

Countrywide Farmers plc

TRADING STATEMENT

Countrywide Farmers plc is one of the UK's leading suppliers of products, services and advice to the rural community. The Directors announce a trading statement for the six months to 30 November 2014.

Financial Highlights

- Like for like Group Turnover is up 2.2% at £138.8m. (2013: £135.8m)
- Retail turnover has increased 0.7% to £44.3m. (2013: £44.0m)
- Revenue in Agriculture is up 3.4% to £87.9m. (2013: £85.0m)
- LPG turnover has fallen 4% to £6.6m. (2013: £6.9m)
- After allowing for one off costs relating to the disposal of the bulk agricultural business including grain trading activities and implementation of the retail strategy, the underlying results for the period are in line with the prior year.

Operational Highlights

- Retail profit contribution has improved in the first six months compared to the prior year despite challenging economic conditions. Customer demand has however been impacted by the mild autumn weather, in particular in clothing and footwear. The relaunch of the pet category in Autumn 2014 was a success.
- Volumes in the agricultural business increased by 5.6% in the period. Strategic growth in alternative feeds was the main driver, which more than compensated for the decrease in compound feed volumes experienced due to the mild weather. Arable inputs had a mixed Autumn with agronomy being the strongest performer. Fertiliser volumes were down as farmers continued to delay purchases. The cereal seed market was very competitive however a decision was made to maintain contribution rather than chase loss making volume.
- Despite the mild autumn weather depressing LPG volumes, which were down 6% on last year, margins were strong and the increase in customer numbers has continued. LPG continues to generate the highest margins across the group.

Strategy and Outlook

- Shortly after the half year, Countrywide announced the disposal of its Livestock Feed and Forage, Arable products and Crop Marketing businesses. The Livestock Feed and Forage business, comprising compound and alternative feeds, fertilizer and forage seeds is being sold to ForFarmers. The transaction is awaiting clearance from the UK Competition Authority but is expected to complete at the end of April 2015. The Arable business, which sells crop protection and cereal seed products has been sold to Hutchinsons and the crop marketing business has been sold to Openfield. The sale of the businesses affecting around 80 employees will realise a maximum

combined total of £18.1m cash. This will allow the company to invest in its remaining retail, LPG and turf and amenity businesses.

- The company is committed to focussing on its higher margin Countrystore network of 53 stores, supported by local specialist sales teams. It is implementing a retail strategy to drive improvements in margin and extend the store network commencing with at least 4 new stores in 2015. Ecommerce sales have continued to grow strongly with a year to date sales increase of 62% on the previous year. There has also been a significant growth in orders placed for click & collect, with 35% of all online orders now using this service. Our commitment to the development of the retail business was evidenced by the recent Board appointment of a Chief Commercial Officer, Andrew Webb, with a strong retail background.
- The company will continue to serve farmers and the wider rural community via its sales team, stores, agricultural catalogue and its online sales which together sell over 7,000 agricultural products.
- A number of strategic initiatives are planned to support further business and profit growth in the company's energy business, which supplies bulk LPG and bottled gas to the rural community.
- The company will continue to invest in the development of its turf and amenity business which supports the maintenance of golf courses and sports grounds
- The business is progressing the implementation of Microsoft Dynamics AX, a new operating platform across the whole business. In particular, it is key in supporting the delivery of our multichannel strategy. This will enhance and exploit the existing store network and support the delivery of the strategy when it is completed by the end of 2015.
- The Board of Directors have agreed to change the accounting reference date of Countrywide Farmers plc from 31 May to 30 November to align the company reference date more appropriately with the trading pattern of a retail business. As a result, the next audited report and accounts for the group will cover the 18 month period to 30 November 2015.

Commenting on the first 6 months of trading, John Hardman, Chief Executive Officer said,

'2014 was a challenging but key year in the development of the Countrywide business. It is pleasing to report that, given all of those challenges, the like for like turnover for the group has increased and the remaining business areas are well positioned for future growth'.

The Directors take responsibility for the contents of this announcement.

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