was margin pressure specifically in H2-2020 due to overcapacity, which has arisen due to the Covid situation.

Underlying total operating expenses, including depreciation and amortisation, were 3.4% lower at €372.6 million. This was mainly due to the lower volumes and the full year effect of the implemented efficiency plans during 2019. Despite indexation of wages employee benefit expenses fell in 2020 due to a decline in the number of FTEs. Other operating expenses were also lower due to the volume decline, lower energy and fuel prices and focus on costs. In 2020 €0.9 million (net) was added to the allowance for bad debts (2019: release of €0.2 million), in light of the challenging market circumstances for livestock farmers, faced with lower prices for their products and less sales channels.

Underlying depreciation[5] grew by €1.8 million to €34.6 million, of which €0.5 million is related to amortisation.

Underlying operating profit (EBIT) rose by 10.6% to €61.6 million as a result of a decline in underlying operating expenses.

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[5] *Depreciation includes amortisation in this instance*

The effect of the incidental items on underlying EBITDA is as follows:

In millions of euro	2020	2019	Δ	Δ%
EBITDA	100.3	85.2	15.1	17.7%
Business Combinations and Divestments	-5.2	-2.0	- 3.2	-
Restructuring cost	1.2	5.1	-3.9	-
Other	-	0.3	-0.3	-
Underlying EBITDA	96.2	88.5	7.7	8.7%
FX effect	0.5			
Underlying EBITDA, at constant currencies	96.7	88.5	8.2	9.3%

Underlying EBITDA rose by 8.7% to €96.2 million, including a negative currency translation effect of 0.6% due to the devaluation of the pound sterling and the Polish zloty. Underlying EBITDA grew in the cluster Netherlands/Belgium and fell in Germany/Poland and the United Kingdom.
The underlying EBITDA/gross profit ratio rose in 2020 to 22.2% in from 20.1% in 2019.

Underlying net finance expenses fell by 5.2% to €2.6 million, driven by the lower interest expenses due to the lower debt position.

The contribution from the German joint venture HaBeMa, which is reported under share of profit of equity-accounted investees (net of tax), increased substantially to €4.0 million (2019: €2.8 million) due to more transhipment activities and better margins.

The underlying effective tax rate was 27.7% (2019: 25.1%). The higher tax rate was the result of the reassessment of the deferred tax liability position due to the adjusted future tax rates in the Netherlands and the United Kingdom.

Underlying profit was up 10.0% at €46.3 million. Underlying earnings per share rose in 2020 by 14.0% at €0.49.
11,042,219 ordinary shares were cancelled on 11 September 2020. These shares had been repurchased in the share buy-back programmes of 2017 and 2019. Consequently 95,218,821 ordinary shares and 1 priority shares have been issued at present. The effect of finalising the share buy-back programme in 2020 on the earnings per share was less than one euro cent.

The number of employees as at 31 December 2020, presented in full-time equivalents (FTEs) was lower at 2,502 than at 31 December 2019 (2,570). The net decrease in the number of employees (68 FTEs) is mainly attributable to the implementation of the efficiency plans, which were announced in 2019.

Summary consolidated statement of cash flows

In millions of euro	2020	2019
Net cash from operating activities	98.1	96.1
Net cash used in investing activities	-28.8	-35.0
Net cash used in financing activities	-47.5	-85.0
Net increase/decrease in cash and cash equivalents	21.8	-23.8
Cash and cash equivalents at 1 January(1)	15.4	38.4
Effect of movements in exchange rates on cash held	0.9	0.7
Cash and cash equivalents as at 31 December(1)	38.0	15.4

(1) Net of short term bank overdrafts

Net cash flow from operating activities rose by €2.0 million to €98.1 million, mainly due to the better result.

The decline in net cash flow for investing activities by €6.2 million to €28.8 million was mainly due to the gain on the sale of two mills and the higher dividend from equity accounted investees, which compensated the payment of earn-outs relating to acquisitions.

The decrease by €37.5 million of the net cash used in financing activities was due to the fact that no redemptions on the loan took place in 2020, taking into consideration the still to be paid acquisition liability for De Hoop Mengvoeders.

Summary consolidated statement of financial position

In millions of euro	31 December 2020	31 December 2019
Total Assets	816.7	865.5
Equity	362.5	418.4
Solvency ratio (1)	44.4%	48.3%
Net working capital	33.4	48.7
- Current assets (2)	319.1	328.6
- Current liabilities (3)	285.7	279.9
Overdue receivables	12.5%	16.1%
Net Debt / (Cash) (4)	-15.8	7.0
IFRS 16 Lease liabilities	28.0	24.1

(1) Solvency ratio is equity divided by total assets.
(2) Current assets excluding cash and cash equivalents and assets held for sale.
(3) Current liabilities excluding bank overdrafts, loans and borrowings and lease liabilities.
(4) Excluding IFRS 16 Lease liabilities
General remark: additions may lead to small differences due to roundings

Capital structure and solvency

Group equity decreased in 2020 by €55.9 million to €362.5 million (compared to 31 December 2019). The decrease was the result of the addition of the 2020 profit (€14.7 million) minus the dividend distribution (€27.2 million) and the repurchases of shares in 2020 (€14.4 million). Other comprehensive income was directly recognised in group equity (totalling -€29.1 million) and comprised mainly a remeasurement of the pension liability (-€21.0 million) in the United Kingdom due to the lower interest rate, and currency translation differences (-€8.1 million).
Solvency was 44.4% at 31 December 2020 (at end-2019: 48.3%).

In 2020 €35.9 million was invested (2019: €38.6 million), particularly to maintain and enhance the performance and efficiency of the production facilities. For example, installing the new hammer mills and modernising the grinding technology of the mill in Lochem, to further enhance the flexibility and quality of the production of pig feed.

The net cash position (the net balance of bank loans and borrowings, long and short-term, minus available cash and cash equivalents) was €15.8 million (end-2019: net debt of €7.0 million). This was due to the cash flow from operating activities of €98.1 million, including the decrease of working capital, less items including the expenses for the investment programme (€28.8 million), dividend distribution (€26.1 million) and the share buy-back (€14.8 million).

Net working capital improved to €33.4 million at 31 December 2020 (€48.7 million at end-2019).
Working capital fell mainly in the United Kingdom, where payment terms with our suppliers have been tightened.

Despite the challenging market circumstances for livestock farmers, the percentage of overdue receivables improved to 12.5% at 31 December 2020 (end 2019: 16.1%).

ROACE[6] was up from 16.2% in 2019 to 19.4% in 2020, mainly due to the improved EBITDA. ROACE based on underlying EBIT rose from 10.2% to 12.4%.

[6] *ROACE means underlying EBITDA (EBIT) divided by 12-month average capital employed*

Results per cluster

Netherlands/Belgium

In thousands of euro	2020	2019	Δ%
Total Feed volume (in tons)	5,085,760	5,222,528	-2.6%
Revenue	1,237,337	1,275,439	-3.0%
Gross profit	246,933	240,496	2.7%
Other operating income	4,685	456	927.4%
Operating expenses	-189,202	-192,912	-1.9%
Underlying operating expenses	-186,433	-187,421	-0.5%
EBIT	62,416	48,040	29.9%
Underlying EBIT	61,382	53,530	14.7%
Add back: depreciation, amortisation and impairment	13,349	16,006	-16.6%
Add back: underlying depreciation, amortisation and impairment	11,205	10,848	3.3%
EBITDA	75,765	64,046	18.3%
Underlying EBITDA	72,587	64,378	12.8%
Underlying EBITDA / Gross profit	29.4%	26.8%	9.8%
ROACE on underlying EBITDA	39.3%	34.9%	12.5%

Price developments in the various sectors

The Netherlands
In 2020 Dutch dairy farmers produced slightly more milk from slightly fewer animals. The price per litre was lower, however. Pig farmers also saw lower average prices for their products than in 2019, partly due to the export ban on pigs following outbreaks of coronavirus among slaughterhouse staff. In addition, there was an increased supply of German pigs, which were subject to a ban on exports to non-EU countries, due to the outbreak of swine fever. Broiler prices fell due to the loss of sales to the hospitality sector. At the same time feed prices rose as a result of rising raw material prices. This prompted poultry farmers to cut back on refilling their barns. Moreover, avian flu was detected in the Netherlands in the second half of 2020.

Belgium
Belgian livestock farmers saw roughly similar price developments for their products to those in the Netherlands. During 2020 Belgian pig farmers were still unable to export pigs to countries outside the EU following the detection of African swine fever among wild boar in 2018. At the end of December 2020 the World Organisation for Animal Health (OIE) ruled that Belgium was free of swine fever and could therefore start exporting globally again.

Market and sector developments

Nitrogen debate in the Netherlands
In 2019 the Dutch Council of State ruled that the Integrated Approach to Nitrogen (PAS[7]) was not compatible with EU nature legislation. Since then there has been an ongoing political debate about how 'nitrogen space' should be created and by who, in order to restore biodiversity in nature and enable building activity to resume. In 2020 the government announced it was making a total sum of around €5 billion available in the period up to 2030, to fund source measures in the relevant sectors. For

[7] *The Integrated Approach to Nitrogen (Plan Aanpak Stikstof - PAS) is a system which allows permits to be issued for nitrogen-emitting activities (such as infrastructure and construction) before the necessary nitrogen-offsetting measures have been effected*

agriculture these include: cows out at pasture for longer, innovative barns, different feed, and financial schemes for farmers who wish to transition to more sustainable practices or voluntarily discontinue their business.
ForFarmers works closely with farming organisations and the Dutch feed industry association Nevedi to get sustainable solutions on the agenda, which are based on viable future prospects for livestock farmers and a sustainable agricultural sector with the lowest possible environmental impact. ForFarmers has great innovation capabilities, which are made available to livestock farmers via the Total Feed approach – good feed accompanied by advice and supported by monitoring tools – in order to achieve better on-farm returns.

Buy-out scheme and warm restructuring of the pig farming sector in the Netherlands
Up until 1 January 2020 a voluntary buy-out scheme (the 'stoppers arrangement') was in place for pig farmers in the Netherlands. As a result, the pig population was smaller in 2020 than in 2019. In addition in late 2019 pig farmers could register to be considered for the 'warm restructuring scheme', another subsidy scheme originally set up to combat odour nuisance in certain areas with a high density of livestock. Farmers who decide to discontinue their business have their pig rights deleted. The scheme is expected to result in a further 7% reduction in the Dutch pig population in 2021.

Results Netherlands/Belgium
Total Feed volume fell by 2.6% to 5.1 million tonnes. Compound feed volume declined relatively more, due to amongst others the volume loss following the stoppers arrangement in the Netherlands. Total Feed volume fell in the ruminant sector. This was due to factors including the strong decline in sales to cattle farmers, who saw demand for their products drop as a result of the Covid measures. Total Feed volume in the pig sector remained virtually stable because pig farmers bought more DML products. In the poultry sector Total Feed volumes declined.
Sales of organic feed, sold under the brand name Reudink, developed positively in 2020, including amongst others substantial volume growth in Belgium. In addition, an agreement was signed for exclusive delivery of bagged goods in the Polish market.
Pavo (horse feed) volumes rose steadily due to product innovations.

Gross profit grew by €6.4 million (2.7%), despite the lower volumes and not as good a product mix as last year. In 2019, gross profit suffered particularly in the first half of the year due to the unfavourable purchasing position.

Underlying operating expenses were lower by €1.0 million (0.5%). Despite the indexation of wages, employee benefit expenses remained stable due to a decrease in the number of FTEs, in line with the implemented efficiency plans. Production costs fell as a result of lower volumes and the closure of three mills in the Netherlands and Belgium in the second half of 2019. Overhead cost allocation was €2.8 million higher than last year.

Underlying EBITDA grew by 12.8% and the underlying EBITDA/gross profit ratio increased to 29.4% from 26.8% in 2019.

ROACE (based on underlying EBITDA) increased from 34.9% in 2019 to 39.3% in 2020 due to the higher underlying EBITDA.

Germany/Poland

In thousands of euro	2020	2019	Δ%
Total Feed volume (in tons)	2,175,524	2,194,065	-0.8%
Revenue	562,758	582,548	-3.4%
Gross profit	74,811	76,392	-2.1%
Other operating income	119	186	-36.0%
Operating expenses	-106,303	-72,136	47.4%
Underlying operating expenses	-69,635	-68,748	1.3%
EBIT	-31,373	4,442	-806.3%
Underlying EBIT	5,295	7,830	-32.4%
Add back: depreciation, amortisation and impairment	43,434	9,324	365.8%
Add back: underlying depreciation, amortisation and impairment	6,944	6,491	7.0%
EBITDA	12,061	13,766	-12.4%
Underlying EBITDA	12,239	14,321	-14.5%
Underlying EBITDA / Gross profit	16.4%	18.7%	-12.7%
ROACE on underlying EBITDA	7.3%	8.0%	-8.5%

Market and sector developments

In *Germany* there is increasing public and political focus on the environmental impact of the agricultural sector. This is expressed for example in legislation forcing pig farmers in particular to reduce their phosphate and ammonia emissions. In addition, African swine fever was detected among wild boar in eastern Germany in early September, resulting in export restrictions and price pressure. To date no cases of swine fever have been detected at commercial pig farms. The average milk price was lower in 2020 than in 2019, while poultry farmers also saw prices for their products decline compared to 2019.

Poland has a substantial broiler sector, which enjoys a very strong export position. In early 2020 the sector was first hit by the outbreak of avian flu and subsequently by the Covid-19 measures. The imbalance between substantial supply and falling demand resulted in progressively lower prices for broilers and subsequently to a reduction in broiler numbers. Milk prices in Poland were reasonably stable in 2020, while pig prices fell.

Results Germany/Poland

Total Feed volume declined slightly by 0.8% to remain around 2.2 million tonnes. Compound feed volume remained virtually equal to in 2019. More volume was sold to ruminant farmers and pig farmers, albeit that this was not sufficient to fully offset the volume decline in the poultry sector.

Gross profit fell by €1.6 million (-2.1%), including a currency translation effect of -0.2% due to the devaluation of the Polish zloty. Margins were under pressure as a result of the increased competition in the Polish market, due to the overcapacity which has arisen as a result of Covid-19. In Germany, by contrast, higher margins were realised on the back of a better product mix including more concentrates.

Underlying operating expenses were higher by 1.3%. Employee benefit expenses were mainly lower due to a reduction in FTEs in Germany. Production costs fell as a result of the lower volumes. Overhead cost allocation however, was €0.8 million higher than last year.

Underlying EBITDA declined by 14.5% (€2.1 million) to €12.2 million. The underlying EBITDA/gross profit ratio decreased to 16.4% (2019: 18.7%).

ROACE (based on underlying EBITDA) decreased to 7.3% (2019: 8.0%) due to the lower underlying EBITDA, despite a slightly lower capital employed due to an improvement of the working capital in this cluster.

United Kingdom

In thousands of euro	2020	2019	Δ%
Total Feed volume (in tons)	2,478,337	2,678,742	-7.5%
Revenue	589,248	642,708	-8.3%
Gross profit	110,767	122,924	-9.9%
Other operating income	1,666	86	1837.2%
Operating expenses	-108,118	-145,938	-25.9%
Underlying operating expenses	-104,940	-114,561	-8.4%
EBIT	4,315	-22,928	-118.8%
Underlying EBIT	5,903	8,385	-29.6%
Add back: depreciation, amortisation and impairment	15,124	40,391	-62.6%
Add back: underlying depreciation, amortisation and impairment	12,296	12,176	1.0%
EBITDA	19,439	17,463	11.3%
Underlying EBITDA	18,199	20,561	-11.5%
Underlying EBITDA / Gross profit	16.4%	16.7%	-1.8%
ROACE on underlying EBITDA	14.0%	12.3%	13.7%

Market and sector developments

Average milk prices were somewhat lower in 2020 compared to 2019. Milk production was virtually stable throughout the year, albeit that dairy farmers suffered from the sudden and significant drop in demand for milk particularly in the second quarter of 2020. There was a time lag until supermarket consumption increased to compensate for the closure of the out-of-home segment, which was also reflected in a slowdown in feed sales to dairy farmers during this period.

In contrast to pig farmers in countries such as the Netherlands, Belgium and Germany, UK pig farmers were able to export to China, where demand for pig meat remained high. As a result pig prices were higher than in 2019 and there was slight growth in the pig population.

Poultry farmers, in particular saw decreased demand for their products due to the closure of the out-of-home segment, with some sectors showing stronger impacts (for example large catering turkeys at Christmas).

The United Kingdom introduced new agricultural legislation at the end of 2020. In the wake of Brexit its aim is to enable UK farmers to do business sustainably and profitably, gradually phasing out subsidies by 2028, while at the same time improving both the environment and animal welfare and reducing carbon emissions.

Results United Kingdom

Total Feed volume decreased by 7.5% to 2.5 million tonnes, which was a relatively larger decline than in compound feed volumes. Sales were lower in all sectors. Volumes in the dairy sector declined mainly in the second quarter when there was less supplementary feeding due to the combination of low milk prices, an early spring and the Covid effect. A large customer in the pig sector had fewer animals in 2020, leading to lower volumes.

Gross profit fell by 9.9%, including a currency translation effect of -0.3%. The decline of gross profit is mainly due to the volume decline and the Covid impact in a specific part of the poultry sector.

Underlying operating expenses were down by 8.4%. Employee benefit expenses were lower due to a reduction in employees, mainly due to the closure of two mills in 2019. In addition, further efficiency savings were realised in 2020. Production and transport costs also decreased because of the lower volumes. Overhead cost allocation was €1.1 million higher than last year.

Underlying EBITDA was lower by 11.5%%, on the back of lower volumes and higher overhead allocation which could not be fully offset by the execution of the efficiency plans. The underlying EBITDA/gross profit ratio remained virtually stable at 16.4% in 2020 compared to 16.7% in 2019.

ROACE (based on underlying EBITDA) increased from 12.3% in 2019 to 14.0% in 2020, predominantly due to the decline of the capital employed following the goodwill impairment per the end of 2019 along with an improvement of the working capital.

Central and support expenses

In thousands of euro	2020	2019	Δ%
Gross profit	665	852	-21.9%
Other operating income	-	895	-100.0%
Underlying operating expenses	-11,613	-14,964	-22.4%
EBIT	-11,126	-15,375	-27.6%
Underlying EBIT	-10,947	-14,093	-22.3%
Add back: depreciation, amortisation and impairment	4,154	5,280	-21.3%
Add back: underlying depreciation, amortisation and impairment	4,154	3,353	23.9%
Underlying EBITDA	-6,793	-10,740	-36.8%

Underlying operating expenses of the Central and support services are exclusive of the amount in overhead costs that is passed on to the clusters. In 2020 underlying central operating expenses decreased by €3.3 million. The amount passed on to the clusters rose by €4.7 million. The total increase of central expenses (€1.4 million) was mainly attributable to higher IT costs (implementation e-business and enhancement IT infrastructure to support working from home) and higher M&A expenses. This was partly compensated by lower advisory costs (2019 comprised advisory costs relating to the determination of the strategy Build to Grow 2025) and lower travel costs.

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 60% of the underlying net result (after tax) attributable to shareholders. In 2020 this amounted to €46.3 million.
In light of the cash flow and balance sheet position of ForFarmers and the fact that ForFarmers did not make use of any financial Covid-19 schemes which include conditions that have implications for making distributions, the following is proposed.

It is proposed to distribute a dividend of €0.29 per ordinary share (based on 95,190,436 million ordinary shares outstanding), which equals a distribution of 60% of underlying net profit (2019: €0.28, comprising €0.19 related to 50% of the underlying net result and a special dividend of € 0.09 per ordinary share).

The annual accounts will be submitted for adoption at the Annual General Meeting on 23 April 2021. The dividend is payable on 7 May 2021.

Subsequent events

On 1 February 2021, ForFarmers closed the acquisition of De Hoop Mengvoeders (De Hoop), which had been announced in October 2020. By joining De Hoop with ForFarmers a leading poultry feed company is being created in the Netherlands, mainly aimed at delivering good feed and good advice to broiler farmers.

On 3 February 2021 Pavo, subsidiary of ForFarmers and active in the premium horse segment, took over the portfolio of the brand Mühldorfer Pferdefutter. Accordingly, the position of Pavo, active in over 30 countries, is significantly strengthened in the important horse market Germany.

Outlook and market developments

Developments in the market

The pressure on the agricultural sector to reduce its impact on the environment will remain and is expected to lead to a reduction in animal numbers in certain countries. The focus on quality and welfare concepts is increasing and ForFarmers has a strong position in these.
The themes that had an impact during 2020 are expected to continue to affect the agricultural sector, and hence ForFarmers, during 2021. If the Covid

measures can be lifted around the summer and hospitality and out-of-home venues are able to reopen we would expect the production of animal protein to increase again.
Looking at the longer period, more specifically the expectations are that the European dairy sector will see limited growth, a decrease in the beef and pig sectors and slight growth in the poultry sector. Global demand for milk, meat and eggs will continue to grow. Producers in Northwest Europe in particular will continue to face increasing sustainability and environmental measures, dampening their growth opportunities.

Rapid recovery of the poultry sector is expected in Poland, the largest European exporter of poultry products, once the stringent Covid measures start to ease.

As a result of the growing consumer interest in the quality and provenance of food, we expect the development of virtual integrations to accelerate in some countries. To achieve this, data systems and technology are key.

Brexit

There is room for expansion for livestock farmers in the UK given that the country is not self-sufficient in the production of poultry and swine meat. In addition, the UK government recently announced new agriculture legislation (the Agriculture Act 2020), in which environment and sustainability are, amongst others, important themes.

Efficiency plan 2021 & 2022

ForFarmers deems it important to organise and maintain its organisation and processes as efficient as possible. One of the pillars of the strategy Build to Grow 2025 is Operational Excellence, which includes a cost saving objective of at least €10 million by 2025 compared to the normalised[8] level of 2020. The first step of this objective is to reduce operating expenses by €7 million in 2021 and 2022, of which the full effect will be visible in 2023 (compared to the normalised level of 2020). In order to achieve this ForFarmers is working on various plans including optimising business processes.

Capital expenditure and investments

ForFarmers continues to invest in systems and process optimisation. The Company plans to invest approximately €35 million in 2021. ForFarmers will also continue to pursue acquisitions. As of 31 December 2020 debt /underlying EBITDA ratio was negative 0.17 (2019: 0.09). ForFarmers has sufficient financial headroom to realise her growth plans.

Financial objectives

As part of the strategy Build to Grow ForFarmers has set the following objectives for 2025:

- Underlying EBITDA in 2025 of in between €125 million and €135 million[9], both by means of organic growth and through acquisitions;
- Annual like-for-like improvement of underlying EBITDA of 0%-3% (as of 2020) in challenging home countries;
- At least €10 million operating cost savings in 2025 (compared to normalised[8] level of 2020).

ForFarmers does not provide guidance for the current calendar year.

[8] Normalised in this context means adjusted of one-off effects of Covid-19

[9] At constant currencies

Other information

Audio webcasts

For the press:
Messrs Yoram Knoop (CEO), Roeland Tjebbes (CFO) and Pieter Wolleswinkel (COO ForFamers Netherlands) will present the ForFarmers 2020 annual results today from 08.30 – 09.30 am (CET). This can be followed via an audio webcast (in Dutch). 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 analysts:
Messrs Yoram Knoop (CEO), Roeland Tjebbes (CFO) and Adrie van der Ven (COO Poland, M&A) will present the ForFarmers 2020 annual results today from 10.00 – 11.00 am (CET). 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.

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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 making the agricultural sector more sustainable. 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 2020, ForFarmers has approximately 2,500 employees. In 2020, turnover amounted to approximately €2.4 billion. ForFarmers N.V. is listed on Euronext Amsterdam.

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Notifications and disclaimer

Reporting standards

Publication annual report
The 2020 annual report (incl. financial statements) will be available from 11 March 2021 on the ForFarmers website (www.forfarmersgroup.eu).

Reporting standards
The results in this press release are derived from the ForFarmers 2020 audited financial statements. The financial statements 2020 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.
General remark: presented percentages have been calculated based on the amounts rounded in euro millions with one decimal.

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

26 March 2021	Registration date General Meeting of Shareholders
23 April 2021	General Meeting of Shareholders
27 April 2021	Ex-dividend listing
28 April 2021	Registration date for those entitled to a dividend
6 May 2021	Q1 2021 Trading update
7 May 2021	Dividend payment
13 August 2021	Publication of half-year results 2021
2 November 2021	Q3 2021 Trading update

24 February 2022	Publication annual results and annual report 2021
14 April 2022	General Meeting of Shareholders

FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements, including those relating to ForFarmers legal obligations in terms of capital and liquidity positions in certain specified scenarios. In addition, forward-looking statements, without limitation, may include such phrases as "intends to", "expects", "takes into account", "is aimed at", ''plans to", "estimated" and words with a similar meaning. These statements pertain to or may affect matters in the future, such as ForFarmers future financial results, business plans and current strategies. Forward-looking statements are subject to a number of risks and uncertainties, which may mean that there could be material differences between actual results and performance and expected future results or performances that are implicitly or explicitly included in the forward-looking statements. Factors that may result in variations on the current expectations or may contribute to the same include but are not limited to: developments in legislation, technology, jurisprudence and regulations, share price fluctuations, legal procedures, investigations by regulatory bodies, the competitive landscape and general economic conditions. These and other factors, risks and uncertainties that may affect any forward-looking statements or the actual results of ForFarmers, are discussed in the last published annual report. The forward-looking statements in this press release are only statements as of the date of this document and ForFarmers accepts no obligation or responsibility with respect to any changes made to the forward-looking statements contained in this document, regardless of whether these pertain to new information, future events or otherwise, unless ForFarmers is legally obliged to do so.