



Lievegem, 28 August 2020 – 7:30 a.m.

Consolidated results for the first semester 2020
Covid-19 causes a temporary drop in results
Confident in recovery in second semester

Ter Beke wishes to express its gratitude and respect for its 2,500 employees who - in the difficult circumstances brought about by the Covid-19 pandemic - have remained committed to the group and the continuity of its operations.

Ter Beke also wishes to express its compassion and support to all who were directly or indirectly affected by the Covid-19 pandemic.

Consolidated results for the first semester 2020

Income statement in 000 EUR			
	30/06/20	30/06/19	Δ %
Revenue (net turnover)	356 197	358 593	-0,7%
Underlying EBITDA	12 575	25 532	-50,7%
EBITDA	6 176	24 923	-75,2%
Underlying operating results (UEBIT)	-2 324	10 419	-122,3%
Result of operating activities (EBIT)	-9 971	9 393	-206,2%
Net financing costs	-1 896	-1 838	3,2%
Result of operating activities after net financing costs (EBT)	-11 867	7 555	-257,1%
Taxes	2 056	-2 870	-171,6%
Result after tax before share in the result of enterprises accounted for using the equity method	-9 811	4 685	-309,4%
Earnings after taxes (EAT)	-9 811	4 685	-309,4%
Profit / (loss) in the financial year: share third parties	-109	49	
Profit / (loss) in the financial year: share group	-9 702	4 636	
Financial position in 000 EUR			
	30/06/20	31/12/19	
Balance sheet total	425 719	439 022	-3,0%
Equity	112 189	124 176	-9,7%
Net financial debts	114 207	124 434	-8,2%
Equity/Total assets (in %)	26,4%	28,3%	
Gearing Ratio	101,8%	100,2%	
Key figures in EUR per share			
	30/06/20	30/06/19	
Number of shares	1 732 621	1 732 621	
Average number of shares	1 732 621	1 732 621	
Net cash flow	3,66	11,67	-68,6%
Earnings after taxes	-5,60	2,68	-309,0%
EBITDA	3,56	14,38	-75,2%

PRESS RELEASE
Regulated information



Key figures and headlines

Ter Beke Group:

The consolidated results for the first half of 2020 were mainly influenced by the consequences of the Covid-19 pandemic, historically high pork prices and the one-off costs associated with the accelerated integration and reorganization of our Dutch processed meats activities. Nevertheless, the group manages to further reduce its debt position and continues to invest confidently in the future of its two divisions.

The **Covid-19** pandemic caused a slight decline in group turnover. As a result of the various lockdown measures, the group, especially in its ready meals division, was confronted with considerably lower sales in the Foodservice channel, where its British subsidiary KK Fine Foods Ltd in particular occupies an important position, where consumption of ready meals fell temporarily in the entire European retail channel.

Covid-19 did, however, lead to a significant increase in operational costs, which were necessary to ensure continuity of operations and safe working conditions for the group's employees in the various factories. These costs include the cost of increased absenteeism in the months of March and April, additional cleaning of the work stations and offices, additional purchases of mouth masks (for areas where this was not previously in force), the placing of Plexiglas between the various workstations on the lines, the purchase of temperature scanners and slowing down the line speed in the first weeks of the Covid-19 pandemic. Initially, a number of products had to be removed from the range because the necessary social distancing could not be respected everywhere. Due to the above measures it was again possible to produce these products in a safe way and in the meantime the entire product range is available again.

The group estimates the total impact of Covid-19 on the EBITDA result of the first half year at approximately 5.1 million EUR. In application of the rules on alternative performance measures, as imposed by ESMA and FSMA, the missed sales and the impact on production efficiency, estimated at 3.6 million EUR, was reported as underlying result, while 1.5 million EUR of costs incurred solely for the sake of Covid-19 are considered as non-underlying.

Also the **historically high prices for pork** and the sharp increases in prices for cheese and other ingredients had a negative impact on the results of the first semester, seen these increases are only passed on to customers with some delay.

Ter Beke accelerated the legal and operational **integration and reorganization** of its Dutch processed meats activities under the name Project Unity, and also took the necessary actions in Belgium and the United Kingdom in the first half of the year to further structurally reduce its cost base. These reorganizations will enable the group to safeguard its future competitive position and to consolidate its cost leadership. The total impact of these non-underlying costs on EBIT amounted to EUR 6.1 million in the first half of 2020 compared to a cost of EUR 1 million linked to reorganizations in the first half of 2019 (see notes to the income statement for further information). These actions will make a positive contribution to the group's results from the second half of the year and will have their full effect from 2021 onwards. As part of the integration of the Dutch processed meats activities, the final phase of the implementation of the uniform ERP system in the Netherlands has also been realized, which imposes an additional cost on the first half of the year, but will ensure further streamlining and flexibility in the supply of Dutch customers in the short term.



Notwithstanding Covid-19, the impact of the high raw material prices and the cost of the implemented reorganizations, the group has managed to focus on free cash flow in the first half of 2020 and thus further reduce its external **debt position**, mainly through a continued focus on managing its working capital. The payment of the dividend for financial year 2019 in the form of an optional dividend also contributed to a reduction in the debt ratio, as some 74% of shareholders opted to convert their dividend into newly issued shares.

Despite the uncertainty associated with Covid-19, the group also made a conscious decision to continue with a number of **important investment projects** for the future. These include an investment project, worth approximately EUR 8.5 million, to significantly expand the production capacity of the plant in Poland by the end of 2020.

Through the combination of the above elements:

- sales amounted to EUR 356.2 million compared with EUR 358.6 million in the first half of 2019 (-1%);
- Underlying EBITDA amounts to EUR 12.6 million compared with EUR 25.5 million in H1 2019 (-51%);
- EBITDA amounts to EUR 6.2 million compared with EUR 24.9 million in H1 2019 (-75%);
- underlying EBIT amounts to EUR -2.3 million compared with EUR 10.4 million in H1 2019 (-75%);
- EBIT amounts to EUR -10 million compared with EUR 9.4 million in the first half of 2019;
- profit after taxes amounts to EUR -9.8 million compared with EUR 4,7 million in the first half of 2019;

Processed Meats division:

The division's turnover rose by EUR 4.1 million (2%) compared with the first half of 2019. This is due in part to a number of price increases.

The processed meats industry - both for products and slicing activities - continues to be characterized by fierce price competition between retailers, resulting in continuing margin pressure for producers.

In the Netherlands, the focus of the first half of the year was on the integration of the activities of Offerman - which was acquired at the end of 2017 - in and with the longstanding Ter Beke activities in the Netherlands. This project, codenamed "Unity", included :

- An organizational integration (all activities are now managed by one management team);
- A legal integration with the deletion of 7 legal entities;
- The further and complete conversion of all entities to the standard Ter Beke ERP package, which had already been deployed in 2019;
- An operational integration;
- A rationalization of the product range and the customer portfolio.

This project involves significant restructuring costs (severance payments, depreciation of unused production lines, ...) as well as a temporary increase in personnel and logistics costs, but will result in a substantial structural cost reduction in the future.

In Belgium, investments were made in Veurne to expand the production capacity of a unique "multi-layer" packaging concept, which allows consumers to open a packaging unit twice and thus extend its



shelf life without any loss of quality. In Wommelgem, investments were made in a "central mincing" department, in which tailor-made meat mixes are prepared for the entire group, including ready meals, resulting, among other things, in improved "calibration" of the fat content.

The division continues to work on innovative answers to the demand for healthier products and sustainable packaging. As part of the strategy to broaden the range of processed meats to "toppings", a number of fruit-based products ("fruit toppings" or "fruit slices") were introduced to the market. This product has a Nutriscore A and a number of references in the range also have the "vegan" label. More innovative product introductions will follow in the second half of the year, in which Ter Beke can rely on its knowledge and experience in both product development and slicing and packaging.

Ready Meals Division:

The division's turnover fell by EUR 6.4 million (-5%) in the first half of the year compared with the same period in 2019. This decrease is entirely due to the Covid-19 crisis, which caused a significant drop in sales in the Foodservice channel and also had a negative impact on sales of chilled ready meals in the retail channel as a result of (temporary) changes in consumer behaviour. KK Fine Foods Ltd. is an important supplier of the Foodservice businesses in the United Kingdom, which were closed down by order of the government during the Covid-19 crisis.

We now see that restaurants in the UK have reopened and the government has taken a number of measures to stimulate consumption, including a reduction in VAT, the 'Eat out to Help out' programme and various other campaigns. The decline in sales in the retail channel was felt across the EU, but we also see volumes picking up again in this channel after the end of the lock-down. The group estimates the negative impact of Covid-19 on the EBITDA result of the Ready Meals Division at EUR 4.1 million, including 1 million non-underlying costs directly related to Covid-19.

In Belgium, an intensive media campaign for the Come a Casa® brand was launched in the first months of 2020, following the refresh of the logo and packaging at the end of 2019. This should lead to increased brand awareness and a higher market share.

We also continued to focus on the production of Halal products, an increasing market within the ready meals segment.

Despite Covid-19, sales in Central and Eastern Europe continue to grow structurally and substantially thanks to further regional expansion and expansion of the lasagna portfolio. The important expansion investment in the factory in Poland, worth approximately EUR 8.5 million, was continued and will be completed by the end of this year - in order to be able to absorb this further growth.

As indicated, KK Fine Foods Ltd. was faced with a significant drop in sales due to the closure of pubs and restaurants, its main sales market. However, it was able to further expand its position in the UK retail channel. The high quality of its frozen meals is clearly appreciated by British consumers and the group is counting on further growth in this channel. The group also took the necessary measures to adapt the cost structure of KK Fine Foods and reduce the permanent workforce in the second half of the year.

PRESS RELEASE
Regulated information



Ter Beke remains the European market leader in the chilled Mediterranean pasta meals segment. In addition, the ready meals industry in Europe continues to offer excellent prospects despite the temporary Covid-19 impact:

- The retail channel (including hard discount) is increasing shelf space to meet the need for convenience and in response to competition from home-delivered meals.
- Ter Beke offers a range in which every consumer will find a suitable price-quality offer.
- The group expects the Foodservice activities (barring a resurgence of Covid-19) to gradually pick up again and generate their earlier sales, partly thanks to stimuli from the various governments.

Outlook

The group is confident that, barring unforeseen circumstances and a possible resurgence of Covid-19, the results of the second half of the year will substantially exceed those of the first half of the year, and expresses its confidence that the measures taken and the reorganizations that were accelerated will contribute positively to the future results.

Half year financial report

The group's half year financial report can be found on www.terbeke.com in the Investor Relations module.

The half year financial report contains the condensed consolidated financial statements prepared in accordance with IAS 34, the auditor's statement without comments regarding his limited review and other legally required disclosures.

Contacts

For questions about this press release or for further information, please contact:

Francis Kint*
CEO
Tel. +32 9 370 13 17
francis.kint@terbeke.com

Yves Regniers°
CFO
Tel. +32 9 370 13 17
yves.regniers@terbeke.com

* Permanent representative of BV Argalix
° Permanent representative of BV Esroh

You can also consult this press release and send your questions to us via the Investor Relations module of our website (www.terbeke.com).

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

PRESS RELEASE
Regulated information



Financial calendar

Annual Results 2020:

1 March 2021 before market opening

Annual Report 2020:

At the latest on 30 April 2021

General Shareholders Meeting 2021:

27 May 2021

