



Press release

Lochem, 1 November 2022

ForFarmers Q3 2022 Trading Update

Highlights for third quarter of 2022¹:

- Total Feed volume²: down by 7.2%; decline mainly in the swine and layer sectors
of which compound feed: down by 9.1%
- Gross profit: up by 8.3%
- Underlying EBITDA: down by 17.3%; higher expenses could not be passed on fully in the supply chain

¹ Results and developments of the third quarter 2022 are compared to the third quarter 2021, unless otherwise stated

² Total Feed comprises the entire product portfolio of ForFarmers and consists of compound feed, specialties, co-products (such as residual flows from the food industry, referred to by ForFarmers as DML products), seeds and other products (such as forage).

ForFarmers CFO Roeland Tjebbes said:

"Volatile markets due to the war in Ukraine and the exceptionally long and hot summer determined results in the third quarter. We could not fully pass on the higher energy costs nor the inbound freight costs due to the low water levels in the rivers. Particularly pig farmers and layer farmers were affected by the (financial) consequences of outbreaks of animal diseases. We consequently saw our volumes in these sectors drop. In Poland, however, we again sold more feed to broiler farmers and our volumes were also up in the ruminant sector in the Netherlands and the United Kingdom. Raw material prices were somewhat lower than in the second quarter. This was a positive development for all farmers, but not yet sufficient for pig farmers. In general, they continued to produce at a loss. The increase of gross profit was not enough to cover the higher operating expenses, which included energy costs which were roughly twice as high as a year before. This consequently resulted in our consolidated underlying EBITDA being a few million lower than a year earlier. On a quarterly basis this translates into a relatively high percentage. Excluding the higher energy costs, underlying EBITDA in the third quarter of 2022 would have been roughly the same as in the third quarter of 2021. Our markets are and will likely continue to be volatile. In such challenging markets we are well aware that we can rely on loyal customers and dedicated employees. They make the difference, and we are grateful for that. We remain committed to our customers and other stakeholders and will provide more insight into how we intend to continue to do so in the coming years on 17 November. Moreover, we hope to soon be able to provide more clarity on the planned joint venture with 2Agriculture in the United Kingdom, with which we will further strengthen our position in the poultry sector."

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

Average prices in Europe for milk, meat and eggs were significantly higher in the third quarter of 2022 than in the comparable period last year. In general, the production of milk, meat and eggs was lower than in the same quarter last year due to the reluctance of livestock farmers to scale up given existing uncertainties in many areas including high raw material and energy prices. In the United Kingdom the shortage of skilled labour in slaughterhouses in particular was an additional reason for pig farmers not to expand.

Raw material prices of grains fell slightly in the third quarter compared to the second quarter. Nevertheless, raw material prices were still substantially higher than in the third quarter last year. The consumer price index rose even faster in the third quarter than in the previous quarter. Consumers are becoming more price conscious in their buying behaviour, as was noticeable in the lower demand for organic products given that these products are often more expensive than regular products. The exchange rates of the British pound and the Polish zloty to the euro were somewhat lower than a year ago.



Development of ForFarmers consolidated results in the third quarter of 2022

Total Feed volume fell by 7.2%. The sales volume of compound feed, part of the Total Feed category, was down 9.1%.

The decline in sales was mainly due to the dire situation in the **swine sector**, where farmers were still unable to make a positive return on their production despite high pig prices. The financial situation in combination with uncertain or unfavourable future prospects prompted pig farmers to quit, particularly in Germany. The pig herd in the United Kingdom has shrunk as a result of poor profitability for pig farmers and large backlogs in slaughterhouses due to the shortage of skilled personnel. Also in the Netherlands there were fewer pigs than a year ago. This is due to environmental measures aimed at reducing the pig population. These developments weighed heavily on the development of volumes at ForFarmers. The swine sector in Poland is relatively small but growing. ForFarmers' sales in Poland continued to grow steadily, partly as a result of the introduction of pig feed concepts that have already proven successful in other home markets.

Volumes in the **poultry sector** were also lower than in the third quarter last year in every country except Poland. Volumes in the broiler sector remained virtually the same, but declined in the layer sector. This was partly due to avian flu, which has been affecting the entire poultry sector for a particularly long time this year, and because ForFarmers has ceased the production of layer feed in Belgium.

Volumes in the broiler sector increased in Belgium, Germany and particularly in Poland where new customers were gained. Demand for poultry products from Poland also increased as a result of the loss of exports from Ukraine. Due in part to inflation, consumers opted for chicken more often because it is relatively cheap compared to other types of meat. This trend was also observed in the Netherlands. ForFarmers' market position is increasing in the field of welfare concepts in the broiler sector. At the same time, however, volumes decline as the success of the *Beter Leven* ('better life') quality label entails that fewer animals are kept in the same area. Meat consumption was down in the United Kingdom due to the rapidly rising cost of living. This had an impact on the feed sales to broiler farmers.

The volume of sales in the **ruminant sector** was just as high as in the same quarter last year. The very dry summer was bad for the quality of grass. Livestock farmers therefore used their silage in addition to supplementing with concentrates and compound feed in some cases. In Northwest-Europe, milk production was somewhat lower due to uncertainty about the future and a shrinking dairy herd. Furthermore, cows produce less milk in prolonged periods of hot weather. Dairy farmers in northwest Europe were able to realise better margins due to high milk prices.

Net revenue increased despite the drop in volume because part of the rise in raw material and energy prices was passed on in the supply chain. **Gross profit** was 8.3% higher than in the third quarter last year, particularly driven by the recovery in Poland and better gross profit in Germany and the United Kingdom. The increase in **total underlying operating expenses** was higher than the rise in gross profit. This was entirely due to the increased cost of gas, electricity and fuel which, on top of the high raw material prices, could not be fully passed on in the chain. Personnel costs rose slightly. The increase due to wage inflation was mitigated by a further decline in the number of FTEs. In view of economic developments and the fact that pig farmers in particular are finding it difficult to achieve a return in the current market conditions, an amount was added to the provision for bad debts in the third quarter. In contrast, a small amount was released from the provision in the third quarter of 2021. All this ultimately resulted in a 17.3% drop in **underlying EBITDA** compared to the third quarter last year.

Mediator Remkes' recommendations for Dutch short and long-term agricultural policy

At the beginning of October mediator Johan Remkes presented his report on finding the best way out of the nitrogen policy deadlock between the Dutch government and farmers. The goal set by the Dutch cabinet to reduce nitrogen emissions by 50% in 2030 remains intact. Remkes observed that the Dutch government is focusing too much solely on agriculture and that the mobility, industrial and construction



sectors will now also have to contribute. In addition, Remkes recommended a more integrated approach and a multiple sector-selection in order to improve and support the quality of life in the Netherlands. At the same time his report stressed the need to work towards a longer-term vision with an eye for innovation and clear, consistent policies. ForFarmers views both the recognition for the position of the agricultural sector and a number of proposals put forward by Remkes, such as abolishing the critical deposition value and installing an accountable substance balance ('afrekenbare stoffenbalans') as a positive development.

On 14 October the Dutch government announced that it largely supported the recommendations of the Remkes report but that it still wanted to examine the feasibility of a few points. The cabinet will start looking into these things soon.

Outlook

In view of the uncertainty surrounding macroeconomic and geopolitical developments, ForFarmers is refraining from issuing guidance on results in 2022.

In this context ForFarmers has decided not to relaunch the share buyback programme and therefore to terminate it. This programme, which started on 1 December 2021, had already been suspended on 15 March 2022 for precautionary reasons.

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

Note to the editor / For further information:

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About ForFarmers

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 underpins its commitment both 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 and is active in the Netherlands, Belgium, Germany, Poland and the United Kingdom. ForFarmers has around 2,500 employees and in 2021 generated revenue of approximately €2.7 billion. ForFarmers N.V. is listed on Euronext Amsterdam.

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