PRESS RELEASE

Regulated information

terbeke

driven by **the zeal for your everyday meal**

Lievegem, 30 August 2019 – 7:30 a.m.

Consolidated results for the first semester of 2019

Ter Beke improves its results in the first half of the year thanks to strong organic growth and despite the sharp rise in raw material

Consolidated key figures first semester of 2019

Income statement in 000 EUR			
-	**30/06/19**	**30/06/18**	**∆ %**
Revenue (net turnover)	358 593	329 614	8,8%
Underlying EBITDA	25 532	23 129	10,4%
EBITDA	24 923	19 838	25,6%
Underlying operating results (UEBIT)	10 419	9 691	7,5%
Result of operating activities (EBIT)	9 393	5 747	63,4%
Net financing costs	-1 838	-2 156	-14,7%
Result of operating activities after net financing costs (EBT)	7 555	3 591	110,4%
Taxes	-2 870	-1 084	164,8%
Result after tax before share in the result of enterprises accounted for using the equity method	4 685	2 507	86,9%
Earnings after taxes (EAT)	4 685	2 507	86,9%
Profit in the financial year: share third parties	49	41	
Profit in the financial year: share group	4 636	2 466	
Financial position in 000 EUR			
	30/06/19	**31/12/18**	
Balance sheet total	424 527	424 978	-0,1%
Equity	122 588	125 028	-2,0%
Net financial debts	121 471	122 679	-1,0%
Equity/Total assets (in %)	28,9%	29,4%	
Gearing Ratio	99,1%	98,1%	
Key figures in EUR per share			
	30/06/19	**30/06/18**	
Number of shares	1 732 621	1 732 621	
Average number of shares	1 732 621	1 732 621	
Net cash flow	11,67	9,58	21,8%
Earnings after taxes	2,68	1,42	88,7%
EBITDA	14,38	11,45	25,6%

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Key figures and headlines

Ter Beke Group:

In 2018, the results of the companies acquired in 2017 were included in the income statement in full for the first time. For this reason, the results for 2019 and 2018 are comparable. The main achievements are:

- Turnover increased considerably, from EUR 329.6 million to EUR 358.6 million, which is an 8.8% increase.
- The EBIT improved from EUR 5.7 million to EUR 9.4 million despite a sharp rise in raw material prices (addition explanation below).
- Since the end of 2018 the debt position has decreased by EUR 12.8 million, if one neutralises the impact of IFRS 16 (EUR 11.6 million).

The improved results are a combination of:

- Higher contribution due to the increase in turnover.
- Lower overheads due to measures taken at the end of 2018.
- Efficiency improvements in various factories, including the one faced with start-up costs following a significant expansion project in 2018.
- Decreased non-underlying costs (previously named non-recurring costs), which were relatively high in 2018, partly due to the closure of the factory in Zoetermeer.

As in 2018, the four companies acquired (in 2017) continue to perform well. In the first half of the year, they contributed jointly and individually to the turnover and result according to plan. Integration activities continued in 2019, and in April Offerman was successfully migrated to the common ERP platform.

Raw material prices and other costs rose sharply in the first half of the year:

- As a result of the African swine fever outbreak in China, this country – that represents approximately 50% of world production and consumption – is importing more pork, which has pushed up prices considerably throughout the entire chain.
- Prices of other key ingredients such as dairy products (cheese & milk powder) and some vegetables (onions & potatoes) also rose significantly during the first half of the year; this in response to poor harvests in 2018.
- Other important cost items such as wages, energy and transport experienced sharp price increases in comparison to the same period last year.

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Due to the combination of all these factors:

- underlying EBITDA amounts to EUR 25.5 million compared to EUR 23.1 million in 2018 (+10.4%)
- EBITDA amounts to EUR 24.9 million compared to EUR 19.8 million in 2018 (+25.6%)
- underlying EBIT amounts to EUR 10.4 million compared to EUR 9.7 million in 2018 (+7.5%)
- EBIT amounts to EUR 9.4 million compared to EUR 5.7 million in 2018 (+63.4%)
- the result after taxes amounts to EUR 4.7 million compared to EUR 2.5 million in 2018 (+86.9%)

Processed Meats Division:

The turnover of the Processed Meats Division increased by EUR 14.9 million (+7.3%) compared to 2018. This is mainly thanks to investments made in previous years for specific customer-focused projects.

In 2018, for example, considerable funds were invested in the Dutch factories, namely the 'slicing and packaging' capacity, for which Ter Beke is reaping the rewards in 2019.

In Belgium (Veurne) a 'slicing and packaging' project was started mid-2018 for the major part of a customer's product range. As well as the increase in turnover, the efficiency improvements initiated in the second half of 2018 were continued in 2019.

The processed meats industry – both for products and slicing activities – is still characterised by fierce price competition, which ultimately benefits consumers. For this reason, increases in raw material prices (e.g. pork) can only be incorporated to a limited extend in Belgium.

In the Netherlands, meat and processed meats with the 'Beter Leven' label have a considerable market share. To encourage pig farmers to implement the animal welfare criteria of the 'Beter Leven' concept, they rightly receive a premium. Through the so-called 'automatic price changes', this premium is applied throughout the chain, and the rise in prices of raw materials is translated into the price of the final product. In Belgium too, many are calling for such a programme to be introduced which would guarantee animal welfare and the viability of the entire chain.

In the Benelux, UK and Germany – where Ter Beke is mainly active in processed meats – many consumers show a growing interest in healthier recipes (such as less salt), better traceability and sustainable production. Sustainability in the processed meats industry mainly concerns stronger collaboration in the chain and recyclable packaging. Ter Beke holds a leading position in this regard.

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Ready Meals Division:

The turnover of the Ready Meals Division increased by EUR 14.1 million (+11.1%) compared to 2018, solely through organic growth.

Since the acquisition in 2017 of Stefano Toselli (France), Pasta Food Company (Poland) and KK Fine Foods (UK), Ter Beke now has a network of five production centres, which means it can supply all of Europe. Ter Beke is – as you may recall – European market leader in its Ready Meals segment, in brief: chilled, Mediterranean pasta meals.

The acquisition of KK Fine Foods provided Ter Beke with a "Brexit-proof" footprint in the UK.
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All of the Division's business units score strongly when it comes to organic growth:

- Freshmeals (manufactured in Marche and Wanze) introduced new innovative products in late 2018 and 2019 in response to new trends ('snacking', 'food to share', etc.). Halal products were also introduced in cooperation with a strong player in that market.
- Stefano Toselli introduced a successful range of vegetarian products, among other things.
- Pasta Food Company – Ter Beke's 'beachhead' in Central and Eastern Europe – keeps growing by 'double digits' thanks to further regional expansion and additions to the lasagne portfolio.
- KK Fine Foods – originally active as partner to large pub and catering chains – is now successful with its 'develop and cook to order' concept for English supermarkets.

The ready meals industry in Europe continues to offer good prospects in all channels:

- The retail segment (including discount) is increasing shelf space to meet demand for convenience and in response to competition from home-delivered meals.
- The capacity to prepare meals in the food service channel is diminishing and Ter Beke's products offer a solution.

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Additional notes

Declaration of conformity

The condensed interim consolidated financial statements are set up in accordance with IAS 34 interim financial reporting, as accepted by the EU. These statements do not contain all information required for full annual accounts and need to be read together with the consolidated annual accounts for the reporting period ending 31 December 2018, as published in the annual report to the shareholders on the financial year 2018.

These condensed consolidated financial statements were approved for publication by the Board of Directors on 29 August 2019.

Valuation and interpretation rules

IFRS 16 requires the lessee to activate all lease and rental obligations on the balance sheet. The liability reflects all lease payments associated with the lease agreement, the asset reflects the right to use the asset during the agreed term of the lease.

Ter Beke has applied IFRS 16 with effect from 1 January 2019, in accordance with the transitional provisions, using the adjusted retrospective method. In other words, this means that the cumulative effect of applying IFRS 16 is recognised as a restatement in the opening balance of the transferred result at 1 January 2019, without restatement of the comparative figures.

The impact of this on the published figures for 2019 is as follows:

	30/06/2019
	-
Tangible non-current assets – user rights	11 531
Effect on total assets	**11 531**
Transferred loss	-69
Deferred taxes	-29
Long-term lease liabilities	9 075
Short-term lease liabilities	2 512
Revenue to be transferred	42
Effect on total equity and liabilities	**11 531**
Impact on EBITDA	1 450
Impact on EBIT	84
Impact on the net financing costs	-182
Impact on EAT	-69

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Notes to the balance sheet

Under IAS 34, the balance sheet figures of 30 June 2019 need to be compared with those of 31 December 2018.
The increase of EUR 7.7 million in tangible non-current assets is mainly due to the application of IFRS 16 for EUR 11.5 million. This increase was partially limited as the depreciation was higher than the investments.

In the first half of 2019, the Group invested EUR 8.8 million in non-current assets (including EUR 538,000 due to IFRS 16) as opposed to EUR 15.0 million in the same period in 2018. These relate primarily to the continuation of efficiency investments, infrastructure adjustments at the various sites and the further roll-out of the ERP package.

In addition, receivables decreased by EUR 7.8 million from EUR 121.9 million to EUR 114.1 million.

Net debt decreased by EUR 1.2 million to EUR 121.5 million. This decrease can be explained primarily by the net cash flow from operating activities of EUR 30.9 million, less EUR 9.6 million of paid investments (adjusted for revenue from disinvestments), as well as paid dividends and interests amounting to EUR 8.0 million, the repayment of EUR 13.3 million of long-term debts and the recognition of EUR 11.6 million of lease liabilities due to the application of IFRS 16.

The net debt as of 30 June 2019 and 31 December 2018 has been calculated as follows:

	30/06/2019	31/12/2018
Cash and cash equivalents	-21 587	-23 175
Long-term interest-bearing liabilities	128 099	130 042
Short-term interest-bearing liabilities	14 959	15 812
Net financial debts	**121 471**	**122 679**
of which IFRS 16	11 587	

The equity difference is chiefly the result of the profit after tax in the first six months minus the dividend that was allocated over the previous financial year.

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Notes to the income statement

The most important points were explained in the Key figures and headlines section of this report.

REBIT and REBITDA – which reflect the recurring or underlying business performance – are now referred to as the underlying EBIT or underlying EBITDA respectively. The calculation at Ter Beke is as follows:

	30/06/2019	30/06/2018
EBITDA	**24 923**	**19 838**
Depreciation and impairments on non-current assets	-15 007	-13 872
Write-downs, and provisions	-523	-219
Result of operating activities (EBIT)	**9 393**	**5 747**

	30/06/2019	30/06/2018
Profit from operating activities (EBIT)	9 393	5 747
Severance payments	484	1 299
Acquisition costs	0	242
M & A costs	125	0
Strategic study	0	1 330
Start-up costs of new packaging concept project	0	420
Increase in restructuring provision	417	0
Restructuring costs Zoetermeer	0	170
Impairment Zoetermeer	0	483
Underlying profit from operating activities (U EBIT)	**10 419**	**9 691**
EBITDA	24 923	19 838
Severance payments	484	1 299
M & A costs	125	0
Acquisition costs	0	242
Strategic study	0	1 330
Start-up costs of new packaging concept project	0	420
Underlying EBITDA	**25 532**	**23 129**

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Prospects for 2019

The Group is confident that, barring unforeseen market circumstances, the underlying operating results for 2019 will surpass the underlying operating results for 2018, even without taking the impact of IFRS 16 into consideration.

Half-year financial report

The Group's half-year financial report is available on www.terbeke.com in the Investor Relations module. The Dutch version of this half-yearly report is the sole official version.

The half-year financial report contains the condensed consolidated financial statements drawn up in accordance with IAS 34, the declaration without reservations of the auditor on this limited review and the other legally required specifications.

Contacts

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You can also review this press release and send us your questions through the Investor Relations module on our website.

For more information about Ter Beke, visit www.terbeke.com.

Financial calendar

Annual Results 2019:	28 February 2020 before market opening
Annual Report 2019:	At the latest on 30 April 2020
General Shareholders Meeting 2020:	28 May 2020