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

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Consolidated results for the first semester of 2018

Key figures and headlines

Ter Beke group:

The results of the companies acquired in 2017 are included in the income statement in full for the first time. These companies give Ter Beke a production footprint in countries with 170 million consumers and are:

- For the Processed Meats Division: Offerman in the Netherlands.
- For the Ready Meals Division: Stefano Toselli in France, Pasta Food Company in Poland and KK Fine Foods in the United Kingdom.

In the first half of the year, these four companies contributed jointly and individually to the turnover and result according to plan. The integration activities and the accompanying investments were completed on time, and in some cases even ahead of schedule:

- The consolidated turnover increased by EUR 118 million (+55.8%) to EUR 329.6 million.
- The recurring business cash flow (REBITDA) increased from EUR 14.4 million in the first half of 2017 to EUR 23.1 million in the same period of 2018.

Raw material prices fluctuated in different directions whereby the changes balanced each other out. The price of pork was lower, while prices of other major purchasing categories (beef, chicken and packaging) were higher than in 2017.

To compare the results of the first semester of 2017 and 2018, it has to be taken into account that the results in 2018 include EUR 3.9 million non-recurring expenses, while a non-recurring income of EUR 7.3 million was achieved during the same period in 2017.

As a result of the above:

- REBITDA amounts to EUR 23.1 million compared to EUR 14.4 million in 2017 (+60.9%)
- EBITDA amounts to EUR 19.8 million compared to EUR 21.0 million in 2017 (-5.4%)
- REBIT amounts to EUR 9.7 million compared to EUR 6.7 million in 2017 (+45.5%)
- EBIT amounts to EUR 5.7 million compared to EUR 13.3 million in 2017 (-56.6%)
- the result after taxes amounts to EUR 2.5 million compared to EUR 10.1 million in 2017 (-75.3%).

The cash-flow of the operating activities increased from EUR 13.4 million in 2017 to EUR 23.2 million in 2018.

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Processed Meats Division:

The turnover of the Processed Meats Division increased by EUR 52 million (+34.4%) from EUR 151.3 million to EUR 203.4 million. The acquired Offerman performed according to plan. The other companies realised a slight increase in volume while some raw material prices (pork) decreased.

In Belgium (Veurne) a ‘slicing and packaging’ project was started for the major part of a customer's product range. The focus of this project is to meet the service level objectives. However, the start-up costs put pressure on the initial profitability of the project, but this is now increasing steadily.

It was decided to close the Offerman site in Zoetermeer (Netherlands) sooner than originally planned and to move production to Borculo and Wommelgem. It was also decided to accelerate the transition to the standard Ter Beke ERP package at Offerman, which meant that extra costs were incurred for the analysis and implementation.

The processed meat industry – both for products and slicing activities – is still characterised by fierce competition, which ultimately benefits consumers. For this reason, decreases in raw materials prices (pork) cannot be kept entirely in the margin. The focus for this division therefore remains the profitability of the product range and continued cost control.

A wave of consolidation is noticeable across the Benelux, the most important market for Ter Beke in meat products. This is both driven by industrial groups and companies owned by private equity players. A certain scale is essential to meet ever increasing customer needs in the field of innovation, efficiency, traceability and sustainability.

At the beginning of July and after thorough preparation, the Fairbeleg® brand was rolled out in the Dutch food service channel.

Ready Meals Division:

Turnover increased by EUR 65.9 million (+109.4%) from EUR 60.3 million to EUR 126.2 million.

The lower margin as a percentage of turnover is due to the consolidation of the figures from Stefano Toselli and Pasta Food Company, which are more focused on high volume products.

The strategy for the division's five companies remains to focus on innovation and to continually modify the product range to meet changing customer requirements for our own brands as well as for the private labels that Ter Beke produces, which serve a large proportion of European retailers.

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Unlike the Processed Meats Division, the product focus is sharp and the geographical scope is broad (Europe and initial exports to other parts of the world). Full use will be made of the synergies made possible through the acquisitions, as communicated previously:

- KK Fine Foods contributes expertise in product development, frozen technology, and experience in the Food Service market segment.
- Stefano Toselli contributes strong positions in the French and German markets.
- Pasta Food Company is the beachhead in Eastern Europe where the popularity of Mediterranean meals is increasing rapidly.

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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Consolidated key figures first semester of 2018

Income statement in 000 EUR			
	30/06/18	**30/06/17**	**∆ %**
Revenue (net turnover)	329 614	211 613	55,8%
REBITDA	23 129	14 378	60,9%
EBITDA	19 838	20 971	-5,4%
Recurring operating results	9 691	6 659	45,5%
Result of operating activities (EBIT)	5 747	13 252	-56,6%
Net financing costs	-2 156	-221	875,6%
Result of operating activities after net financing costs (EBT)	3 591	13 031	-72,4%
Taxes	-1 084	-3 455	-68,6%
Result after tax before share in the result of enterprises accounted for using the equity method	2 507	9 576	-73,8%
Share in enterprises accounted for using the equity method	0	571	-100,0%
Earnings after taxes (EAT)	2 507	10 147	-75,3%
	41		
	2 466	10 147	
Financial position in 000 EUR			
	30/06/18	**31/12/17**	
Balance sheet total	423 365	399 736	5,9%
Equity	120 692	125 308	-3,7%
Net financial debts	123 249	126 925	-2,9%
Equity/Total assets (in %)	28,5%	31,3%	
Gearing Ratio	102,1%	101,3%	
Key figures in EUR per share			
	30/06/18	**30/06/17**	
Number of shares	1 732 621	1 732 621	
Average number of shares	1 732 621	1 732 621	
Net cash flow	9,58	9,98	-4,0%
Earnings after taxes	1,42	5,86	-75,8%
EBITDA	11,45	12,10	-5,4%

Notes to the consolidated key figures

IFRS 15 (Revenue from contracts with customers) is applicable from 1 January 2018. Ter Beke has opted for the 'full retrospective' method for the first time adoption of IFRS 15 for the financial year starting on 1 January 2018. For this reason, EUR 5.7 million was booked from the 2017 turnover and recognised in the services and miscellaneous goods category. So, the application of this standard does not impact the 2017 results.

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Turnover

The consolidated group turnover in the first six months increased by EUR 118 million (+55.8%) from EUR 211.6 million to EUR 329.6 million.

The Processed Meats Division turnover increased by EUR 51.1 million (+34.4%). This is mainly due to the acquisition of Offerman.

The Ready Meals division achieved an increase in turnover of EUR 65.9 million (+109.4%). This increase is also mainly due to the new acquisitions made last year.

Results of operating activities

in '000 EUR	30/06/2018	30/06/2017
EBITDA	**19 838**	**20 971**
Depreciation costs	-13 872	-7 662
Impairments, write-downs, and provisions	-219	-57
Profit from operating activities (EBIT)	**5 747**	**13 252**

in '000 EUR	30/06/2018	30/06/2017
Profit from operating activities (EBIT)	**5 747**	**13 252**
Severance payments	1 299	317
Realised added value on sale of property	0	-721
Acquisition costs	242	500
Results of the phased acquisition	0	-6 689
‘Strategic study’	1 330	
Start-up costs of new packaging concept project	420	
Restructuring costs Zoetermeer	170	
Impairment Zoetermeer	483	
Current profit from operating activities (REBIT)	**9 691**	**6 659**
EBITDA	**19 838**	**20 971**
Severance payments	1 299	317
Realised added value on sale of property	0	-721
Acquisition costs	242	500
Results of the phased acquisition	0	-6 689
‘Strategic study’	1 330	0
Start-up costs of new packaging concept project	420	0
REBITDA	**23 129**	**14 378**

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The REBITDA increased by EUR 8.8 million (+60.9%) from EUR 14.4 million in the first semester of 2017 to EUR 23.1 million in the same period in 2018.

- The Processed Meats Division's recurring results were influenced by the continuing pressure on prices in a market characterised by overcapacity in the production of meat products. In addition, various costs were incurred in the first semester that should have a positive influence on the results in subsequent years. In Belgium (Veurne) a 'slicing and packaging' project was started for the major part of one customer's product range. The start-up costs reduced the initial profitability of the project in the first half of the year. And in the Netherlands, the launch of the Fairbeleg® brand was prepared for the food service channel. All these costs have been included in the income statement. On a positive note, the Offerman (Netherlands) results are in line with expectations. It was also decided to accelerate the transition to the standard Ter Beke ERP package at Offerman, which meant that extra costs were incurred for the analysis and implementation. It was also decided to close the Offerman site in Zoetermeer sooner than originally planned and to move production to Borculo and Wommelgem. All preparatory work at the two sites has been included in the costs.
- The Ready Meals Division's results are positively influenced by the growth in turnover in almost all channels and markets. The group continues to focus on innovation and product development in order to fully support the customer's needs. To do so, the strength of the various companies within the division have been put forward.

The non-cash costs in the first semester of 2018 (EUR 14.1 million) were EUR 6.4 million higher than the same period in 2017. This increase can be accounted for mainly by higher depreciation as a result of the acquisitions in 2017.

The REBIT increased by EUR 3.0 million from EUR 6.7 million in 2017 to EUR 9.7 million in 2018.

To compare the results of the first semester of 2017 and 2018, a number of non-recurring results must be taken into account:

- The first half of 2018 includes EUR 3.9 million in non-recurring expenses. This concerns severance payments amounting to EUR 1.3 million and costs for the strategic study amounting to EUR 1.3 million. The purpose of the study was twofold: firstly a valuation of the company following the acquisitions and an analysis of the ideal balance sheet structure; and secondly a market analysis of the core markets in which Ter Beke operates. In addition, EUR 0.4 million of exceptional costs were incurred for starting up the new slicing project in Veurne, EUR 0.2 million is related to acquisitions and EUR 0.7 million of restructuring costs due to the early closure of Zoetermeer.
- The first half of 2017 includes EUR 0.8 million in non-recurring expenses and EUR 7.4 million in non-recurring income. The non-recurring expenses relate to severance payments and expenses for due diligence activities. Due to the earlier takeover of French-based Stefano Toselli and the Polish Pasta Food Company on 30 June 2017, it was possible for the group to achieve EUR 6.7 million in non-recurring income. In addition, an added value of EUR 0.7 million was achieved for the sale of a site.

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As a result of the above:

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- REBIT amounts to EUR 9.7 million compared to EUR 6.7 million in 2017 (+45.5%)
- EBIT amounts to EUR 5.7 million compared to EUR 13.3 million in 2017 (-56.6%)
- the result after taxes amounts to EUR 2.5 million compared to EUR 10.1 million in 2017 (-75.3%);

Net financing costs

In the first half of 2018, the net financing costs were EUR 1.9 million higher than in the same period in 2017. This is mainly due to the costs of debt arising from the four acquisitions at the end of 2017 (EUR 1.1 million), the break cost of several loans when entering the club deal (EUR 0.2 million) and the exchange rate differences (EUR 0.6 million).

Taxes

The tax rate in the first half of 2018 (30.2%) was slightly higher than in June 2017 (26.5%).

Balance sheet

Under IAS 34, the balance sheet figures of 30 June 2018 are to be compared with those of 31 December 2017. The differences can be accounted for primarily by the effect of the long-term financing agreement that Ter Beke signed on 26 June 2018. On 26 June 2018 Ter Beke concluded a long-term financing agreement with a consortium of three banks in the form of a 'Revolving Credit Facility' (RCF).
The RCF has been agreed for a period of five years, with two possible extensions, each for one year. This provides the group with EUR 175 million in guaranteed credit lines that can be extended to EUR 250 million if required. The RCF conditions include maintaining a net debt to adjusted EBITDA ratio of 3.0. In the event of new acquisitions, a temporary ratio of 3.5 will be accepted.
The main differences are an increase in the cash and cash equivalents of EUR 21 million, an increase in the long-term interest-bearing liabilities of EUR 93.4 million and a decrease in the short-term interest-bearing liabilities of EUR 76.2 million.

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.

Net debt decreased by EUR 3.7 million to EUR 123.2 million. This decrease can be explained primarily by the cash flow from operating activities of EUR 23.2 million, less EUR 11.7 million of paid investments (adjusted for revenue from disinvestments), as well as paid dividends and interests amounting to EUR 7.9 million.

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Investments

The group invested EUR 15.0 million in non-current assets as opposed to EUR 5.7 million in 2017. These relate primarily to the continuation of efficiency investments, infrastructure adjustments at the various sites, the further roll-out of the ERP package, and most importantly, investments to expand the slicing capacity in Veurne.

Prospects for 2018

The group is confident that, barring unforeseen market circumstances, the recurring operating results for 2018 will surpass the pro forma recurring operating results for 2017.

The unaudited pro forma figures were explained in the press release of the annual results. For this, the consolidated figures for 2017 were adjusted for:

- the impact of the acquisitions on an annual basis. For this, the results were simulated as if these acquisitions had been includes in the Ter Beke figures from 1 January 2017.
- all non-recurring income and expenses in 2017.

Half-year financial report

The half-year financial report of the group is available on www.terbeke.com in the Investor Relations module.
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.

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You can also review this half-yearly report and send us your questions through the Investor relations module on our website (www.terbeke.com)

The Dutch version of this half-yearly report is the sole official version.

Financial calendar

Annual Results 2018:	1 March 2019 before market opening
Annual Report 2018:	At the latest on 30 April 2019
General Shareholders Meeting 2019:	29 May 2019