

Press release

PinguinLutosa: Half-year figures 2011

Financial highlights for 2011 (6 months):

- * Increased raw material prices had strong negative impact on operating results in the first semester;
- * Due to the positively changed market circumstances management expects a strong turnaround in the second half of 2011 whereby the second half of the year will be better than the comparable period last year.

Consolidated key figures: income statement for the six months to 30 June 2011 and 2010 (see annex 1)¹

(All amounts in € '000)	30/06/2011 (6 months)	30/06/2010 (6 months)
Sales ²	228,089	228,403
Operating income	222,731	199,578
EBITDA	-7,271	2,414
EBIT	-17,282	-7,092
REBITDA	-5,941	2,855
REBIT	-16,271	-6,978
Interest earned and paid	-3,091	-2,670
Other financial income and charges	-2,616	2,911
Result from continuing operations before tax	-22,989	-6,851
Income taxes	115	-359
Withdrawal from deferred taxes	10,002	859
Profit (loss) for the period	-12,872	-6,351
- Share of the Group	-12,052	-5,673
- Non-controlling interests	-820	-678

¹ For further discussion of the figures we refer the reader to the half-year consolidated financial statements on our website www.pinguinlutosa.com under the heading "Financial information > Reports > half-year consolidated financial statements 2011" (available as from 18 August 2011 onwards).

² In accordance with the IFRS standards, in 2011 the transport costs charged on to customers have been posted under the heading 'sales' and the prior period figures have been adjusted accordingly (see annex 1). In addition, in 2010 and 2011 the reduction for personnel charges has been recorded as a reduction of the heading 'personnel charges' instead of under the heading 'other operating revenue' (see annex 1).

Sales

During the first six months of the 2011 financial year the Group's consolidated sales remained relatively stable with €228.1 million for the six months to 30 June 2011 compared to €228.4 million for the six months to 30 June 2010.

Turnover for the deep-frozen vegetable division was €105.8 million during the first 6 months of the 2011 financial year, representing 46.4% of total turnover. The 8.4% decrease in turnover in this segment compared with last year is primarily due to the decreased sales volumes in the deep-frozen vegetable division (-12.4%). Last year, in order to further optimize the inventory position, PinguinLutosa – just like most of its competitors - decided to intensively commercialise its inventories. Due to these good sales this year there were shortages of several vegetables awaiting the new harvest, which has had a negative impact on the volumes sold. PinguinLutosa has reacted to this by increasing the production programme for the 2011 harvest. The fact that % sales decline is less than % volumes sold decline is due to the measures taken by PinguinLutosa and the strategy for price optimisation with a more expensive product mix compared to previous year.

The potato division was responsible for €122.3 million of the turnover during the first 6 months of the 2011 financial year. This represented 53.6% of the total turnover. Turnover in the potato division increased by 8.4 % in comparison with the first 6 months of the 2010 financial year, despite the decrease of volume sold (-18.4%). In order to protect itself against the rapid and significant increases of raw material prices, PinguinLutosa decided to adjust the commercial strategy with increased sales prices and a further optimization of the client portfolio.

Results

As earlier announced, the market conditions were difficult during the first half of this year. The climatic circumstances resulted in an unstable supply in production.

In the potato division the pressure on the margins following the rise in raw material prices could only be partially charged through and in the deep-frozen vegetable division the proposed increases of sales prices (in the United Kingdom) could not be realised sufficiently, which caused the decrease compared to the same period last year.

The general charges were controlled well by means of a strict follow-up. Nevertheless, there was an increase of the energy costs following the increase on the international markets.

These declining margins resulted in the operating result (EBIT) of the Group amounting to €-17.3 million in financial year 2011, compared with €-7.1 million at 30 June 2010. As stated previously, the production of the deep-frozen vegetable division will be even more concentrated than usual, in the second half of the year and consequently the annual results will be largely realised in the second half of the year.

The recurring operating cash flow (REBITDA) shows a similar pattern, and now amounts to €-5.9 million compared to €2.8 million in the first semester of last year. The REBITDA now constitutes -2.7% of the operating income.

Financial result

At the end of June 2011 the financial result amounts to €-5.7 million compared to €0.2 million for the same period last year. The improvement of the financial result is primarily due to the negative exchange results. This was mainly caused by the erratic course of the British pound compared to the Euro. PenguinLutosa's strategy is to hedge part of the interest rate and exchange rate risks. The effect of foreign exchange rates on trade receivables and payables has been included in the financial results but are due to operational activities.

Taxes

In addition to the income taxes on the results for the current financial year, deferred tax assets of €7.9 million were also included for PenguinLutosa Foods UK Ltd. and the Belgian deep-frozen vegetable division as a result of the expected taxable position at year end in the United Kingdom and the tax losses carried forward in Belgium. This had a total positive effect of €10.1 million.

Consolidated net result after taxes

The consolidated result after tax is now €-12.9 million. The Group's share in the net result is €-12.1 million.

Consolidated key figures per share

Earnings per share	30/06/2011 Basic	30/06/2010 Basic
Weighted average number of ordinary shares	11,570,631	10,713,333
Net profit (loss) (part of the Group) to be allocated to ordinary shareholders (in '000 of €)	-12,052	-5,673
Profit (loss) per share (in €)	-1.04	-0.53

Key consolidated figures: statement of financial position per 30 June 2011 and 31 December 2010³

(All amounts in € '000)	30/06/2011	31/12/2010	Evolution in %
Assets			
<i>Non-current assets</i>	186,984	188,301	-0.70%
Intangible fixed assets	4,157	4,206	-1.17%
Goodwill	52,775	52,832	-0.11%
Tangible fixed assets	129,348	131,120	-1.35%
Other amounts receivable after one year	128	143	-10.18%
Deferred tax assets	576	0	+100.00%
<i>Current assets</i>	174,847	231,936	-24.61%
Inventories	99,978	112,566	-11.18%
Amounts receivable	60,206	64,380	-6.48%
Cash at bank and in hand	14,663	54,990	-73.34%
Total	361,831	420,237	-13.90%
Equity and liabilities			
Equity*	125,002	138,714	-9.89%
Provisions and deferred tax liabilities	18,925	28,712	-34.09%
Financial debts to credit institutions	114,470	121,786	-6.01%
Other amounts payable	103,435	131,024	-21.06%
Total	361,831	420,236	-13.90%
Net financial debt	99,807	66,796	49.42%
Working capital	68,813	100,053	-31.22%

* including non-controlling interests

The intangible fixed assets consist primarily of the valuation of the brand and the client relationships of the potato division that was taken over (Lutosa Group), as well as software licences. The decrease is due to the write-offs during the financial year, which were only partially off-set by the investments of €0.5 million in software.

The goodwill shown is the result of the acquisition of Salvesen (€1.2 million) and the potato division (Lutosa Group) (€51.6 million). The decrease in the goodwill is attributable to the lower closing value of the British pound for the conversion of the Salvesen goodwill. The result is that the value of the Salvesen goodwill is lower in Euros.

³ For further discussion of the figures we refer the reader to the half-year consolidated financial statements on our website www.penguinlutosa.com under the heading "Financial information > Reports > half-year consolidated financial statements 2011" (available as from 18 August 2011 onwards).

The tangible fixed assets decline slightly and amount to €129.3 million at 30 June 2011. Investments in tangible fixed assets amount to €8.4 million. The write-offs in the various entities, the acquisitions in the financial year, the disposals and the foreign exchange rate fluctuations combined to give a net decrease of €1.8 million in comparison to 31 December 2010.

During the first six months of 2011, inventories have fallen from €112.6 million at 31 December 2010 to €100.0 million at 30 June 2011, mainly following the seasonal character of the deep-frozen vegetable segment and the vigorous working capital optimisation controls performed by management.

Globally, equity decreased by €13.7 million and (including non-controlling interests) amounts to €125.0 million at 30 June 2011. Equity now amounts to 34.5% of the total statement of financial position, versus 33.0% last year.

The consolidated equity is on the one hand negatively influenced by the €-12.9 million result for the current period and on the other hand positively by negative translation differences due to the weakening of the British Pound.

The net financial debts increased by €33.0 million, from €66.8 million at 31 December 2010 to €99.8 million at 30 June 2011.

The changes in valuation rules have no impact on the Group's reported results or financial position.

Key consolidated figures: segment information

(All amounts in € '000)	30/06/2011	30/06/2011	30/06/2010	30/06/2010
	<i>Deep-frozen vegetable division</i>	<i>Potato division</i>	<i>Deep-frozen vegetable division</i>	<i>Potato division</i>
Operating income	86,494	136,237	83,826	115,751
REBITDA	-9,023	3,082	-1,655	4,510
REBITDA-margin	-10.43%	2.26%	-1.97%	3.90%

The deep-frozen vegetable division contributed 38.8% of total operating revenue of the Group. The potato division contributed 61.2% of operating revenue during the first half of the year.

Since the activities of the deep-frozen vegetable division are concentrated in the second half of the year, the bulk of the REBITDA will be earned during this period.

In the first half of 2011, the potato division had operating income of €136.2 million, which is a considerable increase in comparison with the first half of last year.

As per 30 June 2011, the recurring operating cash flow (REBITDA) of the deep-frozen vegetable division amounted to €-9.0 million, which is a decrease of €7.3 million in comparison with the previous year. The decrease in recurring operating cash flow is to be found mainly in British (€-5.5 million) sites of the deep-frozen vegetable division. The sharp fall in the British subsidiary can mainly be explained by the lower volumes sold, the lower sales prices, the increased raw material prices, the loss of rental income from leasing out of deep-freeze units and the increase of a number of cost accounts.

As per 30 June 2011, the operating cash flow (EBITDA) of the potato division was €3.1 million compared to €4.5 million during the first half of the previous year (€-1.4 million). The decline in the EBITDA is primarily attributable to the fall in gross margin resulting from the fact that the increased raw material prices could not be charged through sufficiently.

To a great extent, an improved product mix, further optimisation of the supply chain and continuous control of costs compensated for those pressures on the margins in the deep-frozen vegetable and potato division, though not entirely.

Consolidated key figures: statement of cash flows

(All figures in € '000)	30/06/2011	30/06/2010	Change
Cash flow from operating activities	-7,451	752	-8,203
Change in working capital	-13,426	9,953	-23,379
= Net cash flow from operating activities	-20,877	10,705	-31,582
Cash flow from investing activities	-8,402	-4,668	-3,734
Cash flow from financing activities	-11,028	-2,675	-8,353
Effect of exchange rate fluctuations	-20	162	-182
= Free cash flow	-40,327	3,524	-43,851
Cash and cash equivalents, opening balance	54,990	37,988	
Cash and cash equivalents, closing balance	14,663	41,512	-26,849

The operating cash flow amounts to €-7.4 million, which represents a decrease by €8.2 million.

The increase in the need for working capital strengthens the decline in the operating cash flow.

During the first half of the year there was no increase of additional funding. Consequently the cash flow from financing activities only includes the normal repayments.

During the first half of the year there were more investments compared to the same period last year, which explains the evolution of the cash flow from investing activities.

Limited review of the auditor

The limited review of the interim financial information executed by the auditor did not reveal any specific remarks.⁴

Scana Noliko

The figures of Scana Noliko will be included in the consolidation scope of PenguinLutosa as of 1 July 2011.

The strengths of Scana Noliko in agro, production, technology and R&D, in combination with the extensive commercial network of PenguinLutosa, complement each other perfectly and strengthen the organisation of PenguinLutosa even further. The acquisition of Scana Noliko further strengthens the profitability of PenguinLutosa, and consequently lays a strong base for the future.

According to Belgian accounting principles, the results of the financial year 2010/2011 showed an EBITDA, corrected for rental charges, of €21 million. For the financial year 2011/2012 the results are perfectly on track. However the EBITDA of Scana Noliko will not be entirely included in the consolidated results of PenguinLutosa. One has to mention that the application of IFRS 3 (Business combinations) includes that the opening inventories need to be valued at fair value less costs to sell. Consequently the normal profit margin on the initial stock can't be expressed in the result, but this is largely included as a deduction of the goodwill. PenguinLutosa will express this profit margin in the REBITDA of the second half of the year. The cash flows which are generated by Scana Noliko will naturally be totally part of PenguinLutosa. The impact of the application of fair value accounting will be discussed in the annual report as per 31 December 2011.

⁴ For a complete version of the limited review report we refer the reader to the half-year consolidated financial statements on our website www.penguinlutosa.com under the heading "Financial information > Reports > half-year consolidated financial statements 2011" (available as from 18 August 2011 onwards).

Update: CECAB-group

PinguinLutosa has obtained the approval from the French Competition authorities for the acquisition of the deep-frozen activities of the French CECAB. Now that this last obstacle has been overcome, nothing stands in the way for integration into PinguinLutosa.

It was decided to coincide this step with the start of the new sales season on 1st September. This means that from that date onwards, the operational and commercial activities will be fully in the hands of PinguinLutosa.

Outlook⁵

Traditionally, the second half of the year is more important than the first half, however this is specific to the sector. This seasonality is strengthened by a favourable change in the market conditions. In the deep-frozen vegetable division the proposed increases in sales prices for the new season could be largely realised. Consequently PinguinLutosa expects that the second half of the year (without taking into account the acquisition of Scana Noliko) will be better than last year following the positive change of market circumstances.

In addition even more attention will be paid to the further optimization of the different production sites and locations. Therefore PinguinLutosa will continue to invest in order to improve the performance and efficiency of its production capacity.

The integration of the deep-frozen activities of CECAB receives our highest attention and as well the integration of the activities of Scana Noliko will be a high priority.

The Board of Directors and the management are fully confident that the foundations are present in order to achieve further growth in sales and profitability.

⁵ Disclaimer: this press release contains forward-looking information that is based on current internal estimates and expectations and as well as market expectations. The forward-looking statements contain inherent risks and are valid only on the day on which they are made. Actual results may differ substantially from the results included in forward-looking statements.

Financial calendar

- Trading update Q3 2011:	27 October 2011 (17:45 hrs)
- Announcement of 2011 results:	20 March 2012 (17:45 hrs)
- Availability of annual report 2011:	25 April 2012 (17:45 hrs)
- Trading update Q1 2012:	25 April 2012 (17:45 hrs)
- General Meeting:	18 May 2012 at 14:00 hrs at Langemark, Poelkapellestraat 71

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PinguinLutosa in a nutshell

PinguinLutosa (www.pinguinlutosa.com) is specialized in the development, production and sales of frozen products: vegetables, potato products (fries and specialities) and ready-to-use culinary preparations. Including the takeover of the deep-frozen vegetable activities of the French CECAB group (01-09-2011), announced in October 2010, and the takeover of Scana Noliko (01-07-2011), announced in March 2011, the group will have 15 production sites in five different countries (Belgium, France, United Kingdom, Poland and Hungary) and 19 subsidiaries and sales offices on five continents.

In 2010 PinguinLutosa realised €483.6 million of sales. The group is entirely dedicated to all customer segmentations: food industry, catering as well as large and medium commercial outlets and fast food. The Group maintains its own R&D centre for product and process innovation.

ANNEX 1: CONSOLIDATED INCOME STATEMENT

Consolidated income statement (in thousands of €)	30/06/2011	30/06/2010
Sales	228,089	228,403
Increase/decrease (-) in inventories	-6,951	-30,600
Other operating income	1,593	1,775
Raw materials, consumables and goods for resale	-137,992	-109,229
Services and other goods	-60,417	-56,594
Personnel costs	-29,459	-29,841
Depreciation and amortization	-9,928	-9,268
Impairments, write-offs	-405	-579
Provisions	323	341
Other operating charges	-2,134	-1,500
Operating result (EBIT)	-17,282	-7,092
Non-recurring income		
Non-recurring expenses	-1,011	-114
Operating result before non-recurrings (REBIT)	-16,271	-6,978
Financial income	1,146	3,959
Financial expenses	-6,853	-3,718
Operating profit after net finance costs	-22,989	-6,851
Taxes	10,117	500
PROFIT (LOSS) OF THE PERIOD	-12,872	-6,351
Attributable to:		
- The shareholders of PinguinLutosa (the 'Group')	-12,052	-5,673
- Non-controlling interests	-820	-678

In 2011 no major changes took place in the valuation rules compared with the previous reporting period apart from the changed presentation of the transport costs charged on to customers and the changed presentation of the reduction of personnel charges. In accordance with the IFRS standards, the transport costs charged on to customers have no longer been posted under the heading 'other operating income' in 2011 (impact: €3.7 million) and 2010 (impact: €3.7 million), but have been included under the heading 'sales'. In addition, in 2010 and 2011 the reduction for personnel charges (impact for 2011 and 2010: €0.5 million) has been recorded as a reduction of the heading 'personnel charges' instead of under the heading 'other operating revenue'.