



**27 May 2015** - Origin Enterprises plc, the Agri-Services group, ('Origin' or 'the Group'), issues this Trading Update for the nine months to 30 April 2015.

## Highlights

- 0.8 per cent increase in underlying revenue for the third quarter against strong 2014 comparative
- Good Q3 performance as price volatility provides a highly challenging backdrop for primary producers over the short and medium term
- Maintaining full year earnings guidance

## Overview

Origin has achieved a good performance in the seasonally important third quarter of the financial year supported by robust activity levels on farm. The result is set against both a strong third quarter comparative reflecting the benefit of greater seasonal intensity in 2014 and the present backdrop of increased volatility across primary output and input markets which is exerting considerable pressure on the incomes of primary producers currently.

The Group's earnings profile is significantly weighted towards the second half of the financial year with in excess of 90 per cent of operating profit from Agri-Services arising in that period. With over 40 per cent of full year operating profit from Agri-Services arising in the fourth quarter of the financial year and following a good third quarter performance we are maintaining full year earnings guidance in adjusted diluted earnings per share of 60.0 cent.

## Review of Operations

### Agri-Services

Revenues for the third quarter were 9.4 per cent higher at €560.9 million. Revenues were €1,092.5 million for the nine months compared with €1,030.4 million in the equivalent period last year, an increase of 6.0 per cent. The components of the increase year-on-year for the quarter and year-to-date are outlined in the following table.

<b>Revenue</b>	<b>Attributable to:</b>					
	<b>FY15 €m</b>	<b>FY14 €m</b>	<b>Increase %</b>	<b>Acquisition %</b>	<b>Currency %</b>	<b>Underlying %</b>
<i>Quarter 3</i>	560.9	512.8	<b>9.4%</b>	-	8.6%	0.8%
<i>Year-to-date</i>	1,092.5	1,030.4	<b>6.0%</b>	1.8%	6.6%	(2.4%)

The business achieved volume growth of 0.2 per cent in the quarter. Year-to-date volumes have decreased by 0.4 per cent comprising lower feed and crop marketing volumes partially offset by higher crop protection and fertiliser volumes. Input volumes, excluding crop marketing, have increased by 0.6 per cent and 2.0 per cent for the quarter and year-to-date, respectively.

### **Integrated On-Farm Agronomy Services**

#### *United Kingdom*

Generally dry weather conditions supported pleasing activity levels on farm underpinning the achievement of a third quarter performance in line with last year from Agrii.

Full service agronomy demand in the quarter was equivalent to last year notwithstanding a lower level of seasonal intensity which resulted in generally slower crop development due to lower average temperatures.

Seed and nutrition portfolios performed resiliently in highly competitive trading conditions due to an improved mix of value added applications linked to the provision of a dedicated and flexible input financing facility.

Crops in general are in excellent condition with minimal losses to date. Combined winter and spring plantings for the principal arable, root and vegetable crops are approximately 4.34 million hectares. This reflects a reduction in the total planted area of 1.2 per cent on 2014, reflecting a 2.7 per cent reduction in the winter area and a 2.5 per cent increase in the spring area.

#### *Poland*

Favourable spring weather supported a solid performance in the third quarter from Dalgety with the business recording higher agronomy revenues and margins. Seed volumes were lower in the period reflecting reduced spring maize plantings due mainly to a combination of weaker output prices and a below average yield performance in 2014. Crops are in excellent condition with a combined total planted area for cereals and oil seeds in line with 2014 at approximately 8.7 million hectares which is providing a good foundation for the full year result.

The business continued to successfully advance its integrated seed, crop protection and nutrition offers dedicated to the larger and technically orientated farmer base whilst also expanding its small farm franchise through the independent shops channel.

## *Ukraine*

Agroscope has performed resiliently recording higher revenues and profits in the third quarter. The result reflects the benefit of a positive early season campaign against the backdrop of significant currency volatility and general economic uncertainty due to the current political instability. The business achieved solid momentum across all input portfolios through a combination of service extension and the development of new integrated offers.

With primary producers currently facing the twin challenges of tighter liquidity and higher cost structures on farm their attention is increasingly turning to less intensive cropping and lower agronomy investment options. With the majority of the 13.3 million hectares of spring cropping expected to be planted over the coming weeks, total cereal and oil seed plantings are estimated at 20.5 million hectares which is approximately 5 per cent lower than last year.

A risk management focus continues to be prioritised across the business and is principally concentrated on accelerated cash flow generation, alternative input financing solutions and a strict programme of customer credit allocation.

### **Business-to-business Agri-Inputs - Ireland and the UK**

Business-to-business Agri-Inputs achieved a satisfactory performance for the period underpinned by the benefit of higher fertiliser volumes which were partially offset by a lower result from feed.

Against the current backdrop of fragile primary producer returns, fertiliser achieved a stable volume performance in the third quarter supported by strong supply chain execution with specialty and bespoke nutrition applications continuing to maintain a strong performance.

The Group's amenity business which provides advice and input solutions to the professional, sports turf, landscape and amenity sectors performed broadly in line with last year in the third quarter with a strong year-to-date performance. Increased demand for services and inputs in the sports turf sectors offset lower specialty amenity fertiliser volumes in the quarter. New product innovation continues to positively support margins in the business.

Feed ingredients performed satisfactorily in the quarter. Volume development improved during the quarter against a lower first half performance with colder weather supporting spot demand. The backdrop remains generally challenging, however, reflecting volatile feed ingredient markets which is resulting in customers facing some uncertainty regarding their medium term demand requirements.

### **Associates and joint ventures**

Origin's principal strategic investment, consumer foods company Valeo Foods ('Valeo'), in which the Group holds a 32 per cent shareholding, performed in line with expectations during the period. Market conditions in grocery continue to remain highly competitive with consumers focused on value and buying into private label.

In May 2015 Valeo completed the acquisition of a 100 per cent interest in the Italian packaged food company Balconi. Headquartered in Milan, Balconi supplies sponge cakes, wafers and biscuits to the Italian and wider European consumer markets. The acquisition which strongly complements Valeo's existing categories provides the business with strategic and meaningful geographic extension in Continental Europe.

### **Refinancing**

In May 2015, the Group refinanced its existing unsecured bank facilities which had been due to expire in July 2016. New five year bank facilities were put in place with a syndicate of seven banks with these facilities due to mature in May 2020.

### **Outlook**

Demand for services and inputs in the final quarter is expected to be lower when compared with last year reflecting a more normalised level of seasonal intensity combined with the current pressure on farm incomes generally.

Based upon a good third quarter performance we are maintaining full year earnings guidance in adjusted diluted earnings per share of 60.0 cent.

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## **About Origin Enterprises plc**

Origin Enterprises plc is a focused Agri-Services group providing on-farm advice and the supply of agri-inputs. The Group also has an investment in consumer foods. The Agri-Services business through its manufacturing and distribution operations in Ireland, the United Kingdom, Poland and Ukraine has leading market positions in the supply of specialist agronomy services, crop nutrition and feed ingredients. The Group is listed on the ESM and AIM markets of the Irish and London Stock Exchanges.

ESM ticker symbol: OIZ

AIM ticker symbol: OGN

Website: [www.originenterprises.com](http://www.originenterprises.com)