



Innovate



Improve

Annual Report 2016

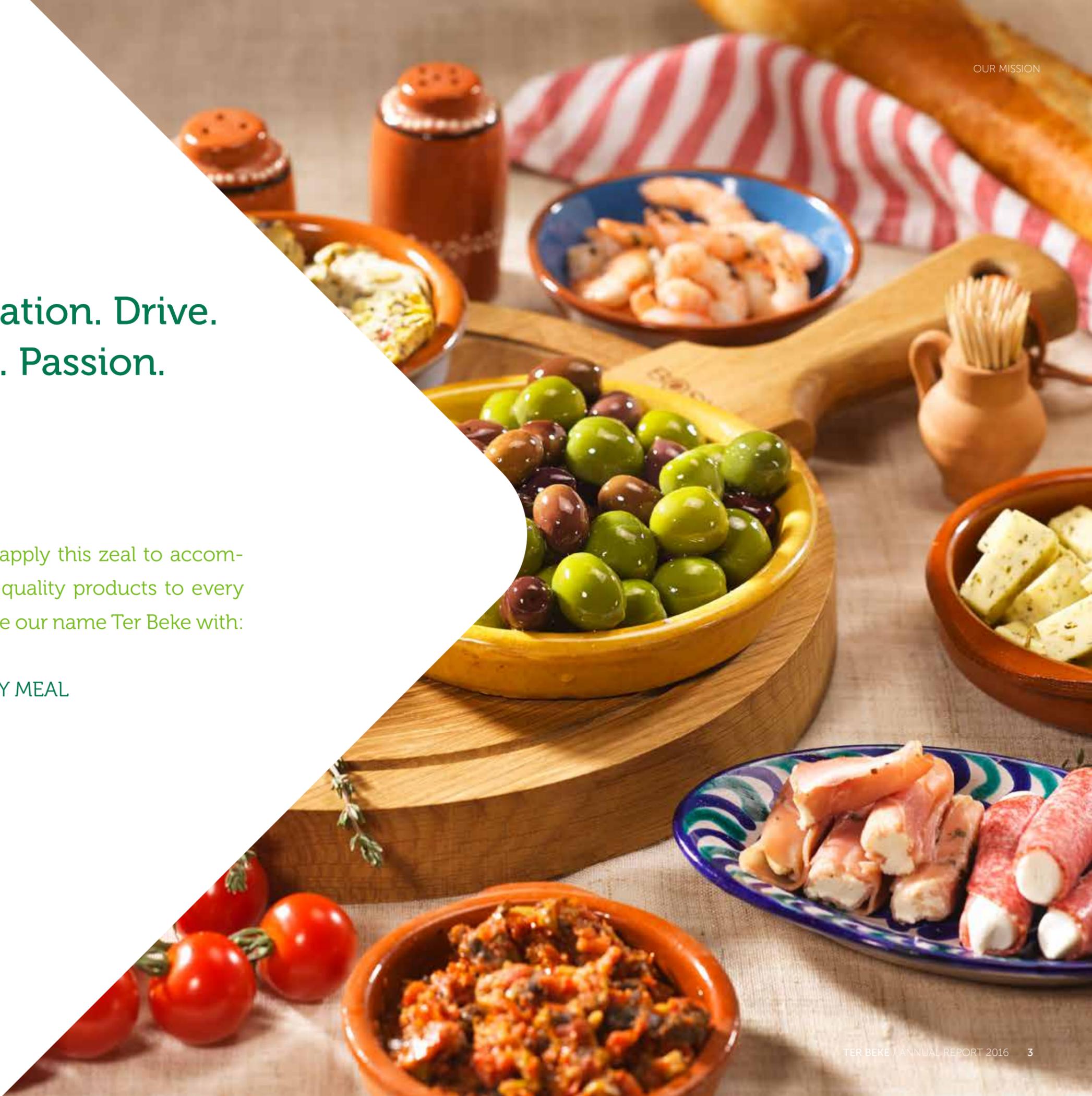
terbeke
driven by the zeal for your everyday meal

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

This is what drives us.

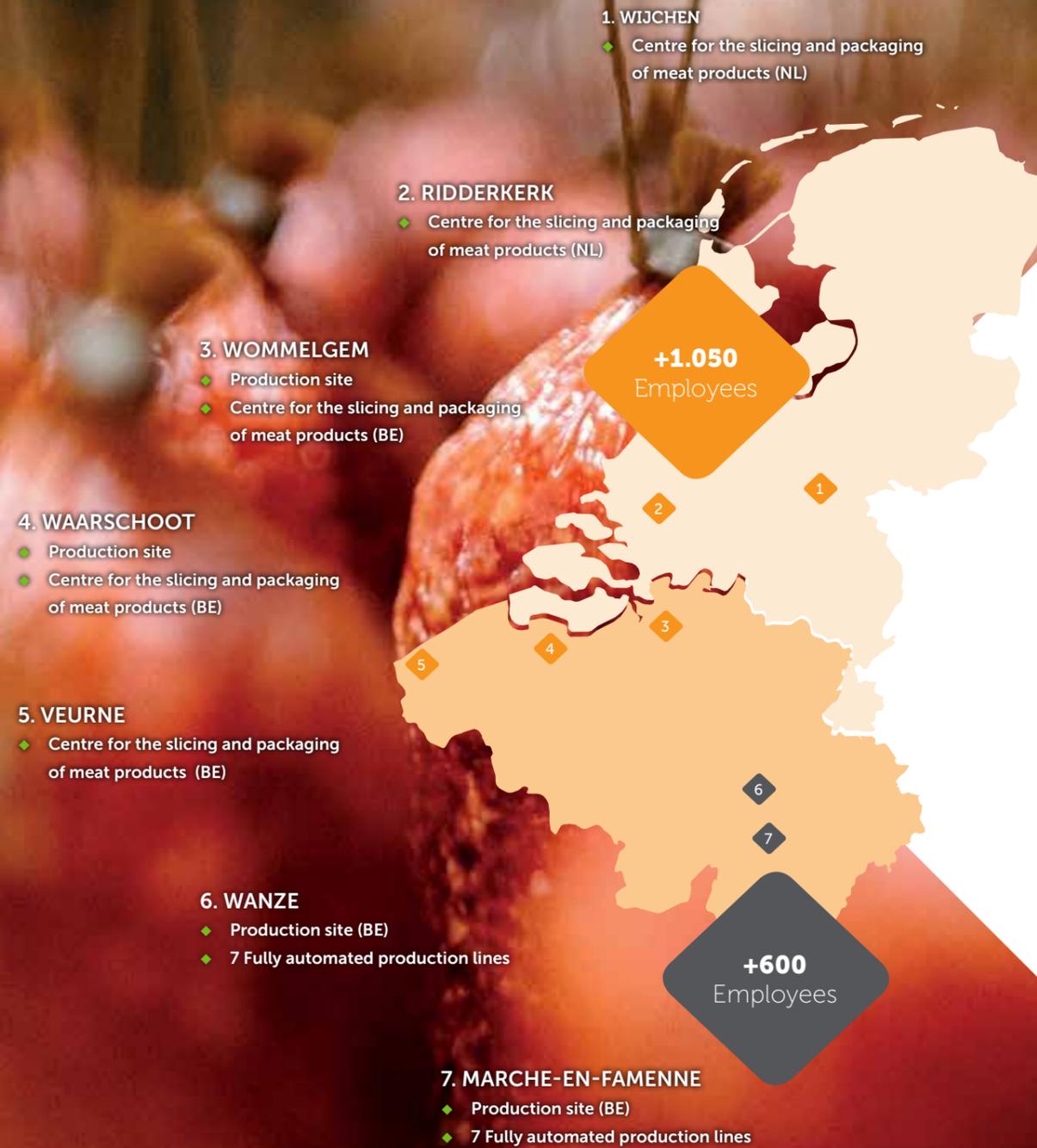
Encompassed in a single word: ZEAL. We apply this zeal to accomplish our mission: to bring delicious high-quality products to every dining table. And for this reason, we endorse our name Ter Beke with:

DRIVEN BY THE ZEAL FOR YOUR EVERYDAY MEAL



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Ter Beke (Euronext Brussels: TERB) is an innovative Belgian fresh foods business that markets its assortment in 10 European countries.

The group has two core products: processed meats and fresh ready meals. It has 7 production sites in Belgium and the Netherlands and employs approximately 1,650 employees. Ter Beke generated a turnover of EUR 418.6 million in 2015.

PROCESSED MEATS DIVISION

- ◆ Produces fresh ready meals for the European market.
- ◆ Market leader in chilled lasagne in Europe.
- ◆ Brand names Come a casa® and Vamos® in addition to private labels.
- ◆ Joint venture The Pasta Food Company established in Poland (2011).

PROCESSED MEATS DIVISION

- ◆ Producer and slicer of processed meat products for Benelux, UK and Germany.
- ◆ Innovating in the pre-packaged meat products segment.
- ◆ Private labels and own brands L'Ardennaise®, Pluma® and Daniël Coopman®.



Dear shareholders,

The policy set out by CEO Dirk Goeminne's team has made Ter Beke by far the most efficient performer in the EU in the large and medium-sized segment of our industry. This has been partly thanks to the ROCE (Return On Capital Employed). Ter Beke has very little debt and is strongly focusing on developing talent, its organisational structure and its company culture.

I do not mean to sound self-satisfied. Despite the good results, the management and the Board of Directors believe that we still have to improve a lot more.

You only have to open the papers and read the editorials to be confronted with social and political doom and gloom, which in some cases is translated into negative interest yields for investors. Despite this, there are still sometimes surprisingly positive economic signals in Ter Beke's markets. Both of these developments will influence our strategy.

The zeitgeist might best be described by the term 'uncertainty'. Uncertainty can have a paralysing effect on people and businesses. But it can also be an incentive to accelerate the development of skills, responsiveness, financial reserves, qualitative knowledge, networks... It is also important to study each of the opportunities that presents

itself: will it make a lasting contribution to Ter Beke? We also see that the costs of acquisitions are often much higher than the rewards in the current market.

The Board of Directors and the management wish to thank all stakeholders for their efforts: they had an important positive effect on the market value of the company and its position as supplier and employer. In our experience, employees and partners who are able to contribute to this positive trend are happy to work together with Ter Beke.

We also believe that the uncertain situation described above is actually stimulating some parties to invest in companies like Ter Beke, because we do not run global and political risks, we couple family-scale investment to talent that knows how to change, and we have a sensible dividend policy that focuses on M&A opportunities that create sustainable added value.

I sincerely hope to meet you at our annual general meeting, when various other management members will also be present (as always); we are there to answer any questions you may have.

Your Chairman
Louis-H. Verbeke

"Ter Beke has very little debt and is strongly focusing on developing talent, organisational structure and company culture."





Our core values



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.

“Growth means gaining a larger part of the market”

He says that a CEO is only in the company temporarily. It's not healthy to have the same person in that role for too long. A period of five years should keep the CEO on his toes. 2016 was Dirk Goeminne's fourth year at the helm of Ter Beke. “The first two years are to look around, the third is to say what should change, and from the fourth year onwards things start to happen. The fourth and fifth years are vital. This year we have put a great deal in motion, next year we will be putting the icing on the cake.”

Ter Beke was established in 1934. The company that started as a small butchers' shop is now a group with several locations in Belgium and abroad. Both the size as well as the geographic diversification increase the need for an enthusiastic and uniform story. Which is why last year, Dirk Goeminne together with Bas Hauwert, worked hard on a rebranding.

“The story of Ter Beke must come more from within. We want our employees to help us tell our story to the wider world. Everyone should be able to explain how good it is to work for Ter Beke, or to be a client. For this, together with consultants, we have developed a toolkit for external communication. In this we are working towards One Ter Beke. But we want to go a step further: it is One Ter Beke & One Family.”

Even though Ter Beke has already grown into an international company, the values of the family-owned company are still present. This should be more explicit in our communications with the outside world, but also among ourselves: “We must involve our employees in the Ter Beke story, we must make it clear: you are part of this family. As part of this effort, we made a film during our family day. We visualised the symbolism of ONE in the O, the N and the E. We formed these letters with everyone present and everything was filmed by a

drone. We have supplemented the footage with testimonies in which our people explain why One Ter Beke is important to them. Not only Belgians and Dutch, but also English, French, Spanish, ...”

That family feeling, that team spirit - we are going to apply that now on the work floor. The rebranding will help our sales people to better explain our story to our clients. Internally, working together and consultation will be further encouraged at all levels and in all departments: operations communicates with sales, product development with purchasing, technicians with the people on the work floor so they can operate the machines better, and so on.

QUALITY MUST BE EVERYWHERE

Dirk Goeminne doesn't make hasty decisions. First think carefully, process internally and only then take it to the wider world: “We have been working on internal matters a lot. Last year we listened to our clients in the Safari project. We gathered all that information and we now want to communicate it as one package, internally and externally. We will do more external communication now - publicity, that is.”

“We are working towards One Ter Beke. But we want to go a step further: it is One Ter Beke & One Family.”

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



**1
CUSTOMER SATISFACTION**

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



**2
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.



**3
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.



**4
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.

Quality is an important factor in this. It goes much further than excellent products, it affects the operations, the processes, the employees and the systems. The ERP system, implemented last year in the Ready Meals Division, was rolled out to the Processed Meats Division in 2016. In 2016 some more senior people joined our team, such as our new purchasing director. "Quality must be everywhere. We have appointed an integrity manager who monitors quality standards throughout the organisation. He has prepared our factories for the audits conducted without notice. And he is also working with us at the inception of the RACI project that will take Ter Beke to a higher level of management and quality."

INNOVATIONS PLANNED THROUGH TO 2018

The processed meats market is quite stable. Collectively, we eat less meat while the population continues to increase. Yet Dirk Goeminne still sees scope for growth: "We will not grow because more meat will be eaten, we will grow by gaining a greater market share for both divisions. You can acquire companies to grow, but we must not forget organic growth. For this, our innovations are vital. And for this, we will have to think bigger and adjust certain working practices."

Ter Beke is moving. There was the launch of Come a casa Delicious, a completely new range of lasagne. The Netherlands tasted Ter Beke's organic range and tapas. Innovation is not limited to products, but includes packaging too: the new multilayer packaging was praised as innovation of the year by one of our clients.

"We have more innovations on the shelf for the coming two years. We will tap into new segments close to home, and also take our products to other regions. For the halal lasagne we are in discussions with retailers in the Middle East and in Indonesia. If our ingredients are international, why shouldn't we market our products worldwide too? Chinese people who have accumulated a little wealth, delight in Western products. So we will also target the Chinese market with our lasagne, albeit with a slightly different recipe, and of course, a Chinese name. The first containers from France are already on their way. In 2017 we will launch the flexi processed meats – a combination of meat and vegetables."

NEVER WASTE A GOOD CRISIS

Until recently, pâté was the most international product. It scored exceedingly well in the United Kingdom. But last year, Ter Beke lost two of its largest clients. And then, mid-2016, we had to cope with the fallout of Brexit: "The British pound has dropped 15%. Even though we have contracts in euros and pounds, it has still had an impact on our profitability. And English retailers are turning

inwards, more frequently they seek national suppliers, or if they have suppliers in Europe, the products have to be made from British meat. All this has not made doing business with Britain any easier."

Events on the other side of the Channel have forced Ter Beke to revise its approach. Ter Beke appointed an English account manager, he now represents the interests of the Belgian company and from now on, will introduce our own brands.

"In fact our results in the first half of 2016 were fantastic. We were heading for a phenomenal year; without the loss of the pâté contract we would have broken all records. Despite this, we still hit our pre-defined budgets. So, all in all, I'm quite satisfied."

For the next few years, the consolidation of the market will demand our attention. However, retailers consolidate faster than manufacturers, they determine the rules of the game. "Our customers are gaining in size. Two of our largest clients have already merged. This has also had an impact on Ter Beke, the retailers are becoming more powerful. At the same time, the discounters already have more than 40% of the market. So we must act here too. This is also a source of innovations and new markets, so we must remain alert."

SALAMI SPECIALISTS

At the end of 2016, the main products in the processed meats division were salami, pâté, ham, chicken and cooked processed meats. Expansion here is essential: "For cooked ham we will develop a premium product, and for this we will even breed our own pigs. In the Netherlands we already do something similar with chicken fillet from Hubbard chickens. But it is for salami in particular we must pull out all the stops. It is our most important product. We are THE salami experts in Belgium. Salami is an ideal snack, people eat it everywhere, in cubes, in sausages, ... You can make it just as you want: with chicken, healthy, with lots of salt, with only a little salt. But it is only bought in the Benelux, and I think this is a missed opportunity."

Goeminne will remain CEO until 2018. With much ambition. "I want to sell lasagne worldwide and I want to sell processed meats outside the Benelux. Lift the company to a turnover of more than a billion. And if that happens while I'm at the helm, I will be able to reflect on my period as CEO of Ter Beke with great satisfaction, I will have done my bit."

Headlines and key figures in 2016 – Prospects for 2017



In 2016, Ter Beke achieved its best results ever. The total Group turnover increased by EUR 22.2 million (+5.6%) from EUR 396.3 million to EUR 418.6 million.

Net profits increased by 22% and the net financial debt was halved. The Group achieved this by launching new products, concepts and packagings. This approach will be continued and expanded in 2017.

PROCESSED MEATS DIVISION:

- ◆ The turnover in this division increased by 5.1%.
- ◆ Additional investments in the growth strategy in the Dutch market are reaping the initial rewards and more than compensating for the loss of a volume contract in the British market half way through 2016 and the adverse effects of the drop in value of the British pound.
- ◆ Multilayer Packaging concept launched for meat products.
- ◆ Continued focus on the profitability of the product range and extensive cost control.

READY MEALS DIVISION:

- ◆ The turnover in this division increased by 7.1% thanks to the launch of new products and concepts.
- ◆ Continued focus on the profitability of the product range and extensive cost control.
- ◆ Successful repackaging of the Come a casa® product range.

INVESTMENTS

In 2016, an amount of EUR 14.8 million was invested, primarily in the continuation of efficiency and infrastructure programmes at the various sites and the further roll-out of the ERP package. Also in 2016, the Group invested in two production lines for its Multilayer Packaging concept for processed meats. The launch of these two production lines went extremely well. In 2015, investments amounted to EUR 16.9 million.

PROPOSED DIVIDEND

The Board of Directors proposed to the General Meeting of Shareholders to distribute a gross dividend of 3.50 EUR per share. This will ensure that the company retains sufficient resources to implement its growth strategy.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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

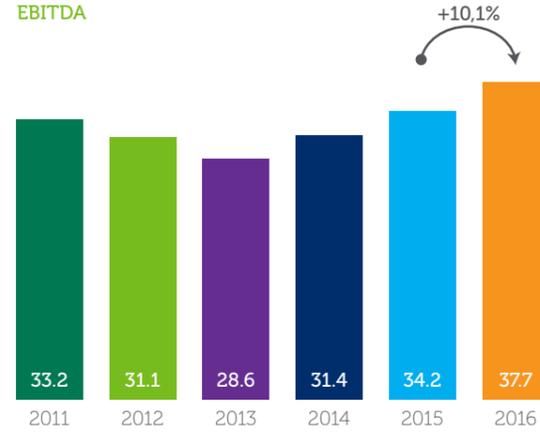
PROSPECTS FOR 2017

In 2017, Ter Beke will continue to increase its focus on the profitability and growth of the product range and on extensive cost control and reduction measures. The group is confident that, barring unforeseen market circumstances, the results for 2017 will surpass those of 2016.

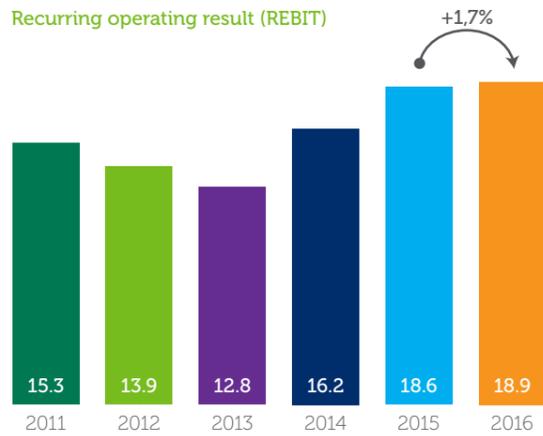
Turnover



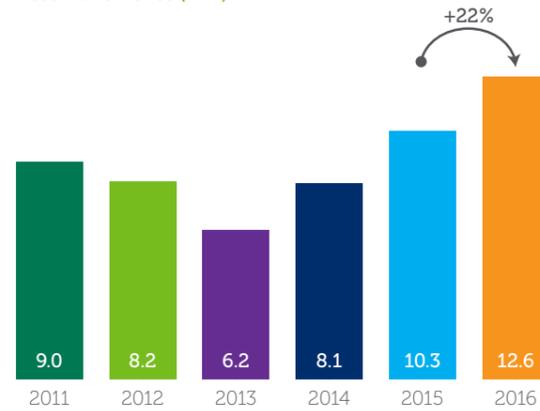
EBITDA



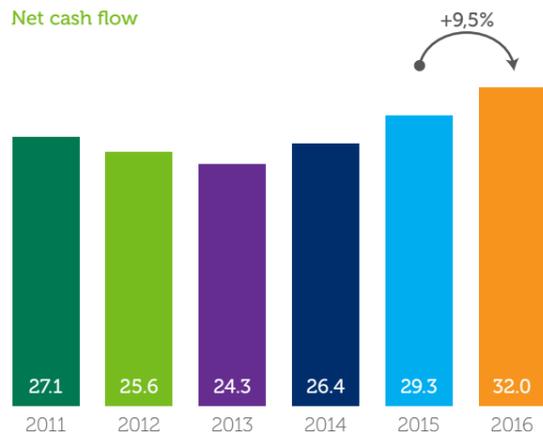
Recurring operating result (REBIT)



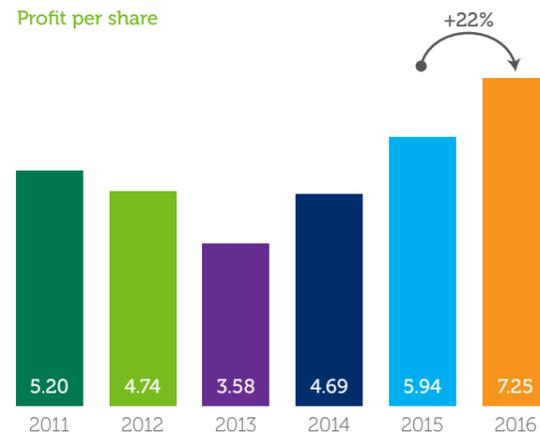
Result after taxes (EAT)



Net cash flow



Profit per share



1 BUSINESS OVERVIEW



Interview with Bas Hauwert,
Commercial Director Processed Meats

“We add variety in the pink sea of processed meats”

Bas Hauwert, a Dutchman, was a new face in the executive committee in 2016. He brought his experience from Ter Beke Netherlands to develop a strategy for the processed meats division. He will respond to a market in flux and prepare Ter Beke for the future!

"For me, 2016 was the year I made the switch from Ter Beke Netherlands to the processed meats division for the whole group. At this level you have a better view of what we as Ter Beke do and you also have full responsibility for that. This year, I have learned a great deal by talking to people, and I've given a lot of thought to the vision and strategy for the processed meats division."

"The market for processed meats has been under pressure for many years. Nevertheless, in 2016 we succeeded in growing faster than the market. We sell more of our own products, and one of our great strengths is our service slicing of processed meat, covering slicing,

packaging and distribution. In this way we create value for our clients on two fronts."

"We also develop new products. Consumers want to know more and more about where a product comes from, how it's made, and the story behind it. The Netherlands is taking the lead in this trend. They already have the 'Good life' label that awards one, two, or three stars to the meat. We don't see that as a threat, but as an opportunity. And we want to be a partner in this for our clients. We work with specific breeds, born and bred locally. For a Dutch retailer we make chicken fillet from the Hubbard chicken. The quality of these chickens is much higher than the standard

chickens imported from Brazil or Thailand. We do the same for our cooked ham. We are going to breed our own pigs, in ideal circumstances, so we can produce the best cooked ham. So you see, we're not just doing what the client asks, we are even being proactive in this trend."

COMBINING MEAT AND VEGETABLES

"There's a general trend at the moment to eat less meat and more vegetables. In response to this, in 2017 we will be launching a completely new concept of flexi processed meats. This range consists of processed meats with no less than 50% vegetables, such as chicken with Romanesco and roast pork roulade with cauliflower. And you will still be able to recognise the shape of the vegetables."

"We will market the flexi processed meats under the 'Fijn Vleesch en Groenten' (Fine Meat and Vegetables) concept. This innovation ties in with our shift to authentic products, and is also reflected in our less perfect - less polished products such as meat loaf and roulade. The vegetables will certainly introduce colour to the processed meats shelf, which at the moment gives the impression of a sea of pink."



COUNTRIES WHERE PROCESSED MEATS ARE SOLD

MULTILAYER PACKAGING

"We are not just innovating with our products, we are also innovative in our packaging. In 2016, we launched the multilayer packaging for a Belgian client. This package has two compartments: you can open the first part where there are three or four slices, and then a second part underneath with more slices. This means that consumers can use the sliced meat at different times, so they don't have to waste so much."

"We have distinguished ourselves with this packaging. We are the first to market this multilayer pack with some 30 products and this has pushed up our sales."

Nevertheless, the product is the same and consumers waste less. But you can persuade people who only want a small amount to still buy 100 gram or 150 gram, because it will stay fresh. The best before date of the product doesn't change, but you can decide for yourself how you make use of the freshness packaged in the second layer. This client called our multilayer packaging the product innovation of 2016."

SHARING TAPAS

"Another innovative project is a range of tapas that we have launched through a Dutch retailer. We are really pleased with the volume. Tapas is a fast growing market in Belgium, the Netherlands, Germany, and the United Kingdom. Meat products, such as meat balls and little chicken kebabs, feature in this range. We would like to develop this further, if the retailer is interested too."

"Our service slicing model plays the leading role in this innovation. These tapas products come from all corners of the world. We can process these for our retailers. In 2017, we want to expand and optimise the range."

PÂTÉ

"We have a strong position in fine processed meats and slicing in Belgium and the Netherlands. In Germany and the United Kingdom we have another position; there, we are a supplier of pâté. Since Brexit, we see that the British are more inward looking. They are opting for manufacturers in their own country, and we as Ter Beke were not able to respond. We have lost two large retailers in the United Kingdom. We were market leader in pâté and we have now lost that position."

"We worked in the United Kingdom with one distributor. And so we were dependent on the way someone else sold our products. For this reason, we have now appointed a dedicated country manager, David Girdler."



With these building blocks, each country will pursue the Ter Beke strategy in its own manner to achieve the target.

Interview David Girdler,
Country Manager United Kingdom

“Ter Beke is so much more than an unknown pâté supplier”

2016 was not the best year for Ter Beke in the United Kingdom. Following the loss of two key clients, Ter Beke is no longer the market leader. But at the same time, this situation offers new opportunities. Enter a new Country Manager: David Girdler, a true Brit.

“Sometimes you lose part of your business, but that enables you to evaluate your activities and make a new start. With a fresh perspective, I could play Ter Beke’s trump cards to devise a new vision.”

“The United Kingdom is the largest pâté market in Europe. In some cases we worked through an agent, in others we worked directly. Now we have opted to talk to retailers ourselves, and a large number are still our clients. We are going to build on this foundation.”

“Ter Beke was an unknown pâté supplier to private labels. But we are so much more than that. We have the largest range of fine processed meats and British retailers don’t know that. Neither do they know anything about our innovations. So it is my task to offer them a different perspective on what Ter Beke can do.”

BRITISH MARKET

“We have created a brand specifically for the British market, where we previously always worked under private labels. We will be launching this in 2017. We now already supply gluten-free and lactose free pâté, products which we introduced first in the United Kingdom.”

“Ter Beke has been making pâté for 80 years. The British public appreciates its origin and authenticity. We are going to target consumers directly and tell that magnificent story about Ter Beke. Surely you don’t want Brussels or Ardennes pâté made in Sheffield or Manchester. No, those products must come from Belgium.”

“In 2017 we are going to launch various hams, with gin and beer. These are products we already have within the Ter Beke range, but the British people don’t

know them yet. What matters is that we select the right products and adapt them to British tastes.”

BREXIT

“We will have to wait to see what consequences the Brexit has. But whatever happens, it will be different. The British pound has already dropped by 15%, so our profitability has already taken a knock. But we have confidence in the future. There are still very many opportunities in the United Kingdom.”

“I have chosen Ter Beke because of the people and the passion. There is a vision that I want to spread to the United Kingdom. I think I can make a difference here.”

“Ter Beke has a fantastic story and the British love a good tale”



“We must work together as one family to achieve even better results.”

“It isn’t about what you supply, but why you supply it”

One Ter Beke, One Family. Ter Beke is a collection of companies, but forms a unit, a family. Traditionally, Ter Beke is a family-owned company and Ter Beke wants the family values to live on in the international company we are today.

“It isn’t about what you supply, but why you supply it”, says Bas Hauwert. “So, if we want to convince our customers that we are the best supplier, then we must also explain why.” And everyone at Ter Beke must give the same answer to this question. For this reason, senior management has outlined a clear vision.

The strategy is based on the question: how can Ter Beke create value for the client? According to the theory of value creation, you can only excel in one of the four elements: customer

satisfaction, innovation, impeccable service (operational excellence) and the best price/quality ratio (cost leadership). Ter Beke, on the other hand, is continually seeking the right combination of these elements. Innovation is required, but at the time it must be performed properly, and in close consultation with the client and at an affordable price.

Ter Beke also wants to involve every employee in this story, says CEO Dirk Goeminne. “Everyone is part of the family, everyone has a contribution to make. We work together to

achieve even better results.” The symbol for this is the ampersand, as the connection between all parts of Ter Beke. The people in the factory have the same goal as the technicians and the sales representatives, and vice versa. The same is true for our clients: Ter Beke and its clients work together as partners.

Interview Wim De Cock, COO (Ter Beke)
and Stefaan Lambrecht, CEO (Danis)

“We want to produce Belgium’s finest cooked ham”

Wim De Cock (Ter Beke) and Stefaan Lambrecht (Danis) happily don overalls over their suits and wellingtons on their feet; they’ve obviously done this before. The pigs sense our presence and grunt when we enter the shed. They congregate at the back of the pen. “We raise our pigs sustainably, but also based on a scientifically proven system,” Stefaan Lambrecht proudly explains.



You could say that both these men are fond of working with pigs; it is their common ground. "We want to work with pigs from a single breeding line, which gives us complete control of the product and guarantees us the best quality in cooked ham. Currently, there is too much variation in the pork that is delivered to us. The raw material of this new premium product – the meat – needs to be of constant quality," explains Wim De Cock, Operations Director with Ter Beke.

To this end, Ter Beke is collaborating with Danis, a pig breeder and producer of animal feed. "We are a family-oriented company," explains CEO Stefaan Lambrecht. "We work together with local family-run pig farms and partners in the chain to be able to offer innovative and

customer-oriented concepts in the pigmeat industry." Danis will breed several lines of pigs for Ter Beke in order to find a breeding line that offers the best combination of meat yield and taste. Ter Beke's aim is to produce the finest cooked ham in Belgium by taking control of the complete chain, from pig to ham.

DIRECT FEEDBACK

"We launched this project because cooked ham is one of the only processed meat products where the raw material is so defining for the appearance and the taste of the final product," explains Wim De Cock. "In many other meat products, such as salami and pâté, you cannot recognise the original raw materials in the final product. We want to develop more knowledge

and expertise in this segment. The key to a successful cooked ham is to use the very best raw materials. We turned to Danis because they are the best in Belgium at breeding pigs in an environment that is completely controlled for everything from genetics, feeding and housing, to the slaughter of the animals.

The project started in 2016, when the first sows were inseminated and the breeding programme started. Ter Beke produced the first hams from these breeding lines in 2017. "We give direct feedback to Danis", says Wim De Cock. "We let them know if the ham is too pale, too light, or has too much or too little fat. Danis always responds immediately, because we are both responsible for what lands up on the consumer's plate. We have short lines of communication and so we can get very quick results. Together, we manage the entire chain."

EXACT SCIENCE

A pig is very susceptible to stress. When they get stressed, their muscles acidify. The muscles then tend to lose moisture after slaughter. It also makes the hams pale and affects the structure of the meat. To improve the breeding line for further processing, Danis is experimenting with aspects such as feed, housing and genetics. The entire process is scientifically based: nothing is left to chance. The result is a matrix in which one factor is changed at a time, says Stefaan Lambrecht. "We test every variation, however small, and only once we have positive results

do we go on to the next step. The result is added value for the consumer. For example, we are strongly committed to reducing the use of antibiotics and the occurrence of salmonella. All feed raw materials we receive are carefully analysed, and if we detect any deviations the products are returned to the supplier. We carefully monitor the entire chain and make adjustments where necessary." They also work solely with a local family-run slicing company, so the quality of that part of the chain is guaranteed too.

After two years, Ter Beke intends to evaluate which breeding line produces the best ham. This will be based on independent parameters such as the slicing yield of the carcasses, the pH value of the ham upon reception, the drip loss, the slicing loss of the finished product. And, most importantly, the findings of the taste panels. "We intend to become masters of the entire chain," explains Wim De Cock, "from the quality of the raw material to the production process. So we have set about acquiring expertise, of which raw materials knowledge is an important part. We hope that the end result will be a ham with the best taste, texture, bite and appearance. Once we have determined the best breeding line, we will have control of the entire chain."



Wim De Cock (left) and Stefaan Lambrecht (right)

"Together, we manage the entire chain."

CARCASE BALANCE

An important part of this project is the pig carcass balance. In the initial test phase, Ter Beke purchases whole pigs from Danis. The shoulders are used in Ter Beke's lasagne and salami; the liver is processed in the pâté. An external partner produces the bacon. However, the ham is the selection criterion.

must be able to have complete confidence in what they eat. That is our mission." Wim De Cock agrees completely. "We want this to be a sustainable process that will culminate in our own Ter Beke pig."

Ter Beke and Danis both have the same goal, and that is to serve the consumer. Stefaan Lambrecht: "If the consumer wants to eat less meat, then what they eat should be of the best quality. The consumer





One Ter Beke, One Family

The family day that Ter Beke holds every two years was once again a great success in 2016. This time the venue was De Nekker in Mechelen. Employees from all our locations in Europe were invited and were offered transport. The best represented location, with 20% of the participants, was our location in Wommelgem. But even 2% of employees from our locations in Spain and France were present. A total of 930 people enjoyed the performances and entertainment. And naturally there was ample opportunity to sample our own Ter Beke products. A wide range of lasagne, pizza, moussaka and penne products were on offer, and also some meat products, including Coeur d'Ardenne, Cobourg Classico and Rubens ham. All in all, no less than 205 kilograms of meat products and 500 kilograms of ready meals were out on display!

40
new employees joined
Ter Beke with contracts of
indefinite duration
(2016)

20%
of the employees
works part-time
(2016)

1,619
fulltime equivalents
(2016)

1,588
fulltime equivalents
(2015)



“CSR is a conviction”

TRACEABILITY AND FOOD SAFETY

Consumers increasingly consider the product origin to be important. Digitalisation can help here. Ter Beke is already working on a project with a German client that enables consumers to scan a QR code and go to the relevant page on the client's website. There the consumer can read which farm the meat in the lasagne comes from. In Belgium, the same approach is in the pipeline. Naturally, the origin of the ingredients can also be found on the packaging.

Audits confirm the quality of the products. Each Ter Beke manufacturing unit can be audited at any point in time. During these inspections, which have been around since the nineties, the auditors check to what extent the food safety, products and processes within the factories meet the IFS (International Food Safety) and BRC (British Retail Consortium) quality standards. Until recently, it was customary for the annual audit to be announced : a date was chosen and everyone could prepare for it. In 2016 Ter Beke indicated that the auditors may now come without giving prior notice. This is a significant step: people are now ready for inspection every day and not just on the day of the audit. This openness forms part of our CSR policy.

The factories in Veurne, Wanze and Wommelgem were audited this way for the first time in 2016, with good results. Waarschoot, Marche-en-Famenne and Wijchen had their first audit without prior notice at the beginning of 2017. A similar inspection at Ridderkerk is also expected later in 2017. After that, all locations can expect new inspections.

SHORT SUPPLY CHAIN

Purchasing locally and keeping the supply chain short is also part of our CSR policy. 95% of the meat is sourced from within the EU15 countries, and from Belgium and the Netherlands in particular. That also applies to 82% of the other ingredients. In 2013, these percentages were 91% and 70% respectively. Ter Beke has made considerable progress in this respect, thanks to specifications and stricter standards demanded from the suppliers.

As R&D-Q.A. director, Guido Bresseleers is responsible for Corporate Social Responsibility within Ter Beke. “CSR is a conviction”, he explains. “And this conviction translates into an attitude. It is sustainable business practices, with a keen eye for the environment and the people in and around the company, our stakeholders.” These stakeholders are the customers, society, the local community, our suppliers, colleagues and shareholders.

In 2016, we asked all stakeholders which aspect of Ter Beke they value most. Food safety turned out to be a top priority, followed by information on ingredients and nutritional values, and the traceability of ingredients. “We have tuned our ambitions on that basis and made specific action plans so that we can improve them by 2020.”

PRODUCT COMPOSITION

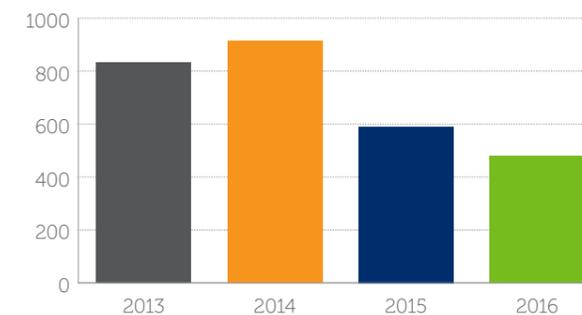
LESS PALM OIL

The use of palm oil has decreased by 42% compared to 2013. That is largely due to the ready meals, which hardly use any palm oil, and processed meats where almost none is used.

There are two arguments for the use of palm oil: on the one hand it produces an enormous amount of nutritional calories per hectare, in that respect palm oil plantations are much more sustainable than rapeseed oil fields. On the other hand, palm oil is produced on the other side of the globe and sometimes involves child labour, while Ter Beke always prefers ingredients produced locally. And finally, palm oil is one of the most saturated fats. For all these reasons, Ter Beke has decided to evolve away from using palm oil.

If it cannot be avoided – usually because a client does not want to replace this ingredient at this point in time – Ter Beke selects palm oil with the Mass Balance RSPO Label. This means that the sustainably produced palm oil that Ter Beke purchases is actually incorporated into Ter Beke products. This accounts for 90% of the palm oil used, while the remaining 10% bears the Book & Claim Green Palm label. This is mainly a remnant from 2015; however, the use of this type of palm oil will gradually be eliminated.

Usage of palm oil in tonnes, per year



LESS SATURATED FATS AND SALT

The declining use of palm oil reduces the amount of saturated fats in ready meals. In absolute figures, this is a reduction of 130 tonnes. At the end of 2016, Ter Beke reached an agreement in the Netherlands with the retailers and the government for a 10% reduction in the amount of salt and saturated fats in products by 2020. Ter Beke is giving priority to the products with the highest levels and has undertaken not to increase these levels in products that already meet the standard. In Belgium, talks are ongoing with the retail sector, but consultations held in previous years did not lead to an agreement about salt reduction.

MORE VEGETABLES

The share of vegetables in the ready meals is 31%. However, Ter Beke would like to increase that percentage. Portfolio management and marketing can also contribute to this by promoting existing products containing vegetables. The ambition is to increase the share of vegetables to 45% by 2020.

ENERGY CONSUMPTION

Ter Beke has teamed up with external partners for energy audits at the various locations. This has resulted in energy-saving measures, such as the installation of LED lighting and combined heat and power installations. In this way we have been able to reduce electricity consumption of the whole group by 4% compared to 2013. Gas consumption has remained stable, despite continuously increasing production volume.

HIGHER QUALITY WITH RACI

Ter Beke intends to take quality in the company to a higher level. Not only the quality of the products, but also the quality of the organisation, processes, systems. For this purpose, in 2016 Ter Beke decided to implement the RACI model.

RACI stands for Responsible, Accountable, Consulted and Informed. RACI defines the involvement and roles of employees in the execution of company policy in the form of clear processes, procedures and operating instructions. These are four interlinked levels in the organisation that each go into more detail in the implementation.

To integrate the RACI methodology in the organisation:

- ◆ policy lines originating from senior management, but also from customer requirements and regulations, are made explicit and assigned to a person with final responsibility,
- ◆ processes are mapped out by experienced employees,
- ◆ procedures are detailed in step-by-step descriptions with the RACI roles assigned to the employees concerned,
- ◆ operating instructions are drawn up in greater detail for training new employees.

This approach can be compared to a making a bus trip using a sat nav:

- ◆ The purpose of the trip is determined, as are the conditions for participation, each in their specific role of driver, tour leader or passenger. When the sat nav is started, it reminds the driver to respect the traffic rules. These are the company policies.
- ◆ The large-scale map shows the various possible routes and takes account of the desired stops or work en route. This is the process.
- ◆ The small-scale map gives the exact driving instructions, when to turn left or go straight on, and if necessary, when to take a break or stop to get fuel. That is the procedure.
- ◆ Pointers along the route, the oral instructions from the sat nav and the tour leader help each participant in their own role. These are the operating instructions.

To complete the analogy: during the trip, the travel company is 'Accountable', the bus driver is 'Responsible', the tour leader 'Consulted' and the passengers 'Informed'.

The project to redraw and adjust the organisation in line with the RACI model will last several years. 2016 was the starting point.

ANIMAL WELFARE

'BETER LEVEN' LABEL

Since Ter Beke sold less processed meat in the United Kingdom in 2016 (see page 24), less meat has been purchased according to specific animal welfare specifications. There was a reduction from 10% to 7%. At the same time, in the Netherlands, Ter Beke has committed to process pork and chicken with the 'Beter Leven' label in both processed meats and ready meals in 2017. So we can expect this percentage to increase again. Thanks to the use of the 'Beter Leven' meat with 1 star label, the share of non-castrated pork will also increase.

CASTRATED PIGS

Male pigs are usually castrated. In the future, Ter Beke would like to stop using pork from castrated pigs. But 6 to 7% of boars develop an unpleasant smell and their meat may have a different flavour. In 2016,

we conducted further research into the effect of non-castrated pork on the taste and smell of the products, the extent of the risk, and whether and how the specifications need to be adjusted.

NO SLAUGHTER WITHOUT PRE-STUNNING

Ter Beke does not want to process meat from animals that were not stunned before slaughter. For this reason, we decided to use chicken rather than beef in the halal lasagne; because currently there are no conclusive guarantees that the cattle are slaughtered painlessly.

BARN EGGS

No less than 95% of the eggs processed by Ter Beke are barn eggs. A further switch to outdoor free-range eggs is not appropriate because of the mandatory indoor confinement of poultry due to the recurring bird flu threats.

RECYCLING

Again in 2016 Ter Beke worked on reducing waste. Two specific projects stand out:

R-PET

Ter Beke investigates opportunities for recycling together with its suppliers. Wherever possible, packaging is manufactured from R-PET, recycled plastic from PET beverage bottles. In future, the plastic foils we use will also largely consist of R-PET. At present, Ter Beke is focusing on the bottom part of the packaging for processed meats and ready meals. By the end of 2017 we aim to only purchase bottom packaging that is contains 40% R-PET.

200 TONNES LESS WASTE THANKS TO CRADLE-TO-CRADLE PROJECT

Ter Beke prints all its product labels itself, the labels are stuck on backing paper. Rather than throwing this away, the backing paper is collected and sold to a party that uses 100% of the material to produce recycled backing paper for labels. This is a very specific project that we piloted in Wommelgem which in 2017 will also be implemented at our Marche-en-Famenne and Wijchen locations. This approach has enabled us to reduce waste by 200 tonnes and also increases reuse of materials.

RESEARCH AND DEVELOPMENT

Ter Beke invests in innovation, research and development. In addition to new products and packaging, we also conducted research projects in 2016 into the use of biofilms, reducing phosphates, lactic acid bacteria, and alternative meat curing processes. In 2016, a number of students from the Catholic University of Leuven worked together with Ter Beke for their thesis.

ACCIDENTS

The number of work-related accidents decreased by 8% compared to 2015. In 2016 there were 70 work-related accidents and 1700 lost calendar days.



Interview Christophe Bolsius,
Director Ready Meals

“My personal dream is that we become a world player”

Christophe Bolsius sees the bigger picture. He aims to conquer the world with Ter Beke's ready meals. For starters, in 2017 he launched a halal lasagne that he wants to freeze and ship to Asia. And the Belgian market can also expect new, healthy products.

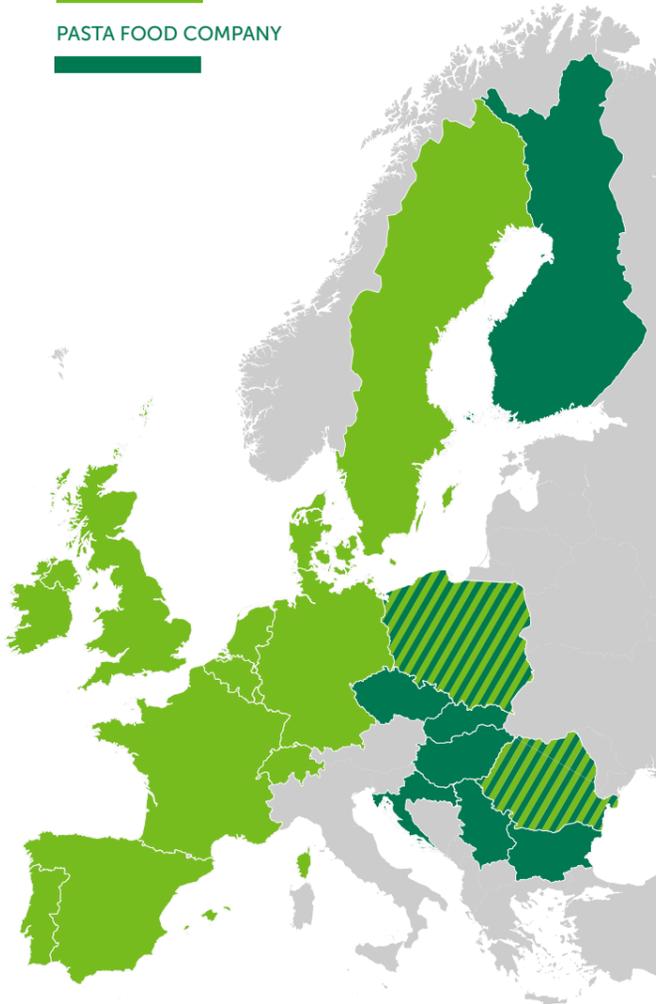
In 2014, Ter Beke began to adjust its strategy and in the past two years it has made considerable progress. “It's not just about sales”, explains Christophe Bolsius. “In the past year we have worked very hard on improving the intrinsic quality of our products, not only the actual meals, but also the secondary packaging. Above all for our retailers: the stability of our boxes, the way we stack them on pallets, the sales order administration. All of these are important for the operational excellence we aim to achieve. And all this has strengthened our relationships with our clients. We always get a good mark when they assess us.”

VOLUME GROWTH AND SEGMENT EXPANSION

Ter Beke has a good reputation among its strategic clients. And is also successful with consumers, because last year the Ready Meals Division grew considerably. First and foremost, this was due to the expansion of the sales channel in the countries where the food company is already active.

“We have expanded our scope. We already had a good market position in Spain and France in the butchery segment. In 2016, we entered the retail segment, and this is already paying dividends. In absolute figures, Spain and France saw the greatest increase in 2016. In Scandinavia, the ready meals category is still relatively small. But we are an early entrant, consumers are getting to know our lasagne while, at the same time, we are realising handsome growth. We see the same in Central and Eastern Europe, where we are active with the Pasta Food Company. We let people taste our product. Everyone knows spaghetti Bolognese, but that doesn't mean they know what lasagne is. In Poland we are now market leader with a considerable margin, we supply no less than 80% of the market there. And we are going down the same road in the Czech Republic, Hungary and Croatia.”

COUNTRIES WHERE
LASAGNE IS SOLD
PASTA FOOD COMPANY



"They are following the Western European model and the market is similar in terms of retail outlets and disposable income. We recently entered the market in the Baltic States and Romania. And everything is produced and supplied from Poland."

Nearer to home, Ter Beke became 'preferred supplier' of lasagne to one of the large Dutch retailers. Various flavours are offered under their own brand. This has resulted in substantial growth for our northern neighbours.

"We always take account of the specific local flavour profile. The French have different flavour preferences to Belgians, Swedish people like to eat fish, and the Spanish like their food to be spicier. There are countries where no pork is eaten at all, there chicken and beef are preferred. We base our flavour profiles on research and analyses conducted among consumers, and then we fine-tune our products to these preferences. This is how we want to become market leader."

VAMOS® WITHOUT PALM OIL

Lasagne consumption per capita in Belgium is twice that of the Netherlands. Furthermore, the number of butchers decreases each year by approximately 6%, yet this still forms an important segment.

"The butcher buys our Vamos lasagne. The lasagne is supplied in large trays from which the portions can be easily served.

We also supply aluminium trays so the butcher can prepare portions when business is quiet, and we give tips for attractive presentation. In this way, our culinary consultants help to increase turnover in the shops. The lasagne in the display still looks very fresh. We do not use any synthetic ingredients for this. The quality of the end product is high because we use good quality ingredients, such as full milk in our béchamel sauce. And the butcher appreciates all this effort. In 2016, our representatives have won many new clients. The penetration of Vamos among butchers has risen considerably. Vamos really is a strong brand."

Christophe Bolsius also fosters the ambition to make the Wanze and Marche-en-Famenne factories completely free of palm oil. This means that the Vamos products will no longer contain any palm oil. Target date is the middle of 2017.

COME A CASA® DELICIOUS

Today's consumers travel a great deal, they seek new experiences and want to be spoiled. In 2014 and 2015, Ter Beke conducted a large survey and integrated the insights gained into its innovation strategy. Last year, Ter Beke began to reap the fruits of this hard work. The first newcomer was Come a casa® Delicious.

"We have developed a totally new concept and launched three flavours: Lasagne Royal, Farfalle Pancetta Formaggio and Penne Chorizo. These have

been in the Belgian shops since September. We respond to consumers who wish to treat themselves without having to go out to a restaurant. A quick meal should also be a good meal. We target people with busy lives who want to eat something hot and tasty between getting home from work and dashing off to the gym, and who are prepared to pay for this convenience. We give these consumers the impression of a home-made meal."

It took almost ten months to develop Come a casa® Delicious; it was quite a challenge for the various departments involved. Everything began with a chef who developed a completely new recipe. As soon as that was ready, it was tested among consumers. When the green light came, we switched to large operational formats. The Delicious meals are packed in a wooden tray. Ter Beke even researched how consumers would respond to using wood in the oven.

"The Come a casa® Delicious is made with high quality ingredients and fresh toppings. It's a tremendous balance exercise to get everything from the kitchen into a wooden tray via a large industrial process. This is a fresh product, so the shelf life is limited. That means we have to deliver promptly; and so we developed a whole new logistics system."

"With a Come a casa®
Delicious meal consumers
can spoil themselves."





“Ready-to-eat but warm and healthy”

The sales figures and the feedback from clients is positive. New recipes will follow. “At present we have Come a casa® and Come a casa® Delicious. As far as product development is concerned, Come a casa® Delicious is a topper. We regard it as a premium product within the brand Come a casa® that is already a reference in its own right. After all, Come a casa® is the reference brand for lasagne in the same way as the Bic brand name stands for ball point pens and Pampers stands for disposable nappies.

HEALTHY ON-THE-MOVE (2017)

We will also introduce a completely new range in 2017. “Consumers want healthy food, but it must be ready-to-eat, it’s not that our lasagne is an

unhealthy choice, but consumers are constantly fed the idea that carbohydrates are not healthy. And of course, lasagne contains a lot of carbohydrates.

“This is why we are going to launch a new category of ready meals, in which we will replace the pasta based on wheat with pasta based on chick peas, lentils or quinoa. A unique hot alternative for the many salads on the market. Rich in proteins, rich in fibre, with lots of vegetables. For people who want to take a healthy meal to work for lunch that they can warm up in the microwave. But also for families, so the children will eat more vegetables.”

“Traditional mealtimes are changing, on-the-move is the trend, everyone is busy. As a food company, we have to take

our responsibility and devise concepts that meet these expectations. You have cold salads in many colours, shapes and sizes. These days, you can buy ready-to-eat sandwiches everywhere, from petrol stations to supermarkets. But there is no hot alternative for the winter. We want to respond to this with our new concepts.”

ANIMAL WELFARE IN THE NETHERLANDS

In the various countries where Ter Beke is active, the demand for using meat from a specific origin is on the increase. The Netherlands is a perfect example: “We are one of the largest lasagne suppliers there. So, last year, we switched to using ‘Beter Leven’ meat, a quality standard that is only granted to meat from animals who lived in good conditions. At the same time we have also committed ourselves to covenants to reduce the levels of salt and fat in our products. This is a very complex matter, we had to review all our existing recipes. We also regard that as an innovation, because with other mincemeat and ingredients in different proportions you have to guarantee the same taste.”

GEOGRAPHIC EXPANSION WITH HALAL

“In 2017 we will launch halal lasagne; we have worked hard on this project in 2016. We will launch this in Europe in the countries with the largest

Islamic populations. The Middle East and Asia will follow, that is for the end of 2017.”

“We will start in Europe, because we have to make the lasagne in accordance with the halal certifications. And for the first time in the history of Ter Beke, we will freeze our own meals. This will mean a totally new logistics process, a new production process and this is why we are starting close to home. We have opted for frozen lasagne, because we want to export these products. The shelf life of our fresh products is four weeks. That is too short if you want to get them to Asia, because shipping transport generally takes about six weeks.”

“My personal dream is that we become a world player. We are already very strong in the countries in which we are active today. But if we are really ambitious and want to grow, then we must dare to look further. And that is my dream: that we as Ter Beke become a world player in ready meals. Three years ago we invested in a new factory with a partner in Poland, to serve the entire Central and Eastern European market. Now we are going a step further, to tackle regions where we do not yet have a foothold.”

“At the moment, the offering of ready meals in these regions is limited. One of our clients does have lasagne in the freezer segment in Dubai, but not with meat. These are just the vegetarian products that we supply. I want to go a step further. I would really like to offer

recipes with meat, not pork, of course, but chicken and salmon, they are suitable for the halal culture and satisfy the halal certificates. Our clients there have indicated this demand. The volume of imports from foreign food processing companies is low, most products are manufactured locally. But they are open to innovation.”

“Right from the start we stated clearly: we will not slaughter without pre-stunning. We will not make lasagne from meat slaughtered without pre-stunning. We will make lasagne with chicken. We are very strict about this.”

INNOVATION LOVERS

Everyone has a role to play in the Ter Beke innovations. Not everyone has to be a ‘food believer’ or ‘food lover’. But it is important that everyone loves innovations. And this is also why Ter Beke organised a three-day

event with various departments that are contributing to the innovations. Our destination was Amsterdam, the Walhalla of food trends. “We visited supermarkets and butchers, stylish food shops and trendy restaurants. And we let everyone cook too. We really invest in our people to be successful with our innovations. This also takes them out of their day-to-day environment and we submerge them in what is going on in the rest of the world.”

With the insights gained, we are already initiating a new programme. “In 2016, the revenue from our division shows a positive trend, our ambition is to perform at least as well, if not better, in 2017. We have new products in the pipeline for the coming two years. But this won’t stop in 2018, we must always be looking forward and be ready to grasp new trends and opportunities as they emerge.”



GEOGRAPHIC EXPANSION WITH HALAL

PHASE 1

- ◆ Belgium
- ◆ Netherlands
- ◆ Germany
- ◆ France
- ◆ Spain
- ◆ United Kingdom
- ◆ Scandinavia

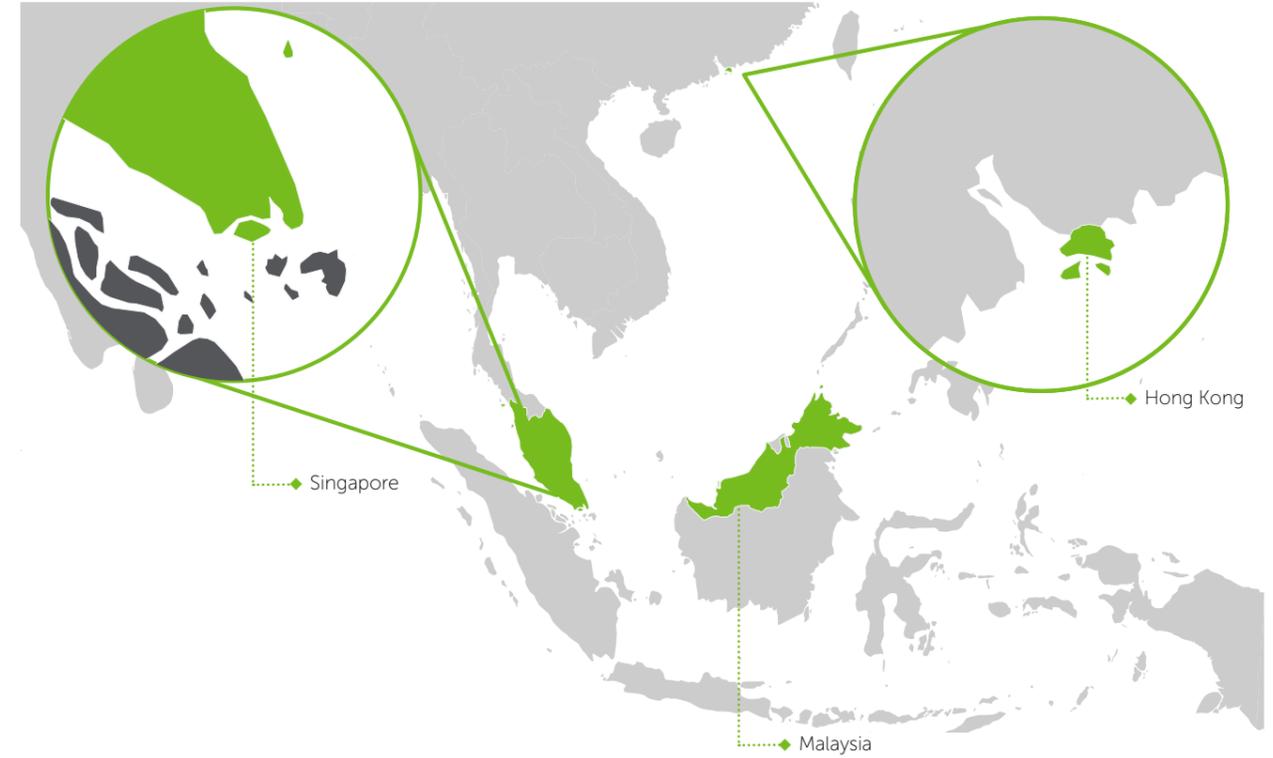
PHASE 2

- ◆ United Arab Emirates
- ◆ Morocco
- ◆ Algeria
- ◆ Tunisia
- ◆ Hong Kong
- ◆ Singapore
- ◆ Malaysia

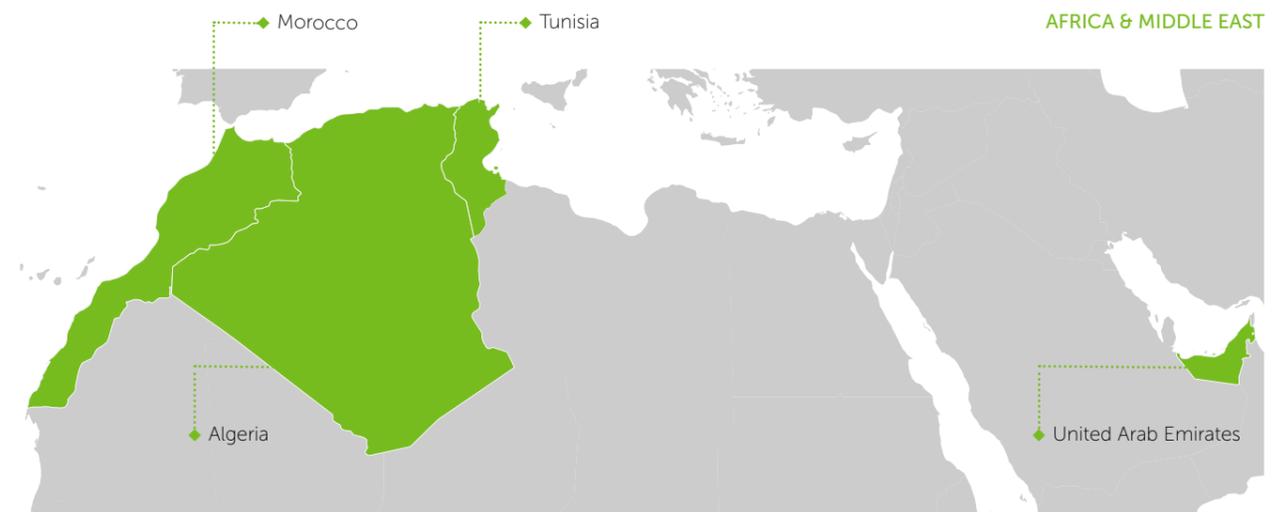
EUROPE



ASIA



AFRICA & MIDDLE EAST



Logistics and Supply Chain

VENDOR MANAGED INVENTORY

In 2016, Ter Beke took the Vendor Managed Inventory concept to a higher level. We have already been working with this concept: clients do not place orders, but Ter Beke ensures that all products are in stock. This year for the first time, Ter Beke supplied a Dutch retailer from the three different departments: Processed Meats, slicing, and Ready Meals. That required changes to the planning and production schedules.

HALAL

The new halal lasagne will be a major challenge for logistics in 2017. Ter Beke will freeze products for the first time to extend the shelf life considerably. This also means that clients will hold more stock themselves, and so not place orders so frequently. This means a major change to the Ter Beke production schedule. The halal lasagne will be the first product to be supplied outside Europe: the transport will be over longer distances and, of course, the lasagne will remain frozen for the entire journey.

ENTREPRISE RESOURCE PLANNING

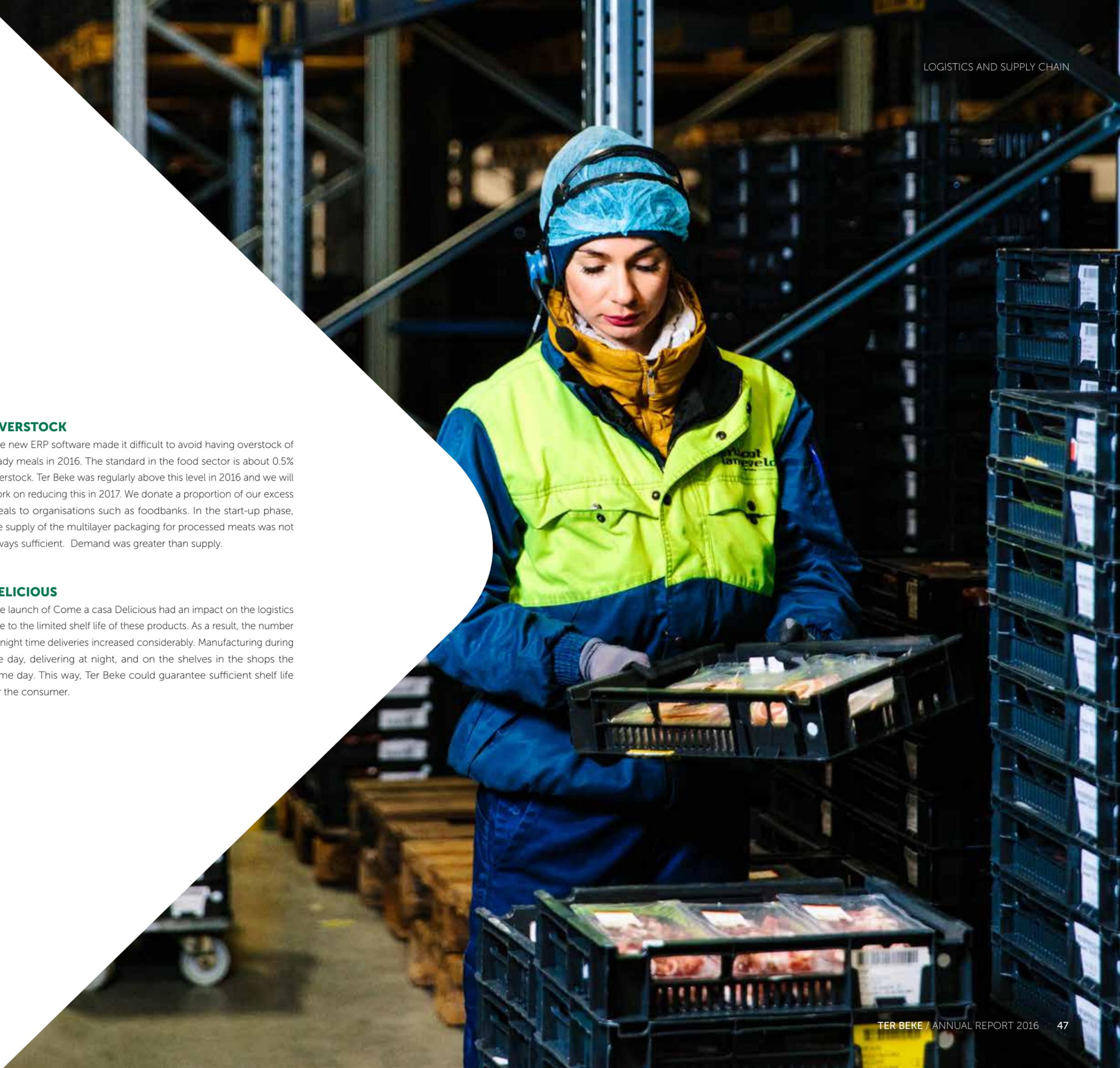
In 2017, Ter Beke will work with the same ERP software in all departments to structure and simplify each business process. We implemented the software in the Ready Meals Division at the end of 2015. In 2016 we resolved the remaining teething problems in the system. Fortunately, our clients did not notice any interruption to service. In 2017, the meat department will also start using the software.

OVERSTOCK

The new ERP software made it difficult to avoid having overstock of ready meals in 2016. The standard in the food sector is about 0.5% overstock. Ter Beke was regularly above this level in 2016 and we will work on reducing this in 2017. We donate a proportion of our excess meals to organisations such as foodbanks. In the start-up phase, the supply of the multilayer packaging for processed meats was not always sufficient. Demand was greater than supply.

DELICIOUS

The launch of Come a casa Delicious had an impact on the logistics due to the limited shelf life of these products. As a result, the number of night time deliveries increased considerably. Manufacturing during the day, delivering at night, and on the shelves in the shops the same day. This way, Ter Beke could guarantee sufficient shelf life for the consumer.



Noël Dereu, Logistics Manager

"Growth is in Ter Beke's genes"

"I've been working at Ter Beke for almost forty years, I've never worked anywhere else. I started as an engineer in technical support and in the 1980s moved into logistics. I shall retire in 2018. But I'm really enthusiastic about my last few years at Ter Beke."

"I look back fondly on the past four decades. Growth is in Ter Beke's genes and I've always been happy to grow along. The most challenging periods in my career were always just after an acquisition. That is when the existing corporate culture meets a different culture, other habits, alternative working practices. I find that very enriching."

"I really admire the young people who join the company. They often have to find their way within the organisation, but they are motivated and flexible. I say to these new and young people: be mobile. Look at the complete product chain, not just the aspect you're working on."

"We're on the right track with our CEO Dirk Goeminne. We're not relying on our past performance, we're looking to the future. New markets, new worlds, there is a clear plan. Ter Beke is a solid company, and even without me, is prepared for the future."

Jan De Leersnyder, Group Purchasing Director

"The customer is central to everything we do"

"I started working at Ter Beke in October 2016. I said to CEO Dirk Goeminne: 'Your Majesty, give me 100 days'. I wanted to gain my own impression of the way that the purchasing works and what action I want to take within the purchasing division."

"Twenty years ago I also worked at Ter Beke. I had just graduated and I started as product manager. Noël worked here then too. In the 1990s, Ter Beke was a completely different company, with only processed meats. No one could imagine the pre-packed sliced meats and ready meals that we market today. Eating habits were quite different then."

"Ter Beke has become much more dynamic and innovative. The customer is central to everything we do. So this is why we should dare to question everything, nothing is permanent. We should remember that there will always be a better way

to do things. I want to apply this principle within the purchasing department too. It is our job to procure ingredients and other resources wisely. That means that we must purchase smartly, better than the competition. I want to provide the best possible service for our organisation. For example, we research which ingredients and packaging are most suitable for new products. But we also think along with investments in the factories, we research where we can get the best deal for our energy needs and help colleagues with their lease cars, and so on."

"The style of leadership has also changed. I see myself as the trainer of the team. The trainer gives directions but is not actually in the field. I am doing my best to enable my team to perform at a higher level, by coaching them and seeking improvements together with them."

Leadership Development

Ter Beke invests in people. Good leadership plays an important role in this. For this reason, in 2016 Ter Beke organised a Leadership Development training course for 38 employees from three groups: senior management, the management team and several young people or those who manage a smaller team. During the two-day final session, there was time to share experiences and to brainstorm, but also for relaxation. We will organise a sequel for 59 employees in 2017.



Young Potentials

The Young Potentials are the future of Ter Beke. Marieke Vandenabeele (25), Martin Terlien (27) and Ellen Vanderlinden (25) are following a two-year training programme in various parts of the company. They are getting the opportunity to grow and to learn from their experienced colleagues. Every six months they change jobs within their domain. "Ter Beke is investing 200% in us."



MARIEKE (RESEARCH & DEVELOPMENT)

"Food is fascinating. Food is constantly changing. People will always have to eat. Eating is linked to a cosy, fun atmosphere, and that has an emotional factor. And it is a challenge to continually meet consumer demands. You have to constantly respond to their behaviour. I have known Ter Beke for years, because my father also works here. I chose Ter Beke because you can really help the company grow yourself."

"Through this programme we are very quickly learning how Ter Beke works, because we get to work in all those different departments. In this way we quickly gain a good impression of how everything is done here. Which in turn, helps us to do our work better too. We young potentials are the guarantee for the future."

"I am very pleased with this opportunity. I'm now in the third part of my training programme. I've worked in Wommelgem in pâté product development and then on a project to make flavour objective, in Marche-en-Famenne. Now I'm working on a product integrity project in Waarschoot. I've been in each department for six months. That is long enough to find out how it all works, but not quite long enough to do your own thing. I'm also studying

"Our training programme is the best proof of One Ter Beke"

Innovation in Food Technology at Ghent University. I get time off during working hours for this. Ter Beke really is investing in us. In September I will start in my permanent job, so that will be exciting for 2017."

ELLEN (SALES & MARKETING)

"I had already applied for a job at Ter Beke when they told me about the Young Potential Programme. I grasped this opportunity straight away. I wanted to work for a company in a meaningful role. At Ter Beke, it certainly is that. I have already worked in the brand management department and in field sales. Now I'm working on my own 'over the counter' project. We are taking this very broadly, but not so deep, because it is only for six months. The biggest advantage is that I do not think in terms of my own department. I think in terms of the whole of Ter Beke. We really are One Ter Beke".

"Food is really very interesting. The shelf life is short and the products are very complex and that makes it absolutely

fascinating. Ter Beke does a lot of different things. We have our own brands, we supply butchers, we have private labels. This is a great challenge for marketing and sales."

"Marieke and I drive a mini decorated with huge Ter Beke logos. We are noticed everywhere we go. Colleagues wave to us on our way to work, and the butcher in my street knows who I am and where I work."

MARTIN (PRODUCT MANAGEMENT, PURCHASING & QUALITY ASSURANCE)

"Meat runs like a common theme through my career. My first summer job was even at a butchers'. It is a fascinating product. I chose Ter Beke because it is a big organisation, and also because it has a vision for the future. And in my eyes there is still room for improvement, and I'm more than happy to contribute to that."

"The Young Potential Programme is very interesting, you get to know Ter Beke from the inside and the outside.

Your personal development is the focal point, you get the opportunity to find out what you like to do most. The important thing is that you learn from this and that you do your job better. At the moment, I'm working in product management. I'm also able to study food technology at the HAS University of applied sciences in Den Bosch, the Netherlands."

"Ter Beke does a lot of slicing for clients in the Netherlands. These don't necessarily have to be Ter Beke products. Slicing is a profession in itself. Its biggest challenge is the shelf life. If you slice meat and then put it in the fridge, it usually stays good for three to four days. With our procedure, we can turn that into a month, without additives, by using the right packaging and the right composition of gasses. In my view, coming up with a solution for this kind of challenge is one of Ter Beke's strengths."



2

CORPORATE GOVERNANCE

Corporate Governance

This Corporate Governance Statement is based on Article 96 §2 and §3, Article 119 of the Belgian Company Code and the Corporate Governance Code 2009. It contains factual information about Ter Beke's corporate governance policy in 2016, including a description of the following:

- ◆ Key features of internal control and risk management systems
- ◆ Required statutory information
- ◆ Composition of management bodies
- ◆ Functioning of management bodies
- ◆ Committees within management bodies
- ◆ Remuneration report

We have used the Belgian Corporate Governance Code 2009 as a reference. This code is publicly available at www.commissiecorporategovernance.be.

Our Corporate Governance Charter is published on www.terbeke.com. In this Corporate Governance Statement, we clarify our position with regard to the provisions of the Corporate Governance Code 2009. We also describe other corporate governance practices applied in our company in addition to those from the Corporate Governance Code 2009.

We respect the statutory provisions on corporate governance as set out in the Belgian Company Code and other specific legislation in this regard. In 2016 we did not apply the following provisions of the Corporate Governance Code 2009 in full:

Provision 5.2./17: in July 2016, the group internal audits was appointed ERP Competence Centre Manager, following the introduction of a new ERP software system. This position was incompatible with the position of internal auditor. As the Board of Directors considered it a necessity to have an internal audit function within the group, a vacancy was issued for this position. This vacancy will be filled as soon as possible.

Provision 5.2./28: In 2016, the Audit Committee considered it would be able to do its work properly in three meetings instead of four.

Provision 5.3./1: since the end of the period of office held by Lemon Corn.V., represented by Jules Noten, on 26 May 2016, the majority of the members of the Remuneration and Nomination Committee are no longer independent. This composition requirement will be met again after the appointment by the General Meeting of 24 May 2017 of the new nominated independent directors.

BOARD OF DIRECTORS

**1. ANN COOPMAN (*1961)**

EDUCATION: Executive Secretary and Market Study/Distribution.

EXPERIENCE: She began her career as a Marketing Assistant at Volvo Cars Belgium. Subsequently she served as an independent provider of administrative and project support for various organisations, including Vlerick Business School. She has been active in local politics for the last 20 years and became Mayor of Waarschoot in 2009.

TER BEKE: She joined the Board of Directors in 2014 for a term of four years, with the potential for reappointment.

3. THIERRY BALOT (*1956)

EDUCATION: Financial and Legal Sciences and Accountancy.

EXPERIENCE: He has many years of experience in the banking sector and serves as an adviser to the Executive Committee of SRIW (Wallonia Regional Investment Company), the counterpart of the GIMV in Wallonia. He is member of the Boards of a number of industrial companies. He is also a member of the Belgian Institute of Accountants and Tax Advisers (Instituut van de Accountants en de Belastingconsulenten (IAB)) since 1986.

TER BEKE: In addition to serving as an Independent Director, he is also the Chairman of the Audit Committee. He has been a member of the Board of Directors for eight years, with a mandate that is due to expire in 2017.

5. DIRK GOEMINNE - CEO (*1955)

EDUCATION: Applied Economics and Business Engineering at the University of Antwerp.

EXPERIENCE: He has held management positions in manufacturing and retail companies and until 2007, he served as Chairman of the Executive Board of the V&D group and as member of the Board of Directors of Maxeda (Vendex/KBB). He is also Chairman of the Supervisory Board of Stern Groep NV and Beter Bed Holding NV, member of the Supervisory Board of Wielco BV and Non-Executive Director of Van de Velde NV and JBC NV. He is Chairman of the Board of Directors of Wereldhave Belgium NV.

TER BEKE: He has been CEO of Ter Beke NV since 1 June 2013.

7. EDDY VAN DER PLUYM (*1957)

EDUCATION: Economics, with an MBA from INSEAD.

EXPERIENCE: After a brief period at Deloitte Haskins & Sells, he joined the family business Pluma NV. In 1989, he became the Managing Director of this company, which was incorporated within Ter Beke in 2006. He is active in several federations, e.g. he is Chairman of FENAVIAN (Belgian national federation for manufacturers of meat and canned meat products) and was the former Chairman of CLITRAVI (Liaison Centre for the Meat Processing Industry in the European Union) and of Flanders' FOOD.

TER BEKE: He was appointed Executive Chairman of Ter Beke-Pluma in 2006. Currently, he is Executive Director of Ter Beke NV until 2020.

2. DOMINIQUE COOPMAN (*1967)

EDUCATION: Bioscience Engineering and Engineering Management.

EXPERIENCE: In 2014, she left her job as Export Manager to obtain a Master's degree from the University of Gastronomic Sciences of Pollenzo. She is currently working as a freelance consultant under the "Bramabrom" label with a focus on food in the Italian context.

TER BEKE: She has been a Director of Ter Beke since 2008 and has been reappointed to this position till 2018.

4. GUIDO VANHERPE (*1963)

EDUCATION: Applied Economics, additional programmes in Applied Marketing from Aix-Marseille University and an MBA from Indiana University Bloomington (USA).

EXPERIENCE: His career is characterised by several years of experience in the food industry. Since 1995, he has been heading the La Lorraine Bakery Group, where he won the "Entrepreneur of the Year" award in 2012. He serves as a member on several Boards, including that of Resilux, FEVIA (Belgian Food and Drink Federation) and FGBB (Belgian federation of large bakeries).

TER BEKE: He joined the Board of Directors in 2011, where his mandate continues till 2019. He is also a member of the Audit Committee.

6. ANN VEREECKE (*1963)

EDUCATION: Doctor of Engineering (Ghent University), studied at INSEAD (France).

EXPERIENCE: She is Professor of Operations and Supply Chain Management at Vlerick Business School and Ghent University and Faculty Dean at Vlerick Business School. 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).

TER BEKE: She joined the Board of Directors in 2014 as an Independent Director and is also a member of the Remuneration and Nomination Committee. Her mandate ends in 2018, with the potential for reappointment.

8. LOUIS-H VERBEKE (*1947)

EDUCATION: Doctorate in Law (Ghent University), a Master's degree from Vlerick Business School and an LL.M. degree (University of Virginia).

EXPERIENCE: He served as Senior Partner at the international law firm Allen & Overy till August 2005. He is Honorary Chairman of Vlerick Business School and of the Belgian Institute of Directors (Guberna - Instituut voor Bestuurders). He is Chairman and Director of various listed and unlisted companies and writes a monthly column in the Flemish business newspaper "De Tijd".

TER BEKE: He joined Ter Beke as Director in 1980 and was appointed Chairman in 2012. His mandate expires in 2018.

REMUNERATION AND NOMINATION COMMITTEE

The table below shows the composition of the Remuneration and Nomination Committee as on 31 December 2016, the meetings held in 2016 and the persons present at these meetings.

Name	Meetings 2016 (x = present)		
	22/2	20/4	24/11
Louis-H. Verbeke *		x	x
Ann Vereecke	x		
Jules Noten**	x	x	x
Ann Coopman***			

* Chairman

** Appointment was until 26 May 2016

*** Appointed per 1 September 2016

All members are non-executive directors and have a thorough knowledge of human resource management. After the appointment of the new nominated directors the majority of the members of the committee will be independent. The Remuneration and Nomination Committee advises the Board of Directors regarding the following:

- ◆ 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 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 THE EXECUTIVE COMMITTEE****AS OF 31 DECEMBER 2016**

- ◆ NV Fidigo, represented by Dirk Goeminne, chairman/managing director
- ◆ Sagau Consulting BVBA, represented by Christophe Bolsius, Commercial Director Ready Meals Division
- ◆ B.V. Halahdróthu, represented by Bas Hauwert, Commercial Director Processed Meats Division
- ◆ BVBA WiDeCo, represented by Wim De Cock, Operations Director
- ◆ Dirk De Backer, Human Resources Director
- ◆ René Stevens, Group CFO

FUNCTIONING

In 2016, the Executive Committee held meetings once every two weeks and whenever a meeting was required due to operational reasons. The Executive Committee is responsible for the 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 – on the initiative of the Remuneration and Nomination Committee – 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). This evaluation was also carried out in 2016. For this, the Board uses both qualitative and quantitative criteria.

1. DIRK DE BACKER (*1971)

SECRETARY GENERAL/HUMAN RESOURCES DIRECTOR

EDUCATION: Studied law at KU Leuven (Rouen), obtained an LLM degree from the University of Houston and MBA degrees from Vlerick Business School and Amsterdam Business School.

EXPERIENCE: Until 2004, he worked as a lawyer at the law firm Allen & Overy. TER BEKE: Since 15 November 2004, he has been serving as Secretary General to the Ter Beke group, a position he combines with that of Human Resources Director for the group since 1 May 2014. Dirk is also Secretary to the Board of Directors and has been appointed Compliance Officer for the group. He is a member of the Executive Committee since 1 December 2014.

3. WIM DE COCK (*1961)

COO

EDUCATION: Bioscience Engineer from Ghent University and has an MBA from Vlerick Business School.

EXPERIENCE: He has served in various management positions throughout the entire supply chain of manufacturing companies. Until 1999, he was Operations Director at Campbell Foods Belgium NV (Devos Lemmens, Godiva Europe). He is also a member of the Board of Directors of FENAVIAN (Belgian national federation for manufacturers of meat and canned meat products).

TER BEKE: He has been a member of the group Executive Committee at Ter Beke since 1 April 1999, serving as Operations Director.

5. BAS HAUWERT (*1968)

COMMERCIAL DIRECTOR PROCESSED MEATS DIVISION

EDUCATION: HBO (Higher Vocational Education) diploma in Logistics Management and Master of Food Management diploma from Erasmus University in Rotterdam.

EXPERIENCE: He has accumulated a long and varied experience within the food retail sector while working at Ahold, where he has proven himself to be thoroughly versed in the world of private labels and fresh food products. He has held various management positions at Ahold such as Senior Director Merchandising Development New Markets, General Manager AH To Go NL and Commercial Director Gall & Gall.

TER BEKE: He joined Ter Beke in March 2015 as Commercial Director of the Processed Meats division in the Netherlands and since March 2016, he has been appointed Commercial Director for the Processed Meats division for the entire group.

2. DIRK GOEMINNE (*1955)

CEO

EDUCATION: Applied Economics and Business Engineering at the University of Antwerp.

EXPERIENCE: He has held management positions in manufacturing and retail companies. Until 2007, he served as Chairman of the Executive Board of the V&D group and as member of the Board of Directors of Maxeda (Vendex/KBB). He is also Chairman of the Supervisory Board of Stern Groep NV and Beter Bed Holding NV, member of the Supervisory Board of Wielco BV and Non-Executive Director of Van de Velde NV and JBC NV. He is Chairman of the Board of Directors of Wereldhave Belgium NV.

TER BEKE: He has been CEO of Ter Beke NV since 1 June 2013.

4. RENÉ STEVENS (*1958)

CFO

EDUCATION: Studied Applied Economics at the University of Antwerp, Management Information Systems at KU Leuven and Tax Law at EHSAL Brussels, and also obtained an Executive MBA from Antwerp Management School

EXPERIENCE: He has held various financial positions at Sun International and other companies.

TER BEKE: He has been CFO of the Ter Beke group since 2005.

6. CHRISTOPHE BOLSIOUS (*1969)

COMMERCIAL GENERAL MANAGER READY MEALS DIVISION

EDUCATION: Graduated with a Licentiate degree in Applied Economics and a specialisation in International Business from the University of Antwerp.

EXPERIENCE: 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 FrieslandCampina and Douwe Egberts. He has been an active member of the Executive Committees of various sector associations: VLAM (Flanders' Agricultural Marketing Board), BABM (Belgix Association of Branded products Manufacturers), BMA, coffee roasters' association.

TER BEKE: He joined the commercial management of Ter Beke in December 2014 and from November 2015 onwards, assumed the position of Commercial Director Ready Meals.



Conflicts of interest

BOARD OF DIRECTORS

No conflicts of interest (within the meaning of Article 523 of the Belgian Company Code) were reported to the Board of Directors in 2016. Neither were there any 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 ter of the Belgian Company Code) occurred within the Executive Committee in 2016. Neither were there any reports of transactions with associated parties within the meaning of Appendix 2 of the group's Corporate Governance Charter.

External audit

The General Meeting of Shareholders of 26 May 2016 appointed Deloitte Bedrijfsrevisoren BV o.v.v.e. 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.

In 2016, EUR 225,000 was paid for audit services to Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA and to the persons with whom Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA is associated. In 2016, we paid EUR 138,000 for non-audit services.

Dealing Code for transactions in Ter Beke 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.
- ◆ The Dealing Code provides for prohibited periods. The directors and other Ter Beke employees involved may not perform any transactions in Ter Beke securities during a prohibited period.
- ◆ 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. They are required to sign the Dealing Code to acknowledge that they have been informed of this.
- ◆ The company also maintains a list of the persons who have access to privileged information.

Remuneration report

PROCEDURE APPLIED IN 2016 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 2016 was presented by the Board to the General Meeting of Shareholders held on 26 May 2016 for approval.

The remuneration level of the CEO and members of the Executive Committee for the financial year 2016 was confirmed by the Board of Directors based on the advice of the Remuneration and Nomination Committee.

REMUNERATION POLICY

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	67,000 (18,000 + 49,000)
Member of the Board of Directors	18,000
Chairman of the Audit Committee	9,000 (5,000 + 4,000)
Member of the Audit Committee	5,000
Chairman of the Remuneration and Nomination Committee	6,000 (4,000 + +2,000)
Member of the Remuneration and Nomination Committee	4,000

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

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.

These targets are based on objective parameters and are closely linked to the group's results and the role played by the CEO and/or members of the executive management in achieving these results. The main parameters used are volume, turnover, REBIT, EAT and ROCE (for the definition 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 2016, these parameters were volume, REBIT and ROCE. Twenty percent of the variable remuneration of the executive management (excluding the CEO) is granted on the basis of individual performance objectives.

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

If less than 75% of a set target is achieved 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, up to 150% of the variable remuneration linked to that target is granted.

In addition to the system of variable remuneration, the Board of Directors retains the authority to allocate, on the recommendation of the Remuneration and Nomination Committee, an **(additional) bonus** for specific performance or service to the CEO and/or to all

the members of the executive management or to some of them, provided that this does not exceed the total variable remuneration budget for the CEO and the members of the executive management.

There are no specific agreements or systems entitling the company to recover the variable remuneration paid, if this has been granted based on information that subsequently transpires to be incorrect. If necessary, the company may rely on facilities provided under common law for such cases.

A cash remuneration will be paid to the CEO on the termination of his contract. This will be based on a percentage on the exceptional growth of the equity value of Ter Beke between 2012 and 2017. Agreements have already been made about the calculation of the equity value as well as for determining the exceptional character. The key parameters for determining the equity value are a multiple

of REBITDA and the net financial debt. In the period 2013- 2016 a provision was made in line with these agreements. This concerns a provision, because the final cash remuneration will depend on the result in 2017, which is not certain and not fixed. In 2016 a provision of EUR 2,210,000 was made and in 2015 an amount of EUR 633,000 was reserved in the income statement, because the Group expects the equity value calculated for this purpose in 2017 will exceed that of 2016, barring unexpected market conditions.

In principle, the group's remuneration policy for the members of the Board of Directors and the executive management will not be subject to any substantial changes either in 2017 or in two following financial years.

DIRECTORS' REMUNERATION AND OTHER REMUNERATION OF NON-EXECUTIVE DIRECTORS AND EXECUTIVE MANAGERS IN THEIR CAPACITY AS MEMBERS 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 above) for the performance of their mandate as director in 2016 can be summarised as follows:

	Mandate director	Mandate Remuneration committee	Mandate Audit committee	Total
BVBA Ann Vereecke	18,000.00	4,000.00		22,000.00
BVBA Guido Vanherpe	18,000.00		5,000.00	23,000.00
Sparaxis SA (Thierry Balot)	18,000.00		9,000.00	27,000.00
BVBA Louis Verbeke	67,000.00	6,000.00		73,000.00
Comm.V. Lemon (Jules Noten)	7,500.00	1,666.67	2,083.33	11,250.00
Dominique Coopman	18,000.00			18,000.00
Ann Coopman	18,000.00	1,000		19,000.00
Eddy Van der Pluym	18,000.00			18,000.00
NV Fidigo (Dirk Goeminne)	18,000.00			18,000.00
Totaal mandaten	200,500.00	12,666.67	16,083.33	229,250.00

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

In 2016, the individual remuneration of the Managing Director/Chairman of the Executive Committee (NV Fidigo, represented by Dirk Goeminne) and the combined remuneration of the other members of the Executive Committee and the executive directors

(René Stevens, Wim De Cock, Bas Hauwert, Christophe Bolsius, Eddy Van der Pluym and Dirk De Backer) amounted to (total cost for the group, excluding the remuneration for directorship of Ter Beke NV):

	CEO	Other members of the executive management
Base pay	482,004	1,668,899.79
Variable pay (cash - on a yearly base)	139,747.35	230,864.85
Pensions*	N/A**	24,694.56
Other insurances	N/A**	621.60
Other benefits (company car)	N/A**	33,570.40

* The pension scheme is a defined contribution scheme

**N/A - not applicable

SHARE-BASED 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 shares were granted by the company in 2016 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 NV Fidigo, Eddy Van der Pluym, BVBA WiDeCo (Wim De Cock) B.V. Halahdröthu (Bas Hauwert) and Sagau Consulting BVBA (Christophe Bolsius) is no more than 12 months, while that 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 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. We have implemented numerous internal controls in line with the integrated **COSO II** or Enterprise Risk Management Framework®. The key elements can be summarised as follows:

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, Audit Committee, Remuneration and Nomination Committee, Executive Committee and Managing Director/CEO. These duties and responsibilities are in line with the statutory provisions and the provisions of the Corporate Governance Code 2009 in this respect. Coherent regulations have been drawn up for each of the above-mentioned bodies which are evaluated regularly and adapted if necessary, so that the allocated powers and responsibilities are always at the right level and so that higher levels of management can exercise appropriate control on the exercise of powers delegated to the lower levels of the organisation.

We organise and monitor our human resources via a job classification system, in which all group employees are graded and where 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**. This includes a specific assessment of whether employee behaviour 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 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).

We have created an **internal audit position** that is responsible for periodically conducting risk audits and audits of the internal controls in all group departments and reporting on these to the Audit Committee. Based on the findings of the internal auditor and in consultation with the Audit Committee, the necessary adjustments are made in the internal control system.

We have an **Audit Committee** that, in principle, devotes two meetings per year to discussing the risks that we are exposed to (see above) as well as internal controls and risk management. 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 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 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. These results are discussed by the Board and made 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 in advance. These results are discussed in the Audit Committee, in the presence of the internal and external auditors. After this, these results are 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 have introduced clear schedules for financial reporting at all levels of the company, so that we can meet all the related statutory requirements in a timely and correct manner.

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

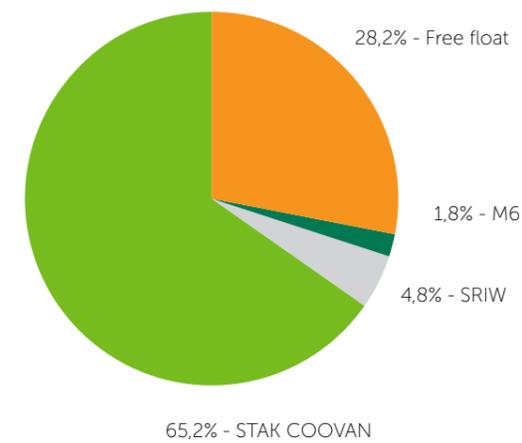
The finance department has a detailed manual describing all the relevant accounting principles and procedures for persons involved in this area.

We have implemented the key internal controls 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

SHAREHOLDER STRUCTURE AS OF 31 DECEMBER 2016



On 31 December 2016, Ter Beke NV did not hold any treasury shares (neither did Ter Beke NV hold any treasury shares on 31 December 2015).

TRANSPARENCY

In 2016 we received a STAK Coovan and M6 NV 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.

NOTIFICATIONS IN THE CONTEXT OF ARTICLE 34 OF THE ROYAL DECREE OF 14 NOVEMBER 2007

There are no parties 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 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 Belgian Companies Code).

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 28 May 2014 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 Belgian Companies Code. This authorisation is valid for a period of three years starting from 18 June 2014.

The Extraordinary General Meeting of Shareholders held on 28 May 2014 also authorised the Board of Directors to acquire, in accordance with Article 620 of the 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 a period of three years starting from 18 June 2014.

To the best knowledge of the group 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 food manufacturer, we are also subject to risks that lie beyond our control. Yet we act proactively to minimise any possible impact.

MAIN RISKS TO OUR OPERATING ACTIVITIES**OPERATIONAL RISKS****Food safety and product liability**

Every day, thousands people eat our processed meats and ready meals. We must ensure that these products are fresh and safe. The end consumer is also entitled to clear information about the composition of the product and its nutritional value.

WHAT CAN HAPPEN IF WE DON'T MAKE THE RIGHT DECISIONS**HOW WE LIMIT THE RISKS IN GENERAL AND IN 2016 IN PARTICULAR**

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 the product composition and nutritional value per 100 grammes and per serving. We go further than the statutory requirements with regard 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. Our service is extensive and flawless. We work continuously on improving efficiency and cost control.

Technological developments

Product and production technologies evolve rapidly.

Not being abreast with the latest production technology 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 institutions 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 be 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 backups are made of all information. A new ERP is being 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 among 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.





MAIN RISKS TO OUR OPERATING ACTIVITIES	WHAT CAN HAPPEN IF WE DON'T MAKE THE RIGHT DECISIONS	HOW WE LIMIT THE RISKS IN GENERAL AND IN 2016 IN PARTICULAR
MARKET RISKS		
<p>Price fluctuations for raw materials and packaging</p> <p>We work with natural raw materials. Fluctuations in the quality and the price of our raw materials and food packaging materials are always possible.</p>	<p>Price increases for raw materials and packaging would have a negative influence on the margins.</p>	<p>We agree long-term contracts. We work with volume agreements on an annual basis .</p>
<p>Relationships with suppliers</p> <p>For specific raw materials we are obliged to work with a limited number of suppliers.</p>	<p>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.</p>	<p>We agree long-term contracts. We work with volume agreements on an annual basis. We offer our suppliers fair payment for their added value. We work with preferred suppliers for sustainability.</p>
<p>Relationships with customers</p> <p>We market our products via a network of discount and retail customers throughout Europe. The number of large customer groups is limited.</p>	<p>Considering the small number of larger retail customers, the termination of a contract may have a significant negative impact on our turnover and profit.</p>	<p>We specify varying maturity dates in our contracts for different products; for our own brands as well as customer's private labels and in the various countries. In 2015 we lost a contract with a German client but were able to secure several new large contracts.</p>
<p>Customer and consumer behaviour</p> <p>Our sales are related to the eating habits and trends of the ultimate consumers, just as their spending habits.</p>	<p>If consumers would no longer select 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.</p>	<p>In 2015 we conducted a major survey on trends in dietary habits in various markets. We surveyed the satisfaction of our consumers to anticipate and limit this risk. We ensure that our prices are competitive.</p>
FINANCIAL RISKS (SEE ALSO EXPLANATORY NOTE 28 IN THE ANNUAL ACCOUNTS)		
<p>Credit risks</p> <p>We have receivables outstanding from our clients and retail customers.</p>	<p>Receivables not collected on time, have a negative impact on the cash flow.</p>	<p>We monitor customers and outstanding receivables closely in in order to limit these potential risks. The majority of the receivables concern large European retail customers which limits the risk.</p>
<p>Exchange rate risks</p> <p>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.</p>	<p>Fluctuations in exchange rates can cause fluctuations in the value of financial instruments.</p>	<p>We adhere to a consistent hedging policy. We do not use financial instruments for trading and we do not speculate.</p>
<p>Liquidity and cash flow risks</p> <p>As with any business, Ter Beke monitors liquidities and cash flow.</p>	<p>A shortage of cash and cash equivalents could put pressure on the relationships with certain parties.</p>	<p>We have a significant net cash flow with respect to the net financial debt position. We have centralised our treasury policy.</p>
LEGAL RISKS (SEE ALSO EXPLANATORY NOTE 30 IN THE ANNUAL ACCOUNTS)		
<p>Changes to legislation</p> <p>Now and then the government changes and tightens legislation on the production and sale of foods.</p>	<p>Not meeting these conditions can expose us to the risk of fines or sanctions.</p>	<p>Each year we invest significant sums to ensure we comply with new legislation, also concerning sustainability and the environment. Each year we organise training sessions for our employees to keep them informed of new legislation and its impact.</p>
<p>Legal disputes</p> <p>Occasionally we are involved in legal proceedings or disputes with customers, suppliers, consumers or the government.</p>	<p>Such litigation could have a negative impact on our financial situation.</p>	<p>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.</p>

3
STOCK AND SHAREHOLDER INFORMATION

SHARE QUOTATION



On 31 December 2016, 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 (symbol: TERB).

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. Furthermore, he can usually allow smaller investors to trade at more advantageous rates and can reduce fluctuations in the share price.

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

SHARE RELATED INSTRUMENTS

On 31 December 2016 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 24 May 2017 to distribute a gross dividend of EUR 3.50 per share over 2016. If the General Meeting of 24 May 2017 approves this motion, we will make the net dividend per share payable from 15 June 2017.

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.

MONITORING BY FINANCIAL ANALYSTS

Analysts at Degroof/Petercam and KBC Securities have monitored the Ter Beke share during 2016. We have published a number of the analyst's reports on the Ter Beke website: www.terbeke.com, under Investor Relations.

PROPOSALS TO THE GENERAL MEETING

The Board of Directors proposes the following to the general meeting of 24 May 2017:

- ◆ to approve the annual accounts at 31 December 2016 and to consent to the processing of the result. The non-consolidated result for the financial year is EUR 6,987,381.72;
- ◆ the proposed gross dividend is EUR 3.50 per share. This will be payable on 15 June 2017 (quoted ex-coupon on 13 June 2017);
- ◆ to appoint Dominique Eeman and Kurt Coffyn as independent director within the meaning of Articles 524 and 526ter of the Belgian Company Code. The appointment will be for a period of four years. This appointment commences at the close of the general meeting of 24 May 2017 and terminates at the general meeting to be held in 2021.
- ◆ to grant discharge to the members of the Board of Directors and the Statutory Auditor for the execution of their mandate in 2016;
- ◆ to decide on the remuneration report in a separate vote;
- ◆ to approve the annual remuneration of EUR 244,000 for the directors for the performance of their mandate in 2017.

On 25 May 2017, Dominique Eeman and Kurt Coffyn will start as independent directors.

Dominique Eeman (59) has extensive experience as CFO and member of the Board of Directors and Executive Committees of several Belgian multinationals. He is an all-round financial and strategic expert and his knowledge of the food sector is based on his experience as CFO at Vandemoortele and his position of Director at Leonidas. He is also familiar with the values of a family business such as Ter Beke. Furthermore, he is member of the Board of Directors of Funds For Good and Sofindev IV, and member of the Supervisory Board of Put & Co.

Kurt Coffyn (49) has 25 years of experience in operational positions in various sectors, including the food sector at Barry Callebaut and Cargill. He is currently the Global Operations Director Starchers & Sweeteners at Cargill Foods Europe. He is expected to strengthen

Ter Beke with his extensive knowledge of production processes and his specialisation in mergers and acquisitions. It will be Kurt Coffyn's first experience of serving on a Board of Directors.

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

FINANCIAL CALENDAR

Shareholders' Meeting	24 May 2017 at 11 am
Share quoted ex-coupon	13 June 2017
Dividend payment	15 June 2017
Results first semester 2017	01 September 2017 before market opening
Annual results 2017	At the latest on 30 April 2018

Contact information

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READY MEALS

NV FRESHMEALS

Beke 1 - B-9950 Waarschoot
RPR Gent 0884.649.304

LES NUTONS SA

Chaussée de Wavre 259a - B-4520 Wanze
RPM Huy 0442.475.396
Exploitatiezetel : 5 Chemin Saint-Antoine,
6900 Marche-en-Famenne

COME A CASA SA

Chaussée de Wavre 259a - B-4520 Wanze
RPM Huy 0446.434.778

TER BEKE FRANCE SA

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La Ravoire
Metz-Tessy
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RCS Annecy 309 507 176

FRESHMEALS IBERICA S.L.

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Complejo Empresarial Ática
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KvK Utrecht 200.53.817

PASTA FOOD COMPANY SP. Z.O.O.

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45-805 Opole
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PROCESSED MEATS

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RPR Antwerpen 0475.089.271

NV PLUMA

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RPR Antwerpen 0404.057.854

TERBEKE-PLUMA NEDERLAND BV

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RPR Gent 0406.175.424

NV HEKU

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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

H.J. BERKHOUT VERSSNIJLIJN BV

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CONSOLIDATED
FINANCIAL
STATEMENTS



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Consolidated income statement

as at 31 December 2016 and 2015

Ter Beke NV is directly and indirectly 100% owner of all fully consolidated subsidiaries (see Note 35). The Group's share of the result is therefore also 100%. Ter Beke is also joint owner of The Pasta Food Company and Stefano Toselli, with a 50% and 33% share respectively. These last two are accounted for in the consolidated financial statements using the equity method.

	Note	2016	2015
Revenue	4	418,563	396,319
Trade goods, raw and auxiliary items	5	-227,177	-208,660
Services and miscellaneous goods	6	-81,016	-80,812
Employee expenses	7	-73,577	-74,110
Depreciation costs	15 +16	-17,428	-17,877
Impairments, write-downs, and provisions	8	-2,117	-567
Other operating income and expenses	9	942	1,536
Result of operating activities	10	18,190	15,829
Financial income	11	841	476
Financial expenses	12	-1,270	-1,677
Results of operating activities after net financing expenses		17,761	14,628
Taxes	13	-5,258	-3,817
Result for the financial year before result from businesses accounted for using the equity method		12,503	10,811
Share in the result of enterprises accounted for using the equity method		59	-513
Profit in the financial year		12,562	10,298
Basic earnings per share	33	7,25	5,90
Diluted earnings per share	33	7,25	5,90

Consolidated overview of the comprehensive income

as at 31 December 2016 and 2015

	2016	2015
Profit in the financial year	12,562	10,298
Other elements of the result (recognised in the shareholders' equity)		
Other elements of the result that may subsequently be reclassified to the results		
Translation differences	-264	89
Comprehensive income	12,190	10,359

	2016	2015
Cash flow hedge	35	17
Other elements of the result that may not subsequently be reclassified to the results		
Revaluation of the net liabilities regarding defined benefit pension schemes	-164	-68
Related deferred taxes	21	23
Comprehensive income	12,190	10,359

Consolidated balance sheet

as at 31 December 2016 and 2015

	Note	2016	2015
ASSETS			
Non-current assets		144,337	149,201
Goodwill	14	35,204	35,204
Intangible non-current assets	15	5,323	5,410
Tangible non-current assets	16	79,536	85,005
Participations using equity method	17	12,307	12,635
Loans to joint venture	18	1,870	850
Deferred tax assets	20	0	0
Other long-term receivables	18	97	97
Long-term interest-bearing receivables	19	10,000	10,000
Current assets		105,314	92,327
Inventories	21	22,256	20,421
Trade and other receivables	22	66,990	64,860
Cash and cash equivalents	23	16,068	7,046
TOTAL ASSETS		249,651	241,528
LIABILITIES			
Shareholders' equity	24	114,969	108,843
Capital and share premiums		53,191	53,191
Reserves		61,778	55,652
Non-controlling interest		0	0
Deferred tax liabilities	20	4,335	5,852
Long-term liabilities		38,112	43,455
Provisions	25	5,312	3,062
Long-term interest-bearing liabilities	26	32,800	40,393
Other long-term liabilities		0	0
Current liabilities		92,235	83,378
Current interest-bearing liabilities	26	10,815	10,965
Trade liabilities and other payables	27	66,779	58,830
Social liabilities		11,322	10,685
Tax liabilities		3,319	2,898

Consolidated statement of changes in equity

as at 31 December 2016 and 2015

	Capital	Capital reserves	Share premiums	Reserved profits	Cash flow hedge	Pensions and taxes	Translation differences	Total	Number of shares
Balance on 1 January 2015	4,903	0	48,288	50,585	-220	-570	-171	102,815	1,732,621
Capital increase								0	
Treasury shares reserve								0	
Dividend				-4,331				-4,331	
Results in the financial year				10,298				10,298	
Other elements of the comprehensive income for the period				0	17	-45	89	61	
Comprehensive income for the period				10,298	17	-45	89	10,359	
Movements via reserves									
Result from treasury shares								0	
Balance on 31 December 2015	4,903	0	48,288	56,552	-203	-615	-82	108,843	1,732,621
Capital increase								0	
Treasury shares reserve								0	
Dividend				-6,064				-6,064	
Results in the financial year				12,562				12,562	
Other elements of the comprehensive income for the period				0	35	-143	-264	-372	
Comprehensive income for the period				12,562	35	-143	-264	12,190	
Movements via reserves									
Result from treasury shares								0	
Balance on 31 December 2016	4,903	0	48,288	63,050	-168	-758	-346	114,969	1,732,621

Consolidated cash flow statement

as at 31 December 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Result before taxes	17,761	14,628
Interest	887	988
Dividend from equity method	333	0
Depreciation	17,428	17,877
Write-downs (*)	49	9
Provisions (**)	2,116	558
Gains and losses on disposal of fixed assets	-642	-24
Cash flow from operating activities	37,932	34,036
Change in inventory	-1,843	-114
Change in receivables less than 1 year	-3,286	-4,002
Change in operational assets	-5,129	-4,116
Change in trade liabilities	7,542	2,424
Change in debts relating to remuneration	664	-238
Change in other liabilities, accruals and deferred income (**)	370	-112
Change in operational debts	8,576	2,074
(Change)/decrease in the operating capital	3,447	-2,042
Taxes paid	-5,021	-3,893
NET CASH FLOW FROM OPERATING ACTIVITIES	36,358	28,101
INVESTMENT ACTIVITIES		
Acquisition of intangible and tangible non-current assets	-14,485	-17,871
Acquisition of participating interest in associated companies	0	-9,428
New loans	-1,020	-350
Total increase in investments	-15,505	-27,649
Sale of tangible non-current assets	0	86
Sale of participating interest	2,920	0
Repayment of loans	0	15
Total decrease in investments	2,920	101
CASH FLOW FROM INVESTMENT ACTIVITIES	-12,585	-27,548
FINANCING ACTIVITIES		
Change in short-term financial debts	0	0
Increase in long-term debts	3,025	15,100
Repayment of long-term debts	-10,768	-14,032
Interest paid interest (via income statement)	-887	-988
Dividend paid by parent company	-6,064	-4,331
CASH FLOW FROM FINANCING ACTIVITIES	-14,694	-4,251
NET CHANGE IN CASH AND CASH EQUIVALENTS	9,079	-3,698
Cash funds at the beginning of the financial year	7,046	10,725
Translation differences	-54	19
Movement in the group consolidation	-3	0
CASH FUNDS AT THE END OF THE FINANCIAL YEAR	16,068	7,046

(*) Also includes adjustments that are part of the financial result (note. 12). This was EUR 48,000 in 2016; EUR 0 in 2015.

(**) Reclassification of pension-related costs of EUR 148,000 in 2015. This means that the cash flow statement corresponds to the income statement.

Accounting policies for financial

reporting and explanatory notes

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, its subsidiaries, a joint venture and an associated company (further referred to as 'the Group'). The consolidated financial statements were issued for publication by the board of directors on 21

February 2017. 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. The comparative information has been restated in accordance with IFRS.

STANDARDS AND INTERPRETATIONS APPLICABLE TO THE ANNUAL PERIOD BEGINNING ON 1 JANUARY 2016

- ◆ Improvements to IFRS (2010-2012) (applicable for annual periods beginning on or after 1 February 2015)
- ◆ Improvements to IFRS (2012-2014) (applicable to annual periods beginning on or after 1 January 2016)
- ◆ Amendments to IFRS 11 *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (applicable to annual periods beginning on or after 1 January 2016)
- ◆ Amendments to IAS 1 *Presentation of Financial Statements – Disclosure Initiative* (applicable to annual periods beginning on or after 1 January 2016)
- ◆ Amendments to IAS 16 and IAS 38 *Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation* (applicable to annual periods beginning on or after 1 January 2016)
- ◆ Amendments to IAS 19 *Employee Benefits – Employee Contributions* (applicable to annual periods beginning on or after 1 February 2015)
- ◆ Amendments to IAS 27 *Separate Financial Statements – Equity Method* (applicable to annual periods beginning on or after 1 January 2016)

These standards have no significant impact on the annual report.

STANDARDS AND INTERPRETATIONS PUBLISHED, BUT NOT YET APPLICABLE TO THE ANNUAL PERIOD BEGINNING ON 1 JANUARY 2016

- ◆ IFRS 9 *Financial Instruments and subsequent amendments* (applicable for annual periods beginning on or after 1 January 2018)
- ◆ IFRS 14 *Regulatory Deferral Accounts* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- ◆ IFRS 15 *Revenue from Contracts with Customers* (Applicable for annual periods beginning on or after 1 January 2018)
- ◆ IFRS 16 *Leases* (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in EU)
- ◆ Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* (applicable for annual periods beginning on or after 1 January 2018, 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 been postponed)
- ◆ Amendments to IAS 7 *Statement of Cash Flows – Disclosure Initiative* (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in EU)
- ◆ Amendments to IAS 12 *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses* (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in EU)

Only IFRS 15 and 16 will have an impact on the figures published.

The main impact of IFRS 16 is described in Note 29.

The basic principle of IFRS 15 *Revenue from Contracts with Customers* (applicable for annual periods beginning on or after 1 January 2018) is that a company must recognise goods or services at the amount for which the company expects to be entitled in exchange for the goods or services.

To apply this basic principle, a company must take the following steps:

1. identify the contract with a client;
2. identify the performance obligation in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognise the revenue when the company fulfils a performance obligation.

The main impact of IFRS 15 for Ter Beke will be that a part of the services and miscellaneous goods category will be deducted from turnover in the presentation of the accounts. Ter Beke's assessment of the impact of this new rule on the financial statements is still ongoing. A reasonable estimate of the impact is not obvious. Ter Beke is still studying the implications. Ter Beke does not intend to apply this rule before 2018.

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 35.

SUBSIDIARIES INCLUDED IN THE CONSOLIDATION IN ACCORDANCE WITH THE INTEGRAL METHOD

Subsidiaries are those over which Ter Beke NV exercises control. Ter Beke NV exercises control over a participating interest if Ter Beke NV is exposed to or has rights to variable revenues by virtue of its involvement in the participating interest, and has the means to influence these revenues due to its control over the participating interest. Such control is presumed to exist where Ter Beke NV directly or indirectly holds more than 50% of the voting power of the entity. In the assessment of their control, an investor takes account of both their own potential voting rights and the potential voting rights held by other parties. Potential voting rights are rights to acquire voting rights

in a participating interest, such as rights ensuing from convertible instruments or options, including forward contracts. These potential voting rights only apply if they concern material rights.

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 till the date on which it ends. A list of the Group's subsidiaries is included in Note 35.

JOINT VENTURES

A joint venture is a joint agreement, where Ter Beke NV and other parties that have joint control of the agreement, rights to the net assets of the agreement. Joint ventures are recognised according to the equity method. The company eliminates the net results between the joint venture and the Ter Beke Group. On 22 June 2011 Ter Beke and the shareholders of Stefano Toselli established a 50/50 joint venture in Opole (Poland). This joint venture bears the name 'Pasta Food Company', it produces and markets lasagne and pasta meals in Central and Eastern Europe. As the Pasta Food Company is booked via the equity method, only 50% of the equity is recognised in the balance sheet and 50% of the net result is recognised in the Ter Beke group consolidated figures.

If a Group member conducts transactions with a joint venture, profits and losses are eliminated up to the amount of the interests of the Group in the joint venture concerned.

INVESTMENTS IN AFFILIATED COMPANIES

Affiliated companies are those in which the Group has significant influence, directly or indirectly, but not control over the financial and operational policy of the entity. This is assumed when the Group

has 20% or more of the voting rights in the company. An investment in an affiliated company is processed in the consolidated financial statements in accordance with the equity method.

The results, assets and liabilities of affiliated companies are recognised in the financial statements in accordance with the equity method, unless the investment is classified as being held for sale and therefore must be processed in accordance with IFRS 5, Non-current assets held for sale and discontinued business activities. Investments in affiliated companies are initially recognised at cost price under the equity method, and then adapted to take account of the change in the investor's share of the net assets of the participation after takeover, minus any exceptional depreciation in the value of individual investments.

Any losses of an affiliated company that exceed the Group's interests in that affiliated company (also taking account of all long-term interests that, in essence, form part of the Group's net investments in that affiliated company) are not recognised.

The difference between the cost price of the investment and the investor's share in the net fair value of the identifiable assets, liabilities and conditional liabilities of the affiliated company, which were recognised on the takeover date, are recognised as goodwill. This goodwill is recognised in the book value of the investment and is tested for impairment as part of the investment. The difference after reassessment between the fair value of the Group share in the identifiable assets, liabilities and contingent liabilities of the affiliated company and the cost price of the affiliated company are recognised immediately in the income statement.

If a Group member conducts transactions with an affiliated company, profits and losses are eliminated up to the interests of the Group in the affiliated company concerned. On 28 August 2015, Ter Beke and GS & DH Holding, the sole shareholder in the French company Stefano Toselli SAS (a ready meals producer), signed an agreement whereby Ter Beke acquired a 33% minority interest in Stefano Toselli SAS, effective immediately.

ELIMINATIONS AT CONSOLIDATION

All intra-group balances and transactions, including profits not realised on intra-group transactions, are eliminated when the consolidated financial statements are drawn up. Unrealised profits arising from transactions with affiliated companies are eliminated up to the amount of the Group's interest in the entity. Unrealised profits arising from transactions with associates are eliminated up to the amount of

the participation in those entities. The same elimination rules apply to unrealised losses as for unrealised profits, with the difference that they are only eliminated if there is no indication of impairment.

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 flow generating units concerned.

Cash flow 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 flow 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 flow 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 flow generating unit retained.

No business combinations were conducted in 2016 and 2015.

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 income statement, unless it was directly 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 TerBeke-Pluma UK Ltd which conducts its business in British pounds and the 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.

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

1 euro is equal to:

	2016	2015
British pound		
Closing rate	0.8561	0.7339
Average rate	0.8193	0.7268
Polish zloty		
Closing rate	4.4103	4.2639
Average rate	4.3624	4.1855

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.

IFRS 8 replaces the earlier IAS 14 standard from 1 January 2009 but does not alter segment reporting.

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.

DISCONTINUED OPERATION

A discontinued operation is a clearly distinguishable component within the activities of the Group as a whole:

- ◆ which is disposed of or discontinued as part of a specific plan;
- ◆ which represents a separate, important business activity or a geographical area of activities;
- ◆ which can be distinguished operationally and for the purposes of financial reporting.

INTANGIBLE ASSETS

Intangible assets are initially valued at cost price. Intangible 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 assets are valued at cost price less the accumulated depreciation and any accumulated impairments. Intangible 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, 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 2016 and 2015 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 assets, such as brand names, are recognised in the income statement as they occur. Other intangible assets, such as brand patents or computer software, acquired by the Group are valued at cost price less the accumulated depreciation and impairments. In 2016 and 2015 Ter Beke's consolidated other intangible non-current assets consisted only of computer software.

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:

Research and development	33.3%
Computer software	20%
Brand patents	10%

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 flow 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.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the remaining surplus after reassessment is recognised immediately in the income statement.

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 property, plant and equipment (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	3.33; 4 and 5%
Installations	5 and 10%
Machines and equipment	14.3; 20 and 33.3%
Furniture and rolling equipment	14.3; 20 and 33.3%

Other tangible non-current assets	10 and 20%
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Land is not depreciated, since it is assumed that it has an unlimited useful life.

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

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.

FINANCIAL LEASES

Assets held under a financial lease are recognised as Group 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 income statement.

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.

OPERATIONAL LEASES

Lease payments based on operational leases should be 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.

INVENTORIES

Inventories are valued at the lowest value of the cost price or the net realisable value. The FIFO method forms the basis for calculating the cost price. 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.

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 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 flow 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 flow generating unit) is estimated to be lower than the book value of the asset (or a cash flow 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.

FINANCIAL INSTRUMENTS

TRADE RECEIVABLES

Trade receivables are initially booked at fair value and are then valued at the amortised cost price calculated based on the effective interest method. Appropriate impairment losses are recognised in the income statement for estimated non-realizable amounts if there are objective indications that an impairment loss has occurred.

The amount of loss is specified as the difference between the book value of the asset and the present value of estimated future cash flows discounted at the originally effective interest rate on initial recognition. Considering the short-term nature of the trade receivables in the Group, the trade receivables are in fact booked at fair value.

INVESTMENTS

Investments are no longer recognised on the transaction date if the purchase or sale of the investment is linked to a contract whose conditions prescribe the delivery of the asset within the period generally prescribed or agreed on the market concerned. They are initially

valued at the fair value, plus the directly attributable transaction costs. For an investment that is not valued at fair value, write-downs are incorporated in the income statement.

HELD-TO-MATURITY INVESTMENTS

Debt securities which the Group definitely intends to hold till their maturity date (held-to-maturity debt securities) are valued at the amortised cost price calculated by means of the effective interest method, less any impairment losses for the purpose of taking non-realizable amounts into consideration.

Such impairment losses are recognised in the income statement if, and only if, there are objective indications for impairment losses. Impairment losses are reversed in subsequent periods if the rise in the realisable value can be objectively related to an event that took place after the write-down. The reversal may not exceed the amortised cost price as it would have been if the impairment had not been recognised.

OTHER INVESTMENTS

Investments other than those held till maturity are classified as financial assets available for sale which are valued at fair value after initial recognition. If no fair value can be determined, they are valued at cost price. The profits and losses following changes in the fair value are recognised directly in the shareholders' equity until the financial asset is sold, or on determining the impairment losses. In this case the cumulative loss or profit that was recognised immediately in the shareholders' equity is transferred from the shareholders' equity to the income statement. Impairment losses recognised in the income statement on an investment in an equity capital instrument classified as available for sale are not reversed via the income statement.

Impairment losses recognised in the income statement on a debt instrument classified as available for sale are later reversed in the income statement if the rise in the fair value of the instrument can be objectively related to an event that took place after the impairments loss was recognised. With the exception of equity capital instruments, changes in the fair value due to exchange rate results are recognised in the income statement.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, demand deposits and other short-term, highly liquid investments that can be immediately converted to cash, the amount of which is known and which bears no material risk of depreciation.

FINANCIAL LIABILITIES AND EQUITY CAPITAL INSTRUMENTS

Financial liabilities and equity capital instruments issued by the Group are classified based on the economic reality of the contractual agreements and the definitions of a financial liability and an equity

capital instrument. An equity capital instrument is any contract that includes the residual interest in the Group's assets, net of all liabilities. The financial reporting policies regarding specific financial liabilities and equity capital instruments are described below.

BANK BORROWINGS

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.

EQUITY INSTRUMENTS

Equity instruments issued by the company are recognised at the amount of the sums received (after deduction of directly attributable issue costs).

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:

- a. 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-realizable 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.

- b. 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.

- c. 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 (on the basis of IAS 39).

DERIVATIVES THAT CANNOT BE CLASSIFIED AS HEDGES

Certain derivatives do not qualify as hedging transactions. Changes in the fair value of each derivative that does not qualify as a hedging transaction are recognised immediately in the income statement.

REPURCHASED TREASURY SHARES

If the Group repurchases its own treasury shares, the amount paid, including the directly attributable direct costs, is incorporated as a reduction in the shareholders' equity. The revenue from the sale of treasury shares is recognised directly in the shareholders' equity and has no impact on the net results.

DIVIDENDS

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

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and groups of assets that are divested are classified as 'held for sale' if their book value will mainly be realised in a sale transaction and not through the continued use thereof. This condition is met solely if the sale is highly probable and the asset (or the Group of assets being disposed of) is immediately available for sale in its current state. The management must have committed itself to a plan to sell the asset (or the Group of assets being disposed of), which is expected to be considered for inclusion as a completed sale within one year of the classification date.

A non-current asset (or group of assets being disposed of) classified as held for sale will be included at the lowest value of its book value and its fair value minus the costs of sale.

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; and
- ◆ share-based payments.

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 would be calculated as the discounted value of the projected benefits, assuming the minimum guaranteed rates of return currently application 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 result, 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 normal pension date;
- ◆ the allocation of termination benefit 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.

SHARE-BASED PAYMENTS

The cost of the Group's liability in relation to share option plans is the fair value of these instruments. This fair value is determined by means of the fair value of the shares on the allocation date. The total amount recognised as an expense over the vesting period is determined taking account of the fair value of the options granted. Conditions that must be met in order to make the options unconditional are included in the assumptions when calculating the number of options that are expected to be exercisable. The Group reviews the number of options that are expected to be exercisable at the end of each financial year. Any impact of this review is recognised in the income statement, together with an adjustment to the shareholders' equity over the remaining vesting period.

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 tax and discounts.

SALE OF GOODS

Revenue from the sale of goods is recognised if all the following conditions are met:

- the Group has transferred the essential risks and benefits of owning the goods to the buyer;
- the Group does not maintain actual control over the goods sold or the involvement that usually accrues to the owner;
- the amount of the revenue can be reliably determined;
- it is likely that the economic benefits relating to the transaction will accrue to the Group; and
- the costs incurred or that will be incurred in relation to the transaction can be reliably valued.

At that time the various discounts are also recognised based on the agreements with the clients concerned.

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.

ROYALTIES

Royalties are recognised according to the attribution principle in accordance with the economic reality of the contract concerned.

RENTAL INCOME

Rental income is recognised directly in the income statements on a linear basis, spread over the rental period.

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

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
REBIT	Operating result (EBIT) before non-recurring expenses and revenues
REBITDA	Operating cash flow before non-recurring expenses and revenues Operating result before non-recurring costs and revenues (REBIT) + depreciation, write-downs and impairments of assets and negative goodwill
ROCE	Operating result (EBIT) in relation to average capital employed
Capital employed	Operating capital + net book value of goodwill, intangible and tangible non-current assets
Operating capital	Inventories + trade receivables + other short-term receivables - trade liabilities - social liabilities - tax liabilities - other short-term debt
Non-recurring income and expenses	Operating revenues and expenses related to restructuring, impairments, discontinued operations and other activities, and transactions that have a one-off impact.

MANAGEMENT ASSESSMENTS AND ESTIMATES

The main estimates and assessments made by the management and board of directors include:

- ◆ Deferred tax assets relating to transferred taxation losses and tax deductions are recognised to the extent that it is probable that future taxable profit will be sufficient to recover the unused tax losses and tax deductions.
- ◆ Goodwill impairments: Each year the goodwill is tested for impairment, or more frequently when there are indications that the value of goodwill may be impaired. For further information, see Note 14 – Goodwill.
- ◆ Impairments on depreciable tangible and intangible non-current assets: for tangible and intangible non-current assets for which the management and board of directors decide to no longer utilise these in the business operations, an assessment is made at each reporting period as to whether the book value of these non-current assets exceed the recoverable amount. Where the recoverable amount is lower than the book value, an impairment is recognised in the financial results of the Group.
- ◆ Provisions for pending disputes: at each reporting period the management and board of directors assesses the potential financial risk to the Group of pending disputes. A provision is recognised in the financial results of the Group only for those disputes which the management and board of directors consider that there is a probable financial risk.
- ◆ 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 25 – Employee benefits.
- ◆ A cash remuneration will be paid to the CEO on the termination of his contract. This will be based on a percentage on the exceptional growth of the equity value of Ter Beke between 2012 and 2017. Agreements have already been made about the calculation of the equity value as well as for determining the exceptional character. The key parameters for determining the equity value are a multiple of REBITDA and the net financial debt. In the period 2013- 2016 a provision was made in line with these agreements. This concerns a provision, because the final cash remuneration will depend on the result in 2017, which is not certain and not fixed. In 2016 a provision of EUR 2,210,000 was made and in 2015 an amount of EUR 633,000 was reserved in the

income statement, because the Group expects the equity value calculated for this purpose in 2017 will exceed that of 2016, barring unexpected market conditions.

GROUP CONSOLIDATION

The Group consolidated annual accounts for 2016 include the Entity and 18 consolidated subsidiaries over which the Entity exercises control (Note 35) and two joint ventures over which the Entity does not exercise full management control. On 15 July 2016, Binet SA was sold by Pluma NV. On 28 August 2015 the Entity acquired 33% of Stefano Toselli SAS.

The consolidated annual accounts for 2015 included nineteen consolidated subsidiaries and two joint ventures over which the Entity did not exercise full management control.

REPORTING PER SEGMENT AND GEOGRAPHICAL REGION

Ter Beke is a food group, specialising in the development, production and sale of processed meats and fresh ready meals in Europe. At the end of 2016 the Ter Beke Group had a workforce of 1,650 (2015: 1,588) (full-time equivalents on 31 December 2016 and the average

number of temporary workers in 2016). The Group's management structure and the internal and external reporting systems have been set up in accordance with these business activities.

Ter Beke's reporting format therefore covers the organisation around the two existing product groups:

- ◆ The Processed Meats business segment develops, produces and sells a range of processed meats including, salami, cooked ham, poultry, other cooked meats, patés and preserved meats.
- ◆ The Ready Meals business segment develops, produces and sells fresh ready meals including lasagne, pizza, pasta dishes and sauces.

The profit or loss of a segment includes the revenue and expenses generated directly by a segment, including that part of the revenue and expenses to be allocated that can reasonably be attributed to the 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 taxes.

Assets and liabilities per segment include the intangible non-current assets, goodwill, tangible non-current assets and financial non-current assets. 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 inter-segment positions. Competitive conditions form the basis for intersegment transfer pricing. The investment expenses per segment include the cost of the acquired assets with an expected useful life of more than one year. In this segment reporting the same accounting principles are used as in the consolidated financial statements.

Both the Processed Meats and Ready Meals divisions sell our products to a large client base which includes most large European discount and retail customers. The ten largest client groups represent 70% of the turnover (2015: 67%). Turnover with these clients is realised through a diversified number of contracts and products with various durations, under our own brand as well as under the clients' private labels, and in different countries. While our client portfolio is diversified, the complete termination of a relationship with a large group of clients could have an impact on our operating activities. Due to turnover growth in 2016, the volume of business with one single external client exceeded 10% of the consolidated turnover (14%). The turnover related to this client was in both segments.

to report only the turnover between both segments is non-material, the Group has opted to only report turnover external to the Group.

Ter Beke's geographical information shows the five geographical regions in which the Group is active - Belgium, the Netherlands, the United Kingdom, Germany and the rest of Europe. The rest of Europe contains the countries Luxembourg, Denmark, France, 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 split per region based on the geographical location of the assets. The investment expenses per region include the cost price of the acquired assets with an expected useful economic life of more than one year.

KEY DATA PER BUSINESS SEGMENT

	2016			2015		
	Processed meats	Ready meals	Total	Processed meats	Ready meals	Total
SEGMENT INCOME STATEMENT						
Segment net turnover	295,844	122,719	418,563	281,716	114,603	396,319
Segment results	12,350	13,047	25,397	13,713	7,306	21,019

	2016			2015		
	Processed meats	Ready meals	Total	Processed meats	Ready meals	Total
Non-allocated results			-7,207			-5,190
Net financing cost			-429			-1,201
Taxes			-5,258			-3,817
Share in businesses accounted for using the equity method			59			-513
Consolidated result			12,562			10,298
SEGMENT BALANCE SHEET						
Segment non-current assets	93,091	22,957	116,048	96,514	26,013	122,527
Non-allocated non-current assets			28,289			26,674
Total consolidated non-current assets			144,337			149,201
Segment liabilities	57,565	27,168	84,733	52,146	24,899	77,045
Non-allocated liabilities			164,918			164,483
Total consolidated liabilities			249,651			241,528
OTHER SEGMENT INFORMATION						
Segment investments	9,732	3,280	13,012	7,545	6,595	14,140
Non-allocated investments			1,820			2,780
Total investments			14,832			16,920
Segment depreciation and non-cash costs	10,136	5,404	15,540	11,724	5,375	17,099
Non-allocated depreciation and non-cash costs			4,005			1,345
Total depreciation and non-cash costs			19,545			18,444

KEY DATA PER GEOGRAPHIC SEGMENT

Third party turnover	2016	2015
Belgium	168,159	160,155
Netherlands	184,704	162,246
UK	14,915	23,096
Germany	21,433	24,320
Other	29,352	26,502
	418,563	396,319

Assets per region	2016	2015
Belgium	128,585	126,502
Netherlands	65,235	61,546
Other	55,831	53,480
	249,651	241,528

Investments per region	2016	2015
Belgium	13,114	13,819
Netherlands	1,713	3,100
Other	5	1
	14,832	16,920

Non-current assets	2016	2015
Belgium	112,050	115,783
Netherlands	30,418	31,546
Other	1,869	1,872
	144,337	149,201

REVENUE FROM SALE OF GOODS

Sale of goods	418,563	396,319
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The total Group turnover increased by EUR 22.2 million (+5.6%) from EUR 396.3 million to EUR 418.6 million

The turnover of the ready meals division increased by EUR 8.1 million compared to 2015 (+7.1%) thanks to the launch of new products and concepts. For example, in September 2016 the Group launched a new range of ultra-fresh lasagne and pasta meals under the brand name Come a casa® Delicious. Handsome growth was also achieved in the retail channels in Spain, France and the Netherlands.

The turnover of the Processed Meats Division increased by EUR 14.1 million (+5.1%). This increase is mainly due to considerable growth in the Netherlands, as a result of strategic investments in this market made by the Group. The Sharing Tapas concept was successfully introduced in the Dutch retail market. The growth in the Netherlands compensates amply the loss of a volume contract in the English market half way through 2016 and this negative effect of the decrease

in value of the British pound on turnover. In addition, the launch in Belgium of the Multilayer Packaging concept for processed meats contributed to the increase in turnover of the division.

TRADE GOODS, RAW AND AUXILIARY ITEMS

	2016	2015
Purchases	229,012	208,784
Change in inventory	-1,835	-124
Total	227,177	208,660

SERVICES AND MISCELLANEOUS GOODS

	2016	2015
Interim staff and consultants to the organisation	13,268	11,343
Maintenance and repairs	10,678	10,758
Cost of marketing and sales	16,334	16,854
Transport costs	14,852	14,148
Gas and electricity	7,359	8,288
Rent	6,531	6,259
Advisory expenses and consultants	6,473	8,342
Other	5,519	4,820
Total	81,016	80,812

Items such as insurance and office expenses are recognised in the 'Other' account. The increase in turnover is the main reason for the increase in number of interims and employees.

EMPLOYEE EXPENSES

In 2016, employee expenses amounted to EUR 73,577,000 compared to EUR 74,110,000 in 2015.

Employee expenses can be analysed as follows:

	2016	2015
Wages and salaries	50,527	50,521
Social security contributions	15,518	16,214
Other employee expenses	7,532	7,375
Total	73,577	74,110

	2016	2015
Number of employees expressed in FTEs (excl. temporary employees) at year end	1,326	1,348

WRITE-DOWNS AND PROVISIONS

	2016	2015
Impairments, write-downs	1	9
Provisions	2,116	558
Total	2,117	567

OTHER OPERATING INCOME AND EXPENSES

	2016	2015
OTHER OPERATING INCOME		
Recovery of wage-related costs	536	494
Recovery of logistics costs	16	53
Government grants	0	0
Profits from the disposal of assets	642	77
Insurance recoveries	90	145
Compensation received	149	53
Recovery of local taxes	0	1,275
Other	833	770
Total	2,266	2,867

	2016	2015
OTHER OPERATING EXPENSES		
Local taxes	1,324	1,278
Realised loss on disposal of assets	0	53
Total	1,324	1,331

Other operating income and expenses	942	1,536
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RESULT OF OPERATING ACTIVITIES

	2016	2015	Delta
REBITDA	38,459	35,779	2,680
Severance payments	-1,291	-1,506	215
Result of sale of Binet SA	567	0	567
EBITDA	37,735	34,273	3,462
Depreciation and impairments	-17,428	-17,877	449
Current profit from operating activities (REBIT)	18,914	18,594	320

	2016	2015	Delta
Impairments, write-downs, and provisions	-2,117	-567	-1,550
EBIT	18,190	15,829	2,361
EBIT	18,190	15,829	2,361
Severance payments	1,291	1,506	-215
Result of sale of Binet SA	-567	0	-567
Impairment Binet premises	0	1,259	-1,259
Current profit from operating activities (REBIT)	18,914	18,594	320

The REBITDA rose by EUR 2.7 million (+7.5%) from EUR 35.8 million in 2015 to EUR 38.5 million in 2016.

This is both a consequence of the increased turnover in the second half of the year as well as the continued focus on the profitability of the product range and extensive cost control in both divisions.

However, the cost control measures are not preventing the Group from working on various developments for the future.

For example, in September 2016 the Group launched a completely new range of ultra-fresh lasagne and pasta meals under the brand name Come a casa® Delicious for which a major promotional campaign was established.

The Group also invested in two production lines for launching its Multilayer Packaging concept for processed meats, which was extremely well received.

In 2016, the Group also successfully launched products in its primary processed meats categories (salami, poultry and cooked ham) and in the first half of the year, also invested in restyling the packaging of its ready meals range which is marketed under the brand name

Come a casa®. For the development of private label products, we continuously work together with our clients on the desired improvement and innovations in our product range.

Additional investments in efficiency improvements in the factories and the investment in ERP software have allowed us to optimise our business processes.

Furthermore, in 2016, severance payments were EUR 0.2 million lower than in 2015 and also in 2016 a non-recurring income of EUR 0.6 million was booked on the sale of Binet SA.

This explains the EBITDA increase of EUR 3.5 million (+10.1%) from EUR 34.3 million in 2015 to EUR 37.7 million in 2016.

The depreciation and impairments decreased by EUR 0.4 million and write-downs and provisions increased by EUR 1.6 million compared to 2015, mainly due to the provision for the CEO's long-term remuneration.

As announced last year, part this remuneration is formed by a component for exceptional growth in shareholder value achieved by the end of the CEO's mandate in 2018. Based on the current results a provision of EUR 2.2 million has been created (2015: EUR 0.6 million).

This means the EBIT increases by EUR 2.4 million (+14.9%) from EUR 15.8 million in 2015 to EUR 18.2 million in 2016.

In 2015, an impairment of EUR 1.3 million was booked to the assets of Binet SA. This, together with non-recurring elements mentioned above, explains the increase in the REBIT by 1.7% from EUR 18.6 million in 2015 to EUR 18.9 million in 2016.

FINANCIAL INCOME

	2016	2015
Interest income	188	196
Positive exchange rate differences	616	0
Total	841	476

	2016	2015
Other	37	280
Total	841	476

FINANCING EXPENSES

	2016	2015
Interest cost on loans	887	988
Interest cost on leasing	0	0
Negative exchange rate differences	0	509
Bank charges	131	140
Revaluation of financial instruments	48	0
Other	204	40
Total	1,270	1,677

TAXES

TAXES BOOKED IN INCOME STATEMENT

	2016	2015
Tax on profits		
Financial year	6,136	4,480
Previous financial years	180	132

Deferred tax liabilities		
Total tax in the income statement	5,258	3,817

	2016	2015
Effect of temporary differences	-1,058	-795
Total tax in the income statement	5,258	3,817

The nominal tax rate in Belgium amounts to 33.99% (2015: 33.99%) For the other countries, the tax rates applicable in those countries are used.

RELATIONSHIP BETWEEN TAX BURDEN AND THE ACCOUNTING PROFIT

	2016	2015
Accounting profit before tax	17,761	14,628
Tax at Belgian tax rate (2016: 33.99% and 2015: 33.99%)	6,037	4,972
Effect of the different tax rates of the foreign companies	-1,401	-1,651
Effect of the expenses not deductible for tax purposes	813	783
Deferred tax assets and liabilities in result	0	0
Realisation of previously unrecognised deferred tax assets	0	-285
Notional interest deduction	-347	-329
Other effects	156	327
Actual tax burden	5,258	3,817
Effective tax percentage	29.6%	26.1%

GOODWILL

	2016	2015
GOODWILL		
Start of the financial year	36,944	36,944
Acquisitions	0	0
Transfers and decommissioning	0	0
Translation differences	0	0
End of the financial year	36,944	36,944

	2016	2015
IMPAIRMENTS		
Start of the financial year	1,740	1,740
Impairment losses	0	0
Transfers and decommissioning	0	0
End of the financial year	1,740	1,740
Net book value	35,204	35,204

	2016	2015
Net book value	35,204	35,204

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 identifiable assets, liabilities and contingent liabilities of the acquiree.

The group has elected to allocate the goodwill to its segments. This choice is based on the fact that to date, the acquired business combinations had a risk profile which was almost identical to the previous business and/or that 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 this goodwill based on the discounted cash flow method. If the realisable value of the segment 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 other assets of the unit in proportion to the book value of each asset in the segment.

In 2016 the goodwill amounted to EUR 29,096,000 (2015: EUR 29,096,000) for processed meats and EUR 6,108,000 (2015: EUR 6,108,000) for ready meals.

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.

- ◆ These cash flows are extrapolated over five years bearing in mind:
 - ◆ Average turnover growth of the Ter Beke Group over the previous ten years. Furthermore, senior management considers this percentage (+1.9%, 2015: 1.9%) to be a realistic estimate for the coming years for both segments.
 - ◆ Estimated EBITDA margin. This margin is in line with the projections for the coming year and with the longer term targets for each segment.
 - ◆ Estimated tax burden on the operational cash flow. Estimates are based on the average of the Belgian and Dutch tax rates for processed meats and the higher Belgian rate for ready meals. This takes account of where the cash flows are taxed.
 - ◆ For each year the cash flows calculated in this manner are adjusted with the estimated replacement investment required to maintain the current production facilities in an operational status and with the movement in working capital. This is different for each segment.
 - ◆ As residual value the cash flow as calculated above is extrapolated from the 5th year onwards without further growth.
 - ◆ All these cash flows are capitalised at the weighted average cost of capital (WACC) of 6.38% (2015: 6.38%) after tax, as estimated by Bank Degroof. We did not receive an updated WACC from Bank Degroof Petercam for 2016. As Ter Beke's risk profile has not fundamentally changed, we are still using the WACC from 2015. The calculation is based on a desired equity/debt ratio of 35/65 (2015: 35/65), an average tax rate of 29% (2015: 29%), a return on investment of 8.0% (2015: 8%) and a gross cost of loan capital of 4.7% (2015: 4.7%). The risks in both segments are sufficiently related to justify using one and the same WACC.

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

If the discount rate is increased by 1%, the difference between the estimated realisable value and the book value decreases by 24% in Processed Meats and 17% in Ready Meals. Each time the ratio of EBITDA to sales decreases by 1% for both divisions, these differences decrease by 23% and 9% respectively. Each time the drop in turnover

growth after 2017 decreases by 1%, the difference between the estimated realisable value and the book value decreases by 19% in Processed Meats and 17% in Ready Meals.

If the 3 parameters described above simultaneously decrease by 1%, the difference between the estimated realisable value and the book value decreases by 53% in Processed Meats and 37% in Ready Meals. If the 3 parameters described above simultaneously increase by 1%, the difference between the estimated realisable value and the book value increases by 129% in Processed Meats and 75% in Ready Meals.

INTANGIBLE NON-CURRENT ASSETS

	Software	R&D	Total	Software	R&D	Total
	2016			2015		
ACQUISITION VALUE						
Start of the financial year	19,971	156	20,127	17,357	156	17,513
Group consolidation extension			0			0
Acquisitions	1,547		1,547	2,692		2,692
Transfers and decommissioning	-2,268		-2,268	-78		-78
Transfer from / to other entries	-19		-19			0
End of the financial year	19,231	156	19,387	19,971	156	20,127
DEPRECIATION						
Start of the financial year	14,561	156	14,717	13,942	156	14,098
Group consolidation extension			0			0
Depreciation *	1,615		1,615	697		697
Transfers and decommissioning	-2,268		-2,268	-78		-78
End of the financial year	13,908	156	14,064	14,561	156	14,717
Net book value	5,323	0	5,323	5,410	0	5,410

In 2015 and 2016 no additional costs for development activities were capitalised. The increase in 2016 is due to the investments in the new ERP package. In 2016, investments in intangible non-current assets amounted to EUR 1.5 million.

TANGIBLE NON-CURRENT ASSETS

2016

	Land and buildings	Installations, machines, and equipment	Furniture and rolling equipment	Leasing	Other	Assets under construction	Total
ACQUISITION VALUE							
Start of the financial year	95,896	233,401	2,656	99	81	1,683	333,816
Group consolidation extension							0
Acquisitions	768	12,220	38			259	13,285
Transfers and decommissioning	-5,908	-7,544	-134	-31			-13,617
Transfer from / to other entries	257	1,406				-1,663	0
Translation differences							0
End of the financial year	91,013	239,483	2,560	68	81	279	333,484
DEPRECIATION							
Start of the financial year	60,369	183,960	2,531	99	81	0	247,040
Group consolidation extension							0
Depreciation *	2,217	13,562	78				15,857
Transfers and decommissioning	-1,760	-7,491	-135	-31			-9,417
Translation differences							0
End of the financial year	60,826	190,031	2,474	68	81	0	253,480
IMPAIRMENT							
Start of the financial year	1,259	0	0	0	0	0	1,259
Group consolidation extension							0
Addition*							0
Reduction*							0
Transfers and decommissioning	-1,259						-1,259
End of the financial year	0	0	0	0	0	0	0
NET CAPITAL GRANTS							
Start of the financial year	306	198	8	0	0	0	512
Group consolidation extension							0
New allocations							0
Other							0
Depreciation *	-4	-40					-44
End of the financial year	302	158	8	0	0	0	468
Net book value as per 31 December 2016	29,885	49,294	78	0	0	279	79,536

2015

	Land and buildings	Installations, machines, and equipment	Furniture and rolling equipment	Leasing	Other	Assets under construction	Total
ACQUISITION VALUE							
Start of the financial year	95,185	227,257	2,722	280	81	115	325,640
Group consolidation extension							0
Acquisitions	711	11,829	22			1,666	14,228
Transfers and decommissioning		-5,783	-88	-181			-6,052
Transfer from / to other entries		98				-98	0
Translation differences							0
End of the financial year	95,896	233,401	2,656	99	81	1,683	333,816
DEPRECIATION							
Start of the financial year	58,064	176,017	2,512	280	81	0	236,954
Group consolidation extension							0
Depreciation *	2,305	13,663	106				16,074
Transfers and decommissioning		-5,720	-87	-181			-5,988
Translation differences							0
End of the financial year	60,369	183,960	2,531	99	81	0	247,040
IMPAIRMENT							
Start of the financial year	0	0	0	0	0	0	0
Group consolidation extension							0
Addition*	1,259						1,259
Reduction*							0
Transfers and decommissioning							0
End of the financial year	1,259	0	0	0	0	0	1,259
NET CAPITAL GRANTS							
Start of the financial year	329	328	8	0	0	0	665
Group consolidation extension							0
New allocations							0
Other							0
Depreciation *	-23	-130					-153
End of the financial year	306	198	8	0	0	0	512
Net book value as per 31 December 2015	33,962	49,243	117	0	0	1,683	85,005

With respect to the takeover contract for the business units Pronto, Les Nutons and l'Ardennaise from Unilever Belgium NV, a 99-year ground lease contract was signed in July 1996 for the use of the land and buildings. The part for the buildings is recognised as financial leasing, the part for the land under operational leasing.

The lines selected with * in notes 15 and 16 are recognised in the amount of depreciations and impairments of non-current assets in the income statement.

In 2016, the Group invested EUR 14.8 million of which EUR 13.3 million in tangible non-current assets. These investments relate primarily to the continuation of various efficiency and infrastructure investments in all sites of the Group.

In 2015, the buildings and properties of Binet SA, which are no longer in use, were recognised for an amount of EUR 3 million. In 2016 Binet SA was sold.

PARTICIPATIONS USING EQUITY METHOD

	2016	2015
Joint venture	1,853	2,754
Associates	10,454	9,881
Total	12,307	12,635

1. ASSOCIATES: STEFANO TOSELLI SAS

On 28 August 2015, Ter Beke and GS & DH Holding, the sole shareholder in the French company Stefano Toselli SAS (a ready meals producer), signed an agreement whereby Ter Beke acquired a 33% minority interest in Stefano Toselli SAS, effective immediately.

	2016	2015
Summary financial information		
Operating revenues	6,373	6,967
Depreciation and other write-downs	-1,306	-1,481
EBIT	5,067	5,486
Interest expenses	0	-106
Result before taxes	4,555	4,639
Tax on profits	-1,606	-1,453
Profit or (loss) of the period	2,949	3,186
Non-current assets	11,600	11,713
Current assets	15,861	16,400
Debts	-16,921	-19,311
Long-term interest-bearing liabilities	1,419	2,736

Reconciliation of the above mentioned financial information regarding the net book value of the net book value of the participating interest.

	2016	2015
Net assets of the affiliated company	10,540	8,802
Group participation percentage in the affiliated company	33.00%	33.00%
	3,478	2,905
Goodwill	6,976	6,976
Total	10,454	9,881

The figures above have been drawn up according to the IFRS rules. In order to make comparisons, the figures for 2015 were adjusted

retroactively to the IFRS restatements. There are no constraints on the transfer of funds between Stefano Toselli SAS and the Ter Beke Group.

THE JOINT VENTURE: PASTA FOOD COMPANY

The French company Stefano Toselli (Caen, Normandy) and the Belgian listed company Ter Beke have agreed a joint venture to commercialise chilled lasagne and pasta meals in Central and Eastern Europe. The business plan also includes the construction of an automated production site in Central Europe which will manufacture exclusively for the Central and Eastern European markets. For this purpose, a joint holding company (50/50) was established by Ter Beke and YHS Holdings (YHS), the holding company that controls Stefano Toselli. For Ter Beke, the agreements include a call option on the share of YHS in the joint venture as well as on the shares of Stefano Toselli. The valuation formulas for these call options, which may be exercised in 2018, are based on cash flows and on generally accepted market multiples. Within the framework of the long-term collaboration between the partners, in 2011 Ter Beke issued a EUR 5 million loan to YHS and in 2012 to GS & DH Holding. These are interest-bearing loans and are guaranteed by a pledge on the shares in the joint venture structure.

This joint venture was established on 22 June 2011 in Opole (Poland) under the name of Pasta Food Company. The Group recognises this joint venture according to the equity accounting method. This means that the investments are recognised in the balance sheet under the Group's share (50%) in the equity of the joint venture. The balance sheet and income statement of the joint venture, drawn up according to IFRS standards – and which has been the subject of a limited review by a Polish auditor – is as follows (in EUR x 1000):

	2016	2015
Summary financial information		
Non-current assets	17,595	19,672
Current assets	1,717	1,458
Debts	-15,606	-15,621
<i>Long-term interest-bearing liabilities</i>	<i>9,080</i>	<i>11,117</i>
<i>Current interest-bearing liabilities</i>	<i>5,321</i>	<i>3,374</i>
Operating income	8,225	6,085
Operating expenses	-8,933	-7,251
<i>Depreciation</i>	<i>-1,691</i>	<i>-1,656</i>
Financial result	-985	-765
<i>Interest expenses</i>	<i>-510</i>	<i>-451</i>
Result before taxes	-1,694	-1,930
Net result	-1,694	-1,930

Reconciliation of the above mentioned financial information regarding the net book value of the participating interest.

	2016	2015
Net assets of the joint venture	3,706	5,509
Group participation percentage in the joint venture	50.00%	50.00%
Total	1,853	2,754

In 2016 the Ter Beke Group issued a new loan of EUR 1,020,000 – in addition to the existing loan of EUR 350,000 granted in 2015 – to the Pasta Food Company to finance liquidity shortages. As at 31 December 2014, Ter Beke had a subordinated loan of EUR 500,000 for financing the investments in the Pasta Food Company. This loan matures in 2018.

Within the framework of bank financing for the Pasta Food Company amounting to EUR 10 million, Ter Beke NV has guaranteed the loan for its share (50%) in the Pasta Food Company. Should the bank invoke this guarantee, the Group has privileged rights on the purchase of the Pasta Food Company production line in proportion to its share.

There are no restrictions on the transfer of funds from the joint venture to the joint venture partners.

LOANS TO JOINT VENTURE AND OTHER LONG-TERM RECEIVABLES

	2016	2015
Receivables Pasta Food Company	1,870	850
Receivables and securities in cash	97	97
Total	1,967	947

As at 31 December 2016, Ter Beke has granted the Pasta Food Company a new loan of EUR 1,020,000 in addition to the existing loan of EUR 350,000 granted in 2015. The subordinated loan of EUR 500,000 issued within the framework of the financing of the Pasta Food Company's investments was issued in 2014. This loan matures in 2018. The loan bears a market-based interest.

LONG-TERM INTEREST-BEARING RECEIVABLES

Within the framework of the long-term collaboration between the partners in the joint venture (see Note 17) Ter Beke issued a EUR 5 million loan to YHS in 2011 and to GS & DH Holding in 2012. These are interest-bearing loans and are guaranteed by a pledge on the shares in the joint venture structure. The loans mature on 31 March 2018.

	2016	2015
Long term interest-bearing receivables	10,000	10,000

DEFERRED TAX ASSETS AND LIABILITIES

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

	2016	2015
Debts	-186	-110
Tangible non-current assets	4,153	5,483
Receivables	529	801
Provisions	-456	-550
Transferred losses	295	228
Transferred losses less other items	0	0
Deferred tax assets and liabilities	4,335	5,852

In 2016, the group did not acknowledge EUR 7,553,000 (EUR 8,748,000 in 2015) in deferred tax assets on tax deductible losses because it is insufficiently certain that these will be realised in the near future. These transferable losses are transferable with no time limitation, the transferable notional interest deduction is transferable for 7 years only. From 2011, the unused portion of the notional interest of the year is no longer tax deductible.

INVENTORIES

	2016	2015
Raw and auxiliary items	13,552	12,872
Work in process	3,508	2,917
Finished products	4,335	4,382
Total	22,256	20,421

SHAREHOLDERS' EQUITY

The various components of the shareholders' equity, together with the changes between 31 December 2015 and 31 December 2016 are shown in the consolidated statement of changes in shareholders' equity.

CAPITAL

The Entity's issued capital amounted to EUR 4,903,000 on 31 December 2016, divided into 1,732,621 fully paid-up ordinary shares without nominal value. Dividends are payable on all these shares, which have the same voting rights.

TREASURY SHARES RESERVE

The treasury shares reserve includes the acquisition value of the treasury shares held by the Group. As at 31 December 2016 and 2015 the Group held no treasury shares.

EXCHANGE RATE DIFFERENCES

The exchange rate differences include both the exchange rate differences arising from the conversion of the annual income statements of foreign activities that are not considered as being activities of the Entity itself, and the exchange rate differences arising from the conversion of the liability that covers the net investment of the Entity in a foreign entity.

DIVIDENDS

On 21 February 2017, the Board of Directors proposed paying out EUR 6,064,173.50 or EUR 3.50 per share. This dividend has not yet been approved by the Ter Beke General Meeting of Shareholders and has therefore not yet been recognised in the accounts.

	2016	2015
Goods for resale	861	250
Total	22,256	20,421

TRADE AND OTHER RECEIVABLES

	2016	2015
Trade receivables	59,088	56,989
VAT to be reclaimed	2,230	2,200
Taxes to be reclaimed	0	503
Adjustment accounts	1,653	1,499
Receivable interest	9	9
Empties	4,010	3,649
Other	0	11
Total	66,990	64,860

Our trade receivables are not interest-bearing.

The average number of days of customer credit for the Group is 52 days (2015: 52 days). This number of days is distorted because of the strong sales in the fourth quarter of both years.

In 2016, write-downs on trade receivables to the value of EUR 1,000 were recognised as a cost in the income statement (EUR 9,000 in 2015).

The percentage of trade receivables owed older than 60 days amounted to less than 2% in 2016 and 2015 (see also Note 28).

CASH AND CASH EQUIVALENTS

	2016	2015
Current accounts	16,061	7,041
Cash	7	5
Total	16,068	7,046

EMPLOYEE BENEFITS**PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS**

The Group and its subsidiaries provide for pension schemes and other employee benefits. On 31 December 2016 the total net debt for pension schemes and similar liabilities was EUR 5,312,000. On 31 December 2015 this was EUR 3,061,000.

	Obligations under IAS 19 defined benefit plan	Other provisions	Total provisions
1 January 2015	2,288	0	2,288
Group consolidation extension			0
Service costs	136		136
Interest costs	31		31
Actuarial effect by OCI	69		69
Payments			0
Allocations and redemptions		633	633
Other	-155	59	-96
31 December 2015	2,369	692	3,061
Group consolidation extension			0
Service costs	950		950
Interest costs and income	10		10
Actuarial effect by OCI	65		65
Payments			0
Allocations and redemptions		2,210	2,210
Other	-914	-70	-984
31 December 2016	2,480	2,832	5,312

EMPLOYEE BENEFITS AND PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

	2016	2015
Defined benefit pension schemes		
Net liability / (asset)	2,480	2,369
Of which liabilities	19,400	2714
Of which investments in investment funds	-16,920	-345
Amounts recognised in the income statement:		
Pension costs allocated to the year of employment	950	136
Interest cost	10	31
Expected return on investments in investment funds		
Recognised actuarial (profits) / losses		-1
Past service pension costs		
Losses / (profits) from curtailments or settlements		
Administrative expenses	27	1
Cost recognised in the income statement regarding defined benefit pension schemes	987	167
Amounts allocated to the shareholders' equity via the comprehensive result (OCI)	898	734
Recognised actuarial (profits) / losses	65	69
Cumulative of via OCI recognised actuarial results at the beginning of the period	833	665
Present value of the gross liability at the beginning of the year	2,714	2,647
Impact of PUC method on the Belgian fixed contribution plans	13,651	
Employer's contributions		0
Interest cost	309	36
Pension costs allocated to the year of employment	842	133
DBO profit (loss) for the period	2,025	98
Other	-141	-200
Present value of the gross liability at the end of the year	19,400	2,714
Fair value of the investments in investment funds at the beginning of the year	-13,897	-359
Expected employer's contributions	-1,110	-160
Expected benefits paid (excl. interest)	215	136
Expected return on investments in investment funds		
Expected taxes on contributions paid	110	3
Expected administrative expenses	27	1
Expected value of the investments in investment funds at the end of the year	-14,655	-379
Fair value of the investments in investment funds to the beginning of the year	-345	-359
Impact of PUC method on the Belgian fixed contribution plans	-13,552	
Actual employer's contributions	-1,040	-153
Actual benefits paid	142	201
Interest revenue	-300	-5
Actual taxes on contributions paid	109	2
Actual administrative expenses	27	1
Actuarial profit (losses) on the investments in investment funds	-1,967	-32
Fair value of the investments in investment funds at the end of the year	-16,926	-345
Amount not recognised as investment in investment funds in accordance with the limit in §58(b)	6	
Fair value of the investments in investment funds at the end of the year	-16,920	-345

The primary actuarial assumptions are:

	2016		2015	
	Belgium	France	Belgium	France
Discount rate	0.50%	1.15%	0.75%	1.30%
Future salary increases including inflation	2.30%	4.00%	2.30%	4.00%
Inflation	1.80%	2.00%	1.80%	2.00%

DEFINED CONTRIBUTION SCHEMES

Ter Beke companies contribute to publicly or privately administered pension funds or insurance schemes. Once the contributions have been paid, the Group's companies have no further payment obligations, because the minimum guaranteed reserves are covered by the value of the fund investments.

Pursuant to the legislation of 18 December 2015 the minimum guaranteed returns obtained are as follows:

- ◆ For the contributions that will be paid after 1 January 2016, the variable minimum return is determined based on the Belgian government Linear bond (OLO) interest rate, with a minimum of 1.75% and a maximum of 3.75%. Considering the low OLO interest rate in the past year, the minimum guaranteed return has been locked at 1.75%.
- ◆ 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.

Because these pension schemes guarantee a minimum return on investment, they are treated as defined benefit plans.

Ter Beke has had a full actuarial calculation according to the PUC method conducted in 2016. From the analysis of the pension schemes it transpires that there is a limited difference between the statutory guaranteed minimum and the interest guaranteed by the insurance company. This analysis confirmed that the impact over 2015 was minimal. At the end of 2016 this net liability amounts to

EUR 312,000. The periodic contributions constitute a cost for the year in which they are owed. In 2016 this cost amounted to EUR 2,021,000 and in 2015 this was EUR 1,972,000.

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

OTHER PROVISIONS

The other provisions consist mainly of severance payments and the provision for the supplementary remuneration of the CEO. A cash remuneration will be paid to the CEO on the termination of his contract. This will be based on a percentage on the exceptional growth of the equity value of Ter Beke between 2012 and 2017. Agreements have already been made about the calculation of the equity value as well as for determining the exceptional character. The key parameters for determining the equity value are a multiple of REBITDA and the net financial debt. In the period 2013- 2016 a provision was made in line with these agreements. This concerns a provision, because the final cash remuneration will depend on the result in 2017, which is not certain and not fixed. In 2016 a provision of EUR 2,210,000 was made and in 2015 an amount of EUR 633,000 was reserved in the income statement, because the Group expects the equity value calculated for this purpose in 2017 will exceed that of 2016, barring unexpected market conditions.

INTEREST-BEARING LIABILITIES

2016

	Maturity period			Total
	Within the year	Between 1 and 5 years	After 5 years	
Interest-bearing liabilities				
Credit institutions	10,815	30,693	2,107	43,615
Lease liabilities	0	0	0	0
Total	10,815	30,693	2,107	43,615

2015

Interest-bearing liabilities				
	10,965	35,596	4,797	51,358
Credit institutions				
Lease liabilities	0	0	0	0

Loans from credit institutions include:

- ◆ long-term loans with a fixed interest rate for the sum of EUR 29,980,000;
- ◆ long-term loans for which the interest rates are regularly reviewed for agreed periods of less than one year for the sum of EUR 13,635,000;
- ◆ no short-term loans for agreed periods of less than 1 year.

	2016	2015
Loans with fixed interest rate	1.69%	1.91%
Loans with variable interest rate	1.33%	1.48%

If the variable interest rate on all loans were to increase by 1%, this will mean an additional EUR 136,000 in interest expenses.

Minimum payments to credit institutions (including interest) in 2016:

	2016	2015
Less than 1 year	11,432	11,908
More than 1 year and less than 5 years	31,423	37,033
More than 5 years	2,129	4,892

The Group has sufficient short-term credit lines to fulfil its short-term requirements. The Group did not pledge any assets, nor were any guarantees given by third parties to obtain the credit lines with the institutions mentioned above. The primary financial covenants are based on the net debt to EBITDA ratio (<3) and the consolidated equity to total consolidated assets ratio (>25%). The Group conforms to these covenants in 2016 and 2015.

TRADE LIABILITIES AND OTHER DEBTS

	2016	2015
Trade liabilities	62,962	55,339
Dividends	89	89
Other	3,728	3,402
Total	66,779	58,830
Of which empties	2,826	2,676

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

RISKS ARISING FROM FINANCIAL INSTRUMENTS

Exposure to risks associated with interest rates and exchange rates are a consequence of the normal conduct of the Group's business activities. Derivative financial instruments are used to limit these risks. The Group's policy forbids the use of derivative financial instruments for trading 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.

In 2011 the company agreed a CAP without repayments for EUR 5 million for which interest rate increases have been limited to a pre-determined rate until the 31 March 2016. The market value on 31 December 2015 amounted to EUR 0.

EXCHANGE RATE RISK

The exchange rate risk consists of 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, for example, the British pound. On 31 December 2016, the Group had a net position in British pounds of GBP 1,609,000 on 31 December 2015 this position was GBP 1,901,000. As hedge against exchange rate risk, on 31 December 2016 the group had outstanding option contracts for the

sale of GBP 2 million for EUR and forward contracts for the sale of GBP 600,000 for EUR. On 31 December 2015 the Group held futures for the sale of GBP 4,465,000 for EUR.

CREDIT RISK

The credit risk is the risk that one of the contracting parties fails to honour its obligations with regard to the financial instrument, giving rise to a loss for the other party. Both the Processed Meats and Ready Meals divisions sell our products to a large client base which includes most large European discount and retail clients. Turnover with these clients is realised through a diversified number of contracts and products with various durations, under our own brand as well as under the clients' private labels, and in different countries. The ten largest client groups represent 70% of the turnover (2015: 67%). Due to turnover growth in 2016, the volume of business with one single external client exceeded 10% of the consolidated turnover (14%). The turnover related to this client 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: credit risks on all clients are monitored 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.

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 and ensuring that sufficient credit lines are available. See also Note 26.

OPERATIONAL 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, where Ter Beke has now centralised the slicing activities of Langeveld/Sleegers and all the Dutch logistic activities. Future payments under this non-terminable operational leasing contract amount to:

	2016	2015
Less than 1 year	2,095	2,151
More than 1 year and less than 5 years	7,326	7,570
More than 5 years	6,494	8,058
Total	15,915	17,779

OUTSTANDING LEGAL DISPUTE

On 7 February 2014 Ter Beke was summoned by the Greek company Creta Farms because of an alleged breach of a confidentiality agreement from 2010. Creta Farms asked the District Court in Athens to order Ter Beke to pay damages of amounting to approximately EUR 2 million. The Group considers this demand from Creta Farms completely unfounded and will use all means necessary to defend itself. For this reason no provision has been recognised in the consolidated annual accounts. In early 2015, Creta Farms reduced its claim to EUR 1.1 million. In 2016, the Greek district court ruled that Ter Beke must pay damages amounting to EUR 100,000. The order has not yet been served and Ter Beke intends to appeal against this ruling. No provision has been made for this.

OFF-BALANCE SHEET RIGHTS AND OBLIGATIONS

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

The total purchase obligations concerning major investment projects for which the respective contracts had already been assigned or orders placed amounted on 31 December 2016 to EUR 1,231,000 (2015: EUR 1,698,000).

TRANSACTIONS WITH AFFILIATED PARTIES**TRANSACTIONS WITH DIRECTORS AND MEMBERS OF THE EXECUTIVE COMMITTEE**

The compensation policy was prepared by the Compensation and Nomination Committee and approved by the Board of Directors. The remuneration paid to the executive directors and members

of the Executive Committee is structured in a fixed part, a variable part that is defined as a function of an evaluation by the Compensation and Nomination Committee, and long-term incentives such as a pension plan. As from 1 January 2006, the remuneration policy was included as an integral part of the Group Corporate Governance Charter.

Only the CEO will be paid a cash allowance on termination of his/her contract, if at that time an exceptional growth of the group equity value has been realised. This remuneration will be equal to an agreed percentage of the exceptional growth of the Group equity value realised. The Board of Directors makes an annual assessment of whether a provision needs to be created for applying the prevailing rules. The assessment will take account of the exceptional added value at the end of the previous financial year and the extent to which it is more than probable that this extraordinary added value will still exist on the expiry date. This probability is influenced by both market expectations and the proximity of the end date. At the end of 2015, the provision amounted to EUR 633,000. In 2016 the provision was increased by EUR 2.2 million. The remuneration received by members of the Board of Directors and the Executive Committee during the 2016 financial year is summarised in the table below.

We also refer to the remuneration report in the declaration of Corporate Governance (see above).

Transactions with directors:

Remuneration to Board of Directors Ter Beke NV for the execution of their mandate	0.2	0.2
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Remuneration for managers in a key position (in accordance with IAS 24.17):

in EUR million	2016	2015
Short-term employee benefits	2.3	2.6
Post-employment benefits	-	-
Other long-term employee benefits	0.1	0.1
Termination benefit	-	- (*)
Share-based payments	-	-

in EUR million	2016	2015
(*)= concerns one person, consequently this termination benefit is recognised in the short-term employee benefits		

TRANSACTIONS WITH OTHER PARTIES

Transactions with affiliated parties primarily concern commercial transactions and are based on the 'at arm's length' principle. The costs and revenues relating to these transactions are immaterial within the framework of the consolidated income statement.

For 2015 and 2016 no reports were received from directors or management within the framework of the provisions concerning related transactions, as included in the Corporate Governance Charter. For the application of the conflict of interest rules (articles 523 and 524 of the Belgian Company Code) we refer to the annual report chapter on Corporate Governance (see above).

Transactions with joint ventures and with affiliated companies 2016:

Company	Pasta Food Company	Stefano Toselli
Long-term receivables	1,870	-
Interest	33	-
Dividends	-	333

Transactions with joint ventures and with affiliated companies 2015:

Company	Pasta Food Company	Stefano Toselli
Long-term receivables	850	-
Interest	15	-
Dividends	-	-

EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share is based on assigning a net profit to the ordinary shareholders of EUR 12,562,000 (2015: EUR 10,298,000) and a weighted average number of outstanding ordinary shares during the year of 1,732,621 (2015: 1,732,621).

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

	2016	2015
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
Net profit	12,562	10,298
Average number of shares	1,732,621	1,732,621
Earnings per share	7.25	5.94

DILUTED EARNINGS PER SHARE

When calculating the earnings per share after dilution, the weighted average number of shares is adjusted by taking account of all the potential ordinary shares that could give rise to dilution. In 2015 and 2016 there were no potential ordinary shares that could give rise to dilution.

	2016	2015
Net profit	12,562	10,298
Average number of shares	1,732,621	1,732,621
Dilution effect warrant plans	0	0
Adjusted number of shares	1,732,621	1,732,621
Diluted earnings per share	7.25	5.94

IMPACT OF BUSINESS COMBINATIONS AND TRANSFERS

No business combinations were conducted in 2016 and 2015.

Binet on 15 July 2016 according to IFRS standards:

Total assets	3,064	Total liabilities	3,064
Tangible non-current assets	3,000	Shareholders' Equity	2,278
Current assets	64	Deferred taxes	642
		Short-term liabilities	144

On 15 July 2016 Pluma NV sold Binet SA for EUR 2,920,000. After deducting the costs of the sale, which amounted to EUR 75,000, the Group realised a net result of EUR 567,000.

GROUP COMPANIES

The parent company of the Group, Ter Beke NV, Beke 1, B-9950 Waarschoot, Belgium, was directly or indirectly the parent company of the following companies as per 31 December 2016: Ter Beke is joint owner of The Pasta Food Company and Stefano Toselli, with a 50% and 33% share respectively. These last two are accounted for in the consolidated financial statements using the equity method.

Name and full address of the company	Effective holding in %
Ter Beke Vleeswarenproductie NV - Beke 1, 9950 Waarschoot - Belgium	100
Heku NV - Ondernemingenstraat 1, 8630 Veurne - Belgium	100
Ter Beke Immo NV - Beke 1, 9950 Waarschoot - Belgium	100
FreshMeals Netherlands BV - Bijsterhuizen 24/04, 6604 LL Wijchen - Netherlands	100
FreshMeals Ibérica SL - Via de las Dos Castillas, 33 Complejo Empresarial Ática, Edificio 6, Planta 3a - Oficina 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 - Parc d' Activités Annecy - La Ravoire - Metz-Tessy, 74371 Pringy Cedex - France	100
Berkhout Langeveld BV - Bijsterhuizen 24/04, 6604 LL Wijchen - Netherlands	100
Langeveld/Sleegers BV - Bijsterhuizen 24/04, 6604 LL Wijchen - 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 - UK	100
Pluma Fleischwarenvertrieb GmbH - Ostwall 175, 47798 Krefeld - Germany	100
TerBeke-Pluma The Netherlands BV - Bijsterhuizen 24/04, 6604 LL Wijchen - Netherlands	100
FreshMeals NV - Beke 1, 9950 Waarschoot - Belgium	100
H.J. Berkhout Verssnijlijn BV - Scheepmakerstraat 5, 2984 BE Ridderkerk - Netherlands	100
Pasta Food Company Sp. z.o.o. - Ul. Pótnocna 12 - 45-805 Opole - Poland	50

Name and full address of the company	Effective holding in %
Stefano Toselli SAS - ZI Espace Zuckermann - BP56 - 14270 Mézidon-Canon - France	33

IMPORTANT EVENTS AFTER BALANCE SHEET DATE

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

STATUTORY AUDITOR'S FEES

In relation to the 2016 financial year, the Statutory Auditor and the companies with whom the Statutory Auditor has a working relationship, invoiced to the Group additional fees for a total amount of EUR 138,000. These fees concern tax consultancy assignments, among others. The Statutory Auditor invoiced the Ter Beke Group a fee of EUR 225,000 with regard to the statutory audit.

Abbreviated financial statements of Ter Beke NV

BALANCE SHEET

	2016	2015
Non-current assets	106,933	105,889
I. Formation Expenses	0	0
II. Intangible non-current assets	406	351
III. Tangible non-current assets	5,538	5,569
IV. Financial non-current assets	100,989	99,969
Current assets	85,947	94,938
V. Amounts receivable after 1 year	10,020	10,020
VI. Inventories		
VII. Amounts receivable within one year	67,463	82,036
VIII. Cash investments	0	0
IX. Cash and cash equivalents	7,745	2,064
X. Accrued income and deferred charges	719	818
TOTAL ASSETS	192,880	200,827

Shareholders' equity	75,783	74,859
I. Capital	4,903	4,903
II. Share premiums	48,288	48,288
IV. Reserves	3,360	3,360
<i>Statutory reserves</i>	649	649
<i>Reserves not available for distribution</i>	1,457	1,457
<i>Untaxed reserves</i>	679	679
<i>Reserves available for distribution</i>	575	575
V. Transferred result	19,232	18,308
Provisions and deferred taxes	2,843	633
TOTAL LIABILITIES	192,880	200,827

	2016	2015
<i>Provisions for risks and costs</i>	2,843	633
<i>Deferred taxes</i>	0	0
Debts	114,254	125,335
X. Debts payable after 1 year	18,173	19,768
XI. Debts payable within 1 year	96,038	105,534
XII. Accrued charges and deferred income	43	33
TOTAL LIABILITIES	192,880	200,827

INCOME STATEMENT

	2016	2015
Operating income	18,515	15,001
Turnover		
Change in inventory		
Produced non-current assets		
Other operating income	18,515	15,001
Operating costs	18,087	14,851
Trade goods, raw and auxiliary items		
Services and miscellaneous goods	9,211	9,233
Remuneration, social security costs and pensions	4,863	4,023
Depreciation and write-downs on intangible and tangible non-current assets	1,795	945
Write-downs on inventory and trade receivables	0	0
Provisions for risks and costs	2,210	633
Other operating costs	8	17
Operating result	428	150
Financial income	7,371	723
Financial charges	-386	-370
Result from ordinary business operations before tax	7,413	503
Profit before tax	7,413	503
Tax on profits	-425	-225
Result for the financial year after tax	6,988	278

The accounting principles and conversion rules for the statutory financial statements of the parent company meet the Belgian standards (BE GAAP). The consolidated financial statements were drawn up 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.

The comprehensive financial statements, the Statutory Auditor's unqualified audit opinion as well as the statutory annual report, which is not included in its entirety in this annual report, will be published in accordance with the statutory provisions and can be obtained free of charge upon request.

Consolidated key figures 2011-2016

	2016	2015	2014	2013	2012	2011
Consolidated income statement						
Revenue	418,563	396,319	399,730	407,202	421,078	403,715
EBITDA (1)	37,735	34,273	31,418	28,602	31,130	33,233
Recurring operating result	18,914	18,594	16,174	12,757	13,948	15,333
Non-recurring operating activities	-724	-2,765	-2,330	-2,159	-380	0
Result of operating activities	18,190	15,829	13,844	10,598	13,568	15,333
Result after tax before share in the result of enterprises is accounted for using the equity method	12,503	10,811	8,805	6,313	8,024	9,206

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Translation: SGS

Concept and Layout: Cantilis

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Other images: Ter Beke.

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.

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