



Press release

Lochem, 5 May 2022

ForFarmers first quarter 2022 Trading Update

Highlights first quarter 2022¹:

- Volume Total Feed²: down by -7.3%; decline in all countries except Poland
of which compound feed: down by 8.2%
- Gross profit: up by 9.3%; compared to weak gross profit in first quarter of 2021
- Underlying EBITDA: down by 47.2%; substantially higher prices for raw materials, energy and diesel could not be passed on fully in the chain.

Roeland Tjebbes, CFO and ad-interim CEO of ForFarmers:

“The first quarter of 2022 was mainly dominated by the shocking invasion of Ukraine by Russia resulting in awful human suffering. The war also impacts the availability of raw materials, a situation which we are continuously monitoring. Up to now we have succeeded in continuing to supply feed to our customers and based on the current insights we can continue to do so. In line with our previously stated expectations, we could not fully pass on the price increases of raw materials and energy, which were even higher than expected due to the outbreak of the war. As a result, we realised a substantially lower underlying EBITDA in the past quarter despite continued cost savings. Recently, we see some movement in the food chain to make consumers pay for the heavily oppressive energy and fuel costs. It is, however, too soon to draw any conclusions from this. In the meantime, the European agricultural sector is fully committed to continuing to ensure food security in a sustainable way. We contribute to this by providing innovative solutions for livestock farmers to help them improve their production and returns on-farm while decreasing their footprint at the same time. This remains the core of our strategy, of which the review is progressing smoothly. We expect to communicate more about this after the summer, following the appointment of Chris Deen by the general meeting of shareholders.”

First quarter 2022: Price developments and general developments in the European agricultural sector

In the past months, average prices for milk, eggs and meat continued to rise to levels substantially higher than a year ago. Although pig prices were still alarmingly low at the beginning of 2022, since mid-February they have also risen significantly to levels well above last year. However, prices of raw materials, energy and fuels rose even faster, which made it impossible for most livestock farmers to absorb all these price increases on their account. As a result of the war, moreover, the availability of organic raw materials in particular is worrisome, including sunflower seeds and sunflower oil. Reudink, ForFarmers' subsidiary focusing on organic feed in various countries, is working on solutions with associations, including the recently granted derogation allowing the use of up to five percent conventional raw materials in organic animal feed again. Finally, especially in the Netherlands poultry farmers are being confronted with an outbreak of avian influenza that started in October 2021.

Development consolidated results ForFarmers in the first quarter 2022

Volumes fell in all sectors. Total Feed volume fell by 7.3%, of which compound feed volume by 8.2%. This was including the limited contribution of the acquisitions of De Hoop Mengvoeders and Mühldorfer Pferdefuttermittel, which were both completed at the beginning of February 2021.

Volumes fell most in the **pig sector**, due to amongst others the contraction of the pig herd in the Netherlands as a result of the 'warm restructuring of the pig sector' and the discontinuation of a relationship with a large pig farming customer in the United Kingdom. As a result of the extremely low

1. Results and developments of the first quarter 2022 are compared to those of the first quarter 2021, 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)



pig prices, a large number of pig farmers in Germany decided to stop farming. The low prices were caused by a large oversupply of pigs due to the ban on the export of pigs to China following the detection of African swine fever. In Poland, on the other hand, volumes in the pig sector rose due to the successful introduction of the Ultra pig feed concept.

ForFarmers continues to offer perspective to pig farmers who are currently in dire times and is known for its considerable knowledge and experience in utilising residual flows as ingredient in pig feeds. This helps pig farmers in reducing their cost price as well as enhancing the sustainability of pig farming. Volumes in the **poultry sector** fell. Poultry farmers in some countries were reluctant to full their barns with new chicks because of raw material prices being too high. In the Netherlands, the success of the 'Better Life' hallmark has the side effect that fewer animals can be farmed on the same size area, consequently impacting volumes. However, these chicks do require specific feed concepts during their slightly longer life. The recovery of the poultry sector continued in Poland, where ForFarmers also managed to attract new customers.

Sales to **ruminant farmers** was only slightly lower than a year before. Despite the higher milk prices, dairy farmers in Germany continued to feed their cows mainly with forage. Volumes in the United Kingdom remained fairly stable, whereas milk production in the market in general lagged last year's production in the first quarter, mainly due to challenges on-farm (high costs and shortage of labourers). Consequently, ForFarmers' market position became stronger. ForFarmers' position in the ruminant sector in the Netherlands/Belgium also improved. Apart from growth in sales of specialties, farmers also initially tended to stock up more on compound feed in March, just after the war broke out.

Net revenues increased, despite the volume decrease, as the higher raw material prices were largely passed on in the chain. **Gross profit** consequently rose by 9.3% compared to gross profit in the first quarter of 2021, which was under pressure due to an incident involving a few mispriced contracts in Germany. Gross profit per tonne compound feed rose accordingly, as well as due to strategic decisions to part ways with unprofitable customers or products.

Underlying total operating expenses increased substantially, including a small acquisition and currency translation effect. This was entirely due to the rise in costs for gas, electricity and diesel, which could not sufficiently be passed on in the chain on top of the higher raw material prices. As a result of the planned decrease of the number of FTEs, employee benefit expenses remained virtually the same despite salary indexation. In the first quarter of 2022, a contribution was made to the allowance for bad debts, mainly due to the particularly poor market circumstances in which pig farmers found themselves in the beginning of the year. In the first quarter of 2021, on the contrary, an amount was released from the allowance. The result of all these developments was that **underlying EBITDA** fell by 47.2%.

Innovation and sustainability go hand in hand

ForFarmers continuously focuses on offering solutions that help farmers improve their returns on-farm and at the same time make a sustainable contribution to a better climate. For example, the recent launch of 'Terrascoop' in the Netherlands. This is an online programme in which all relevant data for optimal forage cultivation is made accessible in a simple manner. With the help of this programme and together with the ForFarmers advisor, the dairy farmer can make a concrete plan for an optimal forage cultivation season in a very efficient manner. The importance of an optimal forage cultivation continues to increase, especially considering the current objective in the Netherlands to reduce the emission of ammonia by gradually reducing the crude protein content in dairy rations, amongst others. Based on good quality forage and considering animal health, the volume of compound feed required can be determined. For farmers, differences in the quality and yield of forage can lead to financial differences of tens of thousands of euros per year.

Outlook

Agricultural policy in the Netherlands

At the beginning of April, the Minister for Nitrogen and Nature presented the 'Outlines of the combined



approach to nature, water and climate in rural areas, and of the broader nitrogen policy³. It is made particularly clear, that by July 2023 action plans per province must be ready for each nitrogen-sensitive Natura 2000 site. The unrest in the markets remains, since livestock farmers still do not know exactly how this will work out for them. ForFarmers continues to stand by its customers and remains committed to delivering innovative solutions with which the nitrogen situation can be solved in a more cost-efficient way, and to offer a future perspective for the Dutch agricultural sector, which is a global leader in sustainability and innovation. It is generally expected however, that the number of animals in the Netherlands will decrease slightly in the coming years as a result of the environmental and animal welfare measures which have already been taken and will still be taken.

Financial outlook

At the publication of the 2021 results, ForFarmers announced that underlying EBITDA in the first half of 2022 would be substantially lower (y-o-y) as a result of the expectation that raw material prices would remain high and that it would not be possible to fully pass these price increases on in the chain. Partly in view of the fact that in the meantime the war in Ukraine has broken out, this expectation remains unabated.

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

Note to the editor / For additional information:

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About ForFarmers N.V.

ForFarmers N.V. is an international organisation that provides complete innovative feed solutions to the livestock farming industry. With its '**For the Future of Farming**' mission ForFarmers is committed to the continuity of farming and to further increasing the sustainability of the agricultural sector.

ForFarmers is the market leader in Europe with annual sales of around 10 million tonnes of animal feed. The company is active in the Netherlands, Belgium, Germany, Poland and the United Kingdom. ForFarmers has approximately 2,500 employees. In 2021 revenue amounted to approximately €2.7 billion. ForFarmers N.V. is listed on Euronext Amsterdam.

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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.

³ Source: [Kamerbrief met hoofdlijnen gecombineerde aanpak natuur, water en klimaat in landelijk gebied en van bredere stikstofbeleid | Kamerstuk | Rijksverheid.nl](#)