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BE- Lievegem, 24 February 2023 – 07:30

2022 Consolidated Annual Results

Ter Beke is able to limit the impact of cost increases despite high inflation thanks to tight cost control and active cooperation with customers. Ter Beke group looks to the future with confidence.

- **12% consolidated sales growth (from EUR 697 to 781 million).**
- **Transparent pass-through of cost increases but with limited impact on consumers thanks to tight cost control and active cooperation with customers.**
- **New multi-year strategic action plan for sustainable growth launched.**
- **The proposed acquisition of Imperial-Stegeman is still pending approval by the Belgian and Dutch competition authorities.**

Headlines and key figures Ter Beke Group

Despite difficult market conditions with high inflation putting pressure on purchasing power and the occasional supply chain challenges due to raw material unavailability, the group managed to increase consolidated turnover by 12% from EUR 697 to 781 million. The transparent pass-through of cost increases, in addition to continuous cost control, was a crucial factor for this result, especially in the second half of 2022.

CEO Piet Sanders reacts to the 2022 results: 'The total cost increases approached a figure equal to double our 2021 EBITDA. The challenge was tremendous. The fact that we still managed to achieve around 5% underlying EBITDA on sales is a real achievement by the entire Ter Beke team which sought to create win-win partnerships with our stakeholders.'

The underlying EBITDA results show a gradual recovery in Ready Meals financials in the second half of the year 2022. This was achieved thanks to a responsible pass-through of cost increases by improving operational performance. Underlying results in the Savoury segment (previously Processed Meats segment) were slightly down in the second half, mainly due to the impact of high inflation and slightly declining demand for Savoury products.

Non-underlying costs (EUR 2.3 million in total for 2022) in the current financial year consist entirely of expenses incurred in connection with the proposed acquisition of Imperial-Stegeman. This acquisition is still pending approval by the Belgian and Dutch competition authorities. In the previous financial year the non-underlying costs (EUR 6.9 million) were significantly higher and included costs linked to the proposed acquisition as well as costs related to the sale of the captive reinsurance company in Luxembourg and the change in CEO.

In mio EUR	2021	2022	Difference (%)
Net Sales	696.9	781.4	+12.1
U-EBITDA	52.8	38.1	-27.8
EBITDA	45.9	35.9	-21.8
U-EBIT	24.0	9.9	-58.8
EBIT	17.1	7.6	-55.6
Result of the financial year after taxes	7.3	4.5	-38.4

Net financial debts were further reduced by EUR 6 million from EUR 73.8 million to EUR 67.8 million.

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Impact of inflation – war in Ukraine – energy crisis

As expected, inflation had a great impact on our results, both in the first but even more so in the second half of 2022. The cost of animal proteins rose due to soaring feed and energy prices and because of avian flu and upticks in African swine flu. These increases affected beef, pork and poultry as well as derived products such as milk, cheese, etc. Packaging prices also rose sharply due to higher energy costs, among others. The main ingredients of our ready meals also experienced sharp price increases and the availability of ingredients was complicated by the impact of the war in Ukraine, rising energy prices and persistent drought or difficult weather conditions in large parts of Europe. Tomatoes for example remain scarce, and durum wheat (used in the production of our own pasta) became significantly more expensive and while the cost of most other ingredients also increased dramatically. Ter Beke continues to work on a sustainable pass-through of these cost increases along the chain. At the same time, it is also working on optimizations to minimize cost increases for consumers.

To make the timely pass-through of inflation/deflation of costs transparent, most new contracts were concluded for a limited time period only or included an automatic indexation of the cost of key raw materials.

The war in Ukraine has almost no direct impact on Ter Beke as our direct purchases and sales from / to Ukraine and Russia were very limited. The group immediately halted ongoing plans to expand sales to Russia at the start of the war. Indirectly, however, it did have implications - mainly because of rising energy prices and inflation of our ingredients, packaging and other costs. In terms of energy, the impact was somewhat limited thanks to a number of hedges that were executed earlier. However, the upward trend in costs was and still is very apparent.

Strategic Business Unit Savoury (Previously 'Division Processed Meats')

Business unit turnover increased by 5% from EUR 422.9 million to EUR 442.5 million, mainly due to the responsible (but delayed) pass-through of cost increases. Volumes in the business unit decreased, mainly due to the drop in consumption and the non-renewal of a number of contracts. The total pass-through of cost increases was, as already indicated, delayed after the first half of the year.

With respect to the new strategic plan, which aims to broaden the product portfolio, the segment was re-branded 'Savoury'. This name better reflects of the broader range of products in which the group wishes to continue to invest. This product portfolio also includes hybrid, vegetarian and plant-based products, which will gradually increase in importance within the category over time.

The combination of the delayed pass-through of cost increases and the additional operational efforts to continue serving customers in very difficult market circumstances as well as the loss of volume caused a 27% decline in the segment's underlying EBITDA result, from EUR 28.9 million in 2021 to EUR 21.0 million in 2022.

The proposed acquisition of Imperial-Stegeman (pending approval) should enable the Strategic Business Unit to market branded products alongside its private label products portfolio. In addition, The sale of vegetarian, hybrid (meat and vegetables) and plant-based products, as well as the sale of snacking products in the Benelux and beyond should accelerate following the acquisition. It would also benefit innovation in the entire category.

Strategic Business Unit Ready Meals

Revenue within the Ready Meals SBU increased by 24% from EUR 274.09 million to EUR 338.9 million, mainly due to the –albeit delayed- pass-through of cost increases and the further recovery of the foodservice business post-pandemic. Our new products for the UK market also performed well, fueling the recovery. Volumes held up well in retail and shop price inflation did not cause a decline in consumption to date. Our product portfolio provides nutritional products for every budget. The impact of temporary supply issues on customers was very limited and logistics teams performed solidly in what were very challenging external market conditions.

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The high inflation and the delayed pass-through of cost increases triggered a decrease in underlying EBITDA of the segment by 22%, from EUR 28.4 million to EUR 22.0 million in 2022.

The group continued to invest in new products and extensions of existing product ranges. The roll-out of the Come a Casa brand in Eastern Europe is also on track, partly thanks to the earlier expansion at our facility in Opole, Poland. Also in the Ready Meals SBU, the new strategy will ensure a further product range extension including vegetarian and plant-based dishes, continuing to build on earlier successful launches by the group in the UK.

Proposed Dividend

The Board of Directors will propose to the General Shareholders Meeting to maintain the gross dividend per share for 2022 at EUR 4.00 in the form of a scrip dividend.

Post balance sheet events

None

Outlook 2023

New strategy:

The group has already begun implementing the new multi-year strategic plan to achieve sustainable growth in the future in addition to high quality, 'giving total peace of mind' to its customers. This strategy will also focus on innovations in existing and new products. The investment in start-up Davai, which produces tasty vegetable dumplings, is part of this strategy, alongside other strategic pillars such as the creation of a group R&D team, the focus on operational excellence, as well as the focus on brands, digitization and process harmonization.

The first benefits of this new group strategy are expected in 2023, although in 2022 a number of major steps were already taken to make products and processes more sustainable. Under the guidance of the sustainability manager, efforts were made to build a dual materiality matrix and KPIs and targets were set that are monitored through a sustainability platform. 'Ambassadors' were also appointed at all sites and numerous ESG activities (Environmental, Social and Governance) and initiatives were launched. We calculated the group's Corporate Carbon Footprint and the detailed Carbon Footprint of the core products - in order to respond even better to the demands of our customers and consumers and to contribute to more sustainable food production together with our vendors.

Savoury Products:

As a result of a number of contracts that could not be renewed, Ter Beke expects volumes in Savoury products to decline slightly in 2023. At the operational level, the group will adapt to these new circumstances and actively continue to seek additional volumes to ensure further growth and corresponding coverage of overheads. The group will also continue to invest in supply chain optimizations to work with our customers and offer consumers a high-quality and affordable product as well as in innovations that can offer consumers a more nutritional and sustainable choice. Barring unexpected circumstances, the group expects the segment's U-EBITDA to land somewhere between the 2021 U-EBITDA and that of 2022.

Ready Meals:

The group expects segment results for Ready Meals to improve significantly as contract extensions reflect the increased input costs and were also either limited in time to reflect any additional inflation or included an automatic indexation mechanism for key ingredients. With its high level of automation, Ter Beke is now also reaping the benefits of its investments of recent years. Barring unforeseen circumstances, the group expects the segment's U-EBITDA to gradually catch up with the 2021 U-EBITDA.

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Corporate:

The group expects an increase in corporate costs due to the roll-out of the new strategy, including an increased focus on sustainability, R&D, digitization and further professionalization of human resources. These costs are believed to contribute to future results as indicated above.

General:

Providing an outlook in times of uncertainty on commodity availability and inflation is always a difficult task. The general scarcity of specific raw materials, ingredients, and packaging materials may in some cases lead to supply issues due to force majeure. With overall shorter contract periods, additional or lost sales volumes may impact the group's results more quickly than in the past.

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Consolidated results 2022

Consolidated key figures in 000 EUR	2022	2021	Δ%
-			
Revenue (net turnover)	781 385	696 906	12,1%
UEBITDA (1)	38 120	52 806	-27,8%
EBITDA (2)	35 861	45 939	-21,9%
Underlying operating result (UEBIT)	9 906	24 016	-58,8%
Operating result (EBIT)	7 647	17 149	-55,4%
Net financing costs	-1 449	-3 652	-60,3%
Operating result after net financing costs (EBT)	6 198	13 497	-54,1%
Taxes	-1 589	-6 164	-74,2%
Result after tax before share in the result of enterprises accounted for using the equity method	4 609	7 333	-37,1%
Share in enterprises accounted for using the equity method	-89	0	
Earnings after taxes (EAT)	4 520	7 333	-38,4%
Financial position in 000 EUR			
Total assets	404 459	381 805	5,9%
Equity	120 573	121 445	-0,7%
Net financial debt (3)	67 756	73 763	-8,1%
Equity/Total assets	29,8%	31,8%	-6,3%
Gearing ratio (4)	56,2%	60,7%	-7,5%
In EUR per share			
Number of shares	1 821 006	1 794 217	1,5%
Average number of shares	1 807 722	1 780 860	1,5%
Net cash flow per share (5) (6)	18,16	20,28	-10,5%
Consolidated Earnings after taxes (5)	2,33	4,12	-43,4%
EBITDA per share (5)	19,84	25,80	-23,1%

- (1) UEBITDA: EBITDA from current operating activities
- (2) EBITDA: result from operating activities + depreciation + amortization + movements in provisions
- (3) Net financial debts: interest-bearing debts - interest-bearing receivables, cash and cash equivalents
- (4) Gearing ratio: Net financial debt/Equity
- (5) Ratio always based on the average weighted number of shares in the financial year.
- (6) The net cash flow consists of the result of the financial year excluding the contribution in the changes in equity plus (minus) non-cash expenses (revenues).

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Additional information regarding the consolidated 2022 results

Notes to the balance sheet

The increase in goodwill was mainly due to the evolution of the British Pound against the Euro.

The decrease in tangible and intangible fixed assets is mainly due to further depreciation of (in)tangible assets and the lower value of the British Pound against the Euro.

The group invested EUR 23.4 million in fixed assets in 2022 compared to EUR 18.8 million over the same period in 2021. This mainly involved continuing efficiency investments, infrastructure and refrigeration adjustments and other investments to improve the sustainability of our sites and production. In the previous year, a number of investments were shifted over time due to the pandemic and material availability.

The increase in participations by EUR 0.4 million was a consequence of the investment in startup Davai BV. (Davai is a producer of plant-based snacks in which Ter Beke took a 50% stake in the first half of 2022).

Net financial debts decreased by EUR 6.0 million to EUR 67.8 million. This decrease is achieved through an improvement in working capital despite a lower operating cash flow and higher investments compared to last year. Last year also included a negative cash flow resulting from the sale of the captive insurance company which was one-off in nature. (outflow EUR 3.9 million). The impact of the net payment of the scrip dividend remained almost the same in both financial years.

Net cash flow from operating activities was EUR 36.6 million, lower than that of 2021 (EUR 50.8 million), mainly due to the lower result before tax as well as the fact that the group sold a number of unused buildings in 2021.

The calculation of net financial liabilities as at 31 December 2022 and 2021 is as follows:

in EUR'000	<u>31/12/2022</u>	<u>31/12/2021</u>
Cash and cash equivalents	-19 353	-11 544
Long-term interest-bearing liabilities	84 317	79 728
Short-term interest-bearing liabilities	2 792	5 579
Net financial debts	67 756	73 763

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Notes to the income statement

Key notes to the results were provided in the headlines section above.

UEBIT and UEBITDA - reflecting recurring or underlying business performance - are now called underlying EBIT or underlying EBITDA respectively. Their calculation for Ter Beke is as follows:

Result of operating activities		
In EUR'000		
	<u>31/12/2022</u>	<u>31/12/2021</u>
EBITDA	35 861	45 939
Depreciations costs and impairments	-27 833	-28 468
Impairments, write-offs and provisions	-381	-322
Result of operating activities (EBIT)	7 647	17 149

	<u>31/12/2022</u>	<u>31/12/2021</u>
Result of operating activities (EBIT)	7 647	17 149
Costs of acquisitions	2 259	1 754
Costs due to change in CEO		875
Impact sale captive TB Luxembourg		4 238
Underlying operating result (UEBIT)	9 906	24 016
EBITDA	35 861	45 939
Costs of acquisitions	2 259	1 754
Costs due to change in CEO	0	875
Impact sale captive TB Luxembourg	0	4 238
Underlying EBITDA	38 120	52 806

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External audit

The auditor, KPMG Bedrijfsrevisoren BV, represented by Filip De Bock, has confirmed that its audit procedures, which have been substantially completed, have not revealed any material misstatement in the accounting data included in the present report.

Financial Calendar

Annual Results 2022	February 24, 2023 before market opening
Annual Report 2022	April 21, 2023 before market opening
General Shareholders Meeting	May 25, 2023
Results HY1 2023	August 25, 2023

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About Ter Beke

Ter Beke is an innovative European fresh food group headquartered in Belgium, marketing a wide range of quality fresh food products and related services in numerous European countries. Today, Ter Beke mainly specializes in the production and sale of fine meats and freshly prepared meals at 12 industrial sites in Belgium, the Netherlands, France, Poland and the UK. Ter Beke employs approximately 3,000 people. Ter Beke has existed for almost 75 years, has been listed on Euronext Brussels as a family-owned company since 1986 and realized a turnover of EUR 781 million in 2022.

For more information about Ter Beke, go to www.terbeke.com.

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Consolidated income statement

Financial year ending on 31 December 2022 and 2021

	2022	2021
Revenue	781 385	696 906
Trade goods, raw and auxiliary items	-495 220	-415 414
Services and miscellaneous goods	-120 664	-110 131
Employee expenses	-130 826	-122 696
Depreciation costs	-27 833	-28 468
Impairments, write-downs, and provisions	-381	-322
Other operating income	3 617	3 892
Other operating expenses	-2 431	-6 618
Result of operating activities	7 647	17 149
Financial income	1 305	717
Financial expenses	-2 754	-4 369
Results of operating activities after net financing expenses	6 198	13 497
Taxes	-1 589	-6 164
Result for the financial year before result from equity accounted investees	4 609	7 333
Share in the result of equity accounted investees	-89	0
Result for the financial year	4 520	7 333
Result for the financial year: share third parties	299	-13
Result for the financial year: share group	4 221	7 346
Basic earnings per share *	2,33	4,12
Diluted earnings per share *	2,33	4,12
Based on the weighted average number of shares in the year		

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Consolidated balance sheet		
Financial year ending on 31 December 2022 and 2021		
In EUR'000	<u>2022</u>	<u>2021</u>
Assets		
Non-current assets	225 726	231 701
Goodwill	77 871	78 332
Intangible non-current assets	17 306	20 464
Tangible non-current assets	121 650	124 978
Participations using equity method	431	
Deferred tax assets	8 392	7 852
Other long-term receivables	76	75
Current assets	178 733	150 104
Inventories	46 889	38 596
Trade and other receivables	112 491	99 964
Cash and cash equivalents	19 353	11 544
Total assets	404 459	381 805
Liabilities		
Shareholders' equity	120 573	121 445
Capital and share premiums	62 197	59 572
Reserves	56 494	60 196
Non-controlling interest	1 882	1 677
Deferred tax liabilities	5 615	6 525
Long-term liabilities	87 759	87 993
Provisions	3 442	3 878
Long-term interest-bearing liabilities	84 317	79 728
Other long-term liabilities	0	4 387
Current liabilities	190 512	165 842
Current interest-bearing liabilities	2 792	5 579
Trade liabilities and other payables	162 156	138 132
Social liabilities	22 567	20 257
Tax liabilities	2 997	1 874
Total liabilities	404 459	381 805

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Consolidated cash flow statement in EUR'000		
as at 31 December 2022 and 2021		
	<u>2022</u>	<u>2021</u>
Operating activities		
Result before taxes	6 198	13 497
Interest	1 322	2 000
Depreciation costs and impairments	27 833	28 468
Write-downs (*)	102	567
Provisions	-58	-27
Gains & losses on disposal of fixed assets	-64	3 812
Cash flow from operating activities	35 333	48 317
Decrease/(increase) in receivables more than 1 year		
Decrease/(increase) in inventory	-8 888	-687
Decrease/(increase) in receivables less than 1 year	-12 662	-334
Decrease/(increase) in operational assets	-21 550	-1 021
Increase/(decrease) in trade liabilities	22 759	6 488
Increase/(decrease) in debts relating to remuneration	2 247	2 003
Increase/(decrease) in other liabilities, accruals and deferred income	-426	-1 126
Increase/(decrease) in operational debts	24 580	7 365
(Increase)/decrease in the operating capital	3 030	6 344
Tax paid	-1 750	-3 901
Net cash flow from operating activities	36 613	50 760
Investment activities		
Acquisition of intangible and tangible non-current assets	-25 082	-19 279
Acquisition of shares in participations	-520	
Total increase in investments	-25 602	-19 279
Sale of intangible and tangible non-current assets	818	5 112
Sale of shares in participations		-3 900
Total decrease in investments	818	1 212
Cash flow from investment activities	-24 784	-18 067
Financing activities		
Increase/(decrease) in short-term financial debts	-1 367	-1 451
Increase in long-term debts	8 996	921
Repayment of long-term debts	-5 632	-33 316
Interest paid interest (via income statement)	-1 322	-2 000

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Acquisition of non-controlling interest	0	-266
Capital increase (decrease) (**)	2 625	2 791
Dividend paid by parent company (***)	-7 177	-7 069
Cash flow from financing activities	-3 877	-40 390
Net change in cash and cash equivalents	7 952	-7 697
Cash funds at the beginning of the financial year	11 544	19 143
Translation differences	-143	98
Cash funds at the end of the financial year	19 353	11 544
<p>(*) Also includes adjustments that are part of the financial result. This was -337 KEUR in 2022 and 219 KEUR in 2021 Share Capital increase following Scrip Dividend: shareholders choosing for shares rather than cash</p> <p>(**) cash</p> <p>(***) Dividend paid in cash by the parent company</p>		



Key data per business segment

in EUR'000	2022		Total
	Savoury	Ready Meals	
Segment income statement			
Segment net turnover	442 518	338 867	781 385
Segment results	2 325	11 456	13 781
Non-allocated results			-6 134
Net financing cost			-1 449
Taxes			-1 589
Share in businesses accounted for using the equity method			-89
Consolidated result			4 520
Segment balance sheet			
Segment non-current assets	110 575	109 985	220 560
Non-allocated non-current assets			5 166
Total consolidated non-current assets			225 726
Segment liabilities	112 785	73 122	185 907
Non-allocated liabilities			218 552
Total consolidated liabilities			404 459
Other segment information			
Segment investments (*)	13 732	8 756	22 488
Non-allocated investments			886
Total investments			23 374
Segment depreciation and non-cash costs	16 281	10 539	26 820
Non-allocated depreciation and non-cash costs			1 394
Total depreciation and non-cash costs			28 214
(*) Investments including new capital grants			

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Comparable Segment information in EUR'000	Savoury	Ready Meals	Not Allocated	Total
EBIT 2022	2 325	11 456	-6 134	7 647
EBIT 2021	11 985	17 691	-12 527	17 149
Variance	-9 660	-6 235	6 393	-9 502
EBITDA 2022	18 606	21 995	-4 740	35 861
EBITDA 2021	28 907	28 373	-11 341	45 939
Variance	-10 301	-6 378	6 601	-10 078
Non-Underlying 2022				
U-EBIT	-2 354		95	-2 259
U-EBITDA	-2 354		95	-2 259
Comparable Segment information	Savoury	Ready Meals	Not Allocated	Total
UEBIT 2022	4 679	11 456	-6 229	9 906
UEBIT 2021	11 985	17 691	-5 660	24 016
Variance	-7 306	-6 235	-569	-14 110
UEBITDA 2022	20 960	21 995	-4 835	38 120
UEBITDA 2021	28 907	28 373	-4 474	52 806
Variance	-7 947	-6 378	-361	-14 686