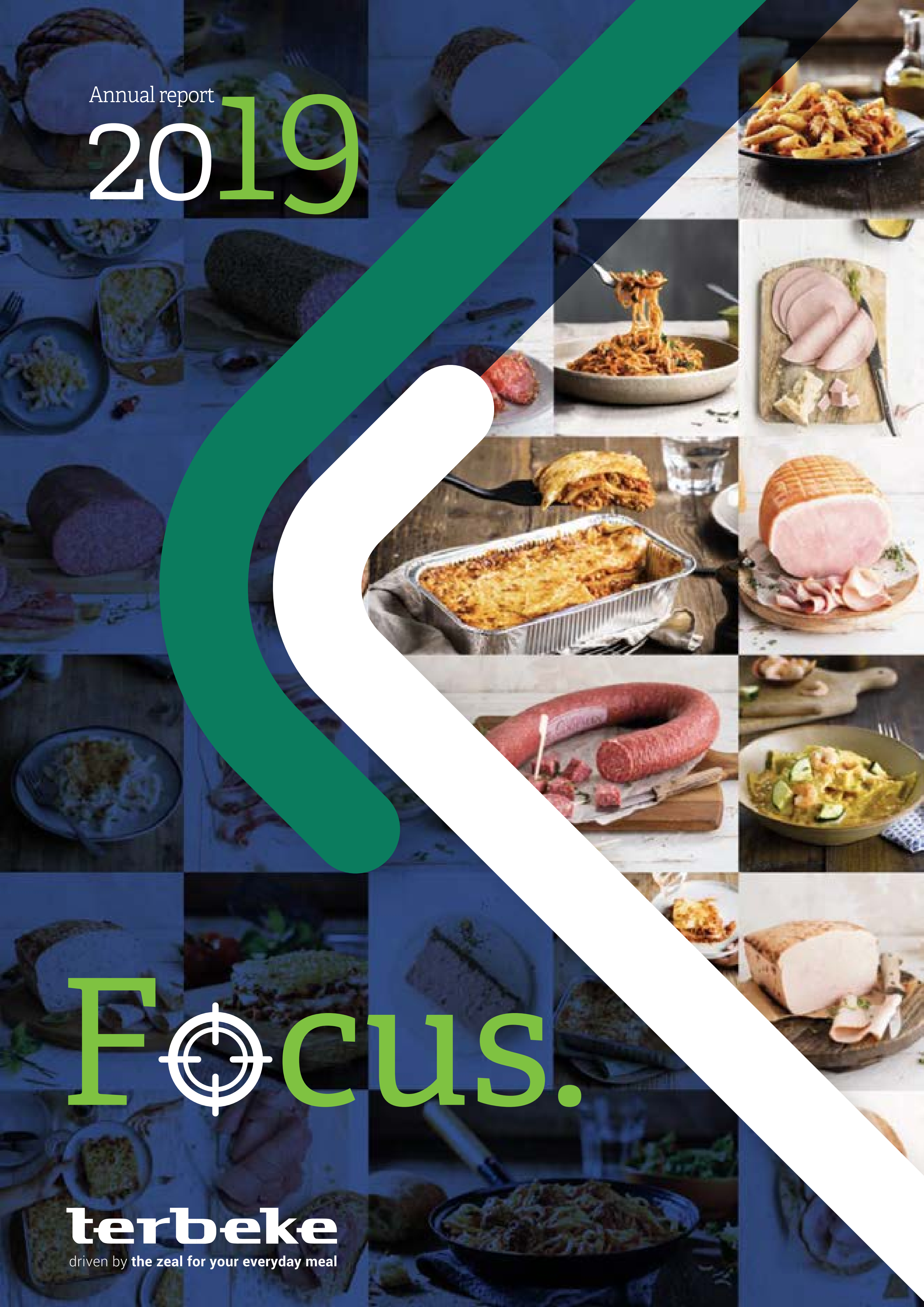

Annual report

2019

Focus.

terbeke

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

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

Annual report 2019

OUR MISSION

Enthusiasm.
Determination.
Drive.
Dedication.
Eagerness.
Passion.
Sincerity.

This is what drives us.

Encompassed in a single word: ZEAL.
We apply this zeal to accomplish our mission: to bring delicious high-quality products to every dining table.
And for this reason, we endorse our name Ter Beke with:

DRIVEN BY THE ZEAL FOR YOUR EVERYDAY MEAL

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READY MEALS SITES

1 **Deeside, GB**
Production site

2 **Opole, PL**
Production site

3 **Mézidon-Canon, F**
Production site

4 **Wanze, BE**
Production site

5 **Marche-en-Famenne, BE**
Production site

PROCESSED MEATS SITES

6 **Veurne, BE**
Centre for slicing and packaging

7 **Lievegem, BE**
Production site
Centre for slicing and packaging

8 **Wommelgem, BE**
Production site
Centre for slicing and packaging

9 **Ridderkerk, NL**
Centre for slicing and packaging

10 **Aalsmeer, NL**
Centre for slicing and packaging

11 **Borculo, NL**
Production site

12 **Wijchen, NL**
Centre for slicing and packagingg

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TER BEKE IN BRIEF

Ter Beke (Euronext Brussels: TERB) is an innovative Belgian fresh foods business that markets its assortment in multiple European countries

The group has two core products: processed meats and freshly prepared ready meals. It has 12 industrial sites in Belgium, the Netherlands, France, Poland and the United Kingdom and employs approximately 2,750 employees. Ter Beke generated a turnover of EUR 728.1 million in 2019.

READY MEALS DIVISION

- Produces freshly prepared ready meals for the European market
- Market leader in freshly prepared lasagne in Europe
- 2 specialized production sites in Belgium (Wanze and Marche-en-Famenne), 1 in France (Mézidon-Canon), 1 in Poland (Opole) and 1 in the United Kingdom (Deeside)
- Brand names Come a casa®, Vamos® and Stefano Toselli® in addition to private labels
- Employs about 1350 people

PROCESSED MEATS DIVISION

- Producer and slicer of processed meats products for Benelux, UK and Germany
- 2 production sites in Belgium (Wommelgem and Lievegem) and 1 in the Netherlands (Borculo)
- 6 centres for packaging and slicing of processed meats products: 3 in Belgium (Wommelgem, Lievegem and Veurne) and 3 in the Netherlands (Wijchen, Ridderkerk and Aalsmeer)
- Innovating in the pre-packaged meat products segment
- Private labels and own brands Pluma®, Daniël Coopman®, Kraak-Vers® and FairBeleg®
- Employs about 1400 people

OUR CORE VALUES

We Focus on our core values every day

1. TEAMWORK

Professional relationships based on mutual respect, confidence, willingness to listen and support. Commitment to achieving the Ter Beke objectives together.

2. FOCUS ON RESULTS

Achieve common and agreed objectives by working efficiently.

3. INNOVATION

Encourage an entrepreneurial spirit to create future-oriented solutions that add value and differentiate us from our competitors.

4. CUSTOMER FOCUS

Offer solutions for current and future demands of customers and consumers.

5. INTEGRITY

Communicate and work honestly and openly with business and social partners.

Headlines and key figures in 2019

Prospects for 2020

TURNOVER
728.1
million EUR

NUMBER OF EMPLOYEES
about
2750

INVESTMENTS
21.4
million EUR

GROSS DIVIDEND
4.0
EUR

EAT
4.4
million EUR

UEBITDA
48.1
million EUR

HEADLINES AND KEY FIGURES 2019.
PROSPECTS FOR 2020

Substantial organic growth limits the impact of raw material price increases and the major product recall in the Netherlands.

In the first half of the year, Ter Beke's results improved thanks to a growth rate of 8.8%, despite an initial sharp increase in raw material prices. In the second half of the year, Ter Beke was faced with a second sharp increase in raw material prices and a major product recall, as well as a temporary closure of a production site belonging to its subsidiary Offerman in Aalsmeer. Consolidated turnover increased by 7% from EUR 680.5 million to EUR 728.1 million thanks to substantial organic growth in both divisions. At EUR 39.7 million the net cash flow from operational activities is almost equal to that in 2018. Despite the considerably higher raw material prices and the expenses associated with the product recall and social plan for Aalsmeer, the net financial debt could be reduced by EUR 9.6 million, taking the impact of IFRS 16 into account.

PROCESSED MEATS DIVISION

The division's turnover increased from EUR 420.1 million to EUR 437.6 million (+4.2%) despite the constraining effect of the product recall in the Netherlands.

Despite progress in many areas, the division experienced a difficult year. The outbreak of African swine fever in China in April led to a significant reduction in the pig population. As a result, import, primarily from Europe – which had always been there – increased on a massive scale. This had an inflationary effect throughout the chain, as a result of which some meat cuts experienced important price increases. We are doing our utmost best to compensate this with efficiency improvements and price increases, but it is a gradual process.

Several improvements realised within the division are consequently not yet visible, for example:

- The considerably improved efficiency in our factory in Veurne.
- The ongoing impulse for export to Germany and the United Kingdom with new sales teams.
- Strengthening the NPD (New Product Development) portfolio.

In September 2019, the Group acquired Vleeswaren E. De Kock-De Brie NV, which is based in Antwerp. This small family business specialises in creating tongue and liver products and has a very strong position in this niche segment. We are currently integrating De Kock-De Brie's production activities in our Wommelgem production site.

READY MEALS DIVISION

The division registered nearly 12% organic growth in 2019, with turnover increasing from EUR 260.3 million to EUR 290.5 million.

In Belgium we invested considerably in the Come a casa® brand. Giving the brand and its attributes an updated 'look and feel' was supported in the second half of the year with a strong national advertising campaign (TV, radio and social media).

In 2020, we will invest more than EUR 8 million to expand production capacity in the Polish factory in Opole, our operating base for Central and Eastern Europe. In 2020, we will also invest more than EUR 6 million in our British subsidiary, KK Fine Foods, which we acquired in 2017. We need to expand its existing production capacity substantially in order to continue to meet increasing demand from food service and retail customers. The team's constant focus on quality, service, and innovation in particular, is the reason for this success.

Furthermore, the factories in Belgium and France are being prepared to enter the next growth phase together with the strategic customers.

INVESTMENTS

The Group invested EUR 21.4 million in non-current assets in 2019 as opposed to EUR 27.9 million in the same period in 2018. These relate primarily to the continuation of efficiency investments, infrastructure adjustments at the various locations and the further roll-out of the ERP package.

PROPOSED DIVIDEND

Despite the lower net result, the Board of Directors will propose to the General Meeting of Shareholders to maintain the gross dividend per share at EUR 4.00 for 2019; this in view of the strong organic growth, the exceptional nature of the product recall operation, and the rise in raw material prices.

PROSPECTS FOR 2020

The Group is confident that in 2020, barring unforeseen market circumstances, it will be able to exceed the underlying EBITDA result of 2018 (EUR 50.2 million).

At the date of adoption of this report, we have no knowledge of any further formal or informal complaints from consumers directly related to the recall and allegedly related affected listeria patients. We believe it is unlikely that such complaints would be introduced in the future.

At the time of approval of these consolidated accounts, the novel coronavirus presents material uncertainty and risk with respect to the performance of the Group and related financial results. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of the situation makes any prediction about ultimate impact of the coronavirus impossible at the moment. The novel coronavirus is a non-adjusting subsequent event and the recoverability of some non-current/current assets might be at risk.

Management has considered the implication on the going concern assumptions and positively concluded on its validity considering the fact that at the time of issuing this report:

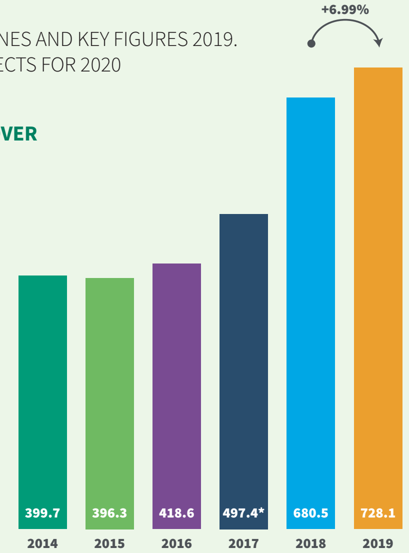
- Precaution measures have been put in place safeguarding the social distancing requirements. Measures have been taken to closely follow up on the workforce to ensure the operating facilities can continue to operate as expected
- No material impact on the customer demand is currently experienced with regard to the core operations of the Group
- No material impact on the operating activities is currently experienced
- Supply chain activities are currently not materially interrupted

Given the sector the Group is operating in, being the food sector, we are currently, based on the latest information, not restricted in our operational activities due to governmental actions.

However, as mentioned above, given the unprecedented reach, we can currently not assess the ultimate financial impact of this novel coronavirus, which might ultimately result in the slowdown of operating activities or significant disruption of the supply chain, resulting in a decreased ability to get our products to market.

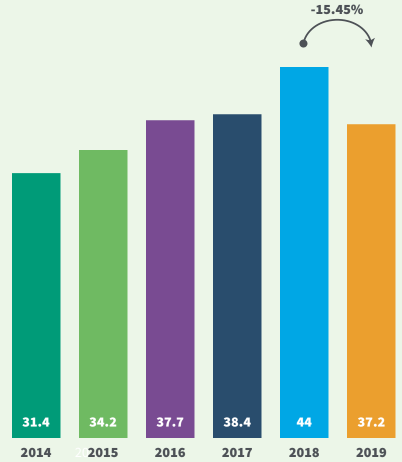
HEADLINES AND KEY FIGURES 2019.
PROSPECTS FOR 2020

TURNOVER

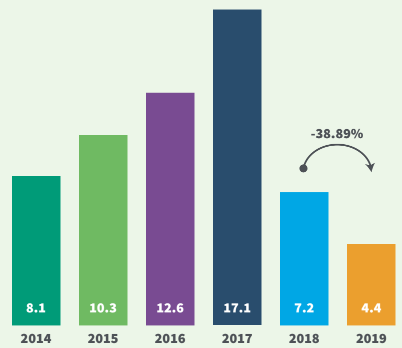


*adapted for IFRS 15

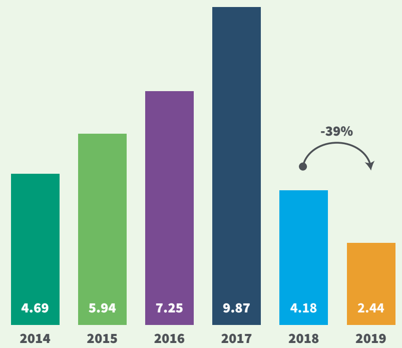
EBITDA



RESULT AFTER TAXES (EAT)



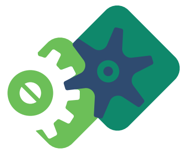
PROFIT PER SHARE



Ter Beke wants to create growth and value for all its stakeholders. To achieve this, we work to implement the following strategic objectives.

CUSTOMER SATISFACTION

Satisfied customers and consumers are our primary objective. They make us who we are.



OPERATIONAL EXCELLENCE

Every day we strive to excel in what we do by doing the right things in the right way. We do not compromise on the quality of our products and services.

COST LEADERSHIP

We endeavour to keep the direct and indirect costs of our operations under control and reduce these wherever possible. Every day we endeavour to organise our activities as efficiently as possible, without compromising on the quality of our products and the service to our customers.

INNOVATION

We consider innovation in products, processes and services as the driving force behind our strategy and our organisation. The development of new products, services and production processes is an absolute prerequisite for our future growth.

1 BUSINESS OVERVIEW

Foreword by Dirk Goeminne,
Chairman of the Board of Directors

"By focusing on solutions, we managed to overcome these difficulties."

MESSAGE FROM THE CHAIRMAN

Dear shareholder,

Without doubt, 2019 was a difficult year. Normally after such a statement, the words 'a year to be quickly forgotten' would follow. I will not utter them, however, as there is a lot we can and should learn from this year about trends in the food processing industry, as well as how resilient our company really is.

This year, we have clearly gained the first benefits of the major transformation which Ter Beke underwent in 2017 and 2018. Just to recap:

- With the acquisitions of Stefano Toselli, Pasta Food Company and KK Fine Foods in 2017, we have diversified our portfolio of activities considerably to become European leader in the growth category for Mediterranean pasta meals. Offerman consolidated our position in the Dutch processed meats market.
- In 2018, we took important steps towards integration, for example, 1) the closure of production in Zoetermeer and its relocation to Wommelgem; 2) the conversion of Offerman to Ter Beke's standard ERP package; and 3) the implementation of our central services (purchasing, engineering, supply chain and quality management) for the four companies acquired.

These synergies began to make their presence truly felt in the first half of 2019 and we were able to record excellent growth figures of 7.3% in the Processed Meats Division and 11% in the Ready Meals Division.

The almost unprecedented increase in pork prices (following the outbreak of African swine fever in China and other Asian countries), and the important recall of products from Aalsmeer, had a major financial impact in the second half of the year.

This didn't knock us off our stride, though, and **by focusing on solutions**, we managed to overcome these difficulties. Our cooperation in the recall and the speed with which deliveries were restarted via other sites was praised by the authorities and customers. This has meant we have been able to minimise the impact on the bottom line, also thanks to the diversity of our activities.

The importance of food safety – set against a framework of increased scrutiny and new technologies – was once again highlighted. Only large, professional businesses will be able to meet these requirements and combine them with other customer needs, such as healthier recipes, innovation and service.

This difficult year therefore confirmed the trends on which our strategy is based and the means necessary to serve our clients. We face the coming year with renewed confidence.

Dirk Goeminne

Francis Kint looks back on a difficult year.

What will you remember most from this difficult year 2019?

"The fact that we were able to contend with the impact of two major crises, independently of each other: a sharp increase in the price of our most important raw material; and a major product recall which involved the temporary shutdown of a key production facility in Aalsmeer. The year started promisingly with an organic growth of around 10%. When we were overtaken by events in the second half of the year, **we kept our focus** and solved the problem with single-minded determination."

Can you describe the impact of African swine fever and how you see the future?

"Roughly speaking, global consumption of pork is 100 million tonnes. China represents half of this. It is estimated that African swine fever led to an significant reduction in the pig population. As a result, imports, primarily from Europe – which had always been there – increased on a massive scale. This had an inflationary effect throughout the chain (live animals, meat cuts, etc.) and ultimately on the price of our most important raw material. We are doing our level best to compensate for this with efficiency improvements and to have this partly reflected in our sales prices, but all this takes time."

What happened in Aalsmeer exactly?

"Contrary to the general impression given by the media, our subsidiary Offerman Aalsmeer did not market any products with a listeria content above legally permissible levels. So what did happen? The Dutch National Institute for Public Health and the Environment (RIVM) identified a cluster of 20 patients diagnosed with listeria (over a period of two years) and the Netherlands Food and Consumer Product Safety Authority (NVWA) was called in to carry out an investigation into the source. The recent Whole Genome Sequencing (WGS) technology, a kind of DNA analysis of the listeria bacteria, showed that this same type of bacteria was found in Aalsmeer. Over this period, the factory produced 100 million packages. However, it is not known whether these were all consumed prior to the best-before date and in the proper circumstances. To single out the factory as the cause of illness and deaths is therefore unjustified at this time."

The figures for the first half of the year were nevertheless quite promising?

"That's correct; in the first half of the year the Processed Meats Division showed a growth of 7.3% and the Ready Meals Division 11%. The latter continued in the same rhythm throughout the year."

What has the company learned from this?

"We knew that WGS technology was going to be a game-changer in the food processing industry and for years we have invested in our production infrastructure, our processes and our people. For us, the crisis in Aalsmeer was a sign that we must persist in what we are doing and this will remain a key theme over the course of the next few years when we come to make our investment decisions."

How was the year for the Ready Meals Division?

"To all intents and purposes, they had a fantastic year and it's a shame that the focus shifted away from this because of the crises. Volumes increased at double-digit rates and, had it not been for the sharp rise in raw material prices, in terms of profitability, it would have gone down as a Grand Cru year. The strategy – with the focus on quality, innovation and category management – clearly reaped its rewards. The team is working hard to establish a leading position on the continent in the field of Mediterranean cuisine and in world cuisine in the UK."

What are the priorities for 2020?

"For the Ready Meals Division, 2020 will be the year of major advancement: we will be investing heavily in expansion of capacity at KK Fine Foods in the UK and at Pasta Food Company in Poland. In the Processed Meats Division, we will be investing primarily in our slicing and packaging activities. On the one hand, in order to launch our new packaging concepts, by focusing on recyclability and convenience. And on the other, by shifting the focus towards 'fillings', rather than solely on processed meats. In both divisions, we have promising new concepts and product launches of which I cannot yet reveal the details."

Francis Kint,
CEO Ter Beke Group

"When we were overtaken by events in the second half of the year, we kept our focus and solved the problem with single-minded determination."

INTERVIEW CFO

René Stevens,
CFO Ter Beke Group
until 15/03/2020

The Chairman and the CEO talk about Ter Beke's 'resilience'. Can you give us a better financial insight into this?

"Ter Beke's financial strength is founded on a number of pillars. In the first place, we have the diversification of Processed Meats and Ready Meals. In addition, we have a healthy financial structure and steady and solid cash flow generation.
For Ter Beke, 2019 was characterised by 2 successive sharp rises in raw material prices and the listeria crisis. In spite of this, Ter Beke has not made a loss, the 'equity capital/total assets' ratio remaining at more than 25%, even after IFRS-16.
This has only been possible because normal results, without the effect of price increases and listeria, have been exceptionally strong, primarily for Ready Meals, but also for Processed Meats. It is a shame that all these efforts have not reaped the benefits they deserve.
We can also establish that Ter Beke has generated the same net cash flow from operational activities as in 2018, despite 2019 being a difficult year. And notwithstanding net paid investments of almost 20 million euros, corresponding net debts dropped by more than 9 million euros. This is clear evidence that net cash flow generation is Ter Beke's strength."

You are also responsible for ICT and the so-called ERP Competence Centre. What has been happening in these fields and what about cybersecurity?

"Investments in our ERP system and in the IT infrastructure are crucial so that we can continue to meet the ever increasing demands of our customers.
Working in close cooperation with those responsible in both divisions, priorities have been identified for the various IT projects. I will restrict myself here to 3 important projects in 2019:

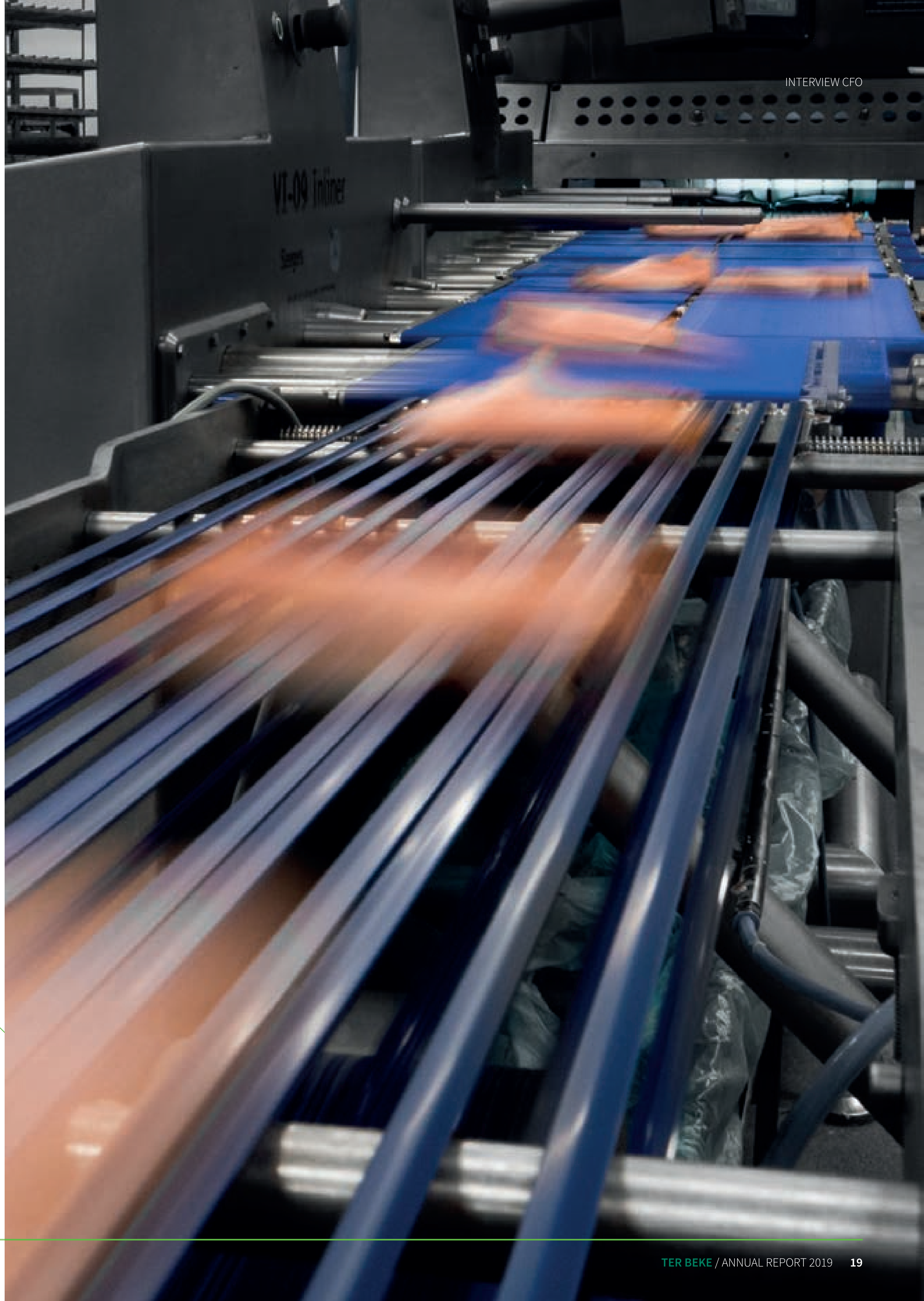
- In 2019, Offerman was integrated into our ERP system. Without this investment, the administrative settlement of the various actions taken during the listeria crisis would not have gone so smoothly and the repercussions for Ter Beke would have been much more severe.
- Furthermore, we have developed a new WMS (warehouse management system), which enables us to align our warehousing operations and logistic flows more effectively to the needs of our customers.
- What's more, data traffic has been completely restructured as support to various digital projects for specific larger clients.

We can quite justifiably claim that the IT investments we make today, will determine the success of the Group in the future.
Nevertheless, recent events have shown that these investments are being increasingly threatened by cyber criminals. For several years now, Ter Beke has been making systematic efforts to secure its own software and infrastructure. In 2020, we will re-evaluate what additional steps we will need to take. But it is not the IT department alone which is responsible for this. An awareness campaign was started at the end of 2019, which explained in no uncertain terms that IT security is a task in which all employees must play their part."

Which financial parameters should Ter Beke be focusing on in 2020?

"2020 will be another extremely important year for Ter Beke.
Offerman must realign with the successful evolution that was set in motion before the listeria crisis. This highly promising evolution in Ready Meals requires significant investments in KK Fine Foods in the UK and Pasta Food Company in Poland of 6.7 million and 8.5 million euros respectively. This will involve increases in capacity to keep pace with increasing demand. In Wommelgem, the 'central mincing project', which will pave the way for ongoing efficiency improvements in both divisions, will require an investment of 2.5 million euros.
By 2021, these investments will have contributed in full to the objectives of the Group. In 2020, we will have to take up the challenge of achieving further growth in our products in an effective manner."

"2020 will be another extremely important year for Ter Beke."



"At the end of the day, it is our employees – in all departments – who make the difference."

We're on the right track.

Christophe Bolsius,
CEO Ready Meals Division

Christophe Bolsius looks back on a good year, but one with many challenges.

"For us, 2019 had two facets to it. The first one: we experienced growth. A performance we can be rightly proud of."
"Three years ago, we drew up a strategy. This strategy, and the way in which the team has been dealing with our strategic customers, has been reaping its benefits. It meant we could innovate, expand our product range and increase shelf space. That resulted in growth across the continent. Thanks to the focus on innovation at KK Fine Foods, we were able to attract new customers in the United Kingdom."

The impact of rising raw material prices
"This top-line growth is fantastic, but we cannot overlook the second facet. At Ready Meals too, rising raw material prices put considerable pressure on our operations. The price increases for pork as a result of African swine fever are a familiar phenomenon. But we also had to contend with rising prices for dairy products, vegetables, packaging materials…. That puts pressure on our results. In consultation with our customers, we are doing everything possible to translate this to the market in a healthy, economically responsible manner."

Employees make the difference
"As a team we have expended a great deal of energy in 2019. Our strategy is the basis on which we aim to reach a European-wide market. We have succeeded in filling in a number of blank spaces on the map. Slowly but surely, we are building our business outside Europe, too. To secure this growth and volume, we continue to invest in our factories. In 2019, the focus of these efforts was on our Belgian and French factories. In 2020, this focus will shift to the UK and Poland. After all, we aim to continue guaranteeing quality and service to our customers. To do this, as a company, we need to bring the organisation into focus and keep it that way. An organisation is a dynamic entity, not a static one. At the end of the day, it is our employees – in all departments– who make the difference. And it is they who ensure that we get the results we do. I am proud of these teams. But I have to back them with my support and make sure that they can keep performing. After all, the pressure from the outside world on an organisation such as ours increases day by day. So it is imperative we respond to this in a well-formulated way."

The strategy is paying off
"In October 2019, we attended the Anuga trade fair in Cologne as a division for the first time. All business units within Ready Meals were represented there as one. We were able to demonstrate that our strategy is paying off and that we are on the right track. This has given us the confidence we need to build on our strategy. How? By harnessing our know-how, our expertise and processes in optimum fashion. This way we can best serve the market, faster and more effectively. The trade fair provided us with many new, international contacts. I firmly believe that we will be able to reap the rewards of this in 2020 and so expand our network of customers and, in turn, deliver our fantastic range of products to new consumers."

10 times the weight of the Eiffel Tower.

Cédric Lemineur,
Marketing and R&D Manager – Ready Meals Division

After a short break of six months, Cédric rejoined the team at Ter Beke as Marketing Manager last year. Since November, he has also taken charge of the research & development team at FreshMeals. How does he look back on 2019?

“2019 was a year of challenges. For me personally, because after six months of working elsewhere, I returned to Ter Beke. I found myself working as part of a dynamic and outstanding team facing many challenges. We took them on with great gusto. Did you know that we sold more than 100,000 tonnes of lasagne and pasta meals in 2019? That is more than 10 times the weight of the Eiffel Tower! As a team, we can take pride in that. This teamwork gives me added energy. My job has many facets, but I get the greatest satisfaction from engaging with the team and making sure that all team members achieve their personal as well as our collective goals.”

A total rebranding
“In 2019, one of those goals was the total rebranding of Come a casa®. What does our brand signify? That is the question we put to our customers. Whilst they still viewed our product as being the tastiest, they felt the brand itself was rather … old-fashioned. It lacked feeling, emotion and dynamics. For that reason, we produced several catchy new TV commercials and posters to refocus attention. We have also restyled the packaging. The classic green Come a casa® colour stays green. However, the ingredients are more clearly visible and the logo was given a modern makeover. So, what hasn’t changed? Our recipes: we still guarantee pure and tasty comfort food.”

“Meanwhile, we continue to work on category and product management. That is mostly about private labels, but nowadays they can almost be considered brands themselves. It is no longer enough to approach your customers solely as a supplier. You also have to present analyses and possibilities. We have since set up another organisation within our department, which allows the team to look beyond our own confines. To give more direction. This also enables better streamlining of the entire process – from market analysis to recommendation and production. That too, was one of the challenges.”

“As a marketeer you have to have your eyes and ears open to all the latest trends. You have to keep a close track of developments and digest them. Nevertheless, you must react quickly, because what you see today can be history tomorrow. The world changes so rapidly! We are constantly working on new aspects and developments. We have a lot more plans in the pipeline for 2020 and we have 2021 in our sights as well.”

“Needless to say, we will still guarantee pure and tasty comfort food.”

“Once the concept slowly becomes clearer, idea and practice start to merge. The outcome of this is an innovative product that catches on.”

Innovations do not just happen overnight.

Marieke Vandenabeele,
Product Development Manager
Ready Meals

Marieke spends the whole day working on innovation. Over time, she has come to learn that you do not always get it right the first time, and you cannot put just anything on the market.

“It is all about collecting ideas, observing the market and keeping tabs on the latest trends. It also involves reflecting on what we are good at and on where improvements can be made. And constantly questioning ourselves. That is the very essence of innovation. Experience has shown that consumers and retailers are not always on the same wavelength. You have to find out not only how retailers see the future, but how consumers do, too. The ultimate aim is to market products and develop packaging and branding which are up-to-the-minute, now and in the future. What goes today, may be history tomorrow.”

The path from conceptualisation to the shelf is a long one
“It is not always easy to bring an innovation process to a successful conclusion. Often brilliant ideas fall by the wayside, or fail to get rolled out. Over time, I have learned that an innovation often needs a lead time of at least a year. It’s all well and good wanting things to happen faster, but the path from conceptualisation to the shelf is a long one. The strength of an innovation programme lies in not thinking too deeply about its practicability at the beginning. For example, about whether existing production lines can be used, or whether the logistics will run smoothly. Once the concept slowly becomes clearer, idea and practice start to merge. The outcome of this is an innovative product that catches on.”

Anuga Innovation Award
“Last year, we successfully launched the DIPPA for a limited period. We did that again this winter, but not without fine-tuning: we listened to the feedback from our retailers and consumers. Production was modified on the basis of their recommendations. At the Anuga trade fair in October, DIPPA received an ‘Anuga Innovation Award’. This attracted a lot of attention from markets abroad. It gave us a big boost.”
“We are never still. The Come a casa® brand might be well known for its lasagne and pasta meals, but we also aim to capture other segments. Of course, it is important to continue working on our recipes and packaging, but we want more. And more is to come. Just watch this space!”

"At the end of the day, we all want the same result: a strong and dynamic team of experts."

Why you have to continuously question each process.

Laurence Caillot,
Quality Manager Stefano Toselli & FreshMeals

Laurence Caillot has been working at Stefano Toselli for more than 21 years. When she first started working in the laboratory, above all she wanted to know why we did things the way we did. This craving for knowledge has stood her in good stead in her role as quality manager.

"What is quality? It is more than just a label. Quality rests on three pillars.

1 Health and food safety. These always come first.
2 All legal conditions attached to these.
3 The wishes of the customer: they want a healthy and tasty meal at an affordable price.

Providing external partners with quality is a key goal. They are the customers and consumers, but equally so the authorities and suppliers. In addition, internal partners - all departments within the company - have to be borne in mind. Simply put, everything must be up to scratch."

"In 2019, I became responsible for the quality departments in our Marche-en-Famenne and Wanze plants as well. It was quite a challenge. At Stefano Toselli we work with a team of ten people. We have known each other for years and all work in the same office. Cooperation is close and lines of communication are short. But for the factories in Belgium, this works differently of course. Different clients, different specifications... I had to immerse myself fully in that way of working. At the end of the day, we all want the same result: a strong and dynamic team of experts."

Finger on the pulse

"I have always wanted to know the ins and outs of things, whether it's a machine, a process or a recipe. Whatever it is, I like to keep my finger on the pulse. Whenever I look at a process, I repeatedly ask myself the question: 'why?' It is not sufficient to have a process in place and to follow it. No, you have to constantly keep asking questions. Are all parameters still the same after a year? What has changed? In other words: is the process still pertinent? What do we need to adjust? It is all about asking the right questions. The world is constantly changing, and the requirements of customers and food safety are becoming increasingly demanding. It is not enough just to satisfy and follow these requirements. As a company we must take the lead and adapt ourselves."

Heat recuperation at Stefano Toselli

After obtaining an ISO 50001 certification (energy management system), Stefano Toselli's aim was to reduce the impact on the environment. A multidisciplinary team decided to set up a heat recuperation project.

The project actually comprised three smaller projects:

- *Heat recovery*
- *Optimising the use of the cooling installations*
- *Replacement of two refrigeration units*

The aim was to reduce both energy consumption and the environmental impact.

Details:

Heat is recovered from the various parts of the refrigeration and compressed air systems. This is stored in an $80m^3$ water tank which in turn supplies the three hot water circuits in the factory. The various cooling installations have been fitted with a smart controller module to optimise the production and distribution of cold, depending on the outside temperature. At the same time, we replaced two existing refrigeration units so that we had everything ready for the R404 refrigerant ban. This has a positive impact on energy consumption on the site.

In practice, this means:

- *The cleaning water is preheated by the recovery of heat from the refrigeration units*
- *The water that we use for sauces, cooking tunnels and the CIP, is preheated to a higher temperature. This means we need less warm-up time on start-up*
- *We also get a greater degree of uniformity when cooking the pasta (as source of hot water)*

The project went live according to schedule in July 2019. The following steps represent an increased monitoring of the energy gains over a period of 5 years via the International Performance Measurement and Verification Protocol, to ensure that we do actually attain the planned energy savings.

DIVISION READY MEALS

A different approach.

Thierry Simon,
Directeur Industriel – Stefano Toselli

The Stefano Toselli site underwent a number of changes in 2019. Thierry Simon explains.

"Sure enough, we made some adjustments. It is not always easy to introduce changes in the workplace. It can often be a source of unease. It is our job to show that changes are not necessarily a bad thing. In fact, the opposite is true. For example, one major project involved the robotisation of our packaging line. A lot used to be done manually. Some colleagues had to move to another workstation because of the automation. The robot may have assumed some of the work, but we are now all working much more ergonomically."

"A second major project involved heat recuperation. This project, too, involved a considerable investment. That is when you really feel the strength of the group. It is not always simple to get a request approved. You really have to make a strong case, but you do not have to do it on your own. Together with the 'Group Technical Director' you work out the project. He also has responsibility for safety on the sites. Since the end of 2019, we have been developing a cross-border safety project for the five factories within the Ready Meals Division. We are still aiming for 'zero' accidents. Each site has its own working procedure, but the safety issues remain the same."

Serving our markets faster and better

"And as far as our sales markets are concerned, we have taken a major step forward. As a small family business, there are simply fewer commercial opportunities. The approach is different. We can negotiate better with our customers and have more possibilities. The production is distributed in a logical way. Of course, we continue to produce for countries in Southern Europe. And obviously, our site in Poland produces for Eastern Europe. Not only does this enable you to expand your market, but you can supply it more quickly and better too."

"This larger market also puts extra pressure on our staff. We have to ensure that there is a balance between production capacity and the personal comfort of our colleagues. Choosing to work night shifts is voluntary. For some that is a good solution, but we also understand that it is not ideal for everyone. What am I committed to? To keep a good social climate and an overall balance."

"What am I committed to? To keep a good social climate and an overall balance."

There is much to be proud of.

"In Opole we provide premium products and this can only be achieved if the whole team is pulling in the same direction."

Maciej Wajs,
Operational Director
Pasta Food Company

Opole too, has not been letting the grass grow under its feet. A summary by Maciej Wajs.

"The challenges were there for the taking. At the end of 2019, we opened a new R&D centre in Opole. We felt this was necessary, since the local market is constantly demanding more of its own products and recipes. The development teams within the division could hardly keep up with the growing demand. So much so that there was an urgent need for a local team."

"Now we are able to meet expectations more quickly. More and more, customers are demanding new recipes, with less meat or none at all. It is a trend which is gaining ground and one which the team aims to respond to."

"Production capacity has increased by 30%. That was necessary in order to meet demand. Ready meals for one, new flavours, etc. At the end of 2018, we started a new line. It's now completely embedded and I can state that Come a casa® has become a household name in our region."

A stable team in place

"Keeping pace with these developments brings other challenges with it too. Unemployment is low, which means we are having to pull out all the stops to recruit and to hold on to personnel. We listen to what our people say and try to meet any demands they have. We are also investing in safety and a sustainable working environment. These efforts are reaping rewards. Last year the number of workplace incidents dropped drastically. Our factory is well designed and safety is our number one priority in all procedures and training programmes."

"I can well and truly say, we now have a stable team in place. In Opole we provide premium products and this can only be achieved if the whole team is pulling in the same direction. Everyone has done their bit to round off a difficult year successfully. That's an achievement I can only be proud of."

New Research & Development Centre in Opole

New projects, increased production, specific needs for customers in Central and Eastern Europe. High time to launch product development of our own in Opole.
The site has invested in a small, but highly functional test kitchen. Here recipes are developed and tested for the local market. The composition of a pasta dish was the biggest challenge. How could we adapt the sauce to the local palate? Moreover, we also have to look at how this might fit in with current production capacity. The first tests proved successful: customers gave the recipe a high rating and a test-run showed that our existing technology could cope with this additional production.
Needless to say, lasagne remains the most important product on site. But if necessary, other pasta dishes can roll off the production line too.

In the meantime, we are working to optimise existing recipes. For example, by matching Come a casa® recipes with the preferences of the local market, or by removing thickening agents from recipes. So, what is our focus? Expanding the range, responding to the latest trends in nutrition, and meeting customer expectations. Only in this way will it be possible for Pasta Food Company to offer the very best quality to consumers in Central and Eastern Europe.

No two days the same.

David Rimington,
Head of Operations, KK Fine Foods

For David Rimington every day is different. No wonder, he is responsible for the operational part of KK Fine Foods, a job that requires a healthy dose of flexibility.

"We are a complex unit, with more than five hundred references. We produce many of these references in smaller production runs. It is only normal that we have to work with a degree of flexibility. My priority? To deliver top quality products in a safe working environment for our employees and to always deliver these products to our customers on time."

"Last year we have achieved growth figures of around 20%. You can only achieve that with a well-oiled machine, year after year. Automation is not so simple when you produce so many different products. It is the manual aspect in particular, which helps ensure that we can change gear quickly whenever necessary. Sliding a cardboard sleeve over meals costs time. For that reason, we have acquired a robot which has now assumed this role. Our employees still monitor the machine, but it is a much quicker process. It is valuable time that we can use for other things."

An A+ result

"Elke verandering bespre-
"We discuss every change as a team. We regularly organise coffee breaks for our operators. Over a cup of coffee and a biscuit, we often manage to elicit suggestions and feedback. Open communication is important. It often provides us with valuable work-related concerns."

"The bar is set high. We are constantly carrying out inspections and we frequently get audited. The audits carried out by the BRC (British Retail Consortium) are very strict, which is a good thing too. For several years in succession we have attained an A+. This is an absolute priority for us."

"Open communication is important. It often provides us with valuable work-related concerns."

Together we prepare tasty and sustainable fillings. For everyone, for every day.

Leonard van Dis,
Business Director Processed Meats Belgium

At the start of 2019, Leonard took up a new challenge as Business Director for Processed Meats in Belgium. He discusses the new strategy and structure within this division.

"The new vision and mission are proving successful. We have been working hard at them. Every word has been chosen carefully, with a view to the future, without neglecting tradition. I firmly believe we have taken important steps this year. This new structure helped stimulate cross-fertilisation at an operational and commercial level, with product development in between. We also collaborated with our colleagues in Ready Meals."

We produce with respect for animals and our planet

"Every product must be tasty and sustainable. Quality and flavour come first and foremost. In the long run, this is the only strategy that a company like ours can adopt. It is not always easy. Sometimes it is quite tempting to choose a cheaper solution, but that is not our style. Sustainability is made up of different facets. We can't repeat it enough: we produce with respect for animals and our planet. But sustainability applies in equal measure to the relationship we have with our clients and our staff."

"The world is constantly changing. One cannot stand still. That is exactly why we refer to sandwich filling. With that in mind, how long will people continue to fill their traditional sandwiches with processed meats? Increasingly, we are looking at alternative fillings. These are options we have to contemplate. What can the next step be? We sought inspiration from our colleagues at KK Fine Foods in the UK, trendsetters in this field."

"These are the four pillars on which our strategy is founded:

- **Stability & focus**
- **Inovation**
- **People**
- **Sustainable partnerships**

Delivering a stable product is the absolute minimum. Innovation is a given: that is what this process is all about. A sustainable and strategic partnership with the customer is an absolute precondition. But to achieve this you must have the right people in place. There is a good vibe and a lot of goodwill within the team. We all share the same responsibilities and there is no functional difference between the departments. A wise choice by Francis!"

"We do it together, for everyone, for every day."

Automatic stacker

As part of our drive towards sustainability, we installed an automatic stacker on each line in Veurne. This means that operators can stack products on pallets to a maximum height without running the risk of backache or other physical problems or hazards.

Pallets can take more than they did previously. The advantages?

- *Fewer pallets are necessary for the same amount of goods*
- *Less transport*
- *Biggest bonus: better ergonomics for our staff. They no longer need to lift fully loaded containers on the slicing lines*

Every day is like competing in a top sport.

Frank Schaapsmeerders,
Production Manager Wijchen

Working at Ter Beke is much to Frank's liking. In his view, food is dynamic, and you can do fantastic things with it.

"Everyone bears their own share of responsibility. What Mother Earth provides us with, should be given back in the right way. Every day I try to instil this way of thinking in the people that work here. It is their craftsmanship that makes the difference. They decide whether a product leaves the factory or not. Often I ask them, would you buy this yourself? If that is not the case, then we make adjustments."

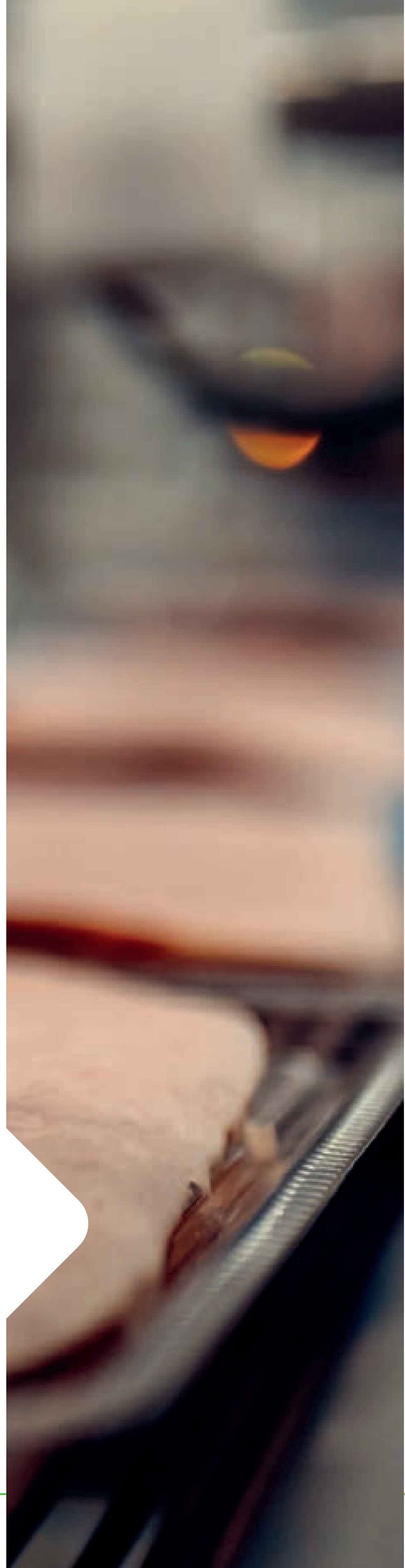
"Every day starts with a meeting in which we discuss the most important topics: safety is the main theme, but also quality, planning, logistics, etc. Does anything need to be adapted? We share the responsibility, call each other to account and make sure to do things better next time. I also take a tour of the work floor every day. That is important. This helps me form a representative picture of what we are doing. What we do can be compared to competing in a top sport. As trainer, it is my task to get the team to the next level day after day."

Audits keep you focused

"In the spring of 2019, the IFS audit took place here in Wijchen. That keeps your focus. An audit like this checks the whole process, from raw materials to final product. Have all the necessary steps been taken to ensure safe and responsible production? Have all steps been properly covered so that the results of the test are not just based on coincidence? The audit itself proved to be good news for us. Moreover, our results were above average and we were all set for a successful year ahead."

"Because of the listeria crisis, in the second half of the year we worked as a team to ensure that we got through the period effectively. Times were challenging, but the resilience we showed as a group, as colleagues, made it quite special. Everyone did their bit. We worked round the clock in various shifts. We pepped each other up continuously. By maintaining the right focus, the teams here in Wijchen were able to help our customers."

"The resilience we showed as a group made it quite special."



We are one chain of links.

Wilco Poppeliers,
Plant Manager Ridderkerk

Wilco knows the factory in Ridderkerk like no other. In 2007 he sold the business to Ter Beke and stayed on to work there.

"In 1999, I took over the company with a partner. In 2007, when Eddy van der Pluym and Martien van de Boer - representing Ter Beke - asked if we wanted to be part of a larger group, we did not give it a second thought. Joining a group with big ambitions? I was more than happy to pitch myself into it."

"I know the business like the back of my hand. I have operated the slicing and packaging machines, been in charge of deliveries and dispatches, and this morning I took a tour of the work floor. In this way I hope to inspire colleagues: by setting an example and sending out a message of enthusiasm and drive, expertise and experience. I try my best know everyone by name. We are one chain of links."

Quality is a shared responsibility

"Our mission? To slice the received products in a qualitative way and deliver them to the customer within the agreed time. A shared responsibility. Each department and everyone who works here is doing their bit. Collectively we make sure the factory is running smoothly."

"But an efficiently running factory on its own is not enough. You also need to look at how you can optimise the chain and work more efficiently. We have a number of projects that address this situation. Packaging film reduction, for example. Can film be made thinner without making concessions to safety and quality? Can we reduce the length of the film, even if it is only a few millimetres? After all, a few millimetres per tray can amount to several kilometres of film in the long run. But, I repeat: safety always comes first and foremost."

"That is why the measures we have in place in the factory are so stringent. We have separate entrances for high-care and low-care zones, to name but one. If you want to move from one zone to the other, you have to observe a number of strict hygiene regulations. Those who do not can be called to account. If not by management, then by colleagues: social control is important. We have to achieve our objectives on a day-to-day basis."

"We have to achieve our objectives on a day-to-day basis."

Each customer is a personal story.

Mieke Keteleer,
Sales Manager België –
Processed Meats Division

Over-the-counter, retail, discount... there is not one sales channel on the processed meats market that Mieke is not familiar with. She has been sharing this experience with her colleagues at Ter Beke for many years.

Looking into the mind of a customer

"I started at the bottom of the ladder, fresh out of school. I was faced with a whole string of challenges, which made my job so fascinating. Spotting and seizing opportunities. A lot has changed over the years, but I've always been driven by a desire to get on with things."

"Our business is quite complex. Within Processed Meats, there are a diverse number of product groups in a mature market. Growth and renewal demand special effort. We really must be looking into the minds of our customers, solving their problems before they occur, so to speak."

"What does this involve? A personalised approach per customer: one which not only relates to the product, but its packaging and its logistics too. After all, every customer is a different story. We might know our own strategy, but do we know the customers'? Is there a match? What is our customer looking for and can we deliver it?"

Chemistry develops over time

"We present our customer with a detailed plan, a total concept based on facts and figures. That plan also includes new ideas. Of course, these ideas have to be agreed on internally first. I cannot sell a customer all sorts of extravagant ideas only to discover at a later stage that these do not fit in with our own strategy or our production. It doesn't work like that. The trust we gain from our customers must first be earned and then sustained over the long term. But, if you work with good partners, eventually it will reap its rewards. There is a chemistry that develops over time. And this means presenting them with ideas that are viable for both parties."

"The market is evolving, our customers want to move forward. And so do we. For example, we have made changes to our sales organisation. Both customer service and after-sales service now are part of my team. This means customers have one point of contact and colleagues can follow an order from start to finish. The service we provide is more efficient because we know what is going on behind the scenes. As far as I am concerned, that completes the circle."

"The trust we gain from our customers must first be earned and then sustained over the long term."

Cross-fertilisation across two divisions.

André Blondé,
Key Account Manager BeLux –
Field Sales Manager Ready Meals and Processed Meats

André can best be described as having a double role. As a Key Account Manager, he represents both divisions for their clients. He is also in charge of the field team in OTC and retail. That often means he has to switch roles at a moment's notice.

"The image of the salesperson walking into a store with products under their arm and jauntily walking out again with a signed order form is very much a thing of the past. That approach no longer works. The modern, service-minded butcher or retailer with a service counter is well aware of what is on the market and knows what they want on their shelves. We are not just selling products. First and foremost, we sell trends, ideas and advice. Serving suggestions, for example, or an original recipe with our processed meats. Anyone can fill a sandwich. We demonstrate how to be creative with our products. How can our ready meals be promoted in a more attractive way? Or we support a promotional or sales campaign with gadgets or flyers. We provide guidance and advice to our customers and help them expand in what is an extremely competitive market."

"That is easier said than done. The team operates throughout Belgium and Luxembourg with all the regional differences that entails. A certain product might sell well in one region, but may present a real challenge for a colleague working in another. But it is a challenge we take on with relish! Our aim is always to create growth."

The biggest difference for Ter Beke

"It is not always easy working for both divisions. They might both start jostling for my attention at the same time. But, for each of the divisions, I look at those areas where our sales team can get the most leverage for Ter Beke and where we can make the biggest difference at that point in time: that is my focus."

"Then the next week, things might be completely different. We are always launching sales campaigns and promotional activities, so we constantly have to adjust. Since I work closely with the marketing department in both divisions, I see it as cross-fertilisation: what works, what does not, what else can we try and what might we otherwise be able to do? I spread the seeds around until something inspirational starts to germinate. Call me a busy bee if you like!"

"I spread the seeds around until something inspirational starts to germinate. Call me a busy bee if you like!"

Purchasing is and remains a market-driven discipline.

Jan De Leersnyder,
Group Purchasing Director

Sometimes you win, sometimes you don't. In purchasing, this is a well-known fact. Jan De Leersnyder looks back on a turbulent year.

Prices rise and supply drops as a result of swine fever in Asia

"The problems that confronted us as a food processing company in 2019 were manifold. Meat is an extremely important part of our purchasing portfolio. It is impossible for me to look back on 2019 without reflecting on the outbreak of swine fever in Asia. After all, China is responsible for 50% of the worldwide production of pigs. Prices for pork have been off the scale since the second quarter of 2019. In a 'normal year', price rises can be absorbed because the Group's purchasing portfolio is broad enough to do this. But in this sense, last year was anything but normal. In Europe, it is not just the price that is a problem. Supplies of pork too have been gradually becoming more acute. The high prices paid in China are causing an increase in exports of pork from Europe and other continents. Among other things, that has consequences for availability in Europe."

"For that reason, we have to sit down with our suppliers and consider the long term. At some point, prices will drop again and at that point, we would like to constructively work with our suppliers. Will it be possible to absorb the price differences elsewhere in the meanwhile? We have to remain realistic because the difference is immense. But we continue to seek out solutions. How do we do that? By optimising our processes and by rolling out a number of group projects. For example, by prioritising value engineering. Through solid contract management. By working within the group towards a uniform purchasing strategy."

Top team helps ensure added value

"Fortunately, I can count on the cooperation and the daily efforts of a top team. Even though the team is spread out over all our sites in the various countries, we manage to keep the same focus. We evaluate our working procedures and we look at what we can do better or differently. We are working with Category Managers. They are responsible for the purchase of one product group and share their knowledge of the various countries. In this way, we are always able to arrive at the best outcome for the group. In addition to getting the best price, we are also constantly looking at how we can create 'best value' among our suppliers."

"We attach great importance to Corporate Social Responsibility (CSR). In the past, price, contract and terms and conditions of delivery were the first things we looked at. But we gave little thought to 'how' a supplier would supply its products. This had to change. For example, is all that packaging really necessary? Everyone in the team is now working on a number of projects to optimise packaging with their suppliers. At the end of the day, this leads to savings of several tonnes in packaging materials. In turn, this translates into less bulky transport, or fewer trucks."

"So, purchasing can no longer been seen in isolation. Optimisation of processes within the group is equally as important. What matters to me? Coaching my colleagues every day, and keeping the organisation informed about our challenges and achievements. Also, I would like to think about the future with my team and the business. And how we can improve even more on doing things together with our suppliers."

"Even though the team is spread out over all our sites, we manage to keep the same focus."

Why shopping and purchasing are not the same.

Peter Morshuis,
Procurement Manager

Peter Morshuis has group-wide responsibility for poultry purchasing and also has overall responsibility for purchasing in the Netherlands. His education as a food technologist is a big plus in his present job.

"My education gives me a biological insight into the composition and production of food. That helps me to ask specific questions, understand the issues and can quickly grasp the processes. I want to know everything within my own category and want to have a good command of that information."

"In the Netherlands, we are primarily involved in service slicing. That means our clients buy part of the products themselves and have them delivered to us. We then slice and package those products for them. In those cases, we do not negotiate about the price for the product. However, together with the client, we do look at all the other conditions, such as logistics, complaints procedure, contracts. We aspire to an optimum outcome for both parties."

Good for farmers and for animals

"There is a big difference between shopping and purchasing. Anyone can go to a shop and choose a product. You can buy in bulk exactly the same way. You can request a price and make a deal. Purchasing, though, goes one step further. You have to know the market from top to bottom, know who all the different parties are, and be able to judge whether the proposed price is a fair one. What is more, you have to be able to negotiate with both the supplier and the user. After all, they are the ones who will use the product or service. And, preferably, as efficiently as possible and to the highest standards."

"There is a fascinating mechanism behind the whole chain: if a farmer is good to his animals, the animals are good to the farmer in terms of returns. For example, take the 'Beter Leven' ('Better Life') chain. Do you know what gets me enthusiastic? The fact that as a purchaser I can work with these products. And that I can make good on the 'Beter Leven' philosophy by combining my know-how of that industry with the commercial side of things. I try to instil that same enthusiasm in the team."

"Do you know what gets me enthusiastic? The fact that as a purchaser I can work with these products."

Swift action and effective cooperation.

Nele De Flou,
Supply & Demand Planning Manager
Ready Meals, Belgium

Stéphanie Huynen,
Supply & Demand Planning Manager
Processed Meats, Belgium

Stéphanie and Nele started their respective jobs in September 2019, each from a different perspective.

"Before doing this," Nele explains, "I was Supply Chain Coordinator for both divisions. As part of this job I performed mostly 'ad hoc' interventions at various stages throughout the supply chain. In the meantime, I also tried to implement structural improvements, such as the 'Sales & Operations Process'. My transition to this new role was a logical one. It means I can focus on the entirety of the process: from the forecast right up to delivery to the customer, I coordinate everything at close quarters and try to put structural improvements in place. Our goal is to forecast demand levels as accurately as possible and to match these to the capacity of our factories. More specifically, we ensure that the whole forecast is entered into the planning system on time and with the right numbers, so that production is running correctly."
"We don't do it alone, of course, we coordinate closely with colleagues, for example, in demand planning, supply chain planning, sales support and production planning. All this is done via the Sales & Operation process and through consultation along the way. Our task is to collect all separate snippets of information, so that these can be digested and transformed into one smooth flowing line."

"It means I can focus on the entirety of the process: from the forecast right up to delivery to the customer."
(Nele De Flou)

"If order levels appear to be higher than predicted, this can lead to shortages. Conversely, if customer demand is markedly lower than the forecast, we risk overstocking. Both of these scenarios entail additional costs in the chain. Our job is to minimise these costs."
"Arriving at an accurate and comprehensive forecast is not always that easy. A last-minute promotion, or a sudden surge in sales, for example, can have an effect. In such cases, adjustments have to be made. And if you start to adjust one part of the process, it will affect another part. Swift action and effective cooperation between each of the departments involved are needed."
"Since both of us started doing this for our respective divisions, we have managed to improve communication across the board," adds Stéphanie. Stéphanie spent part of her Young Potential programme working in the Supply Chain department. Her last project took her onto the work floor, as team leader for 'maturing and drying'. "I was already aware of how our factories worked through my previous projects, but I learned an enormous amount during those last six months. I have huge respect for the colleagues over there. The choice as to whether to continue in a hands-on role or to return to a position at group level was a difficult one. In the end, this job came up, but I've not thrown my white coat away yet. I still want to visit the work floor from time to time!"
"I have to say my training programme was a success. The follow-up was excellent and I was allowed to put my own personal stamp on my work. That's what makes it so fascinating, for both Ter Beke and myself. Even now, both Nele and myself, building on what was already in place, are free to put our own stamp on the process. We both have our own departments and work with other people, but we have similar workflows. And we can both learn from each other."
"That's right," agrees Nele. "At the beginning, there was still a lot for me to find out, especially on the 'demand' side. By working closely with the departments involved, it's easier to identify areas of improvement. This way you can focus on getting better results."

"I was allowed to put my own personal stamp on my work. That's what makes it so fascinating, for both Ter Beke and myself."
(Stéphanie Huynen)

"You can't deny it: sustainability is part and parcel of our way of working."

Change one link and the whole chain collapses.

Johan Meire,
Group Technical Director

Mention innovation and the first thing that comes to mind is new products. Nonetheless, a whole lot of technology is involved in this. Johan Meire explains.

"You can't just put a new production line in place, change formats or simply start manufacturing a new product on an existing line. There's a whole process that precedes all this. Every part of a machine is geared up to performing a specific task. If you change one link, the whole chain collapses. More importantly, every machine has its own safety certificate. This is to show that the materials used are CE compliant and function according to specific standards. When you modify anything on the line, for example, by removing or adding something, or changing the sequence, the safety certificate is no longer valid. A new risk analysis is needed. And not without reason, since operators are involved and above all they must have a safe working environment."
"Often you have to juggle around to implement the changes. A new production line cannot be installed at the drop of a hat, with production still running. Fortunately, we have enjoyed a good working relationship with our suppliers for years. This helps reduce lead times and minimise any snags on an installation. As in any relationship, effective communication helps smooth things along, from operator training to supervision on start-up."
"Innovation is not just about products. We also question our vision when it comes to packaging, which in turn may mean technical modifications. You can't deny it: sustainability is part and parcel of our way of working. To this end, we also monitor energy consumption and carbon emissions."

Structural approach
"We have adopted a structural approach: in Flanders, we have two businesses that operate in line with the Energy Agreements (EBO, Energiebeleidsovereenkomst van het Vlaamse Gewest). In Wallonia, both factories work in compliance with the 'Accord de Branche'. These agreements set down targets in respect of energy-saving measures. Together with an external partner, we look at what new projects we can set in motion alongside our existing sustainability-related activities."
"In 2020, we will launch a project on 'energy management measures'. This is a campaign to raise awareness amongst our workforce. We let them have their say in how we can make savings on the work floor, both in the factories and in the offices. It starts off with minor things, such as turning off the lights when leaving a room or switching off machines whenever possible. These kinds of projects require effort, a change in behaviour and work culture and, above all, a lot of time."

12 sites in 5 countries. How do different colleagues in the HR department perceive their work? We asked a few colleagues to share their views. What stands out most? The language and work might differ, but the Ter Beke culture and the human approach are in sync everywhere.

Anita Bretonnet,
Human Resources Manager, Stefano Toselli, France

"I have been working at Stefano Toselli for almost 38 years, and I know the company through and through. That is a bonus in my current job. It is easier for me to understand what is happening on the work floor. The company has, of course, changed considerably over time. We are now part of a larger group, and that means the dynamics have changed."

"Sometimes we look across the border to be inspired by colleagues at other sites. For example, what is their approach to HR? The recruitment of new employees is difficult everywhere, so we have to make an effort in attracting new people. Finding out how other sites do this is a real help. How are they tackling it? And does it work? You cannot just copy what someone else is doing. What works in Lievegem will not necessarily succeed here, and vice versa."

"We are making an effort in attracting new people. To this end we introduced so-called 'integrations days'. This is when we invite interested parties to have a look around our factory. This way they get a good idea about what the job involves and how things work here. The initiative has taken off, so we now want to plan them on a monthly basis."

Esther Berghmans,
Corporate Recruiter, Ter Beke Nederland

"In order to attract new staff, we use a number of channels. I often attend job fairs in the region and have good contact with the schools. Trainees are our future colleagues. But our own employees remain the best ambassadors for Ter Beke."

"In the current labour market, a fast turnaround time of the recruitment procedure is essential. Contact via social media should not be underestimated either. The impression our company gives to people is important. If we do not invite an applicant to an interview, we still send them a personal notification. We give them an explanation and complement them on what went well in the interview. That is very much appreciated. In much the same manner, we send a greetings card to a new colleague even before their first working day. That way you feel welcome from the very outset!"

Karen Conway,
Senior HR Manager, KK Fine Foods, United Kingdom

"Over the nine years or more I have been working here, I have had several different jobs. The contacts I have made during that time are invaluable. They help me recruit the right people, precisely because of my insider knowledge of the culture. Furthermore, I myself am a good example of how KK Fine Foods is investing in its staff."

"This year KK Fine Foods aims to set up a 'Young Potential Program'. At Ter Beke Belgium, this has been running successfully for a few years now. For that reason, I am working closely with my colleague Vera van Lauwe. I have a number of interesting contacts with the previous group of Young Potentials in Belgium as well. That exchange of information is valuable."

"KK Fine Foods has a solid reputation as an attractive employer, both in the region and in our sector. Throughout the entire selection process, I maintain contact with the candidates. Prior to their official starting date, I invite them along to get to know the team. That way, the integration process goes a lot smoother. Each department takes the time to explain how the collaboration works. Our new operators are all given a 'buddy', who shows them the ropes around the factory."

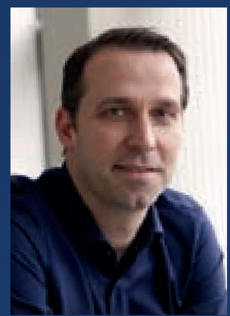
Dagmara Sikorska,
HR Manager, Pasta Food Company, Poland

"In 2013, I started working for Pasta Food Company. I was only their third employee! That is why I have gotten to personally know everyone who works here. And I can assess accurately what profiles fit the company: we not only seek candidates who have the right skills, but primarily those who share our values and understand our challenges."

"It helps to look over the fence from time to time and compare how other colleagues are dealing with issues such as recruitment or assessments. As well as to seek inspiration for the next family day!"

"You never get a second chance to make a first impression. For that reason we try and make people feel welcome the moment they walk through the door. How do we do that? By focusing on what we are all about from the very outset: our values and our objectives. Only then do we mention compulsory training courses and documents. An atmosphere of open communication always comes first. We try to encourage people to ask us questions and put forward suggestions."

Siebren De Schutter,
HR Manager, Ter Beke Processed Meats, Belgium



"I have only been working at Ter Beke since June 2019, but I can look back on a long career in HR. Based on this expertise, I can adopt a detached and open-minded view of the various processes within our company."

"For a large part, the various countries work autonomously. Nevertheless, we have regular contact to share best practices. We hold a monthly HR meeting with our Belgian sites and we work together on company-wide projects."

"Recruiting new members of staff is becoming increasingly tough. It is up to us to adopt different approaches than before. For instance, we now have a wider presence on social media and we approach potential candidates in a proactive fashion. We attach great importance to this personal approach. A careful introduction in the workplace is part of this. Of course, we offer new colleagues guidance during their first few weeks and months. Ter Beke is an established name with a dynamic, informal and enthusiastic work environment. A welcoming atmosphere with great colleagues comes centre stage. Applicants sense this as soon as they step through the door."

No Family Day in 2019, but a focus on the local initiatives at our sites. An overview…

KK Fine Foods

This year, KK Fine Foods chose 'Giddo's Gift' as its charity. 'Giddo's Gift' is all about helping teenagers with cancer. Its aim is to make life a little more tolerable for them. Each of KK Fine Foods' events contributed something in its own way. During the '10 Mile Tough Mudder' obstacle course, several colleagues quite literally had themselves dragged through the mud! Impressive indeed!

Ter Beke Wommelgem

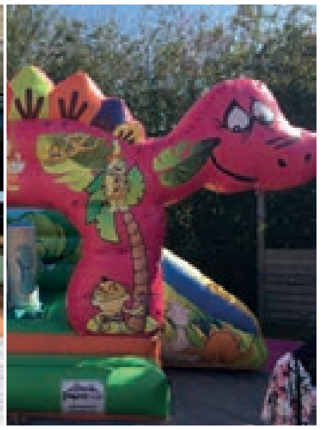
Instead of a large family day, amongst Ter Beke Wommelgem's activities this year was a 'candy walk through Antwerp'. A personal guide shepherded participants round the sights of the city on the river Scheldt. At each stop, everyone had the chance to sample some typical Antwerp delicacies: Antwerpse Handjes, 'Mary sweets', Elixir d'Anvers and lots more were eagerly devoured!

Stefano Toselli

An annual tradition at Stefano Toselli's: the staff party. Having a drink with colleagues, a bite to eat, and afterwards, hitting the dance floor accompanied by the live band.

Ter Beke Marche-en-Famenne and Wanze

Games for the kids, a stiff 8-kilometre walk for the grown-ups, a food truck and an ice cream cart: the perfect ingredients for a Family Day at Marche-en-Famenne and Wanze.



Offerman

Grab your running shoes and get started! A number of sporty types ran the Dam-to-Dam Run together. This is a 10-mile (16.1 km) run through the centre of Amsterdam taking in some of its most beautiful sights.

Pasta Food Company

If you're in good company, not even a shower can spoil the party. A covered wagon tour in the rain might not seem that appealing, but the fun and laughter afterwards more than made up for it during the company's annual outing.

Ter Beke Veurne

Friday the 13th? Absolutely no sign of bad luck for our staff! The open day in September proved exactly the opposite, with guided plant tours, pleasant chats, and snacks and refreshments for staff and their family members.

Ter Beke Lievegem

An organised walking and cycling tour for the more sporty colleagues and their families, followed by a fun evening with snacks and refreshments. What more do you need to recharge the batteries?

Ter Beke Wijchen & Ridderkerk

Tough guys, those Dutchmen! A team of colleagues from Wijchen & Ridderkerk took part in the Strong Viking Challenge in Wijchen. Teambuilding, pushing yourself to the limit and mud baths… They all crossed the finishing line and can now call themselves true Vikings.

2 NON-FINANCIAL INFORMATION

Non-financial information

ENVIRONMENT

Ter Beke strives to be a sustainable company and operate with due regard and care for the environment. This means that we look after the environment and all the people connected to Ter Beke: our stakeholders. These stakeholders include our employees, our customers, the suppliers, the shareholders, our local communities and society in general.

In 2019, Ter Beke also focused strongly on innovation, development and sustainability. You can find more details in various interviews under "Business overview".

SOCIAL AND EMPLOYEE AFFAIRS

Read more on this topic in 'Key features of internal control and risk management systems' on page 56.

RESPECT FOR HUMAN RIGHTS

Ter Beke respects all human rights. We make this explicit in our mission, our core values and our strategic objectives, which we have combined in a single word: ZEAL.

Every new employee is given the ZEAL manual at the start of his or her contract. This manual describes the relationship between Ter Beke and its employees, what is expected of them and what they can expect of us.

COMBATING CORRUPTION

Read more in 'Key features of internal control and risk management systems' on page 56.

DIVERSITY

Ter Beke complies with all diversity legislation. Ter Beke consistently applies this principle to all employees.

Read more about this in the 'Board of Directors' section on page 49.

3 CORPORATE GOVERNANCE

Corporate Governance

The Corporate Governance Statement is based on Article 96 §2 and §3, Article 119 of the old Belgian Company Code and the Corporate Governance Code 2009. It contains factual information about Ter Beke's Corporate Governance policy in 2019, including the following:

- a description of the key features of internal control and risk management systems
- the required statutory information
- the composition of the governing bodies
- the operation of the governing bodies
- their committees
- the remuneration report

The statement also contains a number of elements of non-financial information as referred to in Article 96 §4 of the old Belgian Company Code.

For the 2019 financial year, we are still using the Belgian Corporate Governance Code 2009 as a reference. This code is publicly available at www.commissiecorporategovernance.be. As from 2020 financial year, we shall be adopting the new Corporate Governance Code 2020 as a reference. This code is publicly available at www.corporategovernancecommittee.be.

Our Corporate Governance Charter is published on www.terbeke.com.In the charter we clarify our position with regard to the provisions of the Corporate Governance Code 2009. And we describe other Corporate Governance practices which we apply in addition to the Corporate Governance Code 2009. Where necessary, the Corporate Governance Charter of the Group and the Articles of Association of Ter Beke NV will be amended in line with the new Corporate Governance Code 2020 and the new Belgian Company and Associations Code.

We respect the statutory provisions on Corporate Governance as set out in the (old) Belgian Company Code of 1999 and other specific legislation in this regard.

Board of Directors

CORPORATE GOVERNANCE

1. FRANK COOPMAN (°1965)
Studied veterinary sciences and later gained qualifications in the veterinary inspection of animal-based foodstuffs and in molecular medical biotechnology. He obtained a PhD in veterinary sciences. He is affiliated to the faculty of Bioscience Engineering at Ghent University where he is a part-time lecturer in animal production and genetics. He is an independent genetic consultant. The General Meeting of 29 May 2019 appointed Frank Coopman as director for a period of four years, concluding at the time of the General Meeting of 2023.

2. DOMINIQUE COOPMAN (°1967)
Studied Bioscience Engineering and Engineering Management. She also studied environmental remediation and has a Master's degree in food culture. She works in Italy as a freelance consultant. Dominique Coopman has been a director at Ter Beke since 2008. The General Meeting of 31 May 2018 reappointed Dominique Coopman as director for a period of four years, concluding at the time of the General Meeting of 2022.

3. FRANCIS KINT (°1962), CEO
Is a Civil Engineer, Ghent University, supplemented with postgraduate studies at Vlerick Business School and an MBA at INSEAD. He built up an international career at various companies, including Sara Lee, Chiquita, Fiskars and UNIVEG. Prior to joining Ter Beke, Francis was CEO at Vion, an international meat processing company with its headquarters in Boxtel, the Netherlands. Francis was appointed director by the General Meeting of 31 May 2018 for a period of four years and was appointed CEO for the Group by the Board of Directors.

4. DIRK GOEMINNE (°1955)
Studied Applied Economics and Business Engineering at the University of Antwerp. He has held management positions in manufacturing and retail companies. Until 2007, served as Chairman of the Executive Board of the V&D Group and as member of the Board of Directors of Maxeda (Vendex/ KBB). Dirk Goeminne is Chairman of the Supervisory Board of Stern Groep NV, member of the Supervisory Board of Wielco BV and non-executive director of Van de Velde NV. He is also Chairman of the Board of Directors of Wereldhave Belgium NV and JBC NV. Dirk Goeminne was CEO of Ter Beke from 2013 to 2018. He was appointed Chairman on 1 June 2018.

5. ANN VEREECKE (°1963)
Is a Civil Engineer and Doctor in Management (Ghent University). She is professor of Operations and Supply Chain Management at Vlerick Business School and Ghent University. She was a Board Member and president of EurOMA (European Operations Management Association) and a Board Member of POMS (Production and Operations Management Society in the US). She is currently a Board Member of Picanol Group and North Sea Port. In 2014, she joined the Board of Directors at Ter Beke as an independent director. She is also a member of the Audit Committee and chairs the Remuneration and Nomination Committee. The General Meeting of 31 May 2018 reappointed Ann Vereecke as independent director for a period of four years, concluding at the time of the General Meeting of 2022.

6. EDDY VAN DER PLUYM (°1957)
Studied Economics, supplemented with an MBA at INSEAD. After a brief period at Deloitte Haskins & Sells, he joined the family business Pluma NV, which was incorporated within Ter Beke in 2006. The General Meeting of 29 May 2019 appointed Eddy Van der Pluym as director, concluding at the time of the General Meeting of 2023.

7. DOMINIQUE EEMAN (°1957)
Obtained a degree in Applied Economics at the University of Antwerp, a Master's degree at Vlerick Business School and also followed the International Directors Programme (INSEAD). He is General Manager of the listed holding company, Solvac. He has extensive experience as a former CFO. He is an all-round financial and strategic expert, and is familiar with the values of a family business such as Ter Beke. His knowledge of the food sector is based on his experience as CFO at Vandemoortele and his position of director at Leonidas. Furthermore, he is a member of the Board of Directors of Funds For Good, Akkanto and Sofindev IV, and member of the Supervisory Board of Van de Put & Co. He has been an independent director of Ter Beke since 2017. He is Chairman of the Audit Committee and also a member of the Remuneration and Nomination Committee.

8. KURT COFFYN (°1968)
Has a degree in Industrial Engineering, specialising in automation & electronics. Kurt has 27 years' experience in Operations & Supply Chain, from working as a labour analyst on the shop floor at Vynckier (General Electric) Ghent, to European positions at Stanley Black & Decker, and as COO at various companies such as Ontex (personal hygiene), Provimi (a world leader in premix feed), Cargill (animal nutrition & starch production) and Unilabs Switzerland (Clinical laboratories). Since the end of 2019, he has been active as COO of Belgium-based Lineas, the largest private rail freight operator in Europe. He started out as an independent director of Ter Beke in 2017 and is also a member of the Audit Committee and Remuneration and Nomination committee.

Composition and functioning of the management bodies and committees

BOARD OF DIRECTORS

COMPOSITION

The table below shows the composition of the Board of Directors on 31 December 2019, with an overview of the meetings and attendances in 2019.

Name	Type*	End of mandate	Committees**	Meetings 2019 (x = present)										
				8/1	27/2	17/4	11/6	29/8	25/9	3/10	4/10	7/10	25/10	22/11
Dirk Goeminne (1)	NE	2022	AC/RNC	x	x	x	x	x	x	x	x	x	x	x
Dominique Coopman	NE	2022		x	x	x	x	x		x	x	x	x	x
Ann Coopman (5)	NE	2022	RNC											
Frank Coopman	NE	2023						x		x		x	x	x
Eddy Van Der Pluym	NE	2023		x	x	x	x	x	x	x	x	x	x	x
Ann Vereecke (2)	I	2022	AC/RNC	x	x	x	x	x	x	x	x	x	x	x
Dominique Eeman(3)	I	2021	AC/RNC		x	x	x	x	x	x	x	x	x	x
Kurt Coffyn	I	2021	AC/RNC		x	x		x	x	x	x	x	x	x
Francis Kint (4)	E	2022		x	x	x	x	x	x	x	x	x	x	x

As permanent representative for:
(1) NV Fidigo, (2) BV Ann Vereecke, (3) BV Deemanco, (4) BV Argalix, (5) NV Hico, until 28 May 2019

*
E = Executive
NE = Non-executive
I = Independent

**
AC = Audit Committee
RNC = Remuneration and Nomination Committee

As appropriate, we confirm that the Group complies with provision 4.5 of the Corporate Governance Code regarding the maximum number of mandates in listed companies for non-executive directors.

The internal regulations of the Board of Directors describe the detailed functioning of the Board. These regulations form an integral part of the Group's Corporate Governance Charter.

The Board approved the interim results, the annual results, the budget and the Group's strategy.

DIVERSITY

The composition of the Board of Directors takes into account the necessary complementarity with respect to competences, experience, know-how and diversity, including gender. See also Article 1.2 of the internal regulations (Appendix 1 of the Corporate Governance Charter).

The list of the members of the Board of Directors shows that these criteria have largely been satisfied for 2019.

For a number of months following the death of its director Ann Coopman, permanent representative of NV Hico, Ter Beke did not meet Article 7.86 of the new Belgian Code of Companies and Associations (Article 518 of the old Belgian Company Code) regarding the requirements of diversity based on gender. The board of directors hopes to be able to submit the appointment of a new female director to the general meeting.

EVALUATION

In September and October 2019, the Chairman of the Board organised a formal evaluation of the Board and its functioning, including the interaction with the executive management. The results of this evaluation were discussed by the Board and measures for improvement were prepared.

APPOINTMENTS/REAPPOINTMENTS IN 2019

The General Meeting of 29 May 2019 appointed Messrs Frank Coopman and Eddy Van der Pluym as non-executive directors for a period of four years, concluding at the time of the General Meeting of 2023.

COMMITTEES WITHIN THE BOARD OF DIRECTORS

In 2019, the Board of Directors had two active committees: the Audit Committee and the Remuneration and Nomination Committee. The committees are composed in accordance with legislation and the provisions of the Corporate Governance Code. These committees work under a mandate issued by the Board of Directors. A description of this mandate can be found in the detailed regulations of the Corporate Governance Charter.

AUDIT COMMITTEE

The table below shows the composition of the Audit Committee as on 31 December 2019, with an overview of the meetings and attendances in 2019.

Name	Meetings 2019 (x = present)			
	25/2	11/6	26/8	22/11
NV Fidigo (Dirk Goeminne)	x	x	x	x
BV Deemanco (Dominique Eeman)*	x	x	x	x
BV Ann Vereecke (Ann Vereecke)	x	x	x	x
Kurt Coffyn	x		x	x

* Chair

All members of the committee are non-executive directors and have a thorough knowledge of financial management. The majority of members on the committee are independent. The committee has the necessary collective expertise regarding the company's activities. Meetings of the committee were regularly attended by the Statutory Auditor and on every occasion by the Internal Auditor.

The Audit Committee advised the Board of Directors regarding the following:

- Annual results 2018
- Interim results 2019
- Internal audit
- Group risk management
- Independence and remuneration of the Statutory Auditor and the companies affiliated with the Statutory Auditor

The Audit Committee monitors the internal audit function set up by it and regularly evaluates its own regulations and functioning.

REMUNERATION AND NOMINATION COMMITTEE

The table below shows the composition of the Remuneration and Nomination Committee on 31 December 2019, with an overview of the meetings and attendances in 2019.

Name	Meetings 2019 (x = present)				
	25/2	17/4	11/6	29/8	22/11
BV Ann Vereecke (Ann Vereecke)**	x	x	x	x	x
BV Deemanco (Dominique Eeman)	x	x	x	x	x
Kurt Coffyn	x	x		x	x
NV Fidigo (Dirk Goeminne)	x	x	x	x	x
NV Hico (Ann Coopman)*	x				

* mandate expired on 28 May 2019
** Chair

All members are non-executive directors and have a thorough grounding in human resources management. The majority of members on the committee are independent. The Remuneration and Nomination Committee advises the Board of Directors with regard to:

- Remuneration of the directors and the CEO
- Remuneration of the Chairman and the directors
- General remuneration policy for the directors and executive management
- Principles of the variable remuneration system
- Appointment and reappointment of directors
- Composition of the committees within the Board of Directors
- Members and Chairman of the Executive Committee
- Managing Director

The committee draws up the remuneration report, submits it to the Board of Directors and clarifies the results at the General Meeting of Shareholders. The committee regularly assesses its own regulations and functioning.

SECRETARY

Mr Dirk De Backer is secretary to the Board of Directors and to the committees set up within the Board of Directors.

Executive committee and day-to-day management

COMPOSITION OF EXECUTIVE COMMITTEE ON 31 DECEMBER 2019

- BV Argalix, represented by Francis Kint, Group CEO/Chairman of Executive Committee/Managing Director
- Sagau Consulting BV, represented by Christophe Bolsius, CEO of the Ready Meals Division
- Dirk De Backer, Group Director of Human Resources/Secretary General
- René Stevens, Group CFO
- BV Esroh, represented by Yves Regniers, Group Controller

FUNCTIONING

In 2019, the Executive Committee held meetings once a month and whenever there were operational reasons to convene. The Executive Committee is responsible for management reporting to the Board of Directors. The detailed functioning of the Executive Committee is described in the Committee's internal regulations. These regulations form an integral part of the Group's Corporate Governance Charter.

EVALUATION

Once a year, the Board of Directors evaluates the performance of the CEO (without the CEO being present during the evaluation), as well as the performance of the other members of the Executive Committee (in the presence of the CEO). The Board does this on the initiative of the Remuneration and Nomination Committee. This evaluation was also carried out in 2019. For this, the Board uses both qualitative and quantitative criteria. There is no direct relationship between the evaluation and the annual variable remuneration.

1. DIRK DE BACKER (°1971)

Secretary General/Group Director of Human Resources

Studied law at KU Leuven (Rouen), and also obtained an LLM degree from the University of Houston and MBA degrees from Vlerick Business School and Amsterdam Business School. Until 2004, he worked as a lawyer at the law firm Allen & Overy. Since 15 November 2004, he has been serving as Secretary General to the Ter Beke Group, a position he has combined with that of Human Resources Director for the Group since 1 May 2014. Dirk De Backer is also Secretary to the Board of Directors and has been appointed Compliance Officer for the Group. He has been a member of the Executive Committee since 1 December 2014.

2. FRANCIS KINT (°1962)

Group CEO/Managing Director of NV Ter Beke

Is a Civil Engineer, Ghent University, supplemented with postgraduate studies at Vlerick Business School and an MBA at INSEAD. He built up an international career at various companies, including Sara Lee, Chiquita, Fiskars and UNIVEG. Prior to joining Ter Beke, Francis was CEO at Vion, an international meat processing company with its headquarters in Boxtel, the Netherlands. Francis was appointed director by the General Meeting of 31 May 2018 for a period of four years and was appointed CEO for the Group by the Board of Directors.

3. RENÉ STEVENS (°1958)

Group CFO up to 15/03/2020

Studied Applied Economics at the University of Antwerp, Management Information Systems at KU Leuven and Tax Law at EHSAL Brussels, and obtained an Executive MBA from Antwerp Management School as well. René Stevens has held various financial positions at Sun International and other companies. He has been CFO of the Ter Beke Group since 2005.

4. CHRISTOPHE BOLSIUS (°1969)

CEO Ready Meals Division

Graduated with a Licentiate degree in Applied Economics and a specialisation in International Business from the University of Antwerp. He has spent his entire career in the food industry. At the start of his career, he worked in various sales and marketing positions in Belgium and abroad, e.g. at Dr Oetker, Sara Lee Meat Products and Campina. In 2009, he held successive management positions at Friesland Campina and Douwe Egberts. Christophe Bolsius has been an active member of the Executive Committees of various sector associations: VLAM (Flanders' Agricultural Marketing Board), BABM (Belgilux Association of Branded products Manufacturers), BMA, coffee roasters' association. He joined the commercial management team of Ter Beke in December 2014 and from November 2015 onwards, assumed the position of Commercial Director Ready Meals. At the beginning of December 2017, he became CEO for the Ready Meals Division of the Ter Beke Group.

5. YVES REGNIERS (°1978)

Group Controller (and CFO as of 15/03/2020)

Studied law at Ghent University, then obtained an International Executive MBA from Warwick Business School (UK).

He started his career at PwC in Financial Audit. For the next 13 years, he went on to work in various financial positions at home and abroad for Multi Packaging Solutions. He has been the Group Financial Controller at Ter Beke since the beginning of 2017 and is a member of the Executive Committee since January 2019. He succeeds René Stevens as CFO as of 15 March 2020.

Conflicts of interest

BOARD OF DIRECTORS
No conflicts of interest (within the meaning of Article 523 or Article 524 of the old Belgian Company Code) were reported to the Board of Directors in 2019. There were no other reports of transactions with associated parties as referred to in Appendix 2 of the Group's Corporate Governance Charter.

EXECUTIVE COMMITTEE
No conflicts of interest (within the meaning of Article 524 of the old Belgian Company Code) occurred within the Executive Committee in 2019. Neither were there any reports of transactions with associated parties within the meaning of Appendix 2 of the Group's Corporate Governance Charter.

External control

The General Meeting of Shareholders of 29 May 2019 appointed Deloitte Bedrijfsrevisoren CVBA, represented by Ms Charlotte Vanrobaeys, as Statutory Auditor of NV Ter Beke. The appointment is for a term of three years.

We consult regularly with the Statutory Auditor. The Statutory Auditor is invited to attend the Audit Committee meeting for the half-yearly and annual reporting. The Statutory Auditor is also invited to attend the meeting to discuss the internal audit plan and the internal controls.

The Statutory Auditor does not maintain any relationships with Ter Beke that could influence its judgement. It has confirmed its independence with respect to the Group.

For the audit of the Ter Beke group in 2019, the statutory auditor charged EUR 533,000 in fees and EUR 41,000 for non-audit services. The companies with which the statutory auditor has a partnership have invoiced additional fees to the group for an amount of EUR 338,000. These fees relate, among other things, to tax consultancy assignments.

Ter Beke Dealing Code for transactions in securities

The Ter Beke Dealing Code regulates transactions in Ter Beke securities (Appendix 3 of the Group's Corporate Governance Charter).

- The Dealing Code states that price-sensitive information must be communicated immediately.
- Directors, Executive Committee members and insiders are required to inform the Compliance Officer of all share transactions. On receipt of a negative recommendation, the party concerned must cancel the transaction or inform the Board of Directors.
- The Dealing Code contains guidelines to preserve the confidential nature of privileged information. For example, the Dealing Code provides for blocked periods. Directors and other persons relevant to Ter Beke may not perform any transactions in Ter Beke securities during these blocked periods.
- New members of the Board of Directors, the Executive Committee and other persons who have regular access to privileged information are always informed by us regarding the Dealing Code.
- The company also maintains a list of the persons who have regular access to privileged information.

Remuneration report

PROCEDURE APPLIED IN 2019 FOR DEVELOPING THE REMUNERATION POLICY AND DETERMINING THE REMUNERATION AND APPLICABLE REMUNERATION POLICY

REMUNERATION PROCEDURE
The remuneration policy for the members of the Board of Directors, CEO and members of the Executive Committee is prepared by the Remuneration and Nomination Committee and approved by the Board of Directors.

The remuneration of the members of the Board of Directors, CEO and members of the Executive Committee is an integral part of the Corporate Governance Charter and is incorporated as an appendix to the Remuneration and Nomination Committee's internal regulations. The Remuneration and Nomination Committee monitors the implementation of this policy and advises the Board of Directors in this matter.

The remuneration level of the members of the Board of Directors for the financial year 2019 was approved by the General Meeting of Shareholders on 29 May 2019.

The remuneration level of the CEO and members of the Executive Committee for the financial year 2019 was confirmed by the Board of Directors based on the advice of the Remuneration and Nomination Committee.

REMUNERATION POLICY
In 2019, the members of the Board of Directors and the Committees are entitled to an annual fixed remuneration (in EUR):

Chairman of the Board of Directors	75,000
Member of the Board of Directors	20,000
Chairman of the Audit Committee	10,000
Member of the Audit Committee	6,000
Chairman of the Remuneration and Nomination Committee	7,000
Member of the Remuneration and Nomination Committee	5,000

Directors are not entitled to any variable, performance-related or equity-related remuneration, nor to any other remuneration for the performance of their mandate as director, except for a fixed remuneration.

The remuneration of the CEO is made up of a fixed remuneration and an annual variable remuneration. The remuneration of the members of the Group's executive management consists of a fixed remuneration, an annual variable remuneration, a company car, fuel card and other remuneration components such as pensions and insurance, all of this in line with current company guidelines.

The CEO and members of the executive management receive an annual variable remuneration that is granted depending on the achievement of annually set targets related to the financial year for which the variable remuneration is payable.

The targets are based on objective parameters. They are closely linked to the Group's results and the role played by the CEO and the members of the executive management in achieving these results. The main parameters used for this are volume, turnover, UEBIT, EAT and UROCE (for definitions of these parameters, please refer to the financial part of this annual report). The specific parameters to be applied in any given year and the specific targets to be achieved are assessed annually by the Remuneration and Nomination Committee and presented to the Board of Directors for approval. For 2019, these parameters were volume, underlying EBIT and underlying ROCE. Achieving the individual performance objectives determines 20% of the variable remuneration of the executive management.

The variable allowance is one quarter or less of the annual remuneration.

If the CEO or executive managers do not achieve the minimum of a set target in a given year, the right to the variable remuneration linked to that target lapses. On the other hand, if the set target is exceeded, they may receive up to 150% of the variable remuneration linked to that target.

In addition to the system of variable remuneration, the Board of Directors is authorised to allocate, on the recommendation of the Remuneration and Nomination Committee, an (additional) bonus for specific performance or services to the CEO and/or to (some of) the members of the executive management, provided that this does not exceed the total variable remuneration budget for the CEO and the members of the executive management.

If a variable remuneration has been granted based on information that subsequently transpires to be incorrect, the company will rely on facilities provided under common law. There are no specific agreements or systems entitling the company to recover the variable remuneration paid.

Under normal circumstances, the Group's remuneration policy for members of the Board and executive management will not be subject to any significant changes in the coming years, with the exception of changes as part of the CG Code 2020 and the legislation for implementation of the Guideline in respect of advancing the long-term commitment of shareholders.

Long-term incentives were established for the CEO of the Group and for the CEO of the Ready Meals Division in 2018. After a period of five years and three years respectively, they will be entitled to an additional remuneration, depending on the equity value of the Group and the results of the Ready Meals Division at the end of this period respectively.

REMUNERATION AND OTHER ALLOWANCES FOR NON-EXECUTIVE DIRECTORS AND EXECUTIVE MANAGERS IN THEIR ROLE AS A MEMBER OF THE BOARD OF DIRECTORS (IN EUR)

The remuneration of the members of the Board of Directors (executive, non-executive and independent directors, see overview below) for their mandate as director in 2019 can be summarised as follows:

	Mandate of director	Mandate Remuneration and Nomination Committee	Mandate Audit Committee	Total
NV Fidigo (Dirk Goeminne)	75,000.00	5,000.00	6,000.00	86,000.00
BV Argalix (Francis Kint)	20,000.00			20,000.00
NV Hico	8,333.33	2,083.33		10,416.67
Frank Coopman	11,666.67			11,666.67
Dominique Coopman	20,000.00			20,000.00
NV AREI	8,333.33			8,333.33
Eddy Van Der Pluym	11,666.67			11,666.67
BV Ann Vereecke	20,000.00	7,000.00	6,000.00	33,000.00
Deemanco BV (Dominique Eeman)	20,000.00	5,000.00	10,000.00	35,000.00
Kurt Coffyn	20,000.00	5,000.00	6,000.00	31,000.00
Total mandates				**267,083.33**

In addition to the aforementioned remuneration, NV Fidigo invoiced an amount of EUR 164,000 for the provision of services which exceeded the mandate of the Chairman of the Board of Directors.

REMUNERATION OF THE CEO AND OTHER MEMBERS OF THE EXECUTIVE MANAGEMENT (IN EUR)

For 2019, the individual remuneration of the Managing Director/Chairman of the Executive Committee (BV Argalix, represented by Francis Kint) and the combined remuneration of the other members of the Executive Committee and the executive directors: René Stevens, Yves Regniers (BV Esroh), Christophe Bolsius (BV Sagau Consulting) and Dirk De Backer amounted to (total cost for the Group):

	CEO***	Other members of the executive management
Base pay	484,725.00	1,131,554.03
Variable pay (cash - on a yearly basis)°	106,666.24	191,158.90
Pensions*	NA**	28,694.88
Other insurance (hospitalisation insurance)	NA**	615.96
Other benefits (company car)	NA**	36,132.00
Long Term Incentive provisie 2019	-	244,833.33

° Provision per 31/12/2019
* The pension scheme relates to fixed contribution contracts
** N/A = Not applicable
*** Mandate of director excluded

SHARE-RELATED REMUNERATION

Neither the members of the Board of Directors nor the members of the Executive Committee hold any share options, warrants or any other rights to acquire shares.

No shares, share options, or any other rights to acquire Ter Beke shares were granted by the company in 2019 to any of the members of the Board of Directors or the members of the Executive Committee.

CONTRACTUAL PROVISIONS RELATED TO RECRUITMENT AND SEVERANCE PAYMENTS

No appointment arrangements were agreed on with either the members of the Executive Committee or the executive directors that would entitle them to a severance payment of more than 12 months' remuneration or that would otherwise be in conflict with the statutory provisions, the provisions of the Corporate Governance Code 2009 or common market practices.

The notice period for BV Argalix (Francis Kint), BV Esroh (Yves Regniers) and Sagau Consulting BV (Christophe Bolsius) is always 12 months, while the notice period for Dirk De Backer and René Stevens will, in principle, be calculated in accordance with the statutory provisions applicable to their employment contract.

Key features of the internal control and risk management systems

We attach great importance to efficient internal control and risk management systems and we try to integrate these into our structure and business operations to the maximum possible extent. For this purpose, we have implemented numerous internal controls according to the integrated COSO II or Enterprise Risk Management Framework®. The key elements are summarised here.

Each year, based on the proposal put forward by the Executive Committee, the Board of Directors determines or confirms the Group's mission, values and strategy as well as the risk profile of the Group. We actively and repeatedly promote our values among all our employees during information meetings organised every six months. Integrity is the most important value in the context of risk management. At the same time, we communicate to all our employees the key aspects of the strategy and objectives for the Group and the divisions.

The governance structure of our Group, described in detail in our Articles of Association, Corporate Governance Charter and in this Corporate Governance Statement, clearly defines the various duties and responsibilities of each of our management bodies, and more specifically those of the Board of Directors, the Audit Committee, the Remuneration and Nomination Committee, the Executive Committee and the Managing Director/CEO. These duties and responsibilities are in line with the statutory provisions and the provisions of the Corporate Governance Code 2009. Coherent regulations have been drawn up for each of the aforementioned bodies which are regularly evaluated and if necessary, amended so that powers and responsibilities are clearly defined and can be monitored at all times.

We organise (and monitor) our human resources via a job classification system, in which all Group employees are graded. Detailed job descriptions have been drawn up for each position. These job descriptions define both the educational and competency requirements for the job as well as the duties, responsibilities and reporting lines for the position. These job descriptions are adapted as the scope of certain jobs changes due to internal or external circumstances.

Each year, we appraise the performance of all our non-production employees using a detailed appraisal tool. We attach extra importance to employee behaviour that is in line with our company values.

We have also defined clear policy lines with regard to the training and remuneration of our employees.

We rigorously apply the statutory provisions related to conflicts of interest (see above) and we have implemented regulations for transactions with associated parties that do not constitute a legal conflict of interest (see Appendix 2 to the Corporate Governance Charter).

The internal auditor periodically conducts risk audits and audits of the internal controls in all Group departments and reports on these to the Audit Committee. Based on the findings of the internal auditor and in consultation with the Audit Committee adjustments are implemented in the internal control system.

The Audit Committee devotes two meetings per year to evaluating the risks that we are exposed to (see above). Internal controls and risk management are also discussed at these meetings. This is based on a formal and detailed risk assessment procedure developed by the executive management, which includes reporting on how the identified risks are dealt with. The Audit Committee reports on its activities at the subsequent meeting of the Board of Directors.

We follow a Dealing Code to prevent market abuse (see Appendix 3 to the Corporate Governance Charter) and we have appointed a compliance officer to ensure correct compliance with the rules on market abuse (see above).

We have concluded appropriate insurance contracts to protect us against the most serious risks.

We have a hedging policy in place to manage exchange rate risks.

A number of other risk management practices that we apply have been mentioned in the description of the main risks to which we are exposed.

The following control and risk management systems have been established with specific regard to the financial reporting process:

The internal regulations of the Board of Directors, Audit Committee and Executive Committee clearly describe the responsibilities in the context of preparing and approving the Group's financial statements.

The financial results of the Group and the divisions are reported by the finance department on a monthly basis to the Board of Directors. The committee discusses these results and makes them available to the members of the Board of Directors.

The Executive Committee reports on the results of the Group and the divisions to the Board of Directors on a quarterly basis. The Executive Committee reports the results of the first six months and the annual results to the Audit Committee, which then discusses them with the internal and external auditor. These results are subsequently presented to the Board of Directors for approval and published in the legally prescribed format. We publish a schedule, both internally and externally, which provides an overview of our periodic reporting obligations with respect to the financial market.

We publish a schedule, both internally and externally, which provides an overview of our periodic reporting obligations with respect to the financial market.

We have introduced clear schedules for financial reporting at all levels of the company, so that we can meet all the statutory requirements in a correct and timely manner.

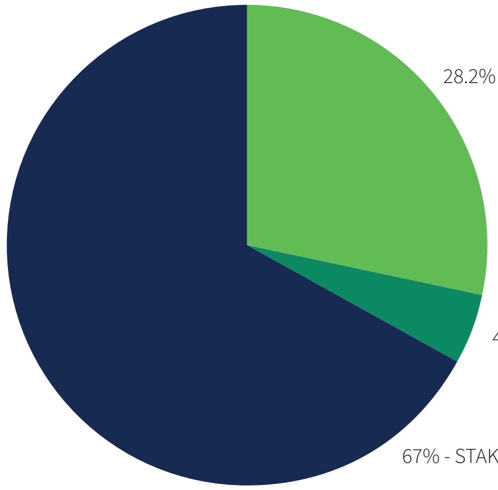
We also have a clear policy regarding the protection of and access to financial data, as well as a proper system for the backup and storage of this data.

The finance department has a detailed manual describing the relevant accounting principles and procedures.

We have implemented the internal controls subject to the greatest risk from the COSO II framework regarding financial matters. These controls and systems are designed to help guarantee that the published financial results give a true and fair picture of the Group's financial position.

Other statutory information

SHAREHOLDING STRUCTURE AS PER 31 DECEMBER 2019



TRANSPARENCY

In 2019, we received no transparency declarations.

NOTIFICATIONS PURSUANT TO ARTICLE 34 OF THE 14 NOVEMBER 2007 ROYAL DECREE

There are no persons holding securities with special control rights.

The voting rights of the Group's own shares are suspended in accordance with the prevailing statutory provisions.

The Extraordinary General Meeting of Shareholders are authorised to modify the company's Articles of Association. This requires a three-fourths majority of the votes present. Those present must represent at least half of the share capital, as provided for in Article 558 of the old Belgian Company Code. The objective of the company may be altered with a majority of four-fifths of the votes present (Article 559 of the old Belgian Company Code). On 31 December 2019, Ter Beke NV did not hold any treasury shares (neither did Ter Beke NV hold any treasury shares on 31 December 2018).

The procedure for the appointment/reappointment of directors (see above-mentioned reappointments), is described in Article 4 of the regulations of the Remuneration and Nomination Committee (appendix to the Group's Corporate Governance Charter).

The Extraordinary General Meeting of Shareholders held on 26 May 2017 authorised the Board of Directors of Ter Beke NV to increase the share capital of the company within the limits of the authorised capital. This must be done in accordance with the conditions stated in Article 607 of the old Belgian Company Code. This authorisation is valid for a period of three years.

The Extraordinary General Meeting of Shareholders held on 26 May 2017 also authorised the Board of Directors to acquire, in accordance with Article 620 of the old Belgian Company Code, shares in the company on behalf of the company. Such acquisition of shares is only permitted as a necessary means to avert an imminent and serious threat to the company. This authorisation is valid for three years. In 2018, we received a STAK Coovan transparency declaration over the shareholding in the Ter Beke NV capital. This declaration was included in the company website and the contents published in accordance with the applicable regulations and is shown above.

To the best of the Group's knowledge there are no other elements to be mentioned that may have an effect in the event of a public takeover bid.

KEY BUSINESS RISKS

In its internal operations, Ter Beke takes many precautions to reduce possible risks. As a food manufacturer, we are also subject to risks that lie beyond our control. Yet we act proactively to minimise any possible impact.

Furthermore, like many companies, we are not immune to the Covid-19 pandemic. These risks have an impact on both our operations (employees, additional sanitation measures, logistic flows), commercial activities (with increased volatility of demand) and financial risks. We manage these risks through a multi-disciplinary approach: local teams (operations) and central teams (IT, Sales, Supply Chain, Purchasing, Finance) are in daily contact to mitigate operational, commercial and financial risks on-site and off-site.

MAIN RISKS TO OUR OPERATING ACTIVITIES	WHAT CAN HAPPEN IF WE DON'T MAKE THE RIGHT DECISIONS?	HOW DO WE LIMIT THE RISKS IN GENERAL AND IN 2019 IN PARTICULAR?
OPERATIONAL RISKS		
Food safety and product liability		
Every day, thousands of people eat our processed meats and ready meals. These products must be fresh and safe. The end consumer is also entitled to clear information about the composition of the product and its nutritional value.	The safety and the confidence of consumers are vitally important to us. Anything that can damage this confidence - either concerning our own products or the sector - will have a negative impact on our sales, our prospects and our reputation.	We have constant high demands for product safety and quality. All our raw materials are traceable. Our packaging clearly states product composition and nutritional values per 100 grammes and per serving. We go further than the statutory requirements with regards to the safety of our packaging. We have insurance to cover our product liability.
Competitive environment		
The processed meats market is extremely mature and is dominated by the private labels of large discount and retail customers. The ready meals market is growing, but here competition is very fierce.	The competition enables customers to increase pressure on our margins. This may have an impact on our profits.	We distinguish ourselves from our competitors in terms of concepts and products. We work continuously on improving efficiency and cost control.
Technological developments		
Product and production technologies evolve rapidly.	Not being abreast with the latest production technologies can have a negative impact on efficiency and cost control. Competitors may have access to alternative product technology that at some point may win over consumers.	Each year we invest considerable sums in tangible non-current assets to maintain and improve our level of technology. We maintain good contact with our suppliers so that we are always well informed of the most recent developments. We sound out consumer preferences. We work together with research institutes such as Flanders' FOOD.
Electronics and information systems		
For efficient business operations we are becoming increasingly dependent on information systems and integrated control systems which are managed by a complex set of software applications.	If these systems do not work well, or if they were to become unavailable, this would have a negative impact on the production volume and on our reputation.	All systems are maintained appropriately. All systems are upgraded when necessary. Regular back-ups are made of all information. A new ERP system has been implemented to structure and simplify our business processes.
War for talent		
An organisation is only as strong as its employees. The knowledge and expertise is to be found in a group of employees who contribute to building the company and its brands.	If too many good employees are plucked away by the competition and there is too little influx of young people, we run the risk that we will be unable to achieve our growth scenario.	In 2015, we established a Young Potential programme: newly graduated young people receive an attractive training programme. They experience four different positions within the company during two years. We hired a number of specialized recruiters.

MAIN RISKS TO OUR OPERATING ACTIVITIES	WHAT CAN HAPPEN IF WE DON'T MAKE THE RIGHT DECISIONS?	HOW DO WE LIMIT THE RISKS IN GENERAL AND IN 2018 IN PARTICULAR?
MARKET RISKS		
Price fluctuations for raw materials and packaging		
We work with natural raw materials. We must therefore take into account possible fluctuations in the quality and the price of our raw materials and packaging materials.	Price increases for raw materials and packaging can have a negative influence on the margins.	We enter into long-term contracts whenever possible. We work with volume arrangements on an annual basis.
Relationships with suppliers		
For specific raw materials we are obliged to work with a limited number of suppliers.	If one or more of these suppliers cannot fulfil its contractual commitments and we are unable to secure alternative supplies in time, this could have a negative impact on our business operations.	We enter into long-term contracts whenever possible. We work with volume arrangements on an annual basis. We offer our suppliers fair payment for their added value. We work with preferential suppliers for sustainability.
Relationships with customers		
We market our products via a network of discount and retail customers throughout Europe. The number of large customer groups is limited.	The number or larger retail customers is small. If one of them terminates a contract, this may have a significant negative impact on our turnover and profit.	We diversify turnover in different products and contracts with other lead times; both with respect to our own brands as well as private labels of customers and in different countries.
Customer and consumer behaviour		
Our sales are related to the eating habits and trends of the ultimate consumers, just as their spending habits.	If consumers no longer selected our products or their eating habits were to change, this would have a significant impact on our business activities. General economic conditions such as cyclical fluctuations, unemployment and interest rates can also affect the consumer spending patterns.	In 2015, we conducted a major market research survey on trends in dietary habits in various markets. We surveyed the satisfaction of our consumers to anticipate and minimise this risk. We ensure that our prices are in line with those of the market.

CORPORATE GOVERNANCE

MAIN RISKS TO OUR OPERATING ACTIVITIES	WHAT CAN HAPPEN IF WE DON'T MAKE THE RIGHT DECISIONS?	HOW DO WE LIMIT THE RISKS IN GENERAL AND IN 2018 IN PARTICULAR?
FINANCIAL RISKS (SEE ALSO EXPLANATORY NOTE 28 IN THE ANNUAL ACCOUNTS)		
Credit risks		
We have receivables outstanding from our clients and retail customers.	Receivables not collected on time have a negative impact on the cash flow.	We monitor customers and outstanding receivables in order to limit these potential risks. Most receivables relate to large European customers which limits the risk.
Exchange rate risks		
As Ter Beke operates in an international environment, we are exposed to an exchange rate risk on the sales, purchases and interest-bearing loans expressed in a currency other than the company's local currency.	Fluctuations in exchange rates can cause fluctuations in the value of financial instruments.	We adhere to a consistent hedging policy. We do not use financial instruments for trading and we do not speculate.
Interest risk		
The forms of financing with variable interest rates mainly arise from Ter Beke's Revolving Credit Facility Agreement.	The fair value or future cash flows of a financial instrument will fluctuate as a result of changes in the market interest rates.	We adhere to a consistent hedging policy. We do not use financial instruments for trading and we do not speculate.
Liquidity and cash flow risks		
As with any business, Ter Beke monitors liquidities and cash flow.	A shortage of cash and cash equivalents could put pressure on the relationships with certain parties.	We have a significant net cash flow with respect to the net financial debt position. We have centralised our treasury policy and we hedge against interest rate risks.
LEGAL RISKS (SEE ALSO EXPLANATORY NOTE 30 IN THE ANNUAL ACCOUNTS)		
Changes to legislation		
Now and then the government changes and tightens legislation on the production and sale of foods.	Not meeting these conditions can expose us to the risk of fines or sanctions.	We invest significant amounts annually to satisfy new legislation, likewise relating to sustainability and the environment. Each year we organise training programmes to keep our employees up-to-date on new legislation and its impact.
Legal disputes		
Occasionally we are involved in legal proceedings or disputes with customers, suppliers, consumers or the government.	Such litigation could have a negative impact on our financial situation.	We anticipate the potential impact of these disputes in our accounts as soon as a risk is judged as realistic under the applicable accounting rules.

4 STOCK AND SHAREHOLDER INFORMATION

STOCK AND SHAREHOLDER INFORMATION

SHARE QUOTATION

On 31 December 2019, the capital of Ter Beke was represented by 1,732,621 shares. The shares are quoted on the spot market (continuous market) of Euronext Brussels.

Om de liquiditeit van het aandeel te bevorderen, sloten we in 2001 een In order to promote the share's liquidity, in 2001 we concluded a liquidity provider agreement with Bank Degroof/Petercam. This means that the bank acts as third party if there are not enough buyers or sellers. The liquidity provider also ensures that the difference between the bid and ask prices (the prices for which you can sell and buy the shares) diminishes.

The shareholder structure is described in the Corporate Governance Statement (see above).

SHARE-RELATED INSTRUMENTS

On 31 December 2019, there were no share-related instruments, such as stock options or warrants in circulation.

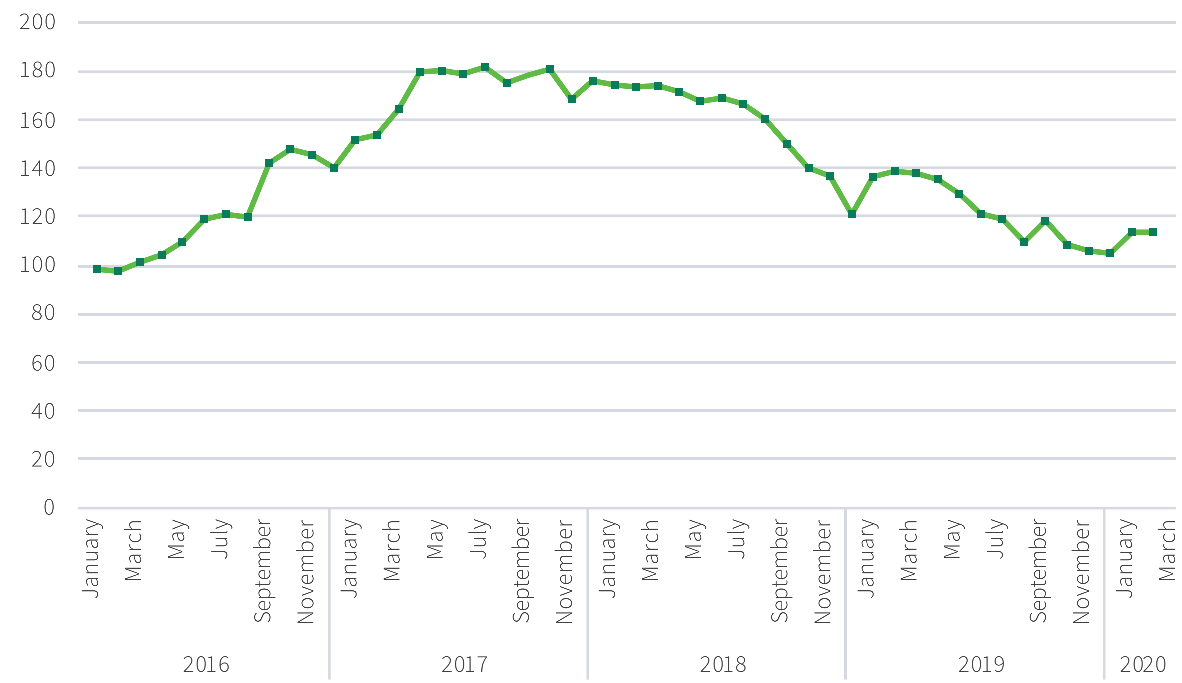
DIVIDEND

Ter Beke wishes to offer its shareholders a competitive yield through an annual dividend payment. The Board of Directors will submit a proposal to the General Meeting of 28 May 2020 to distribute a gross dividend of EUR 4.00 per share over 2019.

STOCK PRICE EVOLUTION

The actual price of the Ter Beke share can be consulted at all times on the www.terbeke.com and www.euronext.com websites.

Stock price evolution in €



MONITORING BY FINANCIAL ANALYSTS

Analysts at Degroof/Petercam and KBC Securities have monitored the Ter Beke share during 2019.

PROPOSALS TO THE GENERAL MEETING

- To approve the annual accounts at 31 December 2019 and to consent to the processing of the result. The non-consolidated result for the financial year is EUR 6,840,067.15.
- To distribute a gross dividend of EUR 4.00 per share.
- To grant discharge to the members of the Board of Directors and the Statutory Auditor for the execution of their mandate in 2019.
- To decide on the remuneration report in a separate vote.
- To take note of the resignation of Mr Kurt Coffyn as director, and, on the advice of the Remuneration and Nomination Committee, to appoint C: Solutio BV, represented by Mr Kurt Coffyn, as independent director for a period of 4 years.
- To take note of the resignation of Mr Frank Coopman as director, and, on the advice of the Remuneration and Nomination Committee, to appoint Holbigenetics NV, represented by Mr Frank Coopman, as director for a period of 4 years.
- To approve the annual remuneration of EUR 360,000 for the directors for the performance of their mandate in 2020.

The Board of Directors will convene a Special General Meeting to amend the Articles of Association of the Company in conformity with the new Belgian Code of Companies and Associations.

For the actual agenda and proposals to vote on, please refer to the convening notice for the General Meeting of Shareholders and the Special General Meeting of Shareholders.

FINANCIAL CALENDAR

Shareholders' Meeting	28 May 2020 at 11 a.m.
Half-yearly Results 2020	28 August 2020 before market opening
Annual Results 2020	26 February 2021 before market opening

5 CONSOLIDATED FINANCIAL STATEMENTS

INDEX

All amounts in EUR x 1000, unless stated otherwise.

Consolidated income statement

as at 31 December 2019 and 2018

	Note	2019	2018
Revenue	4	728,132	680,460
Trade goods, raw and auxiliary items	5	-442,586	-399,416
Services and miscellaneous goods	6	-116,124	-116,286
Employee expenses	7	-127,100	-119,640
Depreciation costs	15 +16	-30,602	-27,126
Impairments, write-downs, and provisions	8	-436	-692
Other operating income	9	2,235	3,159
Other operating expenses	9	-7,314	-4,241
Result of operating activities	10	6,205	16,218
Financial income	11	385	358
Financial expenses	12	-3,632	-3,748
Results of operating activities after net financing expenses		2,958	12,828
Taxes	13	1,457	-5,587
Profit in the financial year: share third parties		190	56
Profit in the financial year: share group		4,225	7,185
Basic earnings per share	31	2.44	4.15
Diluted earnings per share	31	2.44	4.15

Consolidated overview of the comprehensive income

as at 31 December 2019 and 2018

	2019	2018
Profit in the financial year	4,415	7,241
Other elements of the result (recognised in the shareholders' equity)	1,663	-591
Other elements of the result that may subsequently be reclassified to the results		
Translation differences	1,319	-314
Cash flow hedge	-198	-204
Other elements of the result that may not subsequently be reclassified to the results		
Revaluation of the net liabilities regarding defined benefit pension schemes	721	-110
Related deferred taxes	-179	37
Comprehensive income	6,078	6,650

Consolidated balance sheet

as at 31 December 2019 and 2018

	Note	2019	2018
ASSETS			
Fixed assets		252,148	243,591
Goodwill	14	78,224	76,456
Intangible fixed assets	15	26,116	28,651
Tangible fixed assets	16	138,126	133,382
Deferred tax assets	17	9,604	5,027
Other long-term receivables		78	75
Current assets		186,874	181,387
Inventories	18	40,733	36,304
Trade and other receivables	19	119,316	121,908
Cash and cash equivalents	20	26,825	23,175
TOTAL ASSETS		439,022	424,978
LIABILITIES			
Shareholders' equity	21	124,176	125,028
Capital and share premiums		53,191	53,191
Reserves		69,051	70,184
Non-controlling interest		1,934	1,653
Deferred tax liabilities	17	5,768	9,340
Non-current liabilities		147,970	139,683
Provisions	22	4,588	5,835
Non-current interest-bearing liabilities	23	139,279	130,042
Other non-current liabilities	24	4,103	3,806
Current liabilities		161,108	150,927
Current interest-bearing liabilities	23	11,980	15,812
Trade liabilities and other payables	25	127,725	115,423
Social liabilities		19,291	15,890
Tax liabilities		2,112	3,802
TOTAL EQUITY AND LIABILITIES		439,022	424,978

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of changes in equity

as at 31 December 2019 and 2018

	Capital	Capital Reserves	Share Premiums	Reserved Profits	Cash Flow Hedge	Pensions And Taxes	Call/Put Option On Mintority Intrests	Translation Differences	Attributable To The Shareholders	Minority Intrests	Total	Number Of Shares
Balance on 1 January 2018	**4,903**	**0**	**48,288**	**74,093**	**55**	**-840**	**-3,296**	**494**	**123,697**	**1,611**	**125,308**	**1,732,621**
Results in the financial year				7,185					7,185	56	7,241	
Other elements of the comprehensive income for the period					-204	-73		-300	-577	-14	-591	
Comprehensive income for the period				**7,185**	**-204**	**-73**	**0**	**-300**	**6,608**	**42**	**6,650**	
Dividend				-6,930					-6,930		-6,930	
Balance on 31 December 2018	**4,903**	**0**	**48,288**	**74,348**	**-149**	**-913**	**-3,296**	**194**	**123,375**	**1,653**	**125,028**	**1,732,621**
Results in the financial year				4,225					4,225	190	4,415	
Other elements of the comprehensive income for the period					-198	542		1,228	1,572	91	1,663	
Comprehensive income for the period				**4,225**	**-198**	**542**	**0**	**1,228**	**5,797**	**281**	**6,078**	
Dividend				-6,930					-6,930		-6,930	
Balance on 31 December 2019	**4,903**	**0**	**48,288**	**71,643**	**-347**	**-371**	**-3,296**	**1,422**	**122,242**	**1,934**	**124,176**	**1,732,621**

Consolidated cash flow statement

as at 31 December 2019 and 2018

	2019	2018
OPERATING ACTIVITIES		
Results of operating activities after net financing expenses	2,958	12,828
Interest	2,038	2,144
Depreciation	30,602	27,126
Write-downs (*)	296	495
Provisions	10	197
Gains and losses on disposal of fixed assets and trade receivables	132	757
Cash flow from operating activities	36,036	43,547
Decrease/(increase) in receivables more than 1 year	0	14
Decrease/(increase) in inventory	-4,477	-2,001
Decrease/(increase) in receivables less than 1 year	2,579	-5,391
Decrease/(increase) in operational assets	-1,898	-7,378
Increase/(decrease) in trade liabilities	5,436	12,716
Increase/(decrease) in debts relating to remuneration	3,520	-561
Increase/(decrease) in other liabilities, accruals and deferred income	4,355	906
Increase/(decrease) in operational debts	13,311	13,061
(Increase)/decrease in the operating capital	11,413	5,683
Taxes paid	-7,766	-9,526
NET CASH FLOW FROM OPERATING ACTIVITIES	39,683	39,704
INVESTMENT ACTIVITIES		
Acquisition of intangible and tangible fixed assets	-18,519	-27,435
Acquisition of subsidiary	-1,490	0
Total increase in investments	-20,009	-27,435
Sale of tangible fixed assets	303	452
Total decrease in investments	303	452
CASH FLOW FROM INVESTMENT ACTIVITIES	-19,706	-26,983
FINANCING ACTIVITIES		
Increase/(decrease) in short-term financial debts	-1,657	-59,575
Increase in long-term debts	1,299	120,000
Repayment of long-term debts	-7,031	-47,401
Interest paid interest (via income statement)	-2,038	-2,144
Dividend paid by parent company	-6,930	-6,930
CASH FLOW FROM FINANCING ACTIVITIES	-16,357	3,950
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,620	16,671
Cash funds at the beginning of the financial year	23,175	6,513
Translation differences	30	-9
CASH FUNDS AT THE END OF THE FINANCIAL YEAR	26,825	23,175

(*) Also includes adjustments that are part of the financial result.
This was EUR nihil in 2018; EUR 130 in 2019

Accounting policies for financial reporting and explanatory notes

1. SUMMARY OF THE KEY ACCOUNTING PRINCIPLES

DECLARATION OF CONFORMITY

Ter Beke NV ('the Entity') is an entity domiciled in Belgium. The Entity's consolidated financial statements cover the Entity Ter Beke NV and its subsidiaries (further referred to as the 'Group'). The consolidated financial statements were issued for publication by the Board of Directors on 25 March 2020. The consolidated financial statements were drawn up in accordance with the International Financial Reporting Standards (IFRS) as accepted within the European Union.

The consolidated statements are set out in EUR x 1000. The accounting principles are applied uniformly to the entire Group and are consistent with the previous financial year, except regarding IFRS 16. The comparative information has been restated in accordance with IFRS.

STANDARDS AND INTERPRETATIONS APPLICABLE TO THE ANNUAL PERIOD BEGINNING ON 1 JANUARY 2019

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28 Long-term Investments in Associates and Joint Ventures
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Annual improvements to IFRS 2015-2017 cycle

With the exception of IFRS 16, the above standards have no material impact.

The new standard IFRS 16 is effective from 1 January 2019 and replaces IAS 17 regarding financial leases.

IFRS 16 requires the lessee to capitalise all lease liabilities and rental obligations on the balance sheet. The liability reflects all future lease payments associated with the lease agreement valued at current value. 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.

As a result of applying IFRS 16, we have recognised lease liabilities for lease agreements that were formerly recognised as operating lease in accordance with IAS 17. These lease liabilities were recognised at the present value of the remaining lease obligations, and discounted according to our 'marginal interest rate' applicable on 1 January 2019. On 1 January 2019, our weighted average 'marginal interest rate' used for the valuation of the lease liabilities was 3.35%.

On implementation date we used the following practical exemptions, as permitted by IFRS 16:

- Using the previous definition of a lease (as designated by IAS 17) for all contracts that existed on the date of first adoption.
- Using a single 'marginal interest rate' for a group of leases with the same characteristics.
- Using previous estimates of loss-making lease contracts, rather than testing for impairments.
- Recognising all operating lease contracts with a remaining term of less than 12 months at 1 January 2019 as short-term leases.
- Recognising all operating lease contracts with a low value as short-term leases.

For further details, see Note 26.

Changes to the valuation rules effective from 1 January 2019 due to the application of IFRS 16:

Whereas until the end of 2018 we made a distinction between financial leases (recognised on the balance sheet) and operational leases (obligations not included in the balance sheet), from 1 January 2019, we recognise user rights on the balance sheet and corresponding lease liabilities (valued at present value). These liabilities reflect the future lease payments, estimated on the commencement date of the leases. After initial recognition the lease liabilities are valued based on the amortised cost price.

The user rights (mainly consisting of the amount of the initial valuation of the lease debt) are valued at cost price and depreciated linearly over their estimated useful life. The user rights are shown on the balance sheet together with the tangible non-current assets under own management and the lease liabilities are shown as short and long-term lease liabilities.

Each lease payment is allocated to the lease liability on the one hand and the financial expenses on the other hand.

	31/12/19
Tangible fixed assets (right of use)	11,185
Impact on total assets	11,185
Transferred losses	-126
Deferred taxes	-39
Long-term lease liabilities	8,619
Short-term lease liabilities	2,722
Revenue to be transferred	9
Impact on total equity and liabilities	11,185
Impact on EBITDA	3,138
Impact on EBIT	209
Impact on net financing costs	-375
Impact on EAT	-127

STANDARDS AND INTERPRETATIONS PUBLISHED, BUT NOT YET APPLICABLE TO THE ANNUAL PERIOD BEGINNING ON 1 JANUARY 2019

- Amendments to IAS 1 and IAS 8 Definition of Material (applicable for annual periods beginning on or after 1 January 2020, but not yet endorsed in EU)
- Amendments to IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 January 2020, but not yet endorsed in EU)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date has been deferred indefinitely, and therefore the endorsement in EU has also been postponed)
- Amendments to the references to the Conceptual Framework in IFRS Standards (applicable for annual periods beginning on or after 1 January 2020, but not yet endorsed in EU)
- IFRS 14 Regulatory Deferral Accounts (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2021, but not yet endorsed in EU)
- Amendments to IAS 1 related to the classification of short-term and long-term debts (applicable for annual periods beginning on or after 1 January 2022)

The Group does not expect these new amendments to the standards to have any material impact.

CONSOLIDATION PRINCIPLES

The consolidated annual accounts include the financial data of Ter Beke NV and its subsidiaries, joint venture and associate. A list of these entities is included in Note 33.

SUBSIDIARIES INCLUDED IN THE CONSOLIDATION IN ACCORDANCE WITH THE INTEGRAL METHOD

The consolidated annual accounts include the financial data of Ter Beke NV and its subsidiaries after elimination of intra-group balances and transactions. A list of these entities is included in Note 33.

The following factors are also taken into account in determining control:

- the objective and intent of the participating interest;
- the relevant activities and how decisions on these activities are taken;
- whether the rights of the investor provide them with the means to continually influence the relevant activities;
- whether the investor is exposed to or has a right to variable revenues by virtue of their involvement in the participating interest; and
- whether the investor has the means to use their control over the participating interest to influence the amount of the revenues of the investor.

The financial statements of the subsidiaries are recognised in the consolidated financial statements from the date on which such control begins until the date on which it ends. A list of the Group's subsidiaries is included in Note 33.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The cost of an acquisition is valued as the sum of the fair value on acquisition date of the consideration transferred and the amount of the non-controlling interest in the acquiree. For each business combination, the acquirer must value the minority interest in the acquiree either at fair value or at the proportionate share of the minority interest in the identifiable net assets of the acquiree. The costs relating to the acquisition are recognised immediately in the income statement.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the minority interests previously held by the Group are revalued at fair value on acquisition date and any profit or loss is recognised immediately in the income statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value on the acquisition date. Subsequent changes to this fair value which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or in other elements of the comprehensive income. Changes to the fair value of the contingent consideration classified as equity, are not recognised.

Goodwill is initially recognised as the amount with which (i) the total of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of any equity interest previously held by the acquirer in the acquiree; (ii) exceeds the net balance of the amounts determined on acquisition date of the identifiable assets and liabilities acquired. If, after review, the interest of the Group in the fair value of the identifiable net assets exceeds the total of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any equity interest previously held by the acquirer in the acquiree, then the surplus must be recognised in the income statement as a profit on an advantageous purchase.

After initial recognition, goodwill is recognised as cost less any accumulated impairments. For the purpose of impairment testing, goodwill is allocated to the cash-generating units of the Group which are expected to generate synergy benefits for the business combination, irrespective of whether assets or liabilities of the acquired entity were assigned to the cash-generating units concerned.

Cash-generating units to which goodwill is allocated are tested for impairment annually or more frequently if there is an indication that the book value of the unit may exceed the realisable value. If the realisable value of a cash-generating unit is less than the book value of the unit, the impairment is allocated first to reduce the book value of any goodwill allocated to the unit; the impairment is subsequently allocated to the other non-current assets of the unit pro rata on the basis of the book value of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is recognised in the book value of the operation when determining the gain or loss on disposal of the operation. Goodwill 'disposed' of in this manner is valued at the relative value of the operation disposed of and the portion of the cash-generating unit retained.

In 2018, no new business combinations were conducted. One new business combination was conducted in 2019. This new acquisition is explained under 'Impact of business combinations and transfers' (Note 32).

FOREIGN CURRENCIES

FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions in the Group's individual entities are recognised at the exchange rate applicable on the transaction date. Monetary balance sheet items in foreign currency are converted at the closing rate applicable on balance sheet date. Profits and losses arising from transactions in foreign currency and from the conversion of monetary balance sheet items in foreign currency are recognised in the income statement. Any profit or loss on a non-monetary item is recognised in the shareholders' equity. For non-monetary items on which the profit or loss was directly recognised in the shareholders' equity, any exchange-rate component of that profit or loss is also recognised in the shareholders' equity.

FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

All the Group's activities abroad are conducted in the eurozone, except for KK Fine Foods LTD and TerBeke-Pluma UK Ltd which conduct their business in British pounds and Pasta Food Company Sp. z.o.o. which conducts its business in Polish zloty. The assets and liabilities of these foreign entities are converted to euros at the exchange rate applicable on balance sheet date. The income statement of these entities is translated to euros monthly at average rates which approximate the exchange rate on the transaction date. Translation differences arising here are recognised immediately in the shareholders' equity.

CONSOLIDATED FINANCIAL STATEMENTS

The following exchange rates were used when drawing up the financial statements:

1 euro is equal to

	2019	2018
British pound		
Closing rate	0.8508	0.8945
Average rate	0.8845	0.8767
Polish zloty		
Closing rate	4.2585	4.3000
Average rate	4.2971	4.2621

SEGMENT INFORMATION

IFRS 8 defines an operational segment as a part of an entity of which the operational results are regularly assessed by a high ranking officer of the entity who takes important operational decisions, in order to be able to take decisions on the resources to be allocated to the segment and to assess the financial performance of the segment and on which separate financial information is available.

In view of its mission, main strategic lines and management structure, for segment reporting Ter Beke has opted to split the Group's activities into two operational segments, according to the two business activities (business segments) of the Group: 'Processed Meats' and 'Ready Meals'. In addition, it provides geographical information for the regions in which the Group is active.

The profit or loss of a segment encompasses the income and expenses generated directly by a segment, including that part of the revenues and expenses that can reasonably be attributed to the segment.

The assets and liabilities of a segment encompass the assets and liabilities directly pertaining to a segment, including the assets and liabilities that can reasonably be attributed to the segment. The assets and liabilities of a segment are shown excluding deferred tax.

INTANGIBLE ASSETS

Intangible non-current assets are initially valued at cost price. Intangible non-current assets are recognised if it is likely that the Entity will enjoy the future economic advantages that accompany them and if the costs thereof can be determined reliably. After their initial recognition, intangible non-current assets are valued at cost price less the accumulated depreciation and any accumulated impairments. Intangible non-current assets are depreciated linearly over their best estimated period of use. The amortisation period and the depreciation method used are evaluated again each year at the conclusion of the reporting period.

RESEARCH AND DEVELOPMENT

Expenses incurred for research activities, which are undertaken with a view to gaining new scientific or technological knowledge, are recognised as an expense in the income statement as they occur. Expenses incurred for development activities, in which the findings of research are applied in a plan or design for the production of new or substantially improved products and processes, are recognised in the balance sheet if the product or process is technically and commercially viable and the Group has sufficient resources at its disposal to implement them. The capitalised expense includes the costs of raw materials, direct wage costs and a proportionate part of the overheads. Capitalised expenses for development are valued at cost price less the accumulated depreciation and impairments.

All other expenses for development are recognised as expense in the income statement as a debit in the income statement as they occur. As Ter Beke's development expenses in 2019 and 2018 did not fulfil the criteria for capitalisation, these were recognised as expenditure in the income statement.

OTHER INTANGIBLE ASSETS

Other costs for internally generated intangible non-current assets, such as brand names, are recognised in the income statement as they occur. Other intangible non-current assets, such as brand patents or computer software, acquired by the Group are valued at cost price less the accumulated depreciation and impairments. In 2018 and 2019, Ter Beke's consolidated other intangible non-current assets mainly consisted of computer software, capitalised customer portfolios and brand names gained through acquisitions.

DEPRECIATION

Intangible assets are depreciated according to the linear method over their expected economic lifetime, from the date they are first used.

The depreciation percentages applied are:

Computer software	20%
Brand patents	10%
Brand names	10%, 20%
Client relationships	7%

GOODWILL

We talk of goodwill when the cost price of a business combination at acquisition date exceeds the interest of the Group in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is initially recognised as an asset at cost price and is subsequently valued at cost price less any accumulated impairment losses.

The cash-generating unit to which goodwill is attributed is tested each year for impairment. This test is also performed every time there is an indication that the unit might be impaired by comparing the book value of the unit with its realisable value. If the realisable value of the unit is lower than the book value, the impairment losses will first be allocated to the book value of the goodwill allocated to the unit and then to the unit's other assets in proportion to the book value of each asset in the unit. An impairment loss recognised for goodwill cannot be reversed in a subsequent period. When a subsidiary or joint venture is sold, the goodwill allocated is recognised when determining the profit or loss on the sale.

TANGIBLE NON-CURRENT ASSETS

Tangible non-current assets are recognised if it is likely that the future economic benefits associated with the asset will flow to the Entity and the cost price of the asset can be determined reliably.

Tangible non-current assets owned are valued at cost price or at production cost, less the accumulated amortisation and any accumulated impairment. In addition to the purchase price, the cost price also includes, if applicable, non-refundable taxes and all costs directly attributable to preparing the asset for use. The production cost of self-made tangible non-current assets includes direct material costs, direct manufacturing costs, a proportionate part of the fixed costs of material and manufacturing, and a proportionate part of the depreciation and write-downs of assets used in the production process.

After initial recognition costs are only recognised in the balance sheet as part of the book value of an asset, or for an exceptional asset, if it is likely that the future economic benefits associated with the asset will flow to the Group and these costs can be determined reliably. Improvement works are capitalised and depreciated over 4 years. Other repair and maintenance costs are recognised in the income statement in the period in which they were incurred.

Tangible non-current assets are depreciated in accordance with the linear method from the date they are first used and over the expected useful economic life.

The primary depreciation percentages currently applied are:

Buildings	from 2% to 5%
Installations	5 & 10 %
Machines and equipment	from 14.3 % to 33.3%
Furniture and rolling equipment	from 14.3 % to 33.3%
Other Tangible fixed assets	10 & 20 %

Land is not depreciated, since it is assumed that it has an unlimited useful life.

Impairment losses from intangible fixed assets and tangible non-current assets (except for goodwill): On every reporting date, the Group investigates its balance sheet values for intangible non-current assets and property, plant and equipment to determine whether there is any indication for impairment of an asset. If there is such an indication, the realisable value of the asset will be estimated in order to determine any (possible) impairment losses. However, if it is not possible to determine the realisable value of an individual asset, the Group will estimate the realisable value for the cash-generating unit to which the asset belongs.

The realisable value is the highest value of the fair value minus the cost of sales and its value in use. The value in use is determined by discounting the expected future cash flows using a discount rate before tax. This discount rate reflects the present time value of the money and the risks specific to the asset.

If the realisable value of an asset (or a cash-generating unit) is estimated to be lower than the book value of the asset (or a cash-generating unit), the book value is reduced to its realisable value. An impairment loss is recognised immediately as expense in the income statement. A previously recognised impairment loss is reversed if a change has occurred in the estimates used to determine the realisable value, but not for a higher amount than the net book value that would have been determined, if in previous years no impairment loss had been recognised.

GOVERNMENT SUBSIDIES

Government subsidies may only be recognised if there is reasonable assurance that:

- the Group will meet the conditions pertaining to the subsidy; and
- the subsidies will be received.

Government subsidies are systematically recognised as revenues over the periods necessary to attribute these subsidies to the related costs which they are intended to compensate. A government subsidy that is received in compensation for expenses or losses already incurred or for the purpose of providing immediate financial support to the Group without future related costs, is recognised as income in the period in which it is received.

Investment subsidies are deducted from the book value of the asset concerned.

Operating subsidies are recognised if they are received and reported under 'Other Operating Income'.

LEASING

Up to and including 31 December 2018, a lease contract is recognised as a financial lease if almost all of the risks and benefits associated with the property are transferred to the lessee. All other forms of lease are considered as operational leases. The Group only acts as lessee.

Assets held under a financial lease are recognised as Group tangible non-current assets for amounts equal to the fair value of the leased asset or, if it is lower, at the present value of the minimum lease payments less the accumulated depreciation and impairment losses. The complementary liability to the lessor is recognised in the balance sheet as a liability under financial leases.

The minimum lease payments are recognised partly as financing costs and partly as repayment of the outstanding liability in such a way that this results in constant periodic interest over the remaining balance of the liability. The financing costs are recognised immediately as an expense in the financial expenses.

The amount of a leased asset to be depreciated is systematically attributed to each reporting period during the period of its expected useful economic life, on a basis that is consistent with the depreciation policy that the lessee applies to owned assets to be depreciated. If it is reasonably certain that the lessee will acquire the property at the end of the lease period, then the expected useful economic life period is equal to the useful life of the asset. In all other cases, the asset is depreciated over the lease term or its useful life, if the latter is shorter.

Up to and including 31 December 2018, lease payments based on operational leases are recognised as an expense in time for the entire lease period, unless another systematic basis is more representative of the time pattern of benefits the user enjoys. Benefits received as incentive to conclude an operational lease contract are also spread over the lease period on a time-proportional basis.

From 2019, the distinction between financial leases and operational leases will no longer apply.

IFRS 16 requires the lessee to capitalise all lease liabilities and rental obligations on the balance sheet. The liability reflects all future lease payments associated with the lease agreement valued at current value. The asset reflects the right to use the asset during the agreed term of the lease.

The user rights (mainly consisting of the amount of the initial valuation of the lease debt) are valued at cost price and depreciated linearly over their estimated useful life. The user rights are shown on the balance sheet together with the tangible non-current assets under own management and the lease liabilities are shown as short and long-term lease liabilities.

Each lease payment is allocated to the lease liability on the one hand and the financial expenses on the other hand.

On implementation date we used the following practical exemptions, as permitted by IFRS 16:

- Using the previous definition of a lease (as designated by IAS 17) for all contracts that existed on the date of first adoption.
- Using a single 'marginal interest rate' for a group of leases with the same characteristics.
- Using previous estimates of loss-making lease contracts, rather than testing for impairments.
- Recognising all operating lease contracts with a remaining term of less than 12 months at 1 January 2019 as short-term leases.
- Recognising all operating lease contracts with a low value as short-term leases.

CONSOLIDATED FINANCIAL STATEMENTS

INVENTORIES

Inventories are valued at the lowest value of the cost price or the net realisable value. The cost price is calculated based on the average inventory valuation method and the FIFO method. The cost price for work in progress and finished products encompasses all conversion costs and other costs incurred to get the inventories to their current location and in their current state. The conversion costs include the production costs and the attributed fixed and variable production overhead costs (including depreciation). The net realisable value is the estimated sales price that the Group believes it will realise when selling inventory in normal business, less the estimated costs of finishing the product and the estimated costs of sales.

FINANCIAL ASSETS AT AMORTISED COST

Financial assets are classified at amortised cost when the contract has the characteristics of a basic lending arrangement and they are held with the intention of collecting the contractual cash flows until their maturity. Ter Beke's financial assets at amortised cost comprise trade and other receivables, short-term deposits and cash and cash equivalents in the balance sheet. They are valued at amortised cost using the effective interest method, less any impairments.

FINANCIAL ASSETS AT FAIR VALUE

Ter Beke has a call option and the former shareholder of KK Fine Foods has a put option on the remaining 10% of the shares in KK Fine Foods. The option is valued at fair value and is recognised in the financial costs of the income statement.

IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date, for the financial assets valued at amortised cost (such as trade receivables), Ter Beke assesses whether there are indications for impairment at individual and/or collective level. Receivables deemed uncollectible are written off at each balance sheet date against the corresponding provision. When assessing a collective impairment, the Group uses historical information regarding the loss incurred and adjusts the results if the economic and credit conditions are such that it is probable that the actual losses will be higher or lower than historical trends suggest. Additions to and reversals of the provision for bad debts relating to trade receivables are recognised in the income statement under 'Write-downs and provisions'.

BANK LOANS

Interest-bearing bank borrowings and credit excesses are initially valued at fair value and are then valued at the amortised cost price calculated on the basis of the effective interest method. Any difference between the receipts (after transaction costs) and the repayment of a loan is recognised over the loan period, in accordance with the policies for financial reporting regarding financing costs, which are applied by the Group.

TRADE LIABILITIES

Trade liabilities are initially booked at fair value and are then valued at the amortised cost price calculated based on the effective interest method. Considering the short-term nature of the trade liabilities in the Group, the trade liabilities are in fact booked at fair value.

DERIVATIVES

The Group uses derivatives to limit risks with regard to unfavourable swings in exchange rates and interest rates arising from operational, financial and investment activities.

The Group does not use these instruments for speculative purposes, does not hold any derivatives and does not issue derivatives for trading purposes. Derivatives are initially valued at cost price and after initial recognition are valued at fair value.

There are three sorts of hedging relationships:

1. Cash flow hedges: changes in the fair value of derivatives indicated as cash flow hedges are recognised in the shareholders' equity. The non-effective part is recognised in the income statement.

   If the cash flow hedges of a firm commitment or an expected future transaction leads to the recognition of a non-financial asset or a non-financial liability at the time the asset or liability is booked, the profits or losses on the derivative financial instrument previously incorporated in the shareholders' equity are recognised in the initial valuation of the asset or liability when it is booked.

   If the hedge of an expected future transaction leads to the inclusion of a financial asset or a financial liability, the related profits or losses on the derivative financial instrument recognised directly in the shareholders' equity are transferred to the income statement in the same period or periods in which the acquired asset or the commitment affects the income statement. If it is expected that (part of) the loss incorporated directly into the shareholders' equity will not be realisable in one or more future periods, the expected non-realisable part is transferred to the income statement. For hedges that do not lead to the recognition of an asset or a liability, the amounts directly included in the shareholders' equity are transferred to the income statement in the same period or periods in which the hedged expected future transaction affects the profit or loss.

2. Fair value hedges: changes in the fair value of derivatives which were indicated and qualify as fair value hedges are recognised in the income statement, together with any change in the fair value of the hedged asset or the hedged liability which is to be attributed to the hedged risk.

3. Hedges of net investments in foreign entities: hedges of net investments in foreign entities are processed in a similar manner as cash flow hedges. The part of the profit or loss on the hedging instrument, which is determined to be an effective hedging instrument, is recognised immediately in the shareholders' equity; the profit or loss on the non-effective part is recognised immediately in the income statement. The profit or loss on the hedging instrument regarding the effective part of the hedge, which is directly recognised in the shareholders' equity, is recognised in the income statement when the foreign entity is divested. The changes in the fair value of derivatives that are not classified can be recognised immediately in the income statement as cash flow hedging.

DIVIDENDS

Dividends are recognised as a liability in the period in which they are formally allocated.

PROVISIONS

A provision will be recognised if:

a. The Group has an existing obligation (legally enforceable or effective) as the result of an event in the past;
b. It is likely that an outflow of funds embodying economic benefits will be required to settle the obligation; and
c. The amount of the obligation can be reliably estimated.

The amount recognised as a provision must be the best estimate of the expenses required to settle the existing obligation on the balance sheet date.

If the impact is important, provisions are determined by discounting the expected future cash flows, using a discount rate 'before tax'. This discount rate reflects the present time value of the money and the specific risks pertaining to the obligation.

A provision for restructuring is laid down when the Group has approved a detailed and formalised plan for the restructuring and when the restructuring has either commenced or has been announced publicly. No provisions are laid down for costs relating to the Group's normal activities. A provision for loss-making contracts will be laid down when the receivable economic benefits for the Group are lower than the unavoidable cost related to the obligatory quid pro quo.

EMPLOYEE BENEFITS

Employee benefits comprise all forms of remuneration granted by the Entity in exchange for the services provided by employees.

Employee benefits include:

- short-term employee benefits, such as wages, salaries and social security contributions, holiday pay, paid sick leave, profit-sharing and bonuses, and benefits in kind for the current employees;
- post-employment benefits, such as pensions and life insurance;
- other long-term employee benefits;
- termination benefits.

RETIREMENT BENEFIT PLANS

The Group provides retirement benefit plans for its employees mainly via defined benefit contribution schemes and has only a limited number of defined benefit pension schemes.

DEFINED CONTRIBUTION SCHEMES

Contributions paid to these defined contribution schemes are recognised immediately in the income statement.

By law, defined contribution pension plans in Belgium are subject to minimum guaranteed rates of return. Hence, strictly speaking, those plans classify as defined benefit plans which would require that the 'projected unit credit' (PUC) method is applied in measuring the liabilities. However, the IASB recognises that the accounting for such so-called 'contribution-based plans' in accordance with the currently applicable defined benefit methodology is problematic (see also the IFRS Staff Paper 'Research project: Post-employment benefits' dated September 2014). Also considering the uncertainty with respect to the future evolution of the minimum guaranteed rates of return in Belgium, the Company adopted a retrospective approach whereby the net liability recognised in the statement of financial position is based on the sum of the positive differences, determined by individual plan participant, between the minimum guaranteed reserves and the accumulated contributions based on the actual rates of return at the closing date (i.e. the net liability is based on the deficit measured at intrinsic value, if any). The main difference between this retrospective approach and the prospective PUC method, is that benefit obligations are calculated as the discounted value of the projected benefits, assuming the minimum guaranteed rates of return currently applicable continue to apply.

DEFINED BENEFIT PENSION SCHEMES

The book value of the defined benefit pension scheme is determined by the present value of the pension payment liabilities, less the past service pension costs not yet recognised and with the fair value of the investments in investment funds. All actuarial gains and losses are recognised in the comprehensive income, so that the full value of the deficit or surplus of the plan is recognised in the consolidated statements. The interest costs and projected revenue of the assets in the plan are shown as net interest.

The present value of the liabilities of the defined benefit plan and the related pension costs are calculated by a qualified actuary in accordance with the PUC method. The discount rate used is equal to the yield on the balance sheet date from corporate bonds of high creditworthiness with a remaining term that is comparable to the term of the Group's liabilities. The amount recognised in the income statement consists of the pension costs allocated to the year of service, the financing cost, the expected yield from the pension fund investments and the actuarial gains and losses.

TERMINATION BENEFITS

Termination benefits are recognised as a liability and a cost if a Group Entity demonstrably commits itself to either:

- the termination of employment of an employee or group of employees before the normal retirement date;
- the allocation of termination benefits as a result of an offer to encourage voluntary retirement (early retirement scheme).

If termination benefits are due after twelve months following the balance sheet date, then they are discounted at a discount rate equal to the yield on balance sheet date from corporate bonds of high creditworthiness with a remaining term that is comparable to the term of the Group's liabilities.

VARIABLE PAY

The variable pay of clerical staff and management is calculated based on key financial figures and the balanced scorecards. The expected amount of the variable pay is recognised as a cost in the reporting period concerned.

TAX ON PROFITS

The tax on profits includes the tax on profits and deferred taxes. Both taxes are recognised in the income statement, except in those cases where it concerns components that are part of the shareholders' equity. In this latter case, this is recognised via the shareholders' equity. The term 'tax on profits' is taken to mean that which is levied on the taxable income for the reporting period, calculated at the tax assessment rates applicable at the balance sheet date, as well as the adjustments to the tax due over previous reporting periods. Deferred taxes are calculated according to the balance sheet method and arise mainly from the differences between the book value of assets and liabilities in the balance sheet and the tax basis of those assets and liabilities. The amount of deferred tax is based on the expectations regarding the realisation of the book value of the assets and liabilities, whereby use is made of the tax assessment rates known on the balance sheet date.

A deferred tax liability is only recognised if it is sufficiently certain that the tax credit and the unused fiscal losses can be set off against taxable profits in the future. Deferred tax assets are reduced as and when it is no longer likely that the tax saving can be realised. Deferred taxes are also calculated on temporary differences arising from participations in subsidiaries, unless the Group can decide on the time when the temporary difference is reversed and it is unlikely that the temporary difference will be reversed in the near future.

REVENUE

Revenue is recognised if it is likely that the future economic benefits relating to the transaction will accrue to the Entity and the amount of the income can be determined reliably.

Turnover is reported after deduction of turnover taxes and discounts.

SALE OF GOODS

Ter Beke recognises revenue from the following sources: the supply of products and services. Ter Beke considers the supply of products to be its most important performance obligation. Revenue is recognised at the point in time when control of a product is transferred to a customer. Customers acquire control when the products are supplied (in accordance with the applicable Incoterms). The revenue amount recognised is adjusted for volume discounts. No adjustment is made for returns or for guarantees of any kind, as, based on historical information, their effect is considered immaterial. Breaking down revenue according to the timing of recognition, i.e. at a point in time or over a period, provides little added value as service contracts are immaterial compared to total product sales.

In order to encourage clients to pay immediately, the Group grants discounts for payments in cash. Such discounts are recognised as a reduction in the revenue.

FINANCIAL INCOME

Financial income consists of interest received, dividends received, the exchange rate revenues and the revenues from hedging instruments that are recognised in the income statement.

INTEREST INCOME

Interest is recognised on a proportional basis that takes account of the effective duration of the asset to which it relates (the effective interest method).

DIVIDENDS

Dividends are recognised at the time when the shareholder has been given the right to receive the payment thereof. Exchange rate differences from non-company activities and profits from hedging instruments for non-company activities are also presented under financial income.

EXPENSES

Expenses per type of cost are shown in the income statement. Expenses that relate to the reporting period or to previous reporting periods are recognised in the income statement, regardless of when the expenses are paid. Expenses can only be transferred to a subsequent period if they comply with the definition of an asset.

PURCHASES

Purchases of trade goods, raw and auxiliary items, and purchased services are recognised at cost price, after deduction of the permitted trading discounts

RESEARCH AND DEVELOPMENT, ADVERTISING AND PROMOTIONAL COSTS AND SYSTEM DEVELOPMENT COSTS

Research, advertising and promotional costs are recognised in the income statement in the period in which they were incurred. Development costs and system development costs are recognised in the income statement in the period in which they were incurred if they do not meet the criteria for capitalisation

FINANCING EXPENSES

Financing expenses include such things as the interest on loans, exchange rate losses and losses on hedging instruments that are recognised in the income statement. Exchange rate differences from non-company activities and losses from hedging instruments for non-company activities are also presented under financing costs.

FINANCIAL TERMINOLOGY

EBIT	Operating result (earnings before interest and taxation)
EBITDA	Operating cash flow Operating result (EBIT) + depreciation, write-downs and impairments of assets and negative goodwill
UEBIT	Operating result (EBIT) before non-underlying expenses and revenues
UEBITDA	Operating cash flow before non-underlying expenses and revenues Operating result before non-underlying costs and revenues (UEBIT) + depreciation, write-downs and impairments of assets and negative goodwill
Non-underlying income and expenses	Operating revenues and expenses related to restructuring, impairments, discontinued operations and other activities, and transactions with a one-off impact

MANAGEMENT ASSESSMENTS AND ESTIMATES

By applying the Group's accounting policies, management must make assessments, estimates and assumptions regarding the book value of assets and liabilities that are not readily apparent from other sources. These assessments, estimates and assumptions are continually reviewed:

- Critical accounting assessments when applying the entity's accounting policies:
  - Ter Beke is involved in a number of pending claims and disputes for which management must assess the probability of the risk. For further information, see Note 28 – Contingent liabilities.
- Key sources of estimation uncertainty: below are the key assumptions regarding the future and other key sources of estimation uncertainty at the end of the reporting period that pose a risk of causing a material adjustment to the book value of assets and liabilities within the next financial year:
  - Management performed an annual impairment test on goodwill relating to 'processed meats' and 'ready meals' based on the Group's budget. The Group's budget will be drawn up for the coming year. A number of assumptions are applied to determine the next 4 years in the total 5-year plan. Sensitivity analyses for reasonable changes in assumptions, such as growth rate, EBITDA margin and discount rate are set out in Note 14 - Goodwill.
  - Deferred tax assets are recognised for the carry-forward of unused tax losses and temporary differences to the extent that it is probable that taxable profit will be available in the foreseeable future. In its assessment, management account of elements such as the budget and tax planning opportunities (see Notes 13 and 17).

- Provisions for employee benefits: the defined benefit pension liabilities are based on actuarial assumptions such as the discount rate and the expected return on investments in investment funds. For further information, see Note 22 – Employee benefits.
- In October 2019, our subsidiary Offerman in Aalsmeer was obliged by the NVWA (the Netherlands Food and Consumer Product Safety Authority) to establish a major product recall. This after the NVWA and RIVM (National Institute for Public Health and the Environment in the Netherlands) established - via a newly developed technique of 'Whole Genome Sequencing' - that a listeria strain found in a product from the factory in Aalsmeer would also be found in about 20 human cases over a period of more than 2 years.
  The costs directly related to this recall and the downtime of the Aalsmeer factory linked to the recall resulted in a non-underlying cost of EUR 7.9 million.
  Meanwhile, after approval by the NVWA, production in Aalsmeer has resumed, albeit with a limited number of machines and with significantly reduced employment.
  The other non-underlying costs mainly concern restructuring costs & severance payments amounting to EUR 3.1 million, half of which is linked to the social plan fund for the partial closure of the Aalsmeer site.
  At the approval date of this report, we are not aware of any further formal or informal complaints from consumers directly related to the recall or allegedly related affected listeria patients. We believe it is unlikely that such complaints would be introduced in the future.
- The Ter Beke Group has a Tax claim on Stefano Toselli (EUR 438,000). Contractually, Ter Beke has the right to recover this sum from the former shareholder. We are working on the premise that we will be able to recover this claim.

2. GROUP CONSOLIDATION

The Group consolidated annual accounts for 2019 include: Ter Beke NV and consolidated subsidiaries over which Ter Beke exercises full control (Note 33) and one joint venture over which the Group does not exercise full control (only 90%).

On 7 February 2018, Freshmeals Deutschland GmbH was founded with an initial capital of EUR 25,000.

On 13 September 2019, the Group acquired full control of Vleeswaren E. De Kock-De Brie NV. This small family business, based in Antwerp, specialises in creating tongue and liver products and has a strong position in this niche segment. We are currently integrating these production activities in our Wommelgem production site. The consolidated figures include the full balance sheet of Vleeswaren E. De Kock-De Brie NV and the income statement for the period from 13 September to 31 December 2019.

3. REPORTING PER SEGMENT AND GEOGRAPHICAL REGION

Ter Beke is a food group. We are specialists in Europe for the development, production and sale of processed meats and fresh ready meals. At the end of 2019, the Ter Beke Group had a workforce of approximately 2,750 people. This number denotes the full-time equivalents on 31 December 2019 and the average number of temporary workers in 2019. In 2018, Ter Beke employed approximately 2,700 people.

The Group's management structure corresponds to its business activities. We also align the internal and external reporting systems with the two existing business segments:

- The Processed Meats Division develops, produces and sells a range of processed meats including salami, cooked ham, poultry, other cooked meats, pâtés, preserved meats, tongue and liver products.
- The Ready Meals Division develops, produces and sells fresh ready meals including lasagne, pizza, pasta dishes and sauces.

The result of a segment includes the revenue and expenses generated directly by that segment. And this includes the revenue and expenses attributable to that segment. Financial expenses and taxes are not attributed to the segments.

The assets and liabilities of a segment encompass the assets and liabilities directly pertaining to a segment, including the assets and liabilities that can reasonably be attributed to the segment. The assets and liabilities of a segment are shown excluding tax.

Non-current assets per segment are the intangible non-current assets, goodwill, tangible non-current assets and financial non-current assets. Liabilities per segment are trade receivables, personnel debts, taxes and other debts that are directly attributable to the business segment. All other assets and liabilities have not been allocated to the business segments and are stated as 'not allocated'. Assets and liabilities per segment are proposed for elimination of intersegment positions. Competitive conditions form the basis for 'intersegment transfer pricing'. The investment expenses per segment equal the cost of the acquired assets with an expected useful life of more than one year. In the segment reporting we use the same accounting principles as in the consolidated financial statements.

Our two Divisions, Processed Meats and Ready Meals, sell our products to a large client base. This includes most large European discount and retail clients. The ten largest client groups represent 65% of the turnover (2018: 58%). We realise turnover with these clients through various products and contracts of varying duration. We do this in several countries, both for our own brands and clients' private labels. The Group's client portfolio is diverse. Nevertheless, it could have an impact on our operating activities if the relationship with a large group of clients came to an end. Turnover grew in 2019. Two external clients each achieved more than a 10% share (i.e. 12%) of the consolidated turnover. In 2018, one external client achieved 13%. The turnover related to these clients was in both segments

The turnover between both segments is immaterial, which is why we have chosen to only report turnover external to the Group.

The Ter Beke Group is active in six geographical regions: Belgium, the Netherlands, the United Kingdom, Germany, France and the rest of Europe. The rest of Europe consists mainly of Luxembourg, Denmark, Ireland, Poland, Portugal, Romania, Spain, Sweden and Switzerland.

The net turnover is split per region based on the geographical location of the external clients. The total assets and investment expenses are allocated per region according to the geographical location of the assets. The investment expenses per region are the cost price of the acquired assets with an expected useful economic life of more than one year.

KEY DATA PER BUSINESS SEGMENT

	2019			2018		
	Processed meats	Ready Meals	Total	Processed meats	Ready Meals	Total
SEGMENT INCOME STATEMENT						
Segment net turnover	437,594	290,538	728,132	420,146	260,314	680,460
Segment results	-12,146	24,984	12,838	1,227	23,674	24,901
Non-allocated results			-6,633			-8,683
Net financing cost			-3,247			-3,390
Taxes			1,457			-5,587
Consolidated result			4,415			7,241
SEGMENT BALANCE SHEET						
Segment non-current assets	129,309	115,852	245,161	123,682	107,424	231,106
Non-allocated non-current assets			6,987			12,485
Total consolidated non-current assets			252,148			243,591
Segment liabilities	97,432	58,264	155,696	94,227	55,710	149,937
Non-allocated liabilities			159,150			150,013
Total consolidated liabilities			314,846			299,950
OTHER SEGMENT INFORMATION						
Segment investments (*)	11,637	6,271	17,908	20,612	5,573	26,185
Non-allocated investments			1,189			1,785
Total investments			19,097			27,970
Segment depreciation and non-cash costs	18,131	10,459	28,590	15,368	9,990	25,358
Non-allocated depreciation and non-cash costs			2,448			2,460
Total depreciation and non-cash costs			31,038			27,818

(*) Investments including new capital grants

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KEY DATA PER GEOGRAPHIC REGION

Third party turnover (*)	2019	2018
Belgium	193,121	177,983
Netherlands	320,754	306,472
UK	81,885	70,660
Germany	23,234	25,880
France	44,914	38,271
Other	64,224	61,194
	728,132	680,460

Investments per region	2019	2018
Belgium	10,231	18,111
Netherlands	5,666	6,302
France	1,631	788
UK	1,318	1,205
Other	251	1,564
	19,097	27,970

(*) The amendment is a consequence of IFRS 15

Liabilities per region	2019	2018
Belgium	68,715	65,429
Netherlands	57,591	56,973
France	18,883	15,543
UK	10,342	8,639
Other	3,955	3,682
	159,486	150,266

Non-current assets	2019	2018
Belgium	87,161	89,682
Netherlands	68,410	62,194
France	35,297	35,281
UK	33,811	33,031
Other	27,469	23,403
	252,148	243,591

4. REVENUE FROM SALE OF GOODS

The consolidated Group turnover increased by 7% from EUR 680.5 million in 2018 to EUR 728.1 million in 2019 thanks to substantial organic growth in both divisions.

The Processed Meats Division's turnover increased from EUR 420.1 million (T&A Segment reporting) to EUR 437.6 million (+4.1%), despite the retarding effect of the product recall. The impact of the acquisition of the small processed meats company Vleeswaren E. De Kock-De Brie NV on 13 September 2019 amounts to EUR 391,000.

The Ready Meals Division registered nearly 12% organic growth, with turnover rising from EUR 260.3 million to EUR 290.5 million. With this result, Ter Beke remains one of the European leaders in the Ready Meals market and has reinforced its position as number one supplier of chilled lasagne and pasta meals.

5. TRADE GOODS, RAW AND AUXILIARY MATERIALS

	2019	2018
Purchases	447,652	401,419
Change in inventory	-5,066	-2,003
Total	442,586	399,416

6. SERVICES AND MISCELLANEOUS GOODS

	2019	2018
Interim staff and consultants to the organisation	23,156	22,761
Maintenance and repairs	21,976	19,702
Cost of marketing and sales	5,303	5,330
Transport costs	31,726	30,523
Gas and electricity	13,388	12,265
Rent	5,111	7,393
Advisory expenses and consultants	9,053	10,319
Other	6,411	7,993
Total	116,124	116,286

The decrease in the 'Rent' account is due to the application of IFRS 16 (impact EUR -3.1 million in 2019). IFRS 16 requires the lessee to capitalise all lease liabilities and rental obligations on the balance sheet. In 2018, the cost of the operational lease was recognised under miscellaneous goods and services.

In 2019, the Group did not capitalise EUR 5.1 million after applying the exception rule and rental cost of vacant property (EUR 2 million).

Items such as insurance and office expenses are recognised in the 'Other' account.

7. EMPLOYEE EXPENSES

In 2019, employee expenses amounted to EUR 127,100,000 compared to EUR 119,640,000 in 2018. The Group achieved this increase in turnover with 2.8% more employees. This partly explains the increase in total employee expenses. In 2019, a provision (EUR 1.5 million) was recognised for the social plan that was negotiated following the partial closure of the site in Aalsmeer.

For further details on employee benefits, see Note 22.

Employee expenses can be analysed as follows:

	2019	2018
Wages and salaries	96,820	88,790
Social security contributions	22,210	21,665
Other employee expenses	8,070	9,185
Total	127,100	119,640
Number of employees expressed in FTEs (excl. temporary employees) at year end	2,476	2,408

8. WRITE-DOWNS AND PROVISIONS

	2019	2018
Write-downs	426	495
on inventories	339	426
on trade receivables	87	69
Provisions	10	197
Total	436	692

9. OTHER OPERATING INCOME AND EXPENSES

Other operating expenses increased by EUR 4.2 million to EUR 7.3 million, mainly due to the one-off cost of the Aalsmeer product recall.

Other operating income includes a recourse claim against the former shareholder of Stefano Toselli for EUR 438,000 regarding a tax claim.

Last year, the other operating income included certain operational settlements related to the demerger and acquisition of the Offerman business.

	2019	2018
OTHER OPERATING INCOME		
Recovery of wage-related costs	523	827
Recovery of logistics costs	13	29
Profits from the disposal of assets	23	80
Insurance recoveries	137	81
Claims	763	189
Rent	0	40
Others	776	1,913
Sub total	2,235	3,159
Total	2,235	3,159
OTHER OPERATING EXPENSES		
Local taxes	2,469	2,471
Realised loss on disposal of assets	155	837
Claims	4,036	
Others	654	933
Total	7,314	4,241
Other operating income and expenses	-5,079	-1,082

10. RESULT OF OPERATING ACTIVITIES

	2019	2018
EBITDA	37,243	44,036
Depreciations costs and impairments	-30,602	-27,126
Impairments, write offs and provisions	-436	-692
Result of operating activities (EBIT)	6,205	16,218

	2019	2018
Result of operating activities (EBIT)	6,205	16,218
Severance payment (incl social costs)	3,125	3,822
Claim vs sellers Stefano Toselli	-438	0
Costs of acquisitions	125	242
Recall	7,914	0
Strategic study	0	1,252
Start up costs project new packaging concept	0	356
Realised losses Zoetermeer	0	511
Restructuring expenses Zoetermeer	0	240
Impairment on building Aalsmeer	500	0
Impairment Zoetermeer	0	386
Underlying operating result (UEBIT)	17,431	23,027
EBITDA	37,243	44,036
Severance payment (incl social costs)	3,255	3,822
Claim vs sellers Stefano Toselli	-438	0
Costs of acquisitions	125	242
Recall	7,914	0
Strategic study	0	1,252
Start up costs project new packaging concept	0	356
Realised losses Zoetermeer	0	511
UEBITDA	48,099	50,219

EBITDA decreased by 15.43% from EUR 44,036,000 in 2018 to EUR 37,243,000 in 2019. This is mainly due to the product recall at the Aalsmeer location. Despite the considerable increase in raw material prices, our UEBITDA decreased by only 4.22% from EUR 50,219,000 to EUR 48,099,000.

The Processed Meats Division has had a difficult year. EBITDA decreased from EUR 16,595,000 to EUR 5,985,000. Besides the effect of the product recall mentioned above, the considerably increased raw material prices are the main reason for the EBITDA decrease.

The outbreak of African swine fever in China in April 2019 caused a significant reduction in the pig population in China. As a result, imports, primarily from Europe – which had always been there – increased on a massive scale. This had an inflationary effect throughout the chain, as a result of which some meat cuts experienced considerable price increases. We are doing our level best to compensate for this with efficiency improvements and price increases, but it is a gradual process.

As a result, several improvements we have realised are not visible, for example:

- The considerably improved efficiency in our factory in Veurne.
- The extra impulse for exports to Germany and the United Kingdom with new sales teams.
- Stronger NPD (New Product Development).

UEBITDA decreased by 16% from EUR 18,935,000 to EUR 15,826,000. In 2019, the non-underlying costs were relatively high (EUR 9.8 million) in the Processed Meats Division and consist mainly of the product recall expenses. The non-underlying costs mainly include compensation costs of our customers, the cost of disposing of raw materials, plant cleaning costs and the social plan for Aalsmeer. In the days following the closure, we were able to transfer a significant volume of the production to our other sites.

The Ready Meals Division recorded 5% growth in EBITDA. EBITDA increased from EUR 33,664,000 in 2018 to EUR 35,443,000 in 2019. The Ready Meals Division was also considerably affected by the sharp increase in raw material prices. The almost 12% increase in turnover translates to a 6% increase in the EBIT, from EUR 23,674,000 in 2018 to EUR 24,984,000 in 2019.

In Belgium we invested considerably in the Come a casa® brand. Giving the brand and its attributes an updated 'look and feel' was supported in the second half of the year with a strong national advertising campaign (TV, radio and social media).

In 2020, we will make substantial investments to expand production capacity in our Polish factory in Opole, our operating base for Central and Eastern Europe. We are also investing considerably in our British subsidiary, KK Fine Foods, which we acquired in 2017. We will have to expand our existing production capacity substantially to continue to meet increasing demand from food service and retail customers. The team's constant focus on quality, service, and innovation in particular, is the reason for this success.

Furthermore, the factories in Belgium and France are being prepared, together with our strategic customers, to meet the demands of the next growth phase.

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11. FINANCIAL INCOME

	2019	2018
Interest income	2	193
Positive exchange rate differences	212	91
Other	171	74
Total	385	358

12. FINANCING EXPENSES

	2019	2018
Interest cost on loans	1,669	1,909
Interest cost on leasing	369	235
Negative exchange rate differences	75	444
Bank charges	720	456
Other	799	704
Total	3,632	3,748

The impact of IFRS 16 'Leases' on the 2019 figures is an increase in costs of EUR 375,000. This mainly concerns interest expenses.

13. TAXES

TAXES BOOKED IN INCOME STATEMENT

	2019	2018
Tax on profits		
Financial year	6,418	8,119
Previous financial years	648	308
Deferred taxes		
Effect of temporary differences	-8,523	-2,840
Total tax in the income statement	-1,457	5,587

Taxes make a positive contribution to the result because the structurally improved results of Pasta Food Company in 2019 enabled us to recognise a significant deferred tax asset.

RELATIONSHIP BETWEEN TAX BURDEN AND THE ACCOUNTING PROFIT

	2019	2018
Accounting profit before tax	2,958	12,828
Tax at Belgian tax rate (2019: 29.58% and 2018: 29,58%)	875	3,795
Effect of the different tax rates of the foreign companies	-739	-368
Effect of not recognising DTA during the financial year	2,821	2,762
Effect timing differences	-310	0
Effect of previously not recognised DTA	-4,964	-1,091
Effect of the expenses not deductible for tax purposes	487	430
Other effects: minimum tax	373	59
Actual tax burden	-1,457	5,587
Effective tax percentage	-49.3%	43.6%

In 2018, a deferred tax asset was established for Pasta Food Company on the temporary difference between the tax and economic depreciation because Pasta Food Company had an underlying profitable operating result. In 2019, an additional deferred tax asset of EUR 5 million was established for Pasta Food Company because the company is located in a reconversion zone and for the first time records a material and sustainable taxable profit (see Note 17).

14. GOODWILL

	2019	2018
GOODWILL		
Start of the financial year	78,196	78,263
Acquisitions	1,345	0
Translation differences	423	-67
End of the financial year	79,964	78,196
IMPAIRMENTS		
Start of the financial year	1,740	1,740
End of the financial year	1,740	1,740
Net book value	78,224	76,456

Goodwill arises when the cost price of a business combination at acquisition date exceeds the interest of the Group in the net fair value of the acquiree's contingent liabilities, the identifiable assets and the liabilities.

The Group has elected to allocate the goodwill to the segments. To date, the risk profile of the acquired business combinations was almost identical to the existing business, and/or the cash flows were fully aligned. Furthermore, these business combinations were fully integrated in the segment right from the acquisition date, whereby it was impossible to recognise, let alone monitor, any individual cash flows at a lower level. Management reporting is therefore at segment level.

Each year the Group conducts an impairment analysis on the goodwill. This is carried out using the discounted cash flow method. If the realisable value of the segment is lower than the book value, we first allocate the impairment losses to the book value of the goodwill. Next are the other assets of the unit, in proportion to the book value of each asset in the segment.

In 2019, the goodwill amounted to EUR 33,714,000 (2018: EUR 32,369,000) for Processed Meats following the acquisition of processed meats company Vleeswaren E. De Kock-De Brie NV. For Ready Meals this was EUR 44,510,000 (2018: EUR 44,087,000). The increase for the Ready Meals Division can be attributed to a translation difference.

The impairment analysis described above is based on:

- The budget estimate for the following year of the own operational cash flows for each segment individually. This budget estimate is the result of a detailed analysis of all known and estimated developments in turnover, margin and costs adjusted to the commercial environment for each segment. Here, equilibrium is sought between challenge and realism.
- The cash flows for the following four years are applied as follows:
  - Average turnover growth of the Ter Beke Group over the previous ten years. This percentage of 1.9% (2018: 1.9%) seems realistic for both segments in the coming years.
  - Estimated EBITDA margin. This margin corresponds to the projections for the coming year and with the long-term targets for each segment.
  - Estimated tax burden on the operational cash flow. For both segments, we have estimated an average tax rate of 25%, taking into account where the cash flows are taxed.
  - We adjust the calculated cash flows for each year with the replacement investments we think will be required to maintain the current production facilities in an operational status and with the movements in working capital. These differ per segment.
  - As residual value we extrapolate the cash flow as calculated above from the fifth year onwards without further growth, as a precautionary measure.
- We then capitalise these cash flows on the estimated weighted average cost of capital (WACC) of 5.73% (2018: 5.81%) after tax. The basis for this calculation is a desired equity/debt ratio of 35/65 (2018: 35/65), an average tax rate of 25% (2018: 25%), a return on investment of 7.87% (2018: 7.97%) and a gross cost of loan capital of 1.75% (2018: 1.79%). The risks in both segments are similar and therefore justify using one and the same WACC.

In both Divisions, the realisable value exceeds the book value significantly (by more than 150%). Therefore, this impairment analysis does not result in any impairments in any segment.

An estimate is for assets, liabilities and operating expenses based on IFRS 16. After all, IFRS 16 creates a definition of assets, liabilities and operating results that does not correspond to the underlying cash flow.

If the discount rate is increased by 1%, then the difference between the estimated realisable value and the book value decreases. In Processed Meats by 23% and in Ready Meals by 20%. If the ratio of EBITDA to sales decreases by 1%, these differences decrease by 23% and 10% respectively. If turnover growth after 2019 decreases by 1%, the difference decreases by 17% in Processed Meats and 20% in Ready Meals. In each of these three scenarios and in both Divisions, the realisable value exceeds the book value significantly.

If the three parameters described above simultaneously decrease by 1%, the difference between the estimated realisable value and the book value decreases by 52% in Processed Meats and 42% in Ready Meals. Again, in this scenario, the realisable value in both Divisions exceeds the book value significantly. If they simultaneously increase by 1%, this difference increases by 113% in Processed Meats and 90% in Ready Meals.

In general, we can state that the risk of impairment is greater in the Processed Meats Division than in the Ready Meals Division.

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15. INTANGIBLE NON-CURRENT ASSETS

	Software	Brands, licences and patents	Customer relation-ships	R&D	Total	Software	Brands, licences and patents	Customer relation-ships	R&D	Total
ACQUISITION VALUE			2019					2018		
Start of the financial year										
Group consolidation extension	23,302	2,170	23,921	156	49,549	20,832	2,018	24,011	156	47,017
Acquisitions	8				8					0
Transfers and decommissioning	1,033				1,033	2,474	160			2,634
Translation differences	-154				-154	-4				-4
End of the financial year	4	52	557		613		-8	-90		-98
End of the financial year	**24,193**	**2,222**	**24,478**	**156**	**51,049**	**23,302**	**2,170**	**23,921**	**156**	**49,549**
DEPRECIATION										
Start of the financial year	17,535	1,163	2,044	156	20,898	15,678	682	338	156	16,854
Group consolidation extension	3				3					0
Depreciation*	2,141	311	1,723		4,175	1,861	481	1,717		4,059
Transfers and decommissioning	-154				-154	-4				-4
Translation differences	-88	21	78		11			-11		-11
End of the financial year	**19,437**	**1,495**	**3,845**	**156**	**24,933**	**17,535**	**1,163**	**2,044**	**156**	**20,898**
Net book value	**4,756**	**727**	**20,633**	**0**	**26,116**	**5,767**	**1,007**	**21,877**	**0**	**28,651**

In 2019, the Group invested EUR 1 million in intangible non-current assets compared to EUR 2.6 million in 2018. The investment is mainly devoted to the further roll-out of the ERP package.

16. TANGIBLE NON-CURRENT ASSETS

2019

	Land and buildings	Installations, machines, and equipment	Furniture and rolling equipment	Leasing	Other	Assets under construction	Total
ACQUISITION VALUE							
Start of the financial year	138,119	346,976	4,719	4,568	115	280	494,777
Group consolidation extension	682	953	96				1,731
Opening balance IFRS16				12,333			12,333
Acquisitions	2,061	15,912	474	1,778		157	20,382
Transfers and decommissioning	-8	-14,100	-126	-703			-14,937
Transfer from / to other entries	66	-4	131			-193	
Translation differences	570	847	44	5		10	1,476
End of the financial year	**141,490**	**350,584**	**5,338**	**17,981**	**115**	**254**	**515,762**
DEPRECIATION							
Start of the financial year	86,215	268,177	4,019	2,390	83	0	360,884
Group consolidation extension	534	719	90				1,343
Depreciation *	3,565	18,516	277	3,736	7		26,101
Transfers and decommissioning	-7	-13,692	-94	-686			-14,479
Translation differences	140	460	27	2			629
End of the financial year	**90,447**	**274,180**	**4,319**	**5,442**	**90**	**0**	**374,478**
IMPAIRMENT							
Start of the financial year	0	0	0	0	0	0	0
Group consolidation extension							0
Addition*	500						500
Reduction*							0
Transfers and decommissioning							0
End of the financial year	**500**	**0**	**0**	**0**	**0**	**0**	**500**
NET CAPITAL GRANTS							
Start of the financial year	261	241	9	0	0	0	511
Group consolidation extension							0
New allocations		2,318					2,318
Other	3						3
Depreciation *	-7	-166	-1				-174
End of the financial year	**257**	**2,393**	**8**	**0**	**0**	**0**	**2,658**
Net book value as per 31 December 2019	**50,286**	**74,011**	**1,011**	**12,539**	**25**	**254**	**138,126**

2018

	Land and buildings	Installations, machines, and equipment	Furniture and rolling equipment	Leasing	Other	Assets under construction	Total
ACQUISITION VALUE							
Start of the financial year	136,813	328,597	5,004	4,579	81	744	475,818
Group consolidation extension							0
Acquisitions	1,855	22,797	367	0	34	283	25,336
Transfers and decommissioning	-104	-4,755	-646				-5,505
Transfer from / to other entries		745				-745	0
Translation differences	-445	-408	-6	-11		-2	-872
End of the financial year	138,119	346,976	4,719	4,568	115	280	494,777
DEPRECIATION							
Start of the financial year	82,674	254,300	4,354	1,023	81	0	342,432
Group consolidation extension							0
Depreciation *	3,565	18,026	211	1,374	2		23,178
Transfers and decommissioning	-4	-3,915	-542				-4,461
Translation differences	-20	-234	-4	-7			-265
End of the financial year	86,215	268,177	4,019	2,390	83	0	360,884
IMPAIRMENT							
Start of the financial year	0	0	0	0	0	0	0
Group consolidation extension							0
Addition*							0
Reduction*							0
Transfers and decommissioning							0
End of the financial year	0	0	0	0	0	0	0
NET CAPITAL GRANTS							
Start of the financial year	269	300	10	0	0	0	579
Group consolidation extension							0
New allocations		44					44
Other	-1						-1
Depreciation *	-7	-103	-1				-111
End of the financial year	261	241	9	0	0	0	511
Net book value as per 31 December 2018	51,643	78,558	691	2,178	32	280	133,382

The lines marked with * in Notes 15 and 16 are included in the income statement, in the amount for depreciations and impairments of non-current assets.

In 2019, the Group invested EUR 21.4 million of which EUR 20.4 million in tangible non-current assets and EUR 1 million in intangible non-current assets. The Group received a capital grant of EUR 2.3 million. As a result, the Group invested a net amount of EUR 19.1 million. The investments primarily consist of efficiency and infrastructure investments in the Group's various sites.

Ter Beke has applied IFRS 16 with effect from 1 January 2019, in accordance with the transitional provisions, using the adjusted retrospective method. The impact is shown in the following table:

	Leasing	Impact IFRS 16	Leasings exclusief IFRS 16
ACQUISITION VALUE			
Start of the financial year	4,568	0	4,568
Group consolidation extension		0	
Opening balance IFRS16	12,333	12,333	
Acquisitions	1,778	1,778	
Transfers and decommissioning	-703	-40	-663
Transfer from / to other entries		0	
Translation differences	5	4	1
End of the financial year	17,981	14,075	3,906
DEPRECIATION			
Start of the financial year	2,390	0	2,390
Group consolidation extension		0	
Depreciation *	3,736	2,929	807
Transfers and decommissioning	-686	-40	-646
Translation differences	2	1	1
End of the financial year	5,442	2,890	2,552
Net book value as per 31 December 2019	12,539	11,185	1,354

	2019
IFRS 16 impact on net book value as per 31 December 2019	12,539
Land and buildings	8,597
Installations, machines, and equipment	1,577
Furniture and rolling equipment	2,365

17. DEFERRED TAX ASSETS AND LIABILITIES

The deferred tax assets and liabilities are attributable to the following categories:

	2019	2018
Tangible fixed assets	7,092	8,734
Receivables	0	289
Provisions	52	-175
Debts	685	492
Netting as a result of fiscal unit	-2,061	0
Deferred tax liabilities	5,768	9,340

	2019	2018
Tangible fixed assets	1,378	1,175
Receivables	0	78
Provisions	759	1,219
Debts	172	146
Tax losses carried forward	7,295	2,409
Deferred tax assets	9,604	5,027

In 2019, the Group did not acknowledge EUR 10,237,000 in deferred tax assets on tax deductible losses (2018: EUR 9,843,000) because the Group is insufficiently certain that these will be realised in the near future. These transferable losses are transferable with no time limitation.

In 2019, a deferred tax benefit of EUR 5 million was established for Poland because Pasta Food Company is located in a reconversion zone. 4.2 million was not recognised in this context, because we are not certain that we can achieve this. This benefit is available until 2026.

18. INVENTORIES

	2019	2018
Raw and auxiliary items	23,209	20,658
Work in process	7,151	4,612
Finished products	6,846	6,090
Goods for resale	3,527	4,944
Total	40,733	36,304

For write-downs on inventories, please refer to Note 8.

19. TRADE AND OTHER RECEIVABLES

	2019	2018
Trade receivables	103,779	99,029
VAT to be reclaimed	4,094	4,365
Taxes to be reclaimed	1,514	2,579
Adjustment accounts	3,637	2,476
Empties	5,585	4,675
Other	707	8,784
Total	119,316	121,908

Our trade receivables are not interest-bearing.

The average number of days of customer credit for the Group is 52 days (2018: 53 days).

In 2019, write-downs on trade receivables to the value of EUR 87,000 were recognised as a cost in the income statement (EUR 69,000 in 2018).

The percentage of trade receivables owed older than 60 days amounted to 2% in 2019 and to 2.3% in 2018 (see also Note 25).

The decrease in other receivables is mainly due to the settlement of the current account with the Zwanenberg Group.

20. CASH AND CASH EQUIVALENTS

Cash is held at reputable banks.

	2019	2018
Cash investments	10,254	0
Current accounts	16,559	23,160
Cash	12	15
Total	26,825	23,175

21. SHAREHOLDERS' EQUITY

DIVIDENDS

On 17 April 2019, the Board of Directors confirmed the proposed distribution of EUR 4 per share (EUR 6,064,000). The Ter Beke General Meeting of Shareholders held on 28 May 2019 approved this dividend.

22. EMPLOYEE BENEFITS

PROVISIONS FOR PENSIONS AND SIMILAR LIABILITIES

The Group and its subsidiaries provide for pension schemes and other employee benefits. On 31 December 2019, the total net debt for pension schemes and similar liabilities was EUR 4,588,000 for the Group's Belgian and French companies. On 31 December 2018, this was EUR 5,835,000

	obligations under IAS 19 Defined benefit plan	Other provisions	Total provisions
1 January 2018	4,470	819	5,289
Service costs	1,206		1,206
Interest costs and income	19		19
Actuarial effect by OCI	-109		-109
Allocations and redemptions	-140	337	197
Other	-767		-767
31 December 2018	4,679	1,156	5,835
Service costs	566		566
Interest costs and income	24		24
Actuarial effect by OCI	721		721
Allocations and redemptions	29	-19	10
Other	-2,568		-2,568
31 December 2019	3,451	1,137	4,588

EMPLOYEE BENEFITS AND PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

	2019	2018
Net liability / (asset)	3,451	4,678
Of which liabilities	23,841	23,235
Of which investments in investment funds	-20,390	-18,557
Amounts recognised in the income statement:		
Pension costs allocated to the year of employment	566	1,206
Interest cost	24	19
Administrative expenses	24	24
Cost recognised in the income statement regarding defined benefit pension schemes	614	1,249
Amounts allocated to the shareholders' equity via the comprehensive result (OCI)	638	-83
Recognised actuarial (profits)/losses	721	-109
Cumulative of via OCI recognised actuarial results at the beginning of the period	-83	26
Present value of the gross liability at the beginning of the year	23,235	21,497
Interest cost	246	258
Pension costs allocated to the year of employment	523	1,107
DBO profit (loss) for the period	1,209	1,171
Other	-1,372	-798
Present value of the gross liability at the end of the year	23,841	23,235
Fair value of the investments in investment funds at the beginning of the year	-18,559	-17,032
Expected employer's contributions	-1,171	-1,167
Expected benefits paid (excl. interest)	2,660	2,605
Expected taxes on contributions paid	118	114
Expected administrative expenses	25	23
Expected value of the investments in investment funds at the end of the year	-16,927	-15,457
Fair value of the investments in investment funds to the beginning of the year	-18,559	-17,032
Actual employer's contributions	-1,134	-1,149
Actual employees contributions	-32	0
Actual benefits paid	1,328	777
Interest revenue	-222	-239
Actual taxes on contributions paid	120	119
Actual administrative expenses	24	24
Actuarial profit (losses) on the investments in investment funds	-1,915	-1,059
Fair value of the investments in investment funds at the end of the year	-20,390	-18,559
Amount not recognised as investment in investment funds in accordance with the limit in §58(b)	2	2
Fair value of the investments in investment funds at the end of the year	-20,388	-18,557

The primary actuarial assumptions are:

	2019		2018	
	Belgium	France	Belgium	France
Discount rate	0,06%	0,51%	0,70%	0,93%
Future salary increases including inflation	2,20%	2,00%	2,30%	2,00%
Inflation	1,70%	2,00%	1,80%	2,00%

DEFINED CONTRIBUTION SCHEMES

The Ter Beke NV companies contribute to publicly or privately administered pension funds or insurance schemes. Subject to the application of the Law of 18 December 2015, the Group's companies have no further payment obligations once the contributions have been paid. The minimum guaranteed reserves are covered by the value of the investment funds.

The minimum guaranteed returns obtained (in accordance with the Law of 18 December 2015):

- For the contributions paid after 1 January 2016: the Belgian government Linear bond (OLO) interest rate determines the variable minimum return. This ranges from 1.75% to 3.75%.
- For the contributions paid at the end of 2015: the statutory return on investment will remain at 3.25%, respectively 3.75%, applicable to employees already retired.

These pension schemes guarantee a minimum return on investment. We therefore regard these as defined benefit plans.

Each year, Ter Beke has a full actuarial calculation conducted according to the PUC method. The analysis of the pension schemes shows that there is a limited difference between the statutory guaranteed minimum and the interest guaranteed by the insurance company. At the end of 2019, this net liability amounts to EUR 114,000 (2018: EUR 32,000). The periodic contributions constitute a cost for the year in which related rights are acquired. In 2019, this cost amounted to EUR 2,462,000 (2018: EUR 2,617,000).

Costs regarding IAS 19 are booked under employee expenses. The interest component is recognised in the financial result.

OTHER PROVISIONS

- In 2018 and 2019, the other provisions consisted mainly of severance payments and a provision for Offerman Group employees to cover additional expenses due to changes in the place of employment.

23. INTEREST-BEARING LIABILITIES

2019

	Maturity period			
	Within the year	Between 1 and 5 years	After 5 years	Total
Interest-bearing liabilities				
Credit institutions	8,212	129,706	0	137,918
Lease liabilities	3,768	9,573	0	13,341
Total	**11,980**	**139,279**	**0**	**151,259**

2019

	Maturity period			
	Within the year	Between 1 and 5 years	After 5 years	Total
Other liabilities	0	4,103	0	4,103

2018

	Maturity period			
	Within the year	Between 1 and 5 years	After 5 years	Total
Interest-bearing liabilities				
Credit institutions	14,423	127,922	65	142,410
Lease liabilities	1,389	2,055	0	3,444
Total	**15,812**	**129,977**	**65**	**145,854**

2018

	Maturity period			
	Within the year	Between 1 and 5 years	After 5 years	Total
Other liabilities	0	3,806	0	3,806

Loans from credit institutions in 2018 include:

- Long-term loans with a fixed interest rate amounting to EUR 9,534,000.
- Long-term loans amounting to EUR 125,783,000 for which interest rates are regularly reviewed for agreed periods of less than one year.
- Short-term loans for agreed periods of less than one a year amounting to EUR 7,093,000.

Loans from credit institutions in 2019 include:

- Long-term loans with a fixed interest rate for the sum of EUR 6,309,000.
- Long-term loans for which the interest rates are regularly reviewed for agreed periods of less than one year for the sum of EUR 125,954,000.
- Short-term loans for agreed periods of less than one year for the sum of EUR 5,655,000.
- The costs for establishing the RCF, estimated at EUR 0.7 million EUR, are depreciated over the 5-year term of the RCF.

At the end of 2019, the Group had lease debts amounting to EUR 13,341,000. The impact of applying the new IFRS 16 Leases standard amounts to EUR 11,341,000.

	2019	2018
Loans with fixed interest rate	1.55%	1.60%
Loans with variable interest rate	0.81%	0.89%

Minimum payments to credit institutions (including interest) amount to:

	2019	2018
Less than 1 year	9,312	8,815
More than 1 year and less than 5 years	132,531	136,007
More than 5 years	0	67

The Group has sufficient short-term credit lines to fulfil its short-term requirements. The Group has not pledged any assets to meet its obligations to credit institutions, and has not received guarantees from third parties. The conditions for the primary financial covenants are: net debt / adjusted EBITDA ratio of 3.0. In the event of new acquisitions, a temporary ratio of 3.5 will be accepted. The Group conformed to the requirements of these covenants in 2019 and 2018.

	31/12/18	Cash Flow	Opening balance sheet IFRS 16	Exchange rate adjustment	31/12/19
Long term interest-bearing liabilities					
Credit institutions	127,987	1,501		218	129,706
Lease liabilities	2,055	-2,440	9,939	19	9,573
Short term Interest-bearing liabilities					
Credit institutions	14,423	-6,506		295	8,212
Lease liabilities	1,389	-42	2,394	27	3,768
Other long term interest-bearing liabilities	3,806	98		199	4,103
Total	149,660	-7,389	12,333	758	155,362

	31/12/17	Cash Flow	Exchange rate adjustment	31/12/18
Long term interest-bearing liabilities				
Credit institutions	39,890	88,314	-217	127,987
Lease liabilities	3,416	-1,350	-11	2,055
Short term Interest-bearing liabilities				
Credit institutions	88,060	-73,481	-156	14,423
Lease liabilities	2,072	-677	-6	1,389
Other long term interest-bearing liabilities	3,569	269	-32	3,806
Total	137,007	13,075	-422	149,660

24. OTHER LONG-TERM LIABILITIES

As per 31 December 2019, the other long-term liabilities amounted to EUR 4,103,000. This concerns a put/call option on the remaining 10% of the shares in KK Fine Foods for non-controlling interests.

The option period runs from 31 December 2020 to 31 December 2024.

The put/call option entitles the minority interest shareholder to sell its interests in KK Fine Foods. The conditions are set out in the option contract with the Ter Beke Group, and are not based on publicly available market information. This liability is therefore classified according to level 3, in accordance with IFRS 13.

25. TRADE LIABILITIES AND OTHER DEBTS

	2019	2018
Trade liabilities	117,249	110,457
Dividends	88	88
Other	10,388	4,878
Total	127,725	115,423
Of which empties	4,199	3,108

Most trade liabilities have a due date of 60 or 45 days from invoice date.

The other liabilities include claims from customers as a result of the product recall.

26. RISKS ARISING FROM FINANCIAL INSTRUMENTS

Interest rates and exchange rates are subject to risks. Our exposure is a normal consequence of the Group's activities. Derivative financial instruments are used to limit these risks. The Group's policy forbids the use of derivative financial instruments for speculation purposes.

INTEREST RISK

The interest risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market interest rates.

Ter Beke is exposed to the risk of interest rate fluctuations on EUR 120.5 million. On 28 June 2018, the Group had drawn EUR 120 million on the RCF. On 31 December 2019, the Group had drawn EUR 120 million and GBP 0.5 million on the RCF. Ter Beke wishes to limit its interest risk by hedging. For this purpose, a floored IRS was agreed on 30 November 2018 with maturity dates at the end of every quarter for a notional amount of EUR 10 million, and an option for the same notional amount with a strike of 1% on the same maturity date. On 11 and 14 January 2019, the Group agreed two additional floored IRS contracts with two other banks participating in the club deal with maturity dates at the end of every quarter for a notional amount of EUR 10 million each, and an option for the same notional amount with a strike of 1% on the same maturity dates.

Hedging interest rate risk on RCF	Trade date	Maturity date	Initial notional
Interest Rate Swap	14/01/19	27/06/23	10,000,000,00
Interest Rate Cap	14/01/19	27/06/23	10,000,000,00
Cap	30/11/18	30/06/23	10,000,000,00
Floor	30/11/18	30/06/23	10,000,000,00
Interest Rate Swap	30/11/18	30/06/23	10,000,000,00
Cap	11/01/19	27/06/23	10,000,000,00
Floor	11/01/19	27/06/23	10,000,000,00
Interest Rate Swap	11/01/19	27/06/23	10,000,000,00

EXCHANGE RATE RISK

The exchange rate risk lies in the potential fluctuations in the value of financial instruments due to fluctuation in exchange rates. The Group is exposed to an exchange rate risk on the sales, procurement and interest-bearing loans and borrowings expressed in a currency other than the company's local currency. On 31 December 2019, the Group had a net position in British pounds of GBP 6,342,000. On 31 December 2018, that was GBP 5,769,000. As hedge against exchange rate risk, on 31 December 2019 we had forward contracts for the sale of GBP 4,000,000 for EUR. On 31 December 2018, that was GBP 500,000 for EUR. On 31 December 2019, in Poland we had a net position in Polish zloty of PLN 5,201,000.

CREDIT RISK

Credit risk is the risk that one of the contracting parties fails to honour its financial obligations, whereby the other party may incur a loss. Our Processed Meats and Ready Meals Divisions sell our products to a large client base. This includes most large European discount and retail clients. We realise the turnover with these clients through various products and contracts of varying duration. We do this in several countries, both for our own brands and clients' private labels. The ten largest client groups represent 65% of the turnover (2018: 58%). In 2018, the volume of business with one single external client exceeded 10% (i.e. 13%) of the consolidated turnover. In 2019, two external clients achieved the cap threshold of 10% (each 12%). The turnover related to these customers was in both segments. The management has worked out a credit policy and exposure to the credit risk is continuously monitored.

- Credit risks on trade receivables: we monitor the credit risks on all clients constantly.
- Credit risks on cash and cash equivalents and short-term investments: short-term investments are made in easily-tradable securities or in fixed-term deposits with reputable banks.
- Transactions with derivative financial instruments: transactions with derivative financial instruments are only permitted with counter-parties who have a high degree of creditworthiness.

The maximum credit risk for all these exposures equals the balance sheet amount.

Trade receivables are subject to standard terms of payment.

There are no significant amounts outstanding or overdue at closing date.

	2019	2018
Total outstanding client receivables	103,779	99,029
Overdue < 30 days	8,180	11,062
Overdue between 30 and 60 days	989	3,078
Overdue > 60 days	2,072	2,209

Consolidated balance sheet	Note	2019		2018	
as at 31 December 2019 and 2018		Book value	Fair value	Book value	Fair value
Current assets					
Trade and other receivables	20	119,316	119,316	121,908	121,908
Cash and cash equivalents	21	26,825	26,825	23,175	23,175
Non-current liabilities					
Long-term interest-bearing liabilities	24	139,279	139,279	130,042	130,042
Other Non-current liabilities		4,103	4,103	3,806	3,806
Current liabilities					
Current interest-bearing liabilities	24	11,980	11,980	15,812	15,812
Trade liabilities and other payables	25	127,725	127,725	115,423	115,423
Social liabilities		19,291	19,291	15,890	15,890
Tax liabilities		2,112	2,112	3,802	3,802

Assets and liabilities measured at fair value: hierarchy

as at 31 December 2019

	2019 Fair value	Level 1	Level 2	Level 3
Trade and other receivables	52	52		
Other Non-current liabilities	4,103			4,103
Other current liabilities	541	541		

Assets and liabilities measured at fair value: hierarchy

as at 31 December 2018

	2018 Fair value	Level 1	Level 2	Level 3
Trade and other receivables	16	16		
Other Non-current liabilities	3,806			3,806
Other current liabilities	259	259		

Level 1: market prices in active markets for identical assets or liabilities
Level 2: inputs other than Level 1 that are observable for the asset or liability, directly (via prices) or indirectly (derived from prices)
Level 3: inputs that are not based on observable market prices

The value of the put/call option is based on the estimated discounted future value of the company on the date we estimate that the option will be exercised.

LIQUIDITY RISK

The liquidity risk is the risk that the Group cannot honour its financial obligations. The Group limits this risk by monitoring the cash flows on a continuous basis. We also ensure that sufficient credit lines are available. See also Note 23.

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. No guarantees were provided for this RCF. The RCF conditions include maintaining a net financial debt ratio of 3.0 for application of IFRS 16/adjusted EBITDA. In the event of new acquisitions, a temporary ratio of 3.5 will be accepted. On 31 December 2019, an amount of EUR 120 million and GBP 0.5 million in loans was subject to a variable interest rate.

This covenant is tested against the figures twice a year, on 30 June and on 31 December. The Group conformed to the requirements of the covenant in 2019.

27. LEASING

The Group leases its cars and several freight vehicles under a number of leasing contracts. At the end of 2010, the Group signed an operational agreement for a new state of the art 'value added logistics platform' in Wijchen. This is where Ter Beke has centralised the slicing activities of Langeveld-Sleegers and the Dutch logistics activities.

The new IFRS 16 standard (see standards and interpretations applicable from 1 January 2019) requires the lessee to capitalise all lease liabilities and rental obligations on the balance sheet. The liability reflects all future lease payments associated with the lease agreement valued at current value. 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.

As a result of applying IFRS 16, we have recognised lease liabilities for lease agreements that were formerly recognised as operating lease in accordance with IAS 17. These lease liabilities were recognised at the present value of the remaining lease obligations, and discounted according to our 'marginal interest rate' applicable on 1 January 2019. On 1 January 2019, our weighted average 'marginal interest rate' used for the valuation of the lease liabilities was 3.35%.

The differences between our total operating lease obligations, as reported in our consolidated financial statements per 31 December 2018, and the total lease liabilities recognised in the consolidated balance sheet per 1 January 2019, are explained below.

Operating lease liabilities recognised at 31 December 2018	14,895
Less: discounting effect using the lessee's marginal interest rate on the initial application date	-1,579
Less: other	-983
Leasing debt recognised at 1 January 2019	12,333
Of which: short-term lease liabilities	2,394
long-term lease liabilities	9,939

The change in the valuation rule had the following effect on our consolidated balance sheet at 1 January 2019:

Tangible fixed assets (right to use fixed assets)	12,333
Lease liabilities (current and non-current)	12,333

The application of these exemptions meant that the Group did not capitalise EUR 5.1 million in 2019.

The impact on the lease costs resulting from the capitalisation amounts to EUR 3.1 million lower costs of services and other goods.

The impact of the new standard on depreciation charges amounts to EUR 2.9 million.

28. CONTINGENT LIABILITIES

At the end of December, the final verdict was given in the Creta Farms case. On 31 December 2019, a provision was made amounting to EUR 100,000.

In January 2020, Stefano Toselli reached an agreement with the French tax authorities. On 31 December 2019, a provision was made for this in Stefano Toselli. For this purpose, Ter Beke NV has expressed a recourse claim against the former shareholder of Stefano Toselli for EUR 437,000 in respect of the tax burden in Stefano Toselli.

29. OFF-BALANCE SHEET RIGHTS AND OBLIGATIONS

The Group has not set up any sureties as a guarantee for debts or obligations to third parties.

On 31 December 2019, the total purchase obligations concerning major investment projects amounted to EUR 9,459,000 (2018: EUR 2,211,000) For this we have already assigned contracts or placed orders.

30. TRANSACTIONS WITH AFFILIATED PARTIES

TRANSACTIONS WITH DIRECTORS AND MEMBERS OF THE EXECUTIVE COMMITTEE

The Remuneration and Nomination Committee has prepared the compensation policy for Ter Beke, which the Board of Directors has approved. The remuneration of the executive directors and members of the Executive Committee is structured in a fixed and a variable part. The variable part is subject to evaluation by the Remuneration and Nomination Committee and to long-term incentives such as a pension plan. As from 1 January 2006, we have incorporated the remuneration policy in the Corporate Governance Charter.

The remuneration received by members of the Board of Directors and the Executive Committee during the 2019 financial year is summarised in the table below.

For details, please refer to the remuneration report in the declaration of Corporate Governance (see above).

in EUR million	2019	2018
Remuneration to Board of Directors Ter Beke NV for the execution of their mandate	0.27	0.37

Remuneration for managers in a key position (in accordance with IAS 24.17)

in EUR million	2019	2018
Short-term employee benefits	1.95	1.9
Termination benefit	0	0.7

TRANSACTIONS WITH OTHER PARTIES

Transactions with affiliated parties are mainly commercial transactions and are based on the 'at arm's length' principle. The costs and revenues of these transactions are immaterial in the consolidated income statement.

For 2019, we did not receive any reports from directors or management about related transactions, as stipulated in the Corporate Governance Charter. For the application of the conflict of interest rules (articles 523 and 524 of the old Belgian Company Code) we refer to the annual report chapter on Corporate Governance (see above).

31. EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on:

- a net profit attributable to the ordinary shareholders of EUR 4,224,000 (2018: EUR 7,185,000)
- a weighted average number of outstanding ordinary shares during the year of 1,732,621 (2018: 1,732,621)

The weighted average number of outstanding ordinary shares was calculated as follows:

	2019	2018
Number of outstanding ordinary shares on 1 January financial year	1,732,621	1,732,621
Effect of ordinary shares issued		
Weighted average number of outstanding ordinary shares on 31 December financial year	1,732,621	1,732,621
Earnings per share	**2.44**	**4.15**

	2019	2018
Group share in net profit of financial year	4,225	7,185
Average number of shares	1,732,621	1,732,621
Earnings per share	**2.44**	**4.15**

DILUTED EARNINGS PER SHARE

When calculating diluted earnings per share, we adjust the weighted average number of shares. We take into account all the potential ordinary shares that could give rise to dilution. There were none in 2019 and 2018.

	2019	2018
Net group profit	4,225	7,185
Average number of shares	1,732,621	1,732,621
Adjusted number of shares	1,732,621	1,732,621
Diluted earnings per share	**2.44**	**4.15**

32. IMPACT OF BUSINESS COMBINATIONS

In 2019, the Group acquired one company, compared to no acquisitions in 2018.

PROCESSED MEATS COMPANY VLEESWAREN E. DE KOCK – DE BRIE NV

On 13 September 2019, the Group acquired full control of the processed meats company Vleeswaren E. De Kock-De Brie NV, a family-owned business based in Antwerp. Vleeswaren E. De Kock-De Brie NV specialises in tongue and liver products. We are currently integrating these production activities in our Wommelgem production site.

From 13 September 2019, the result of Vleeswaren E. De Kock-De Brie NV is recognised in the consolidated annual accounts and the full balance sheet.

Opening balance of Vleeswaren E. De Kock-De Brie NV on 13 September 2019:

Impact on the results of the Group following the acquisition of Vleeswaren E. De Kock-De Brie NV:

If the Group had acquired control on 1 January 2019, then the Group's turnover would have been EUR 1,748,000 higher and the operating result for the 2019 financial year would have been EUR 335,000 lower.

The result on 31 December 2019 includes a loss of EUR 35,000 for Vleeswaren E. De Kock-De Brie NV and a turnover of EUR 391,000.

33. GROUP COMPANIES

The parent company of the Group, Ter Beke NV, Beke 1, B-9950 Lievegem, Belgium, was directly or indirectly the parent company of the following companies as per 31 December 2019:

Name and full address of the company	Effective holding in %
Ter Beke Vleeswarenproduktie NV - Beke 1, 9950 Lievegem - Belgium	100
Heku NV - Ondernemingenstraat 1, 8630 Veurne - Belgium	100
Ter Beke Immo NV - Beke 1, 9950 Lievegem - Belgium	100
FreshMeals Nederland BV - Bijsterhuizen 24/04, 6604 LL Wijchen - The Netherlands	100
FreshMeals Ibérica SL - Vía de las Dos Castillas , 33 - Complejo Empresarial Ática, Edificio 6, Planta 3a - Officina B1, 28224 Pozuelo de Alarcón, Madrid - Spain	100
Ter Beke Luxembourg SA - 534, rue de Neudorf - 2220 Luxembourg - Luxemburg	100
Les Nutons SA - Chaussée de Wavre 259 A, 4520 Wanze - Belgium	100
Come a Casa SA - Chaussée de Wavre 259 A , 4520 Wanze - Belgium	100
Ter Beke France SA - ZI Espace Zuckermann - BP56 - 14270 Mézidon-Vallée d'Auge – France	100
Berkhout Langeveld BV - Bijsterhuizen 24/04, 6604 LL Wijchen - The Netherlands	100
Langeveld/Sleegers BV - Bijsterhuizen 24/04, 6604 LL Wijchen - The Netherlands	100
TerBeke-Pluma NV - Antoon Van der Pluymstraat 1, 2160 Wommelgem - Belgium	100
Pluma NV - Antoon Van der Pluymstraat 1, 2160 Wommelgem - Belgium	100
TerBeke-Pluma UK Ltd - Addlestone Road, Bourne Business Park, Addlestone, Surrey KT15 2LE – United Kingdom	100
Pluma Fleischwarenvertrieb GmbH - Krefelder Strasse 249 - 41066 Mönchengladbach - Germany	100
TerBeke-Pluma Nederland BV - Bijsterhuizen 24/04, 6604 LL Wijchen - The Netherlands	100
FreshMeals NV - Beke 1, 9950 Lievegem - Belgium	100
H.J. Berkhout Verssnijlijn BV - Scheepmakerstraat 5 , 2984 BE Ridderkerk – The Netherlands	100
Pasta Food Company Sp. z.o.o. - Ul. Północna 12 - 45-805 Opole - Poland	100
Stefano Toselli SAS - ZI Espace Zuckermann - BP56 - 14270 Mézidon-Vallée d'Auge – France	100
KK Fine Foods LTD - Estuary House 10th Avenue - Zone 3 Deeside Industrial Park – Deeside – Flintshire - CH5 2UA - United Kingdom	90
Cebeco Meat Products Nederland B.V. - Twentepoort West 10 - NL-7609 RD Almelo - The Netherlands	100
Offerman B.V. - Twentepoort West 10 - NL-7609 RD Almelo - The Netherlands	100
Offerman Borculo B.V. - Parallelweg 21, 7271 VB Borculo - The Netherlands	100
Offerman Aalsmeer B.V. - Turfstekerstraat 51, 1431 GD Aalsmeer - The Netherlands	100
Offerman Holding B.V. - Twentepoort West 10 - NL-7609 RD Almelo - The Netherlands	100
Gebr. Kraak Vlees en Vleeswaren B.V. - Turfstekerstraat 51, 1431 GD Aalsmeer - The Netherlands	100
Offerman Zoetermeer B.V. - Twentepoort West 10 - NL-7609 RD Almelo - The Netherlands	100
Vleeswaren en Saladefabrieken Offerman B.V. - Twentepoort West 10 - NL-7609 RD Almelo - The Netherlands	100
Offerman Hazerswoude B.V. - Twentepoort West 10 - NL-7609 RD Almelo - The Netherlands	100
FreshMeals Deutschland GmbH -Krefelder Strasse 249 - 41066 Mönchengladbach - Germany	100
Vleeswaren E. De Kock - De Brie NV - Kalverstraat 12 - 2060 Antwerpen - Belgium	100

There are no significant restrictions on the Company's or its subsidiaries' ability to access the Group's assets and to meet its obligations.

34. IMPORTANT EVENTS AFTER BALANCE SHEET DATE

No events have occurred after the balance sheet date that could have a relevant impact on the results in this annual report.

At the time of approval of these consolidated accounts, the novel coronavirus presents material uncertainty and risk with respect to the performance of the Group and related financial results. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of the situation makes any prediction about ultimate impact of the coronavirus impossible at the moment. The novel coronavirus is a non-adjusting subsequent event and the recoverability of some non-current/current assets might be at risk.

Management has considered the implication on the going concern assumptions and positively concluded on its validity considering the fact that at the time of issuing this report:

- Precaution measures have been put in place safeguarding the social distancing requirements. Measures have been taken to closely follow up on the workforce to ensure the operating facilities can continue to operate as expected
- No material impact on the customer demand is currently experienced with regard to the core operations of the Group
- No material impact on the operating activities is currently experienced
- Supply chain activities are currently not materially interrupted

Given the sector the Group is operating in, being the food sector, we are currently, based on the latest information, not restricted in our operational activities due to governmental actions.

However, as mentioned above, given the unprecedented reach, we can currently not assess the ultimate financial impact of this novel coronavirus, which might ultimately result in the slowdown of operating activities or significant disruption of the supply chain, resulting in a decreased ability to get our products to market.

35. STATUTORY AUDITOR'S FEES

In 2019, the Statutory Auditor invoiced the Ter Beke Group a fee of EUR 533,000 with regard to the statutory audit and EUR 41,000 for non-audit services. The companies with whom the Statutory Auditor has a working relationship invoiced the Group a total amount of EUR 338,000 in additional fees. These fees concern tax consultancy assignments, among others.

Abbreviated financial statements of Ter Beke NV

1. BALANCE SHEET

		2019	2018
Non-current assets		222,249	231,922
I.	Formation Expenses	0	0
II.	intangible fixed assets	76	167
III.	Tangible fixed assets	4,221	5,392
IV.	Financial non-current assets	217,952	226,363
Current assets		76,740	93,217
V.	Amounts receivable after 1 year	0	0
VI.	Inventories	0	0
VII.	Amounts receivable within one year	73,523	87,920
VIII.	Cash investments	0	0
IX.	Cash and cash equivalents	1,972	4,159
X.	Accrued income and deferred charges	1,245	1,138
TOTAL ASSETS		298,989	325,139

		2019	2018
Shareholders' equity		64,704	64,795
I.	Capital	4,903	4,903
II.	Share premiums	48,288	48,288
IV.	Reserves	3,360	3,360
	Statutory reserves	*649*	*649*
	Reserves not available for distribution	*1,457*	*1,457*
	Untaxed reserves	*679*	*679*
	Reserves available for distribution	*575*	*575*
V.	Transferred result	8,153	8,244
Provisions and deferred taxes		0	0
	Provisions for risks and costs	*0*	*0*
	Deferred taxes	*0*	*0*
Debts		234,285	260,344
X.	Debts payable after 1 year	123,323	124,309
XI.	Debts payable within 1 year	110,950	135,725
XII.	Accrued charges and deferred income	12	310
TOTAL LIABILITIES		298,989	325,139

2. INCOME STATEMENT

	2019	2018
Operating income	17,785	18,161
Turnover	0	0
Change in inventory	0	0
Produced non-current assets		
Other operating income	17,785	18,161
Operating costs	18,697	20,680
Trade goods, raw and auxiliary items		
Services and miscellaneous goods	11,083	12,767
Remuneration, social security costs and pensions	5,264	5,633
Depreciation and write-downs on intangible and Tangible fixed assets	2,237	2,264
Write-downs on inventory and trade receivables	0	0
Provisions for risks and costs	0	0
Other operating costs	113	113
Operating result	-912	-2,519
Financial income	9,900	23,400
Financial charges	-2,137	-18,805
Result from ordinary business operations before tax	6,851	2,076
Profit before tax	6,851	2,076
Tax on profits	-11	-234
Result for the financial year after tax	6,840	1,842

The accounting principles and conversion rules for the statutory financial statements of the parent company meet the Belgian standards (BE GAAP). We have drawn up the consolidated financial statements in accordance with the IFRS. These accounting principles differ widely from each other.

The Statutory Auditor has given an unqualified audit opinion on the financial statements of Ter Beke NV.

We publish the following documents in accordance with the statutory requirements and they are available free of charge: the comprehensive financial statements, the Statutory Auditor's unqualified audit opinion and the statutory annual report, which is not included in its entirety in this document.

Consolidated key figures 2014-2019

	2019	2018	2017	2016	2015	2014
Consolidated income statement						
Revenu	728,132	680,460	508,555	418,563	396,319	399,730
EBITDA	37,243	44,036	38,409	37,735	34,273	31,418
Result of operating activities	6,205	16,218	22,018	18,190	15,829	13,844
Result after taxed before share in the result of enterprises is accounted for using the equity method	4,415	7,241	16,568	12,503	10,811	8,805
Earnings after taxes	4,415	7,241	17,139	12,562	10,298	8,132
Net cash flow	35,453	35,059	32,959	32,048	29,255	26,379
Consolidated balance sheet and financial structure						
Non-current assets	252,148	243,591	242,573	144,337	149,201	140,926
Current assets	186,874	181,387	157,163	105,314	92,327	91,799
Equity	124,176	125,028	125,308	114,969	108,843	102,815
Total of balance sheet	439,022	424,978	399,736	249,651	241,528	232,725
Net financial debts	124,434	122,679	126,925	17,547	34,312	29,566
Net financial debts / Equity	100.2%	98.1%	101.3%	15.3%	31.5%	28.8%
Equity/Total of balance sheet	28.3%	29.4%	31.3%	46.1%	45.1%	44.2%
Stock and dividend information						
Number of shares	1,732,621	1,732,621	1,732,621	1,732,621	1,732,621	1,732,621
Average number of shares	1,732,621	1,732,621	1,732,621	1,732,621	1,732,621	1,732,621
Average stock price (December)	104.45	120.60	175.73	139.80	96.51	61.99
Basic profit per share	2.44	4.15	9.87	7.25	5.94	4.69
Diluted profit per share	2.44	4.15	9.87	7.25	5.94	4.69
EBITDA per share	21.50	25.42	22.17	21.78	19.78	18.13
Net cash flow per share	20.57	20.27	19.04	18.50	16.88	15.22
Dividend per share	4.00	4.00	4.00	3.50	3.50	2.50
Payout ratio	164.04%	96.50%	40.51%	48.27%	49.13%	53.27%
Dividend return (December)	3.80%	3.30%	2.30%	2.50%	3.60%	4.00%
Valuation						
Market capitalisation (December)	180,972	208,867	304,473	242,238	167,215	107,405
Net financial debt	124,434	122,679	126,925	17,547	34,312	29,566
Market value of the company	305,406	331,546	431,398	259,785	201,527	136,971
Market value / Result						
Market value / EBITDA	69.2	46.0	26.000	20.800	18.5	15.6
Market value / Net cash flow	8.2	7.5	11.2	6.9	5.9	4.4
Beurswaarde / Netto cashflow	8.6	9.5	13.1	8.1	6.9	5.2

Declaration by the responsible persons

The undersigned, Francis Kint* - Managing Director, and Yves Regniers* - Chief Financial Officer, declare that, to the best of their knowledge:

- The financial statements for the financial year 2019 and 2018, which have been prepared in accordance with the International Financial Accounting Standards (IFRS), give a true and fair view of the equity, of the financial status and of the results of Ter Beke NV and the companies included in the consolidated accounts.
- The annual report is a fair review of the development, the results and the position of Ter Beke NV, and of the companies included in the consolidation. The annual report also gives a fair description of the principal risks and uncertainties they face.

Yves Regniers*
Chief Financial Officer

Francis Kint*
Managing Director

*Permanent representative of BV Esroh

* Permanent representative of BV Argalix

Report from the Statutory Auditor on the consolidated annual accounts

STATUTORY AUDITOR'S REPORT TO THE SHAREHOLDERS' MEETING OF TER BEKE NV FOR THE YEAR ENDED 31 DECEMBER 2019 - CONSOLIDATED FINANCIAL STATEMENTS

The original text of this report is in Dutch

In the context of the statutory audit of the consolidated financial statements of Ter Beke NV ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report. This report includes our report on the consolidated financial statements and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 29 May 2019, in accordance with the proposal of the board of directors issued upon recommendation of the audit committee and presentation of the works council. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2021. Due to a lack of online archives dating back prior to 1997, we have not been able to determine exactly the first year of our appointment. We have performed the statutory audit of the consolidated financial statements of Ter Beke NV for at least 23 consecutive periods.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

UNQUALIFIED OPINION

We have audited the consolidated financial statements of the group, which comprise the consolidated balance sheet as at 31 December 2019, the consolidated income statement, the consolidated overview of the comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 439 022 (000) EUR and the consolidated overview of comprehensive income shows a profit for the year of 4 415 (000) EUR.

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and financial position as of 31 December 2019 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

BASIS FOR THE UNQUALIFIED OPINION

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Valuation of goodwill and intangible assets	
The Group has significant goodwill and intangible assets allocated to different Cash Generating Units (CGU's). The intangible assets mainly relate to client portfolios acquired through business combinations. At 31 December 2019 goodwill amounts to 78 224 (000) EUR and intangible assets to 26 116 (000) EUR. The Group tests cash-generating units to which goodwill is allocated for impairment on an annual basis or more frequently, if there is an indication the carrying amount of the unit may exceed the recoverable amount. The Group assesses the recoverable amount by calculating the value in use of the assets per cash generating unit, using a discounted cash flow method ("DCF"). This method is complex and requires significant judgement in making estimates of cash flow projections, sales growth and EBITDA margin, and discount rate, amongst others. Due to the inherent uncertainty involved in forecasting and discounting cash flows, we consider this assessment as a key audit matter. The Group disclosed the nature and the value of the assumptions used in the impairment analysis in note 14 to the Consolidated Financial Statements.	In our audit we assessed and challenged, with assistance of our valuation experts, management's assumptions used in the discounted cash flow model set up to determine the recoverable amount. We obtained the discounted cash flow model per cash generating unit as prepared by management and we evaluated the reasonableness of estimates and judgements made by management in preparing these. Special focus was given to the key drivers of projected future cash flows, being amongst other, estimates sales growth, EBITDA margin growth, and the applied discount rate. We critically assessed the budgets, taking into accounts historical accuracy of the budgeting process. Moreover, we examined sensitivity analysis performed over changes in discount rate, growth rates and EBITDA margin and assessed the adequacy of the Group's disclosure note to the Consolidated Financial Statements.
Impact of Recall	
In view of the recall taken place in October 2019, the Group incurred significant non-underlying costs amounting to 7 914 (000) EUR of recall costs, 1 500 (000) EUR of severance costs related to the social restructuring of the Alsmeer facility, and 500 (000) EUR of impairment costs, presented as non-underlying result of operating activities. The Group assessed the direct costs and related costs incurred as a result of this recall, including liabilities settled, liabilities outstanding and provisions recorded as of 31 December 2019. The Group disclosed the nature and value of these amounts in Note 1 "Summary of Key Accounting Principles – Management Assessment and Estimates" and Note 10 "Result of Operating Activities" to the Consolidated Financial Statements.	In our audit we assessed, with assistance of our valuation experts, management's analysis, which included an overview of all costs incurred as a (in) direct result of the recall, including the impact on revenue, trade goods, raw and auxiliary items, services and miscellaneous goods, employee expenses, impairments, write-downs, provision and other operating expenses. We critically assessed the information used by management to account for the direct impact of the recall, including the recall of finished goods located at the premises of the customers and the destruction of inventory at hand. Moreover, we have traced back the information used to underlying supporting evidence. We critically assessed the information used by management to account for the indirect impact of the recall, including the incremental employee expenses incurred due to the recall, the best estimate related to customer claims, and the impact on the valuation of the related land and buildings. The employee expenses include the costs related to the social restructuring plan and the loss of productivity. We examined the underlying information used by the Company to estimate this indirect impact. The customer claims, presented as other operating expenses, include the Group's best estimate as of 31 December 2019. We have examined the underlying information used by the Company to estimate the overall amount related to customer claims and traced this back to underlying support, including, but not limited to, draft settlement agreements. With the assistance of our valuation specialists, we have assessed the Group's valuation report used in determining the impairment on the operating facility. Moreover, we assessed the adequacy of the Group's disclosure note to the Consolidated Financial Statements.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

RESPONSIBILITIES OF THE STATUTORY AUDITOR FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium. The scope of the audit of annual accounts does not comprise any assurance regarding the future viability of the company nor regarding the efficiency or effectiveness demonstrated by the board of directors in the way that the company's business has been conducted or will be conducted.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes any public disclosure about the matter.

CONSOLIDATED FINANCIAL STATEMENTS

OTHER LEGAL AND REGULATORY REQUIREMENTS

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements.

RESPONSIBILITIES OF THE STATUTORY AUDITOR

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements, as well as to report on these matters.

ASPECTS REGARDING THE DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for that same year and has been established in accordance with the requirements of article 3:32 of the Code of companies and associations.

In the context of our statutory audit of the consolidated financial statements we are also responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements is free of material misstatement, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such material misstatement.

The non-financial information as required by article 3:32, § 2 of the Code of companies and associations, has been disclosed in the directors' report on the consolidated financial statements. This non-financial information has been established by the company in accordance with the GRI Standards. In accordance with article 3:80, § 1, 5° of the Code of companies and associations we do not express any opinion on the question whether this non-financial information has been established in accordance with these GRI Standards.

STATEMENTS REGARDING INDEPENDENCE

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the group during the performance of our mandate.The fees for the additional non-audit services compatible with the statutory audit, as defined in article 3:65 of the Code of companies and associations, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

OTHER STATEMENTS

- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Gent, 25 March 2020
The statutory auditor

Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises CVBA/SCRL
Represented by Charlotte Vanrobaeys

CONTACTINFORMATION

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PL - 45-805 Opole
KRS 0000403908

STEFANO TOSELLI SAS
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F-14270 Mézidon-Vallée d'Auge
Registre de commerce Lisieux 322 304 197

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Flintshire CH5 2UA United Kingdom
Company House 02077911

Freshmeals Deutschland GmbH
Krefelder Strasse 24941066 Mönchengladbach
Deutschland
HRB Krefeld 16709

PROCESSED MEATS

NV TERBEKE-PLUMA
Antoon Van der Pluymstraat 1 - B-2160 Wommelgem
RPR Antwerpen 0475.089.271

NV PLUMA
Antoon Van der Pluymstraat 1 - B-2160 Wommelgem
RPR Antwerpen 0404.057.854

TERBEKE-PLUMA NEDERLAND BV
Bijsterhuizen 24/04 - NL-6604 LL Wijchen
kvk Amsterdam 18024675

NV TER BEKE VLEESWARENPRODUKTIE
Beke 1 - B-9950 Lievegem
RPR Gent 0406.175.424

NV HEKU
Ondernemingenstraat 1 - B-8630 Veurne
RPR Veurne 0436.749.725

BERKHOUT LANGEVELD BV
Bijsterhuizen 24/04 - NL-6604 LL Wijchen
kvk Limburg Noord 12032497

LANGEVELD/SLEEGERS BV
Bijsterhuizen 24/04 - NL-6604 LL Wijchen
kvk Limburg Noord 12036519

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The Dutch version of this annual report is the sole official version.
Ce rapport annuel est également disponible en français.
Dit jaarverslag is ook verkrijgbaar in het Nederlands.

We thank all our employees for their commitment and dynamism. It is thanks to them that we have achieved the results reported here.
And it is thanks to them that we have full confidence in the future.

terbeke

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

Annex to the Annual Report 2019

Lievegem, 17 April 2020

On April 16, 2020, the Board of Directors decided to change the previously proposed dividend of EUR 4 per share (as shown on pages 10, 11, 63 and 64 of the 2019 Annual Report) to an optional dividend. See also the press release dated April 17th, 2020.

As a result of this decision, the previously proposed dividend of EUR 6,930,484 will change into a lower and yet to be determined dividend in the condensed figures of Ter Beke NV (p. 104 Annual Report) and the debt on <1 year will also change in function of the final dividend to be paid.

Through the optional dividend, shareholders will be given the choice of receiving their dividend either in cash or opting to contribute their net dividend receivable - by way of capital increase - in exchange for new shares. To this end, the Board of Directors will increase the capital of Ter Beke NV - depending on the choice of the shareholders - and issue new shares, within the framework of the authorization granted to it by the Shareholders' meeting.

The final processing of results in the financial statements of Ter Beke NV will take place after the choice of shareholders has been determined and will be deposited as such shortly afterwards with the National Bank of Belgium.

The Board of Directors has in the meantime received notification from the main shareholder STAK Coovan, in which the Coopman and Van der Pluym families are united, that, subject to the decision of the Shareholders' meeting regarding the dividend and when they would be offered the choice, the choice will be made not to claim payment of the dividend for 2019 in cash, but to contribute it in full to the company in exchange for shares. In this way, the company can use the cash for further investments and to limit the effects of Covid-19 as much as possible.

The Board of Directors

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Annex: New version Statutory Auditor Opinion 2019

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Ter Beke NV

Statutory auditor's report to the shareholders' meeting for the year ended 31 December 2019 - Consolidated financial statements

The original text of this report is in Dutch

Statutory auditor's report to the shareholders' meeting of Ter Beke NV for the year ended 31 December 2019 - Consolidated financial statements

In the context of the statutory audit of the consolidated financial statements of Ter Beke NV ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report. This report, issued after the decision of the board of directors to revise the dividend, replaces our audit report dated 25 March 2020 and includes our report on the consolidated financial statements and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 29 May 2019, in accordance with the proposal of the board of directors issued upon recommendation of the audit committee and presentation of the works council. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2021. Due to a lack of online archives dating back prior to 1997, we have not been able to determine exactly the first year of our appointment. We have performed the statutory audit of the consolidated financial statements of Ter Beke NV for at least 23 consecutive periods.

Report on the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated balance sheet as at 31 December 2019, the consolidated income statement, the consolidated overview of the comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 439 022 (000) EUR and the consolidated overview of comprehensive income shows a profit for the year of 4 415 (000) EUR.

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and financial position as of 31 December 2019 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with *International Financial Reporting Standards* (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Valuation of goodwill and intangible assets The Group has significant goodwill and intangible assets allocated to different Cash Generating Units (CGU's). The intangible assets mainly relate to client portfolios acquired through business combinations. At 31 December 2019 goodwill amounts to 78 224 (000) EUR and intangible assets to 26 116 (000) EUR. The Group tests cash-generating units to which goodwill is allocated for impairment on an annual basis or more frequently, if there is an indication the carrying amount of the unit may exceed the recoverable amount. The Group assesses the recoverable amount by calculating the value in use of the assets per cash generating unit, using a discounted cash flow method ("DCF"). This method is complex and requires significant judgement in making estimates of cash flow projections, sales growth and EBITDA margin, and discount rate, amongst others. Due to the inherent uncertainty involved in forecasting and discounting cash flows, we consider this assessment as a key audit matter. The Group disclosed the nature and the value of the assumptions used in the impairment analysis in note 14 to the Consolidated Financial Statements.	In our audit we assessed and challenged, with assistance of our valuation experts, management's assumptions used in the discounted cash flow model set up to determine the recoverable amount. We obtained the discounted cash flow model per cash generating unit as prepared by management and we evaluated the reasonableness of estimates and judgements made by management in preparing these. Special focus was given to the key drivers of projected future cash flows, being amongst other, estimates sales growth, EBITDA margin growth, and the applied discount rate. We critically assessed the budgets, taking into accounts historical accuracy of the budgeting process. Moreover, we examined sensitivity analysis performed over changes in discount rate, growth rates and EBITDA margin and assessed the adequacy of the Group's disclosure note to the Consolidated Financial Statements.
Impact of Recall In view of the recall taken place in October 2019, the Group incurred significant non-underlying costs amounting to 7 914 (000) EUR of recall costs, 1 500 (000) EUR of severance costs related to the social restructuring of the Alsmeer facility, and 500 (000) EUR of impairment costs, presented as non-underlying result of operating activities. The Group assessed the direct costs and related costs incurred as a result of this recall, including liabilities settled, liabilities outstanding and provisions recorded as of 31 December 2019.	In our audit we assessed, with assistance of our valuation experts, management's analysis, which included an overview of all costs incurred as a (in)direct result of the recall, including the impact on revenue, trade goods, raw and auxiliary items, services and miscellaneous goods, employee expenses, impairments, write-downs, provision and other operating expenses. We critically assessed the information used by management to account for the direct impact of the recall, including the recall of finished goods located at the premises of the customers and the destruction of inventory at hand. Moreover, we have traced back the information used to underlying supporting evidence.

The Group disclosed the nature and value of these amounts in Note 1 “Summary of Key Accounting Principles – Management Assessment and Estimates” and Note 10 “Result of Operating Activities” to the Consolidated Financial Statements.	We critically assessed the information used by management to account for the indirect impact of the recall, including the incremental employee expenses incurred due to the recall, the best estimate related to customer claims, and the impact on the valuation of the related land and buildings. The employee expenses include the costs related to the social restructuring plan and the loss of productivity. We examined the underlying information used by the Company to estimate this indirect impact. The customer claims, presented as other operating expenses, include the Group’s best estimate as of 31 December 2019. We have examined the underlying information used by the Company to estimate the overall amount related to customer claims and traced this back to underlying support, including, but not limited to, draft settlement agreements. With the assistance of our valuation specialists, we have assessed the Group’s valuation report used in determining the impairment on the operating facility. Moreover, we assessed the adequacy of the Group’s disclosure note to the Consolidated Financial Statements.

Responsibilities of the board of directors for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the group’s ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

Responsibilities of the statutory auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium. The scope of the audit of annual accounts does not comprise any assurance regarding the future viability of the company nor regarding the efficiency or effectiveness demonstrated by the board of directors in the way that the company's business has been conducted or will be conducted.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes any public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements.

Responsibilities of the statutory auditor

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements, as well as to report on these matters.

Aspects regarding the directors' report on the consolidated financial statements

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for that same year and has been established in accordance with the requirements of article 3:32 of the Code of companies and associations.

In the context of our statutory audit of the consolidated financial statements we are also responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements is free of material misstatement, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such material misstatement.

The non-financial information as required by article 3:32, § 2 of the Code of companies and associations, has been disclosed in the directors' report on the consolidated financial statements. This non-financial information has been established by the company in accordance with the GRI Standards. In accordance with article 3:80, § 1, 5° of the Code of companies and associations we do not express any opinion on the question whether this non-financial information has been established in accordance with these GRI Standards.

Statements regarding independence

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the group during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit, as defined in article 3:65 of the Code of companies and associations, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

Other statements

- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Gent, 16 April 2020

The statutory auditor

Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises CVBA/SCRL
Represented by Charlotte Vanrobaeys