Improve & Innovate

Annual Report 2017

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 IN BRIEF

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

The group has two core products: processed meats and freshly prepared ready meals. It has 13 industrial sites in Belgium, the Netherlands, France, Poland and the United Kingdom and employs approximately 2600 employees. Ter Beke generated a turnover of EUR 508.6 million in 2017.

READY MEALS DIVISION

- Produces freshly prepared ready meals for the European market
- Market leader in freshly prepared lasagne in Europe
- 2 specialized production sites in Belgium (Wanze and Marche-en-Famenne), 1 in France (Mézidon-Canon), 1 in Poland (Opole) and 1 in the United Kingdom (Deeside)
- Brand names Come a casa®, Vamos® and Stefano Toselli® in addition to private labels
- Employs about 1200 people

PROCESSED MEATS DIVISION

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

Dear shareholder,

This has been both a year with a lot of pressure and a year of change!

It was a busy year in which Ter Beke achieved many of its qualitative goals and became a bigger, stronger and more profitable organisation. As always, I will let the financial figures speak for themselves, including the pro forma results that were shared with you to clarify the picture.

It comes as no surprise that when pressure on gross margins increases (mostly caused by the well-known 'pork cycle'), competitors become more willing to sell. Ter Beke's long-term focus makes it a natural point of contact in the sector. It was no coincidence that the four acquisitions made this year were 'one-to-ones', and not the results of auctions focused on assuring the seller the maximum price. Despite this, we saw the 'multiple' in our sector evolve. (This was partly a result of the stability in the sector combined with increased productivity, obviously in combination with the favourable economic situation.) Anyway, according to the financial literature, the average value of global acquisitions in 2017 was some $30 million, most probably because the truly major transactions involved more risk (in relation to the size of the buyer).

However, I believe I can safely say that Ter Beke has managed to achieve growth without taking undue risk and without detriment to its competitive position.

The company also made system improvements in many areas. I want to thank everybody at Ter Beke for the commitment they have made, often out of the spotlight, to strengthen the backbone of our company. One example is the huge investment – in money, but more importantly in time – in the INFOR ERP system. This put pressure on both profits and EBITDA. The results are only marginally visible, but the efforts are essential for the long term.

There were also several changes of the guard last year, and more will take place this year.

The management contract with CEO Dirk Goeminne expires on 31 May 2018. I am sure that nobody will deny that he has been an exceptionally good leader of his team and of the entire company. He will be the first to point out that the credit is due to the entire management team, with whom he will wish to share the limelight.

The contract stipulated that his successor would be recruited in a timely fashion. As announced earlier, as of 1st June, Francis Kint will become Ter Beke's new CEO.

As you will know, to manage external growth, alongside the price and condition, it is just as important to ensure the right position and to support the integration of the acquired companies. We are therefore very pleased that Dirk Goeminne has not only agreed to succeed me as Chairman but also to facilitate the management transitions and the integration of the acquired companies on a part-time basis during the next few years.

It only remains for me to say that it has been an honour to serve Ter Beke as its Chairman.

Louis-H. Verbeke
Chairman

"I want to thank everybody at Ter Beke for the commitment they have made, often out of the spotlight, to strengthen the backbone of our company"

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

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.

Headlines and key figures in 2017
Prospects for 2018

TURNOVER
508.6
million EUR

EAT
17.1
million EUR

GROSS DIVIDEND
4.00
EUR/share

INVESTMENTS
13.5
million EUR

EBITDA
38.4
million EUR

Ter Beke reaps first fruits of acquisitions

At the end of 2017, Ter Beke was able to reap the first fruits of the 4 acquisitions it had made during the course of the previous year.

- On 30/06/2017, earlier than anticipated, the Group acquired full control over Stefano Toselli (France) and Pasta Food Company (Poland). Thanks to this acquisition, the Group significantly strengthened its position as European market leader in freshly prepared lasagne.
- On 11/09/2017, the Group acquired 90% of the shares of KK Fine Foods PLC, reinforcing the Group's position in the ready meals market. Ter Beke now has a firm foothold in the UK, the largest market for ready meals in Europe.
- On 01/12/2017, Ter Beke completed its acquisition of the Zwanenberg Food Group's 'Business Unit Fresh', which continued its activities under the name Offerman B.V. This acquisition ties in perfectly within the Ter Beke Group's plans to become market leader for processed meats in the Benelux.

The consolidated turnover increased by EUR 90 million (+21.5%) from EUR 418.6 million to EUR 508.6 million.

Net profits increased by 36.4%. The net financial debt increased to EUR 126.9 million. This increase was caused by both the costs of the acquisitions and the existing net debt of these companies.

PROCESSED MEATS DIVISION

- The turnover of this division increased by 6.4%.
- This is primarily down to successful ongoing implementation of the growth strategy in the Netherlands and Belgium.
- Key innovations in products and concepts.
- Multi-Layer Packaging increasingly successful.
- Margins came under pressure due to unexpected sharp increases in raw materials prices on one side and the pressure on prices due to the effects of market consolidation on the other side.
- Uninterrupted focus on increasing the profitability of the product range and continuous cost control.

READY MEALS DIVISION

- The turnover of this division increased by 58%. This increase was achieved in almost all countries and channels, resulting in an increased market share.
- Margins came under pressure due to unexpected sharp increases in raw materials prices. From the second half of the year, adjustments in sales prices partially compensated for the increases in raw materials prices.
- Successful investment in innovation, with an expansion of the product ranges of both private labels and own brands.
- Expansion of sales to new countries in Europe.
- Uninterrupted focus on increasing the profitability of the product range and continuous cost control.

INVESTMENTS

The group invested EUR 13.5 million in non-current assets in 2017 as opposed to EUR 14.8 million in 2016. This primarily concerned the continuation of efficiency investments, infrastructure adjustments at the various sites and the further roll-out of the ERP package.

DIVIDEND PROPOSAL

The Board of Directors will propose to the General Meeting of Shareholders to increase the gross dividend to EUR 4.00 (EUR 3.50 in 2016). This increase reflects confidence in the future and at the same time will make it possible to retain the necessary funds to continue to roll out the company's 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. At the end of March, the group announced its intention to close the factory in Zoetermeer. Because both the employees and the products will be absorbed elsewhere in the group, the group anticipates that the impact will be kept to a minimum.

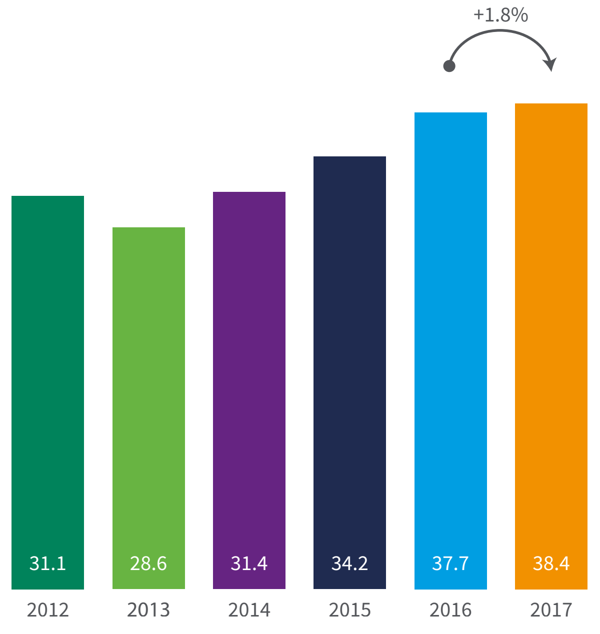
PROSPECTS FOR 2018

In 2018, the Group will work further on increasing its focus on the profitability and growth of the product range and on extensive cost control. The Group is also focusing its energy on creating synergies with the new acquisitions and will continue to invest in innovative concepts for their customers. The Group is increasingly better equipped to meet these challenges.

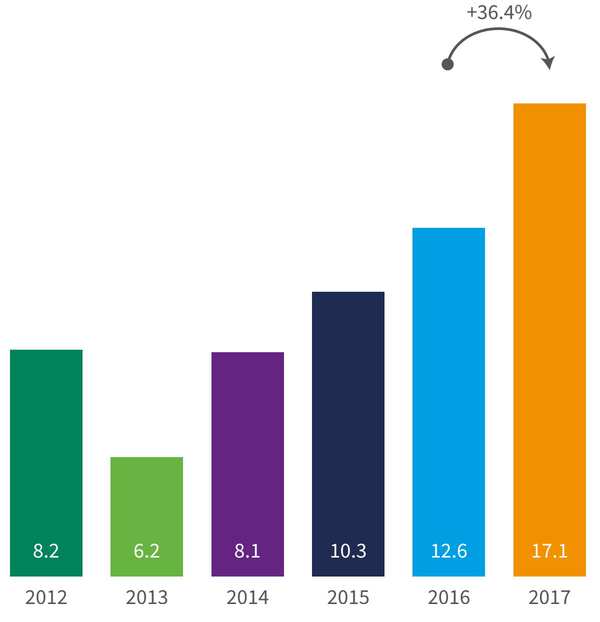
The Group is confident that, barring unforeseen market circumstances, the results for 2018 will surpass the pro-forma result of 2017.

TURNOVER

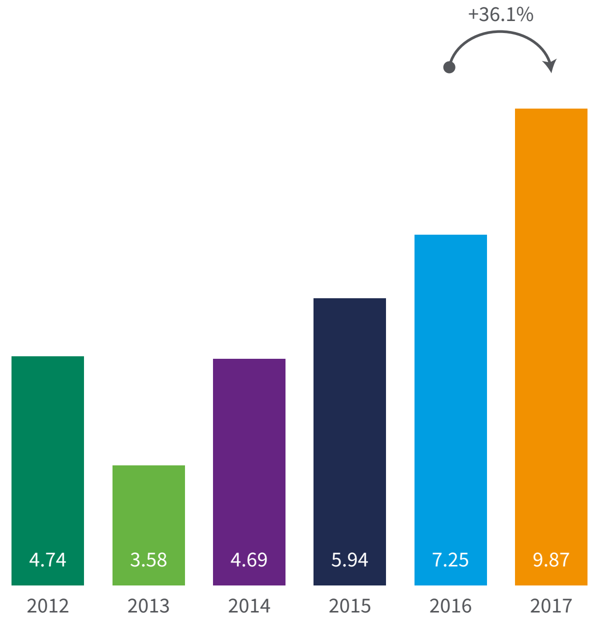
EBITDA



RESULT AFTER TAXES (EAT)



PROFIT PER SHARE



1 BUSINESS OVERVIEW

INTERVIEW WITH THE CEO

Interview with Dirk Goeminne
CEO Ter Beke

"Ter Beke's growth strategy is anchored in local markets"

Ter Beke is growing and continues to grow. In 2017, with no fewer than four different acquisitions, which – almost like dominoes – all neatly fell into place. Needless to say, Dirk Goeminne can look back on his last year as CEO with great satisfaction.

"Ter Beke will continue to expand and innovate. We're not finished yet by any stretch!"

SPEEDY SYNERGIES: STEFANO TOSELLI AND PASTA FOOD COMPANY.

Annual turnover of Ter Beke increased to EUR 680.5* million on a yearly basis, thanks to the acquisition of Stefano Toselli, Pasta Food Company, KK Fine Foods and part of the Zwanenberg Food Group. The takeover of Stefano Toselli was planned for 2018, but took place earlier than expected. "The opportunity to create mutual synergies was just too obvious," explains Dirk Goeminne. "What's more, we were able to fully integrate the acquisition of the Poland-based Pasta Food Company in one and the same move. This double acquisition gives us ample additional growth opportunities, not least in respect of our product portfolio. For example, it strengthens our ambition to market lasagne at a global scale."

LOCAL PRODUCTION IN THE UNITED KINGDOM. KK FINE FOODS

With the acquisition of KK Fine Foods, a food service company, Ter Beke now has its very own production site based in the United Kingdom. "This acquisition is of major strategic importance. About 80% of KK Fine Foods' production is sold to the food service and retail market in the domestic market. This illustrates how important it is for the British consumer that ready meals should be produced locally. Now we can meet this demand and finally get a foothold on the other side of the Channel."

OFFERMAN FOR THE DUTCH MARKET

A final ambitious step was the acquisition of the Business Unit Fresh of the Dutch-based Zwanenberg Food Group, which will continue to operate independently under the name Offerman within the Ter Beke group. "Thanks to the integration of the three Offerman production sites, we now also have our own production facilities in the Netherlands. That consolidates our position on the Dutch market." The takeover is the result of an intensive three-year quest. "We explored the whole European market. While we were specifically looking for businesses that fitted in with our own strategic goals, we also wanted to team up with people who were on the same wavelength as ourselves. An acquisition can only succeed when it is based on mutual trust."

INTEGRATION

After the four acquisitions, 2018 will be a year of ongoing integration, focussing in particular on the specific character of each of the sites. In short, our motto is 'One Ter Beke, One Family'. New group members need to discover who we are and how we work. Of course, we will allow things to happen slowly and organically at first, with respect for the individuality of the newly acquired companies. They must be able to retain their identity. That's not an issue, since we only take over organisations that demonstrate they hold the same values as we do. The process of integration will be given time and will run its course in 2018 and 2019."

ENTERPRISE RESOURCE PLANNING

Of the new locations, Offerman will be the first to operate as part of the new Enterprise Resource Planning system that Ter Beke introduced in 2014. The implementation was concluded at the end of 2017. "For me, that was one of the greatest successes in 2017," explains Dirk Goeminne. "The new system requires all our employees to adopt a different mindset. It ensures that our sites and business units are all speaking the same language. Over the next few years we will be working on improving and fine-tuning everything. We are already witnessing the first tangible results: our company is working more efficiently and is ready to face the future."

INNOVATION AS TOTAL CONCEPT

Innovation is one of Dirk Goeminne's hobby horses. "It is not necessarily just about products. As far as I'm concerned, innovation is mainly about concepts: we want to ease customers' minds and be their partner. Not only do we listen to their wishes when it comes to products, but it is also about packaging, logistics, transport, etc. By going this extra mile, for example, we were able to reel in a contract with a major retailer, whose shelves we will be filling with processed meats over the next few years."

The competition is fierce as retailers have major expectations of their suppliers. Every major retailer nowadays has its own list of requirements per product which matches the ever-evolving demands of the consumer. "At Ter Beke, we are able to meet each and every specification asked by each and every client. You can't take that for granted. There are two clearly identifiable developments taking place: more stringent animal welfare requirements and more local production. Staying in line with the wishes of the customer is going to be the new norm – and Ter Beke is determined to play a leading role in this. In Switzerland, customers want Swiss meat, in the Netherlands they want Dutch meat, and in Belgium they want meat of Belgian origin. Thankfully, these acquisitions enable us to anchor our business ambition in local markets and respond to these developments more effectively."

NEW CEO

Dirk Goeminne still has a great deal of ambition in his final few months as CEO. "First and foremost, I want to draw up a budget for 2018 which reflects this ambition. Moreover, I want to create sufficient room in which the new CEO can operate. He should find an open culture in which he can make his own mark. It must be a smooth transition which will open up new horizons for Ter Beke." Dirk Goeminne himself is to become Chairman of the Board of Directors, succeeding Louis Verbeke. "My role as chairman will be to encourage the business to continue innovating and evolving. Ter Beke must continue to grow," concludes Dirk Goeminne. "We're not finished yet!"

**Pro-forma turnover on yearly basis*

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

CUSTOMER SATISFACTION

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

OPERATIONAL EXCELLENCE

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

COST LEADERSHIP

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

INNOVATION

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

Daniël Coopman passed away on 6 November 2017. He was widely recognised as the driving force behind Ter Beke. Daniël Coopman was born on 20 February 1937 and took the helm in 1959 when he replaced his father as head of the company. Even after he had relinquished his official positions within the company, he remained actively involved on a day-to-day basis. Ter Beke and the food processing industry were close to his heart. He followed developments closely and believed it was his task to stay informed.

Daniël Coopman was always held in high esteem at Ter Beke. His heart lay with the employees, on the factory floor and in the offices. Not only was he genuinely interested in how people were doing, he also wanted to know what was going on in their lives and how things were at home. This was typical of his attitude to the company and to his life. He always carried little notebooks with him in which he wrote down the things he wanted to ask, remember, or share with people.

Until a few weeks before his death, he still visited his office in Waarschoot on an almost daily basis. His death came suddenly and more quickly than expected.

Ter Beke mourns the loss of one of its enduring pillars.

IN MEMORIAM DANIËL COOPMAN

Interview with Ingeborg Koenraadt,
Commercial Director Processed Meats

“Change gives me extra energy”

Ingeborg Koenraadt is the most recent member of the Executive Committee. She took the helm of the Processed Meats division in October 2017, succeeding Bas Hauwert. She goes about her work with a lot of enthusiasm and ambition: “I believe in this company and together with my team, I aim to get things moving forward.”

"My focus for 2018 will be on excellence. We are one of the biggest salami masters in Belgium. This is something we should take pride in"

EXCELLENCE

"My focus in 2018 will be on excellence. With excellence comes innovation too. We need to take our products back to our roots. We started out in Waarschoot with the Coopman family, a family of butchers. We are one of the biggest salami masters in Belgium. This is something we should take pride in, in what we make and how we do it. I want everyone - from buyer to slicer and truck driver - to be proud of what we produce. I firmly believe we should encourage our staff to nourish this sense of pride more deeply. Where does our meat come from? How do we present our processed meats? How do we pack it? How should it be presented on the supermarket shelves? Our product should be excellent, right from the very start of the process. We are meat producers, that is our identity."

In this quest for excellence, part of the equation is also the collaboration we have with Danis, pork producers. Ter Beke and Danis are on a joint crusade to produce the perfect ham, with the right flavour, texture, colour and smell. "Raw materials are becoming ever more relevant. Especially if you are working with live animals, as we do. We remain sensitive: how we treat the pigs, the conditions in which they live and the food they eat. For that reason, Danis is a key partner for us: they help us exercise control throughout the entire chain. This enables us to produce tasty hams of high quality."

Animal welfare is a priority within Ter Beke, particularly after the slaughterhouse scandals of 2017. "We want nothing to do with slaughterhouses that impact only a small fraction of overall animal welfare. We're very adamant about this. Should that be the case, we will terminate collaboration, direct or indirect, with immediate effect. We want our animals - our raw material - to be treated properly."

PREFERRED SUPPLIER

In 2016, Ter Beke launched the Multilayer packaging: packaging in compartments, whereby the consumer is able to use the meats at different times so that what's left in the pack always remains fresh. "The Multilayer packaging has been a huge success. Sales have since doubled. We won a major contract with a large retailer as a 'preferred supplier' for the coming three years. We worked extremely hard to conclude the deal with the right people and the right vision. That 'preferred suppliership' is viewed as a model for the rest of Belgium. That's fantastic, especially when you realise the retailer concerned is widely known as an innovator and a pioneer. The result is marvellous for the whole team."

FIJN VLEESCH EN GROENTEN (FINE MEAT AND VEGETABLES)

The excellence which Ingeborg Koenraadt is so keen to tell us about is also reflected in the new range of processed meats Fijn Vleesch en Groenten (Fine Meat and Vegetables), which Ter Beke rolled out in 2017. It was a combination of meats and vegetables, with vegetables processed into the meat. "We developed the product jointly with a vegetable chef because with vegetables it's possible to produce a richer tasting palate than with just meat. You can fry them, bake them and cook them, there are countless possibilities. The combination of meat and vegetables provide a harmonious whole. We worked with 'forgotten vegetables' such as romanesco, cauliflower and courgette rather than with the more traditional curry or paprika spices. It was an agressive marketing campaign, trying to open up a niche in processed meats. People are always looking for variety and we were able to offer them a combination of all the good things in nature. I still embrace that idea, even though we will have different priorities in 2018."

THE ACQUISITION OF OFFERMAN

For Ter Beke, 2017 was the year of the acquisitions. For the Processed Meats division that meant the acquisition of three production sites of the Dutch-based Zwanenberg group, whose operations will continue under the name of Offerman. "We were looking for complementarity, both in terms of activities and products." For example, Offerman was able to provide smoked sausage and tongue and liver products that Ter Beke didn't yet have in its range. "Like us, they work primarily under a private label, supplemented by a few smaller own brands. We now have our own production sites in the Netherlands, where up to now we only had slicing activities. This will help us to satisfy Dutch taste buds more than before."

Ter Beke thought long and hard about the acquisition of Offerman. "We explored the whole of the European market. Not everyone of course is open to a buyout, after all, we are a proactive part of that process. Some companies are just not willing to talk about a takeover at all. And even when you've held talks, it's not certain that it will lead to closer collaboration. You have to have faith in one another; it is an emotional process rather than a rational one. The rational aspect comes at a later stage. It's not just about us wanting to buy them, more so about them wanting to be bought by us. But I'm happy about this acquisition, I'm extremely confident about it."

The three Offerman sites in Aalsmeer, Borculo and Zoetermeer will be integrated into Ter Beke, but they will each keep their own identity. "We aim to learn from them and see how we can strengthen each other. After all, that is the philosophy of our company, we are founded on family values: each individual has his or her own identity and we aim to respect that."

TER BEKE

Ingeborg Koenraadt has been working at Ter Beke since 2005. She started out in marketing, then moved to Strategy and Business development. "My main objective: to support the directors, the CEO and shareholders in respect of strategic issues in and around the company and its divisions. I have done that for both divisions, so that the lines are clearly set out for all teams to follow. And now I am focussing on Processed Meats, my personal responsibility."

Bas Hauwert left Ter Beke in October at which point CEO Dirk Goeminne asked if she would take up his position. "I didn't really have to think twice. That was for the simple reason I see so many opportunities for this company, change gives me added energy!"

"Ingeborg is someone who is able to bring people together," explains CEO Dirk Goeminne. It's a statement she can identify with. "Together we can achieve so much more than on our own, we all need each other. You have to have confidence in yourself and the environment in which you operate. And in that respect, I am indeed someone who can bring people together."

The Offerman products are complimentary to Ter Beke: tongue and liver products, and smoked sausage were not yet part of the range.

Interview with Maarten Elsinga,
Unit Director Offerman B.V.

“People make the difference”

“People make the difference.” This is the firm conviction of Maarten Elsinga, Unit Director of Offerman. Ter Beke took over the processed meats division of Zwanenberg last December. The three sites - Zoetermeer, Bordulo and Aalsmeer - are together named Offerman B.V. Slicing and packaging operations take place in Aalsmeer, while the sites in Zoetermeer and Borculo process liver products, as well as logs, sausages and hams. The name refers to one of the oldest companies within the group. Maarten Elsinga explains: “The name was put forward by our colleagues as it has a history and a background story.” He refers to his earlier statement. “It’s all about people, a family-run business and a family culture. That is our very essence. We are our people. Like in all families, there are days you’d rather forget, that’s quite normal. But at the end of the day, we’re all standing side-by-side, shoulder-to-shoulder and we try to do the best we can for our customers. That’s what really counts.”

THE NEXT PHASE

Maarten has been working at Zwanenberg for five years already. When he started, the fresh food department was not doing great. He considered it his personal task to change the whole perception with respect to processed meats. Other sensibilities come into play compared to to canned foods, Zwanenberg’s other mainstay. “It’s not a ‘me-and-you’ mentality we embrace, but a ‘we-and-us’ one. Teamwork is essential. We have been working to improve that, and now you can really feel the togetherness at Offerman. The team members are all working in sync and we are now ready for the following phase: Ter Beke. We identify with the culture of the organisation, it is deeply embedded. So for us, it was vital we had a good match with whoever acquired us. Ter Beke offered us that match and that facilitates an almost seamless integration. On both sides there are people with passion and enthusiasm. Not only that, they have a comprehensive understanding of fresh processed meats.”

CHAIN-THINKING

“I have a strong belief in working closely with our customers and realise that all links in the chain have to connect seamlessly. It’s more than simply producing processed meats, it’s our mission to empower our customers. This approach makes us unique. I want to tell a story. It’s about how you give advice on shelf placement, how you plan, produce and slice: it’s also how you provide data management for some stores or offer customised logistics solutions for others. Customers are always interested in discussing what the world will look like in a few years’ time.”

“Above all, our work must be transparent. Food safety is always a topic of discussion everywhere. As far as I’m concerned, I’d put cameras everywhere on the production line, so that the whole world can see. Food safety? Things have never been as safe and hygienic as they are today, but at the same time there has never been so much fuss about how it’s done. I see it as our responsibility to explain how we work in day-to-day practice, in a clear and understandable way. In this way, customers stay fully informed, from start to finish. People are quite rightly critical. How much food is wasted during production? We need to keep food waste to an absolute minimum. That’s all part of chain-thinking. We have to start from a vision, not just from our product. This change is also visible in the market. It would be nice if we could have such a relationship, based on a long-term vision and in all transparency with all our customers. That is my conviction. You cannot have one without the other.”

“Feedback as a condition for performance”

Interview with Vera Van Lauwe, Recruitment & Talent Manager at Ter Beke Group

“This training programme provides you with the tools and time you and your colleagues can use to reflect on yourselves and your approach to your work. The programme helps you to create specific relationships between each other and encourages you to do things differently or consider different angles.”

Sophie Verschraegen
Product Development Manager,
Ready Meals

“The Zeal Leadership programme teaches you a different way of formulating messages and interacting with your colleagues. I can recommend it to everybody.”

Nele De Flou
Supply Chain Coordinator,
Waarschoot

Vera Van Lauwe, Recruitment & Talent Manager at Ter Beke, firmly believes in the strength of Leadership Development as an engine for organisational growth and business performance.

SPEAK UP!

“Since the beginning of 2016 almost ninety colleagues have been following the ZEAL Leadership Development Programme at Ter Beke. It is our ambition to provide them, through an integrated programme, with a number of leadership and communication tools, including a common language, to enable them to give better coaching to their teams in respect of development and performance. The HR department itself took part in the training in 2017.

LEADERSHIP DEVELOPMENT PROGRAMME

“The Zeal Leadership programme taught me how to ask the right questions to support my colleagues and help them find a solution. This approach helps to boost their confidence and ensures that the solution reached has their full support.”

Eddy Goens
Maintenance Manager /
Prevention Officer,
Waarschoot

“The training programme helped me to ‘put the pieces of the puzzle together’. The Zeal Manual and the Enablers were translated into a process that provided us as managers with new insights and tools for efficient communication based on authentic leadership.”

Kristof Luys
HR Manager, Wommelgem

Our modules were primarily aligned with the coaching aspect of our jobs, since our roles too have been evolving over the last few years. We now mainly focus on giving support to managers. Our aim is to help them perform their managerial role as best as they can. This requires a change in attitude of everyone, which does not happen overnight. In fact, we’re not even talking about one year, but about several years.”

“One of our enablers is ‘Speak up’ and ample attention is given to this in the programme. People are still too reticent to speak up when it is most needed - in a constructive way. Giving compliments is one thing, but coaching individuals also means discussing less agreeable aspects of people’s performances. Of course, you have to be able to say ‘what’ matters, but it is much more important to think about ‘how’ to say it. How do you get your message across? It’s ok to tell someone they’re performing under par, but at the same time you should make it clear to them that you’re still offering your continued support and willingness to work together to tackle things better.”

“This is the direction in which we are heading. We will be broadening the scope of the programme in 2018 and will be involving our team leaders in this, a group that up to now was not included. We will be setting up new groups again. And there will be another ‘Zeal One’ day. In particular, we will be working towards vertical integration, together with the executive committee, managers and team leaders, with the focus on cohesion and a common language. In order to facilitate this common language, we have implemented a number of development tools. A process of introspection and mutual exchange of the results of this should make it easier to interact with others. The idea is that knowing what makes a person tick facilitates communication between people. All in all, we aim to bring about more interaction during the training sessions and in this way get to know each other better. This process will enable us to cooperate more effectively and thus achieve better results. We are working towards a performance-based culture. This needs to be reflected in the training, as well as in the the performance management we are working towards.”

POSITIVE FEEDBACK

“The intention is for Ter Beke to evolve towards a positive culture which highlights the individual talents of our people. At the same time, there is a need for an effective framework that allows you to direct difficult aspects in the right direction, through immediate and positive feedback. What are you good at and how can your competences best be used? How can we help each other to attain our common goals?”

"No one needs to lose any sleep"

Interview with Sofie Raes,
Internal Auditor, Ter Beke Group

IDENTIFYING SYSTEMIC RISKS

Sofie Raes joined Ter Beke in April 2017 as Internal Auditor for the Ter Beke Group. Now that the group is larger and more international, she occupies an important role within the organisation.

"I help to identify systemic risks and I encourage management to put action plans into place to contain risks or crisis situations should they ever occur."

PREVENTION IS BETTER THAN CURE

"Internal audits are all about looking in an analytical and objective way at the reality of a specific component within the organisation. It's always a snapshot, but the way we work allows us to address the most critical aspects. We draw attention to issues that require immediate adjustment. Controls mean reacting retrospectively to events. The role of an internal audit is to detect risks preventively and, where necessary to formulate recommendations for improvement."

"A structured follow-up process means that I can monitor the implementation of these recommendations. In this way objectivity, which is part and parcel of my job, remains guaranteed."

"Because of the increasingly international orientation that Ter Beke has adopted in 2017, we should be conscious of the fact that we are likely to face new risks. This demands a different level of control in another structure. All of a sudden, different legislation also applies. For that reason, it is absolutely essential to implement Ter Beke's code of conduct and working methods in our new factories. That is the DNA of our family."

INTEGRITY

"One of the core values at Ter Beke is integrity. That is a good base for the Corporate Governance with which we are working. Certain risks will continue to exist because people are not always sufficiently aware of the consequences of their actions. We have to address that reality. For that reason, we organised a large-scale 'risk assessment' exercise in 2017. This way, we create uniformity regarding identification of the major risks and we know what critical points have to be further addressed."

"How can we hedge against specific risks that may arise? This is an exercise that is never-ending. In 2018 therefore, our actions plans will continue to evolve."

"Internal Audit tries to avoid breaches as much as possible. The guidelines and audits are there to protect everyone, to help us work more efficiently and assume the integrity of individuals. In this way, we can help people to identify and avoid risks."

Sofie Raes is clear and concise about where her ambitions lie in the future: "My aim is to work towards a structured plan which comprises audits at group level, among the different divisions and across the whole organisation. That way, no one will need to lose any sleep."

"One face to the supplier"

Interview with Jan De Leersnyder,
Group Purchasing Director

When Jan De Leersnyder, Group Purchasing Director, joined Ter Beke at the end of 2016, he regarded himself as the team coach.

"The purchasing department has undergone a thorough evolution this last year. Our aim is to fulfil a service role and excel at this, to the extent that our colleagues won't have to think twice about calling us in whenever they need us. This is one of the areas we have been working particularly hard on in 2017."

BELIEF IN OUR OWN ABILITIES

"My intention was also to raise people's levels. The world hasn't stopped turning and continues to change. Sometimes you have to be bold enough to approach the same problems from a different angle. By encouraging people to believe in their own ability, to brainstorm about how we achieve our objectives and to keep pushing, we have succeeded in improving our performance. The team must take credit for that. First and foremost, my role is to ensure that a proper framework is in place, that our goals are transparent, and that every employee works as part of a departmental team, but with the company objectives firmly in mind."

"It was with this in mind that we set about improving our reporting and internal communication. Every month, each member of staff is given specific objectives, with a clear description of what's going on in their own sphere: what the markets are doing; if we are still inside budget; if there have been any complaints and, if so, what about; what are the objectives for the upcoming months, and so on. It's important, at any one moment, to say exactly where we're at, and that we report these findings clearly throughout Ter Beke. Not only can we monitor the situation, but more importantly, we can control it when the need arises."

UNAMBIGUOUS AGREEMENTS

"Because of the acquisitions in 2017, the focus, now more than ever, is on collaboration with the new sites. More and more players are in the field. In 2018, the objective must be for all purchasing organisations of the Ter Beke group to be operating in unison. At the moment, that's not a given. Each of the organisations has suppliers which are common to others. These suppliers are talking to different people within Ter Beke, which causes confusion among both parties. Or aim is to streamline this and operate as 'one face to the supplier'. This will enable us to conclude unambiguous agreements with our partners, which will in turn lead to more transparency and trust."

"It won't be simple: people are operating at different locations spread over different geographical regions and don't always speak the same language. It will be a challenge not just to arrive at agreements, but to keep to them, too. The current fragmented IT landscape only adds to the complexity of the situation. Not all new sites are using the same systems as ours. It's more than 'a simple push of the button' to get the correct figures out of the system."

"That will be my biggest challenge in 2018: I want to involve everyone in the process, across all sites. It's about sharing group values and letting every buyer give their own input. That is what being a family is all about. If people get a chance to play and they know what their position is in the team, the trophy is most certainly within our grasp in 2018!"

READY MEALS - STRATEGY AND INNOVATIONS

Interview with Christophe Bolsius,
CEO Ready Meals

"Everyone has a right to an affordable, tasty lasagne"

Ter Beke ready meals are available in no fewer than 39 countries and that is a record for the group. Thanks to new innovations and acquisitions, the division can look back on a year of growth, both in terms of sales and production sites. Ter Beke is increasingly becoming a player on the world stage.

THINKING ALONG WITH THE CUSTOMER

The Ready Meals division witnessed no fewer than three acquisitions in 2017. But there was room for organic growth, too. According to managing director Chris Bolsius, Ter Beke can put this down to three key factors: retention, innovation and expansion.

“First, we have succeeded in consolidating and expanding collaboration with all our partners, in both the retail and food service markets, in every country in which we operate. Together with our customers we are working towards achieving our corporate social responsibility (CSR) objectives, mainly by proactively responding to changing regulations which relate to salt and fat reduction in our existing products.”

At the same time, Ter Beke stands full square behind implementing innovation. “New shopper insights, evolving trends and changing consumer demands are driving this innovation strategy. The launch of a new range of vegetarian products has been helping to highlight this innovation drive in 2017. At the same time, we are continuously looking to implement new innovative process technologies which bring about production efficiencies, while simultaneously maintaining while simultaneously maintaining the supply of high quality products to clients and consumers.”

In 2017 Ter Beke attended the international food and beverage fair Anuga in Cologne. “Our range of lasagne and other fresh pasta meals was well received by visitors. Potential customers from way beyond Europe were able to discover Ter Beke in this way.”

THE HOME OF LASAGNE

The third factor in Ter Beke’s success in 2017 is the expansion of sales to new countries. “We’re delighted to have been able to add a number of countries in Central and Eastern Europe to our list of markets in 2017, including Bosnia, Croatia and Serbia. But we have also set our sights on Italy, the home of the lasagne. Thanks to teamwork, development and creativity, we succeeded in launching the sale of our products there in October 2017.”

“For marketing our products in Italy, the R&D department went on a quest to find the taste of real Italy: a lasagne on the basis of a ragout instead of the classic Bolognese sauce, with the addition of red wine. One important detail: in Italy we always sell our lasagne without cheese topping, because every Italian has individual preferences where cheese is concerned. We know from market research that Italians keep an average of four different types of cheese in their fridge. We let them decide which cheese to put on their lasagne.”

In effect, Ter Beke now has 39 active markets for its ready meals. The acquisitions of Stefano Toselli (France) and Pasta Food Company (Poland) have played a role as well. “We serve a wide variety of countries, primarily with a fresh product, in addition to a small number of frozen meals. We are constantly looking at ways we can penetrate new markets. Our strategy is based on the belief that everyone has a right to an affordable, tasty lasagne, wherever in the world they may be.”

Ter Beke also wants to establish a platform in other countries overseas, and does so with frozen meals. “We delivered our first lasagne in 2017 to Asia, more specifically to Singapore and Hong Kong. Stefano Toselli, is also active in China. So in 2018, the Asian market is within our grasp. Key to these markets is an understanding of consumer needs and consumption patterns, so that we can address local needs by developing products which are customised to these. For example, in contrast to Europeans, who eat 450 g to 500 g of lasagne at any one time, Asians eat smaller portions of 170 g. That was an important factor in our expansion and development strategy.”

“Thanks to teamwork, development and creativity, we are now selling lasagne in Italy, the home of the lasagne”

THE JEWEL IN THE CROWN

Taling about Ter Beke takeovers, the jewel in the crown, according to Chris Bolsius, is the UK-bases firm KK Fine Foods. “The company is fully complementary to our own current business. They serve one specific channel which, up to now, has been pretty much off our radar, namely the food service market, which focuses on the hospitality trade, catering and self-service restaurants. KK Fine Foods produces and supplies frozen meals to the catering business and large-scale users. That’s a unique model and one from which Ter Beke can learn a lot. For that reason, I’d like to give KK Fine Foods the role of *knowledge centre* for Europe. We can transfer their know-how to the continent and at the same time they give us access to the UK retail market.”

“The company was founded by Leyla Edwards, who started the business from her kitchen at home where she explored the potential for fine food. This philosophy has never changed: if you look around the factory today, you can still see a kitchen, albeit larger in size, with chefs who go about their task with passion and enthusiasm. The food service market works with changing menus: every six weeks new dishes are served. This means chefs are constantly thinking about innovation. They are continuously seeking out solutions to questions such as: what tools does our client use to heat up their meals? After all, they have to serve many consumers within a short space of time. We have to respond to these changing demands and adapt to the processes of the client.”

BEST PRACTICES

2018 will be the integration of new Business Units in the Ter Beke Ready Meals division. From initially just two plants, the division grew to five. “The challenge is to get all our teams working together creatively and innovatively. We will share our *best practices*. This means visiting each other’s companies to draw inspiration, finding out what we can do in order to produce differently, better or more efficiently, so that we can continue to satisfy the increasing demand for quality lasagne and other pasta meals among our customers.”

The division will be managed differently from 2018 onwards: Chris Bolsius will take charge of the whole division as CEO, where Wim De Cock previously oversaw production operations. “To a greater or lesser degree, we are using similar processes, packaging and logistics in different production plants. We will be taking advantage of these to optimise our operations. In this way, all our staff in every department can help do their bit in bringing about maximum customer satisfaction. And it remains our ambition to sell the very best lasagne all over the world.”

ACQUISITION OF KK KINE FOODS

Interview with Samir Edwards,
Managing Director KK Fine Foods plc

“We just knew Ter Beke would be the best partner”

In early September, Ter Beke acquired a 90% shareholding in UK-based KK Fine Foods plc, a company selling fresh frozen ready meals to the food service and retail markets. Because of its markets and its range of frozen products, this newcomer can be seen as a bit of an outsider to the group. Although lasagna and other pasta dishes form the lion’s share of its product range, KK Fine Foods’ is a business built on innovative dishes and flavours from around the world.

Samir Edwards, Managing Director of KK Fine Foods, discovered a passion for food as a small child in his mother’s kitchen. As a young girl, Leyla Edwards moved from Saudi-Arabia to Cairo, and from there to the United Kingdom. Initially she ran the business from her own kitchen, selling meals to local pubs and cafes. Often, Samir and his sisters would be shooed out of the kitchen because they got under their mother’s feet. Fast forward and Samir is now head of a business that employs 400 people.

MELTING POT

“We spoke to a number of companies, but we just knew Ter Beke would be the best partner, it was a natural fit from the very outset. We have great feeling about this partnership that resonates across our business from the boardroom to the factory floor. So what’s the next step? Where are we heading? The entire team here, and I don’t speak just for myself, is looking forward to the collaboration, it’s as if everyone has a new spring in their step! Rather than be fearful of any changes, we’d prefer to grasp this opportunity and see it as the next phase in KK’s development. It will see our business grow and, most importantly, it will open up new opportunities for our employees.”

“A business is only as good as its people, and that is one of the reasons KK Fine Foods has seen rapid growth. Leyla was a fantastic leader who taught me that to be a successful managing director you need to be a jack-of-all-trades, able to put on different hats if and when the situation demands it. However, she also taught me the importance of having a good team around you who are experts in their field. Allowing responsibility to be delegated and trust and independence to be given is key to achieving maximum success.”

“I have always had a passion for food that has propelled me throughout my career. When I joined the company, I started at the bottom of the ladder working on the production line when I was a student. Since graduating, I have enjoyed roles in Purchasing, Supply Chain, Costing, New Product Development and Sales. This helped to form the foundation of knowledge upon which I lead the company. I know the business through and through and together with the whole workforce, ensure we deliver quality products every day. I want our people to show real enthusiasm for the business we’re working in. We want motivated staff who embrace this growth potential. We’re all in this together!”

Interview with Maciej Wajs,
Plant Manager Pasta Food Company

"Pasta and Lasagne from Finland to Bulgaria"

In 2011, Ter Beke and Stefano Toselli set up a joint-venture in Poland: Pasta Food Company. Its primary goal was to serve the Eastern European market. The acquisition of Stefano Toselli at the end of June 2017 meant that Ter Beke now had a 100% controlling interest in Pasta Food Company. The factory in Opole is managed by Maciej Wajs.

"Pasta Food Company is the youngest branch in the Ter Beke family. I still vividly remember the moment when the first sod was cut in the middle of an empty field. No less than one year later, it was home to one of Europe's most state-of-the-art food plants. It is amazing how far we've come. We now deliver lasagna and other pasta dishes from Finland to Bulgaria."

A SENSE OF BELONGING

"The plant in Opole is a long way from other Ter Beke factories in Western Europe. Nevertheless, that has done little to slow down the collaboration with the rest of the Ready Meals division. Before the acquisition, we had two owners, now there's just one. But that's really the only difference. We always worked together as one united team. Because the Polish factory is highly automated, we do not have such a large team. That probably makes it easier to feel part of the family."

"Our region offers a wealth of potential, we continue to expand and the market remains extremely dynamic"

"It's great to see that Pasta Food Company can make good on its promises. Day in, day out, the team continues to show that the investment was the right one. Our region offers a wealth of potential, we continue to expand and this market remains extremely dynamic. What's more, we have now reached a point in time at which we can provide expertise to other members of the group. This trade-off gives an added boost."

SMALL KITCHENS

"We are also seeing a shift in the marketplace. In the past, people used to cook more frequently. Nowadays, people no longer have the time to prepare meals in the traditional way. More and more people move to the city, choosing to live in smaller apartments with smaller kitchens. Here too, time is in short supply. A ready-made meal is the obvious alternative, but people still demand quality. Our products respond to this demand. We are starting a pilot project with individual portions of 400 g. There are a lot of single households, and making a good lasagne meal for one is not an easy thing to do. That offers us a lot of potential. Not only do we provide a flavoursome alternative, but a qualitative one. And if we can offer this solution to every country in Central and Eastern Europe, then I'll be a very happy man!"

Interview with Valérie Lelorne, Finance Director
and Thierry Simon, Production Director at Stefano Toselli SAS

“This takeover provides us with a situation in which we can only win”

Pasta producer Stefano Toselli has been affiliated to Ter Beke since 2011. In 2011, both companies set up Pasta Food Company, a joint-venture in Poland. At the end of June 2017, Ter Beke exercised the call option on the share of Stefano Toselli in the joint venture, as well as on the shares of Stefano Toselli itself. Ter Beke thus acquired 100% of the share capital of Stefano Toselli and Pasta Food Company.

WORKING ON THE BASIS OF TRUST

Valérie Lelorne, Finance Director, and Thierry Simon, Production Director at Stefano Toselli were both part of the original team for the joint venture, so they know Ter Beke well.

“Now everything is falling into place. Back then, we actually prepared the future,” explains Valérie. “News of the acquisition was well received here. Not a lot is actually going to change. There was a great deal of contact between the two companies. Our president, Doug Hamer, was the commercial powerhouse behind Stefano Toselli. Now that he is retiring, it comes as a big relief that we’ve found someone equally forceful in Ter Beke. That was our greatest worry. Christophe Bolsius, the CEO of the Ready Meals division at Ter Beke, has taken on the role with great gusto.”

“I like to work on the basis of trust. Even when our president was away on business trips, the company continued to run smoothly, because we all had the authority and the responsibility to carry on the work. We continue to do that, and it is also reflected within the new international team.”

“This acquisition provides us with a situation where we can only win. It’s reassuring to belong to a large organisation like Ter Beke. It gives us more certainty, in particular when it comes to investments. The limited size of Stefano Toselli hindered some developments, but under Ter Beke things are looking different. We hold a stronger position vis-à-vis our clients, that’s a boost too. We can now measure up to other large concerns and that is a good thing. The future looks bright!”

“Our aim is to collaborate closely at group level, to improve the level of our services for the customer and to investigate new opportunities”

THE HUMAN SIDE

Thierry Simon has a similar story to tell. “I’ve always thought of Ter Beke as a big company, but nevertheless it shows its human side and family traditions. That’s satisfying. The acquisition took place with great respect and attention for what was in place already. Things could have been different, but they showed great understanding. That came as no surprise to me. At the early stages of the Pasta Food Company joint-venture, I was given an opportunity to get to know the company at close quarters. Did you know, for instance, that some of the executive directors know how the machines work and how parts should be replaced? That’s rare in this day and age. To me that is a promising sign which instils me with confidence. And I can pass that confidence on to the members of my team too.”

“Uneasiness about loss of jobs ebbed away very quickly after the joint-venture when it turned out there was more than enough demand for production in both Mézidon and Poland, and the fact that new markets were being explored. I always look for win-win situations: I want to create a good working environment, so that we can maintain levels of safety, quality and productivity. Whether it is here in Mézidon or in Opole, the quality of our products remains the same. New recipes are always perfected here. We keep on testing to make sure we continuously attain the very highest of standards.”

“We strive towards ‘best practices’, we look for synergies. Some of our suppliers are the same, some transporters too. Our aim is to collaborate closely at group level, to improve the level of our services for the customer and to investigate new opportunities. There is a great deal of potential and I’m sure we really can serve up a tasty lasagne to anyone in the world.”

“Over the last few years, Ter Beke has seen substantial growth, but there is still some way to go. This evolution has taught us that Ter Beke recognises needs and is doing something about it. That is comforting to know, because it gives us the chance to develop at a calm pace. We can then pass this on to our staff and provide them with a promising future.”

“Supply Chain is an unbelievably intriguing professional area”

Interview with Jeroen Van Overloop, Supply Chain Director, Ter Beke Group

INTRIGUING

Jeroen Van Overloop joined the Ter Beke group as Supply Chain Director in September 2017. No sooner had he arrived than he was faced with some major challenges. First and foremost, there was the spate of acquisitions that same year. At the same time, Noël Dereu, Logistics Manager for the group, retired at the start of 2018. It was clear that a long-term vision for Supply Chain management was urgently called for in the light of the increasing internationalisation.

“Supply Chain Management is an unbelievably intriguing profession. It is an operational hub and overlaps with other activities such as Operations, Sales, Finance and IT. All departments have to work in sync so that the supply chain can keep on moving. This means building and improving processes, with all stakeholders working in unison with a forward-thinking mind-set. We help establish clear policy guidelines when it comes to Demand and Production Planning, in line with the group-wide Supply Chain objectives, while taking into account the needs of our clients. Every client has its own specific needs and we have to respond to these with flexibility. In a company that is expanding as rapidly as Ter Beke, it’s crucial to work with corporate guidelines, across several different departments. Through the RACI concept, in which everyone is aware of their role, tasks and responsibilities, we are getting a better grasp of the processes. In turn, we are able to streamline these much better. How do we organise this, how do we monitor this organisation, and what instruments do we need to do so? Those are the areas I want to work on, together with my team.”

BLANK SHEET

“I firmly believe that, in the Supply Chain organisation, you have to get all stakeholders around the table. It is not solely about rates and prices: we have to think about how to optimise the whole logistics chain. Together with our partners - and primarily that means our customers - we look at how we can best implement this optimisation in a constructive and transparent way. We want to start from a blank sheet and address the question: here’s production, here are customers, how can we match the two as shrewdly and as effectively as possible? It sounds simple, but it’s extremely complicated.”

“By questioning the organisation and the management of our logistics flows, we automatically arrive at Corporate Social Responsibility (CSR). In my area, this often comes down to transport and lower carbon emissions. There are two ways to achieve a smaller carbon footprint. First, by reducing emissions, a condition that applies to all our logistics partners. We only want to work with pioneering organisations who are investing in the latest and the best equipment. But results can be also attained by driving fewer kilometres or sending out fewer lorries that aren’t fully loaded. We want our partners to think along so that the plan reflects their responsibilities too.”

“I’m looking forward to 2018 with great confidence. On day one when I started here in September, they announced a takeover. Another followed a week later and I already read about two others in June. Everything is happening so quickly, but that’s what makes it so fascinating. There’s a lot to learn from the tasks that we have been set: what is our destination and how do we plan the route ahead? In doing so, we have to take almost every aspect of the business into account. My job is to orchestrate the logistics part and ensure that the other operations continue to revolve around the hub smoothly.”

LOGISTICS AND SUPPLY CHAIN

ENTREPRISE RESOURCE PLANNING

The implementation of the new ERP software was completed according to plan in all existing production sites of Ter Beke as of 2017. The plan is to integrate the Offerman production sites at the beginning of 2018. One of the biggest challenges is to ensure that employees can use the software optimally. The set-up, algorithms and configuration are constantly being updated to attain the highest service level, to limit overstocks and to raise production to even higher levels of efficiency.

NETWORK FOOTPRINT REDESIGN

With the recent acquisitions, Ter Beke is keen to redefine its logistics network. The idea behind this is simple: how can we organise the different logistics flows in such a way that costs, service levels and lead times are optimised? This requires an analysis of the inter-company flows (some production sites deliver to other sites for slicing and packaging), the outgoing flows to customers and empty goods flows. Rolling this out across the whole network in an efficient, sustainable manner, is a major challenge and one of the most important priorities for 2018.

CENTER OF GRAVITY

In November 2017, Ter Beke relocated its Belgian distribution centre from van Kallo to Willebroek. A centre-of-gravity study revealed that the centre of Ter Beke’s strategic operations in Belgium was on the Brussels-Antwerp axis: closer to the customer, the delivery points and the factories. After a slow start in 2018, the larger warehouse facilities and the shorter transport links should lead to faster, more efficient customer service and a significant cost management.

“Without innovation, things quickly come to a standstill”

Interview with Henk Gurdebeke, Process Engineer, Ter Beke Group

For Henk Gurdebeke, Process Engineer for the Ter Beke group, everything revolves around innovation. The lion’s share of his time is spent on looking for and following up on projects that will give the products and processes at Ter Beke a competitive advantage.

“It’s a fascinating playing field. Sometimes a project is initiated by an internal request, at other times I actively go in search of methods with which I can improve and innovate our food production processes. We work closely with suppliers, universities and research bodies, all rich sources of inspiration and insight. Often I supervise final-year degree students with their theses. That provides a double bonus: students carry out studies that are of added value to Ter Beke and, in turn, they get valuable on-the-job training and experience.”

RESISTANCE

“We assess every possible innovation with respect to a process on the basis of a number of fixed parameters. We never tamper with quality: the product, whether it is manufactured using new technology or another method, must not differ in taste, neither should it show any bacteriological differences with the existing product. Next, we look at the process in closer detail. Suppose that it produces a better result, but the process takes longer, or it is more expensive to manufacture the same product, or not safe: in that case, it is a no-go.”

“Whenever we begin to question current processes, we sometimes experience resistance. But nowadays, technology is constantly changing. We owe it to ourselves and our customers to innovate continuously. There is a healthy curiosity to discover new things. For that reason, we always allow enough time for everyone involved on a project to answer all possible questions. This way, we remain transparent.”

LESS SMOKE

“One of the projects which we started in 2016 was an alternative process for smoked products. In 2017, we fine-tuned that process through extensive testing in the factory. We will be implementing the changes in 2018 and the result will be a quicker, more flexible and more sustainable process. A traditional smokebox has to be started up in the morning and produces smoke all day. Effectively, you only need 30% to 35% of its output. Our new method works around this problem and the system only produces smoke when it has to. The smokebox stays cleaner, meaning less maintenance and cleaning agent, with processing times being reduced by up to 40%. And we don’t have to chop down any trees for this alternative process, we work with sawdust as one of our raw materials. Through innovation we are increasing sustainability throughout the whole chain.”

‘OUT OF THE BOX’ DAYS

Ter Beke is investing heavily in open innovation. The company is keen for its staff to structurally learn about new developments in the food processing industry: trends, new technologies, packaging, ingredients, etc. Twice a year, Out of the Box days are organised, at which speakers are given a new take on current issues. Subjects are wide and varied, but all show that the industry is in a constant state of flux. Sales pitches are discouraged. Food technologists, a supplier of ingredients or a technology, a session on how the human mind works on impulse buys ... there is a bit of everything. As long as it keeps the employees on top of their game and offers them the chance to broaden their horizons.

RECYCLING: CRADLE-TO-CRADLE

The first stage of the Cradle-to-Cradle project in Wommelgem dates from 2016. Around 250 tonnes of carrier straps for labelling are no longer thrown away, but recycled. The intention in 2017 was to add a further two sites. In the meantime however, the project has already been rolled out at all Ter Beke sites, with the exception of the recently acquired Offerman sites and the Ready Meals Division in Poland, France and the UK. It was implemented without any hitches and has made a significant contribution to the sustainability of the company.

“A chair has four legs”

Interview with Johan Meire, Group Technical Director

“We’re really committed to safety” explains Johan Meire, Group Technical Director at Ter Beke. “Really, it’s quite simple. We identify three pillars: organisation, information and equipment. It all starts with organisation. A number of rules and regulations are drawn up to guarantee the safety of personnel: a list of what’s allowed and what’s not, manuals…. Of course, you need to provide information about those rules, so they are easy for employees to understand, you have to build checks into the system as well. In our industry, all of this is also strongly interrelated to food safety. Staff have to be able to work safely and hygienically. That means earplugs, hair and beard nets, cutting gloves, additional protection in high-care zones, etc. Equipment too - the third pillar - must satisfy the safety requirements. I’m referring to emergency stops, safety guards on parts of the machinery where knives are used and preventive maintenance.”

IRRESPONSIBLE BEHAVIOUR

“As a business, it’s our responsibility to ensure that everyone arriving in the morning, leaves again in the evening safe and sound. That’s basically what it’s all about. Sadly, too many accidents occur because of irresponsible behaviour. I always use the same example: whenever you use the oven at home, you do use use oven gloves, don’t you? All too often, people want to cut corners to go faster. Safety and efficiency need to go hand in hand! I see this in in offices as much as I do on the factory floor. Everyone knows I can get on my high horse about this at meetings: ‘a chair has four legs.’ That’s the start of it all.”

“Safety is not a take-it or leave-it issue. Now that Ter Beke is expanding, we need to be even stricter about our safety. In Wommelgem and Marche-en-Famenne, we are running two pilot programmes called ‘Behaviour Based Safety’. It was a conscious choice to start at these two sites. The production processes there are amongst the most complicated within the entire group and they are our biggest plants. They both present a big challenge. However, the idea of safety is alive and kicking. This is reflected in the monitoring of production, correction of undesirable behaviour, specific measurements… However, we must make extra efforts to translate the action into direct measures on the workfloor.”

“I am convinced that optimisation of our current processes is helping to improve levels of general safety. We made considerable efforts in this direction in 2017. With the help of a partner, we have introduced the Lean principle: using resources, people and machines as efficiently as possible to ensure that the production process is running smoothly. After all, by cutting out all the unnecessary steps, and when everything is working in sync, the risk factors are automatically reduced.”

Industrial accidents for the group: 5.7 % increase

74

2016: 70 accidents

Lost calendar days:

1,060

2016: 1,720 days

“80% of accidents can be attributed to irresponsible behaviour”

“This programme gives you an insight into four different jobs. I’m absolutely amazed by it!”

Marieke Vandenabeele

Martin Terlien

Ellen Vanderlinden

In September 2017, Young Potential participants Marieke Vandenabeele and Ellen Vanderlinden completed their respective programmes. For a period of two years, they were given the opportunity to sample what Ter Beke had on offer. As part of the programme, they worked on projects lasting six months each. How do they look back on it now?

PIGEONHOLING

“Positively, that’s for sure,” says Ellen. “I’m really happy I joined the programme. By performing different jobs and taking part in different projects, I now have a much wider perspective on the work overall. It has changed my way of thinking, purely because I no longer look at things from a single angle now, but from a broader perspective. It’s less about pigeonholing and more about adopting “One Ter Beke”. That wider perspective affects everything you do. Working closely together with so many different people within Sales & Marketing over the last two years, has helped me make a choice. I already knew which direction I wanted to follow, and Ter Beke took all that into account. I’m now working as Project Manager within Processed Meats in the Rainbow Project. That’s a major project in which the company has shown confidence in me. As a Young Potential, you’re given a lot of slack as a beginner, but that’s all behind me now. This is the real thing and it’s great that I can create added value for Ter Beke.”

PAYBACK

We see the same drive in Marieke. She followed a Research & Development programme and is now working in the marketing department for Ready Meals. “During one of my programmes, I came to realise that product development, innovation and marketing were all closely interrelated. Whenever I cook, I’m fascinated by the changes that ingredients undergo: a change in colour, in texture … Combining these insights with marketing and contributing to new products: what could be better?”

“What is most interesting to me is how the world is changing, both in general and with respect to the food processing industry. What will happen next? What can Ter Beke do about it, and what role can I play in this? That’s what keeps me occupied. I want to pay something back for the past two years. The company has invested in me and believed in me. That’s quite something. Now it’s my turn. I want to prove myself so I’m giving it my 100%. The bar is set high, I know that. Every time I walk through the door here, I think to myself, ‘come on, show them what you can do!’”

A CHANGE IN ITINERARY

For Martin Terlien, the third Young Potential of the first generation, the programme concludes in the summer of 2018. The last few months he will be spending primarily in the Netherlands. Martin is working on a project that focuses mainly on the purchasing and quality of processed meats that have been bought externally for Ter Beke’s slicing plants. At the same time, he is monitoring the purchasing of ingredients. So, not really a traditional type of traineeship? “No, not really,” agrees Martin. “My programme does not really run in parallel to the others’. In fact, I was already working at Ter Beke when I joined the scheme. Because the purchasing team was faced with a huge challenge in the wake of the recent acquisitions, it was decided to change my itinerary and deploy me on this task. It’s good to know how to make a contribution when it’s really needed.”

In the meantime, the two new Young Potentials of the next generation have already settled in.

CRITICAL MIND

Stéphanie Huygen (Operations & Supply Chain) wanted to be put through her paces in a company which has a clear vision when it comes to production and the final product. Food is tangible and a part of daily life. The Young Potentials Program at Ter Beke suits Stéphanie down to the ground. “I wanted to get to know the ins-and-outs of this big company within the shortest possible time. Not just the different sites, but the different parts within a specific domain. This means I can stay challenged and find out first-hand which of my interests fascinates me the most. At Operations, I worked on the planning and optimisation of specific slicing lines. It soon became clear to me that the theory I had learnt in school marked a good starting point, but at the same time it threw up some limitations. Theoretical models need to be fleshed out by one’s own practical experiences and reasoning. You’re expected to think critically, after all that’s how you learn most quickly. And there’s always a mentor available - they don’t throw you in without a lifeline!”

PEOPLE DON’T BITE

“That’s absolutely correct,” agrees Charles Van Lerberghe (Operations & Supply Chain). “During my first project, I was working in the Operations department at Marche-en-Famenne. Now I work for the Group’s purchasing team. When I started out I had heaps of questions, but it was a quick learning curve. You have to show an interest in your work and that of others. Ask questions and then tackle the issues head on. It is business to people: you meet all sorts of different characters on various projects. But people don’t bite. And anyway, you don’t have a choice, you need to go with the programme. This no-nonsense approach is perfectly expressed in the Supply Chain programme. Suddenly I found myself in the thick of it and am still convinced my choice for the programme was the right one. Ter Beke is a successful story, based on family values and I’d like to be part of that. The company has proved itself an economic success and I attach great importance to that. I meet so many people in the company who have built up years of experience and expertise. I still have quite a long way to go before I catch up with them.”

“The fact that you can enter this story fresh out of school, within a company that is large but human and whose employees are not just numbers, is utterly fantastic”

NON-FINANCIAL INFORMATION

Non-financial information

ENVIRONMENT

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

In 2017, Ter Beke also invested considerable resources in innovation, research and development. You can read more about this under 'Innovation' on page 44 and 'Supply Chain' on page 42.

SOCIAL AND EMPLOYEE AFFAIRS

Read more on this topic in 'Key features of internal control and risk management systems' on page 65.

RESPECT FOR HUMAN RIGHTS

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

Every new employee is given the ZEAL manual on the start of his or her contract. This manual describes the relationship between Ter Beke and its employees, what is expected of them and what they can expect of us. Read more about this in the 'Interview on the Leadership Development Programme with Vera Van Lauwe' on page 28.

COMBATING CORRUPTION

Read more in 'Key features of internal control and risk management systems' on page 65 and in the 'Interview with the Internal Auditor' on page 30.

DIVERSITY

Ter Beke complies with all diversity legislation.

Read more about this in the 'Board of Directors' section on page 54.

Ter Beke consistently applies this principle to all employees.

CSR
Corporate Social Responsibility

Environmental Impact*

Water consumption
+2.6%

Energy consumption
Status Quo

Waste*

Direct Food Waste
-9.8%

Waste water
+6.9%

Non-recyclable waste
-14.3%

Recyclable waste
-7.3%

Product Quality & Safety

100% Global Food Safety Initiative certified factories
unanounced audits

77% GFSI certified suppliers

77% meat suppliers

65% packaging suppliers

81% ingredient suppliers

Nutrition & Health

Saturated fats*
-170 tonnes

Palm oil*
-51%

Eggs
97.3%
free-range or semi-intensive

Reduction of salt*
-10% in Ready Meals
-15% in Processed Meats

Vegetables
42%
in Ready Meals

*compared to 2011-2013

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 2017, including a description of the following:

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

It contains a number of elements of non-financial information as referred to in article 96 §4 of the Belgian Company Code.

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

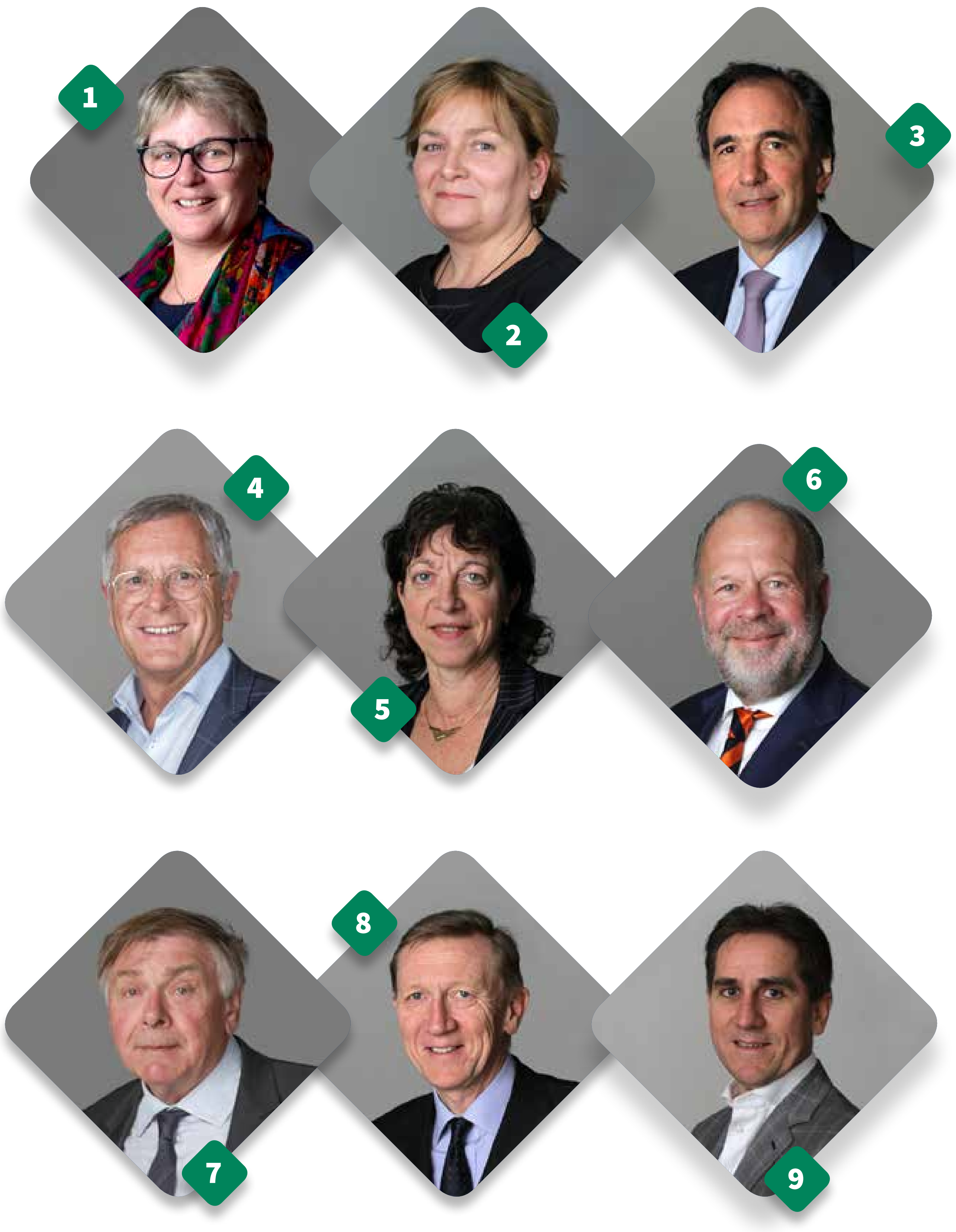
Our Corporate Governance Charter is published on www.terbeke.com. In this Corporate Governance Statement, we clarify our position with regard to the provisions of the Corporate Governance Code 2009. And we describe other Corporate Governance practices which we apply in addition to the Corporate Governance 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 2017, we did not apply the following provisions of the Corporate Governance Code 2009 in full:

Provision 5.2./28: In 2017, 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 Com.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 is met again after the appointment by the General Meeting on 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. She sub-sequently served in various administrative and project-support positions 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 4 years, with the potential for reappointment.

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.

3. 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, and will resign on 31 May 2018. He is also a member of the Audit Committee.

4. 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 and until 2007, served as Chairman of the Executive Board of the V&D group and as member of the Board of Directors of Maxeda (Vendex/KBB). 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.

5. ANN VEREECKE (°1963)
EDUCATION: Civil Engineer and Doctor in Management (UGent)
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.

6. 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 TerBeke-Pluma in 2006. Currently, he is Executive Director of Ter Beke NV until 2020.

7. LOUIS-H VERBEKE (°1947)
EDUCATION: Doctorate in Law (Ghent University), a Master's degree from Vlerick Business School and an LLM 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 (Belgisch 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.

8. DOMINIQUE EEMAN (°1957)
EDUCATION: Applied Economics (University of Antwerp), Master's degree at Vlerick Business School, International Directors Programme (INSEAD).
EXPERIENCE: He is General Manager of the listed holding company, Solvac. He has extensive experience as CFO and as a 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 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.
TER BEKE: He has been a Director of Ter Beke since 2017. He is Chairman of the Audit Committee and also a member of the Remuneration and Nomination Committee.

9. KURT COFFYN (°1968)
EDUCATION: Industrial Engineering specialising in automation & electronics
EXPERIENCE: Kurt has 27 years' experience in Operations & Supply Chain, from working as a labour analyst on the shop floor at Vynckier (General Electric) Ghent, to European positions at Stanley Black&Dekker and as COO at various companies such as Ontex (personal hygiene), Provimi (animal feed, the Netherlands) and Cargill. He has been COO with Swiss-based Unilabs in Geneva since the end of 2017 (Clinical laboratories).
TER BEKE: He started out as an independent director of Ter Beke in 2017 and is also a member of the remuneration committee.

Composition and functioning of the management bodies and committees

BOARD OF DIRECTORS

COMPOSITION

The table below shows the evolution in the composition of the Board of Directors, its composition as on 31 December 2017, the meetings held in 2017 and the persons present at these meetings.

Name	Type *	End of mandate	Committees **	Meetings 2017 (x = present)				
				21/2	13/6	31/8	20/10	4/12
Louis-H. Verbeke, Chair (1)	NE	2018	RBC	x	x	x	x	x
Dominique Coopman	NE	2018		x	x	x	x	x
Ann Coopman	NE	2018	RBC	x	x	x		x
Eddy Van der Pluym	E	2020		x	x	x	x	x
Thierry Balot (2)***	I	2017	AC	x				
Ann Vereecke (3)	I	2018	RBC	x	x	x	x	x
Guido Vanherpe (4)	I	2019	AC	x	x			
Dirk Goeminne (5), Managing Director	E	2018		x	x	x	x	x
Dominique Eeman (6)****	I	2021	AC/RBC		x	x	x	x
Kurt Coffyn****	I	2021	RBC				x	x

*** mandate expired on 25 May 2017
**** mandate commenced on 26 May 2017

As permanent representative for:
(1) BVBA Louis Verbeke, (2) NV Sparaxis, (3) BVBA Ann Vereecke, (4) BVBA Guido Vanherpe, (5) NV Fidigo, (6) BVBA Deemanco

*	**
E=Executive	AC = Audit Committee
NE=Non-executive	RBC = Remuneration and Nomination Committee
I=Independent	

Honorary mandates: Daniël Coopman† - Honorary Chair, PhD Prof. L. Kympers† - Honorary Director

As appropriate we confirm that, to the best knowledge of the group, the group complies with pro-vision 4.5. of the Corporate Governance Code regarding the maximum number of mandates in listed companies for non-executive directors.

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

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

DIVERSITY

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

The list of the members of the Board of Directors shows that these criteria have been satisfied for 2017.

Ter Beke also meets the requirements of diversity based on gender as specified in article 518 of the Belgian Company Code.

EVALUATION

In 2015, the Board of Directors evaluated its own composition and functioning, as well as the composition and functioning of its committees by means of an online survey using the Guberna Toolkit. A separate evaluation of the Chairman of the Board was also organised under the supervision of an independent director. The results of the evaluation were discussed by the Board. Immediate actions were set up to address the possible areas of improvement. In 2017 there was no formal evaluation of the Board.

APPOINTMENTS/REAPPOINTMENTS IN 2017

The shareholder's meeting of 25 May 2017 appointed Deemanco BVBA, represented by Dominique Eeman, as independent director for a period of four years, and Kurt Coffyn as an independent director for a period of four years. The mandates expire on conclusion of the shareholder's meeting in 2021.

The Board of Directors will propose that the shareholder's meeting of 31 May 2018 formally take note of the resignation of BVBA Guido Vanherpe, represented by Guido Vanherpe, and the expiry of the mandate of BVBA Louis Verbeke, represented by Louis-H. Verbeke.

The Board of Directors, on the advice of the remuneration and nomination committee, will propose that the shareholder's meeting of 31 May 2018 reappoint Ann Coopman, Dominique Coopman, BVBA Ann Vereecke (represented by Ann Vereecke) and NV Fidigo (represented by Dirk Goeminne) as director for a period of 4 years, concluding at the time of the shareholder's meeting of 2022.

The Board of Directors, on the advice of the remuneration and nomination committee, will propose that the shareholder's meeting of 31 May 2018 appoint BVBA Argalix, represented by Francis Kint, as director for a period of 4 years, concluding at the time of the shareholder's meeting of 2022.

COMMITTEES WITHIN THE BOARD OF DIRECTORS

In 2017, the Board of Directors had two active committees: the Audit Committee and the Remuneration and Nomination Committee. The committees are composed in accordance with legislation and the provisions of the Corporate Governance Code. These committees work under a mandate issued by the Board of Directors. A description of this mandate can be found in the detailed regu-lations of the Corporate Governance Charter.

AUDIT COMMITTEE

The table below shows the composition of the Audit Committee as on 31 December 2017, the meetings held in 2017 and the persons present at these meetings.

Name	Meetings 2017 (x = present)		
	20/2	29/8	4/12
Thierry Balot*	x		
Guido Vanherpe			x
Dominique Eeman**		x	x
Louis-H. Verbeke***		x	x

*** Chair - mandate expired on 25 May 2017
*** Chair - mandate commenced on 26 May 2017
*** mandate commenced on 13 June 2017

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

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

- Annual results 2016
- Interim results 2017
- Internal audit
- Group risk management
- Independence of the statutory auditor

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

CORPORATE GOVERNANCE

REMUNERATION AND NOMINATION COMMITTEE

The table below shows the composition of the Remuneration and Nomination Committee on 31 December 2017, the meetings held in 2017 and the persons present at these meetings.

Name	Meetings 2017 (x = present)		
	20/2	13/6	4/12
Louis-H. Verbeke *	x	x	x
Ann Vereecke	x	x	x
Ann Coopman	x	x	x
Dominique Eeman**			x
Kurt Coffyn**			x

* Chairman
** Appointed 13 June 2017

All members of the committee are non-executive directors and have a thorough grounding in human resources management. As of 13 June 2017, the majority of members on the committee are once again independent. The Remuneration and Nomination Committee advises the Board of Directors with regard to

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

The Committee draws up the remuneration report and clarifies the results at the General Meeting of Shareholders. The Committee regularly assesses its own regulations and functioning.

SECRETARY

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

EXECUTIVE COMMITTEE AND DAY-TO-DAY MANAGEMENT

COMPOSITION OF EXECUTIVE COMMITTEE

- NV Fidigo, represented by Dirk Goeminne, Group CEO/Chairman of Executive Committee/Managing Director
- Sagau Consulting BVBA, represented by Christophe Bolsius, CEO of the Ready Meals division
- BVBA WiDeCo, represented by Wim De Cock, Operations Director of the Processed Meats division
- Dirk De Backer, Group Director of Human Resources/Secretary General
- René Stevens, Group CFO
- BVBA Tigris Consulting, represented by Ingeborg Koenraadt, CCO of the Processed Meats division

FUNCTIONING

In 2017, the Executive Committee held meetings once every two weeks, and whenever there were operational reasons to convene. 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 2017. For this, the Board uses both qualitative and quantitative criteria. There is no direct relationship between the evaluation and the annual variable remuneration.

FRANCIS KINT (°1962)

Ter Beke's Board of Directors appointed Francis Kint as the new CEO of the Ter Beke group, effective 1 June 2018. He will be succeeding Dirk Goeminne, whose mandate as CEO – as announced earlier – ends on 31 May 2018.

Currently Francis Kint is CEO of Vion, an international meat producer with headquarters in Boxtel, The Netherlands. Vion supplies fresh pork and beef, as well as derived products for retail, food-service and the processed meat industry. He has a proven track record in international companies such as Sara Lee, Chiquita, Fiskars and UNIVEG.

Francis Kint, 56, is a civil engineer.

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 has combined 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 has been a member of the Executive Committee since 1 December 2014.

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 Chair of the Supervisory Board at Stern Groep BV 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.

3. WIM DE COCK (°1961)
COO

EDUCATION: Bioscience Engineer 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.

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.

5. CHRISTOPHE BOLSIUS (°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 Fries-landCampina and Douwe Egberts. He has been an active member of the Executive Committees of various sector associations: VLAM (Flanders' Agricultural Marketing Board), BABM (Belgilux As-sociation 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. At the beginning of December 2017, he became CEO for the Ready Meals division of the Ter Beke group.

6. INGEBORG KOENRAADT (°1971)
Commercial Director Processed Meats Division

EDUCATION: Studied Art History and Archaeology, specialising in Archaeology (Ghent University), Teaching certificate in Art History and Archaeology (Ghent University), Master's degree in Business Economics (Vlecko Brussels) and attained an MBA in Marketing at the Vlerick School of Management.
EXPERIENCE: She can look back on many years' experience in the food industry. She was Brand Manager at General Biscuits (Danone) and Marketing Manager Benelux at Friesland Campina.
TER BEKE: She started her career at Ter Beke as Marketing Manager Ready Meals in 2005. In 2013, she moved to Strategy & Business Development for the Ter Beke group. Since October 2017 she has occupied the position of Commercial Director Processed Meats Meals Division.

CORPORATE GOVERNANCE

Conflicts of interest

BOARD OF DIRECTORS

No conflicts of interest (within the meaning of Article 523 or Article 524 of the Belgian Company Code) were reported to the Board of Directors in 2017. 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 2017. Neither were there any reports of transactions with as-sociated parties within the meaning of Appendix 2 of the group's Corporate Governance Charter.

In 2018, the NV Fidigo reported a conflict of interest within the meaning of Article 523 of the Belgian Company Code, with relation to the Long Term Incentive of the CEO. The minutes of the meeting of the Board of Directors are as follows:

Ter Beke NV

Minutes of the meeting of the Board of Directors held on 22 February 2018 at the company's registered offices and under application of article 523 of the Belgian Company Code

The meeting is opened by the Chairman, Mr Louis-H. Verbeke, permanent representative of BVBA Louis Verbeke.

Present:
BVBA Louis Verbeke, represented by Louis-H. Verbeke, Chairman
Eddy Van Der Pluym
Ann Coopman
Dominique Coopman
NV Fidigo, represented by Dirk Goeminne
BVBA Deemanco, represented by Dominique Eeman
BVBA Ann Vereecke, represented by Ann Vereecke
BVBA Guido Vanherpe, represented by Guido Vanherpe

Excused:
Kurt Coffyn

Secretary:
Dirk de Backer

The Chairman notes that the majority of the directors are present at the meeting. The meeting can therefore validly deliberate on the following agenda.

AGENDA

Decision to grant a Long-term Incentive to the CEO at the end of his mandate.

DISCUSSION AND DECISION

1. Prior notification of conflict of interests in accordance with Article 523 of the Belgian Company Code.

Declaration
The meeting takes note of the report from NV Fidigo, represented by Mr Dirk Goeminne (the 'Reporting Party'), that he has a financial interest that conflicts with regard to the only agenda item, because he is to be the recipient of said Long-term Incentive.

According to the statutory provisions, the minutes of the Board meeting will include the following clarification regarding the aforementioned agenda item:
- the nature of the decision
- the justification and financial consequences of the decision

Nature of the decision
Decision to grant a Long-term Incentive to the CEO to the amount of EUR 2,843,000.

Justification for the decision
An agreement for a Long-term Incentive was concluded with the CEO in 2013. A Long-term Incentive is a financial remuneration upon termination of the employment contract in case of exceptional growth of the equity value, among others.

On the recommendation of the remuneration committee, the Board of Directors has decided to grant this Long-term Incentive.

Financial consequences of the decision
The financial consequences for the company are that the remuneration of EUR 2,843,000 to be paid to the CEO will form an expense for the company.

Notification of conflict of interest
The contents of these minutes will be included in full in the statutory annual report and in summary in the consolidated annual report in accordance with Articles 95 and 523 of the Belgian Company Code.

Participation in the deliberations and decision-making
In accordance with Article 523 §1 of the Belgian Company Code, a director of a company that attracts or has attracted savings from the public, and who has such a conflict of interests, must refrain from participating in the deliberations and decision-making of the Board of Directors regarding this decision.

The Chairman announces that, given the conflict of interests for NV Fidigo, this director shall not participate in the discussion and decision on this agenda item.

2. Deliberations and decisions

Following the recommendations of the remuneration committee and its own deliberations, the Board of Directors unanimously decides:

To grant a Long-term Incentive to the CEO to the amount of EUR 2,843,000. The Long-term Incentive will be paid in accordance with the agreement reached with the CEO in 2013.

As the agenda has been dealt with in full, the meeting is closed.

External control

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 2017, EUR 262,000 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 2017, we paid EUR 289,000 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 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 blocked periods. The directors and other persons relevant to Ter Beke may not perform any transactions in Ter Beke securities during these blocked periods.
- New members of the Board of Directors, the Executive Committee and other persons who have regular access to privileged information are always informed by us regarding the Dealing Code.
- The company also maintains a list of the persons who have regular access to privileged information.

CORPORATE GOVERNANCE

Remuneration report

PROCEDURE APPLIED IN 2017 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 2017 was approved by the General Meeting of Shareholders on 25 May 2017.

The remuneration level of the CEO and members of the Executive Committee for the financial year 2017 was confirmed by the Board of Directors based on the advice of the Remuneration and Nomination Committee.

REMUNERATION POLICY

In 2017, 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 the members of the executive management in achieving these results. The main parameters used for this are volume, turnover, REBIT, EAT and ROCE (for definitions of these parameters, please refer to the financial part of this annual report). The specific parameters to be applied in any given year and the specific targets to be achieved are assessed annually by the Remuneration and Nomination Committee and presented to the Board of Directors for approval. For 2017, these parameters were volume, REBIT and ROCE. 20% 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 the minimum 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 services 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. In the results for 2017, a sum of EUR 2,843,000 was set aside for payment. Providing that the 2017 results are approved by the shareholder's meeting of 31 May 2018, this amount will be paid to the CEO.

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 2018 or in two following financial years. For the new CEO of the group, and for the new CEO of the Ready Meals division, a long-term incentive will be set up whereby at the end of 5 and 3 years respectively, they will have a right to an additional payment, depending on the equity value of the group and the results of the Ready Meals division respectively.

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

The remuneration of the members of the Board of Directors (executive, non-executive and independent directors, see overview above) for the performance of their mandate as director in 2017 can be summarised as follows:

	Mandate of 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)	7,500.00		3,750.00	11,250.00
BVBA Louis Verbeke	67,000.00	6,000.00	2,916.67	75,916.67
Dominique Coopman	18,000.00			18,000.00
Ann Coopman	18,000.00	4,000.00		22,000.00
Eddy Van der Pluym	18,000.00			18,000.00
NV Fidigo (Dirk Goeminne)	18,000.00			18,000.00
Deemanco BVBA (Dominique Eeman)	10,500.00	2,333.33	5,250.00	18,083.33
Kurt Coffyn	10,500.00	2,333.33		12,833.33
Total mandates				**239,083.33**

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

In 2017, 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, including the severance payment for Bas Hauwert):

	CEO	Other members of the executive management
Base pay	482,004	1,774,526.32
Variable pay (cash - on a yearly basis)	98,433.70	104,634.68
Pensions*	NA**	25,938.72
Other insurance (hospitalisation insurance)	NA**	652.80
Other benefits (company car)	NA**	35,846.21

* The pension scheme relates to fixed contribution contracts
**N/A = Not applicable

On 31 May 2018, an additional cash payment of EUR 2,843,000 will be paid to the CEO as part of an agreed long-term incentive, after approval by the General Meeting of Shareholders.

SHARE-RELATED REMUNERATION

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

No shares, share options, or any other rights to acquire shares were granted by the company in 2017 to any of the members of the Board of Directors or the members of the Executive Committee.

CONTRACTUAL PROVISIONS RELATED TO RECRUITMENT AND SEVERANCE PAYMENT

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), BVBA Tigris Consulting (Ingeborg Koenraadt) and Sagau Consulting BVBA (Christophe Bolsius) is a maximum of 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.

On 6 October 2017, an end to the collaboration with Halahdrôthu B.V. (Bas Hauwert) was proposed through an agreed severance payment of 3 months.

Key features of the internal control and risk management systems

We attach great importance to efficient internal control and risk management systems and we try to integrate these into our structure and business operations to the maximum possible extent. We have implemented numerous internal controls in line with the integrated COSO II or Enterprise Risk Management Framework*. The key elements of this 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 aforementioned bodies which are regularly evaluated and, if necessary, amended so that powers and responsibilities are clearly defined and can be monitored at all times.

We organise and monitor our human resources via a job classification system, in which all group employees are graded 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 specific regard to the financial reporting process:

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

The financial results of the group and the divisions are reported by the finance department on a monthly basis to the Board of Directors. 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.

There is also 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.

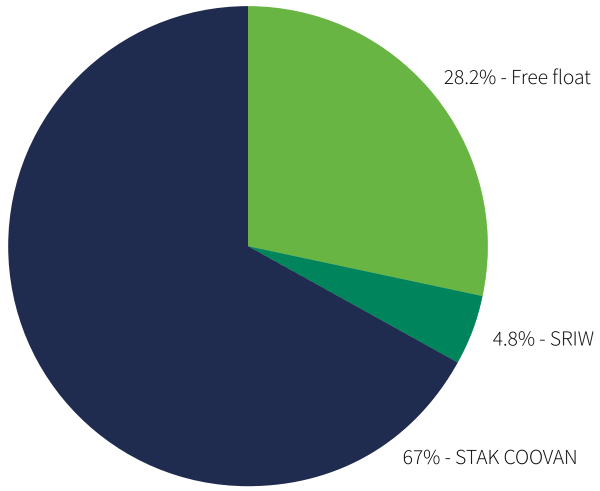
The finance department has a detailed manual describing the relevant accounting principles and procedures for persons involved in this area.

We have implemented the internal controls subject to the greatest risk from the COSO II framework regarding financial matters.

These controls and systems are designed to help guarantee that the published financial results give a true and fair picture of the group's financial position.

Other statutory information

SHAREHOLDING STRUCTURE AS PER 31 DECEMBER 2017



On 31 December 2017, Ter Beke NV did not hold any treasury shares (neither did Ter Beke NV hold any treasury shares on 31 December 2016).

TRANSPARENCY

In 2017, we received a STAK Coovan transparency declaration over the shareholding in the Ter Beke NV capital. This declaration was included in the company website and the contents published in accordance with the applicable regulations and is shown above.

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

There are no persons holding securities with special control rights.

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

The Extraordinary General Meeting of Shareholders are authorised to modify the company's Articles of Association. This requires a three-fourths majority of the votes present. Those present must represent at least half of the share capital, as provided for in Article 558 of the 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 director (see above-mentioned reappointments) is described in Article 4 of the regulations of the Remuneration and Nomination Committee (appendix to the group's Corporate Governance Charter).

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

The Extraordinary General Meeting of Shareholders held on 26 May 2017 also authorised the Board of Directors to acquire, in accordance with Article 620 of the Belgian Company Code, shares in the company on behalf of the company. Such acquisition of shares is only permitted as a necessary means to avert an imminent and serious threat to the company. This authorisation is valid for three years.

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.

CORPORATE GOVERNANCE

KEY BUSINESS RISKS

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

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 2017 IN PARTICULAR
OPERATIONAL RISKS		
Food safety and product liability		
Every day, thousands of 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.	The safety and the confidence of consumers are vitally important to us. Anything that can damage this confidence - either concerning our own products or the sector - will have a negative impact on our sales, our prospects and our reputation.	We have constant high demands for product safety and quality. All our raw materials are traceable. Our packaging clearly states product composition and nutritional values per 100 grammes and per serving. We go further than the statutory requirements with regards to the safety of our packaging. We have insurance to cover our product liability.
Competitive environment		
The processed meats market is extremely mature and is dominated by the private labels of large discount and retail customers. The ready meals market is growing, but here competition is very fierce.	The competition enables customers to increase pressure on our margins. This may have an impact on our profits.	We distinguish ourselves from our competitors in terms of concepts and products. 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 technologies can have a negative impact on efficiency and cost control. Competitors may have access to alternative product technology that at some point may win over consumers.	Each year we invest considerable sums in tangible non-current assets to maintain and improve our level of technology. We maintain good contact with our suppliers so that we are always well informed of the most recent developments. We sound out consumer preferences.. We work together with research institutes such as Flanders' FOOD.
Electronics and information systems		
For efficient business operations we are becoming increasingly dependent on information systems and integrated control systems which are managed by a complex set of software applications.	If these systems do not work well, or if they were to become unavailable, this would have a negative impact on the production volume and on our reputation.	All systems are maintained appropriately. . All systems are upgraded when necessary. Regular back-ups are made of all information. A new ERP system has been implemented to structure and simplify our business processes.
War for talent		
An organisation is only as strong as its employees. The knowledge and expertise is to be found in a group of employees who contribute to building the company and its brands.	If too many good employees are plucked away by the competition and there is too little influx of young people, we run the risk that we will be unable to achieve our growth scenario.	In 2015, we established a Young Potential programme: newly graduated young people receive an attractive training programme. They experience four different positions within the company during two years.

CORPORATE GOVERNANCE

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 2017 IN PARTICULAR
MARKET RISKS		
Price fluctuations for raw materials and packaging		
We work with natural raw materials. Fluctuations in the quality and the price of our raw materials and food packaging materials are always possible.	Price increases for raw materials and packaging would have a negative influence on the margins.	We agree long-term contracts. We work with volume arrangements on an annual basis.
Relationships with suppliers		
For specific raw materials we are obliged to work with a limited number of suppliers.	If one or more of these suppliers cannot fulfil its contractual commitments and we are unable to secure alternative supplies in time, this could have a negative impact on our business operations.	We agree long-term contracts. We work with volume arrangements on an annual basis. We offer our suppliers fair payment for their added value. We work with preferential suppliers for sustainability.
Relationships with customers		
We market our products via a network of discount and retail customers throughout Europe. The number of large customer groups is limited.	Considering the small number of larger retail customers, the termination of a contract may have a significant negative impact on our turnover and profit.	We diversify turnover in different products and contracts with other lead times; both with respect to our own brands as well as private labels of customers and in different countries. In 2016, we lost a contract with a UK customer, but were otherwise able to conclude various other major contracts.
Customer and consumer behaviour		
Our sales are related to the eating habits and trends of the ultimate consumers, just as their spending habits.	If consumers no longer selected our products or their eating habits were to change, this would have a significant impact on our business activities. General economic conditions such as cyclical fluctuations, unemployment and interest rates can also affect the consumer spending patterns.	In 2015, we conducted a major market research survey on trends in dietary habits in various markets. We survey the satisfaction of our consumers to anticipate and minimise this risk. We ensure that our prices are in line with those of the market.
FINANCIAL RISKS (SEE ALSO EXPLANATORY NOTE 28 IN THE ANNUAL ACCOUNTS)		
Credit risks		
We have receivables outstanding from our clients and retail customers.	Receivables not collected on time have a negative impact on the cash flow.	We monitor customers and outstanding receivables closely in order to limit these potential. Most receivables relate to large European customers, which limits the risk.
Exchange rate risks		
As Ter Beke operates in an international environment, we are exposed to an exchange rate risk on the sales, purchases and interest-bearing loans expressed in a currency other than the company's local currency.	Fluctuations in exchange rates can cause fluctuations in the value of financial instruments.	We adhere to a consistent hedging policy. We do not use financial instruments for trading and we do not speculate
Liquidity and cash flow risks		
As with any business, Ter Beke monitors liquidities and cash flow.	A shortage of cash and cash equivalents could put pressure on the relationships with certain parties.	We have a significant net cash flow with respect to the net financial debt position. We have centralised our treasury policy.
LEGAL RISKS (SEE ALSO EXPLANATORY NOTE 30 IN THE ANNUAL ACCOUNTS)		
Changes to legislation		
Now and then the government changes and tightens legislation on the production and sale of foods.	Not meeting these conditions can expose us to the risk of fines or sanctions.	We invest significant amounts annually to satisfy new legislation, likewise relating to sustainability and the environment. Each year we organise training programmes to keep our employees up-to-date on new legislation and its impact.
Legal disputes		
Occasionally we are involved in legal proceedings or disputes with customers, suppliers, consumers or the government.	Such litigation could have a negative impact on our financial situation.	We anticipate the potential impact of these disputes in our accounts as soon as a risk is judged as realistic under the applicable accounting rules.

4 STOCK AND SHAREHOLDER INFORMATION

SHARE QUOTATION

TERB LISTED NYSE EURONEXT

On 31 December 2017, 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.

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

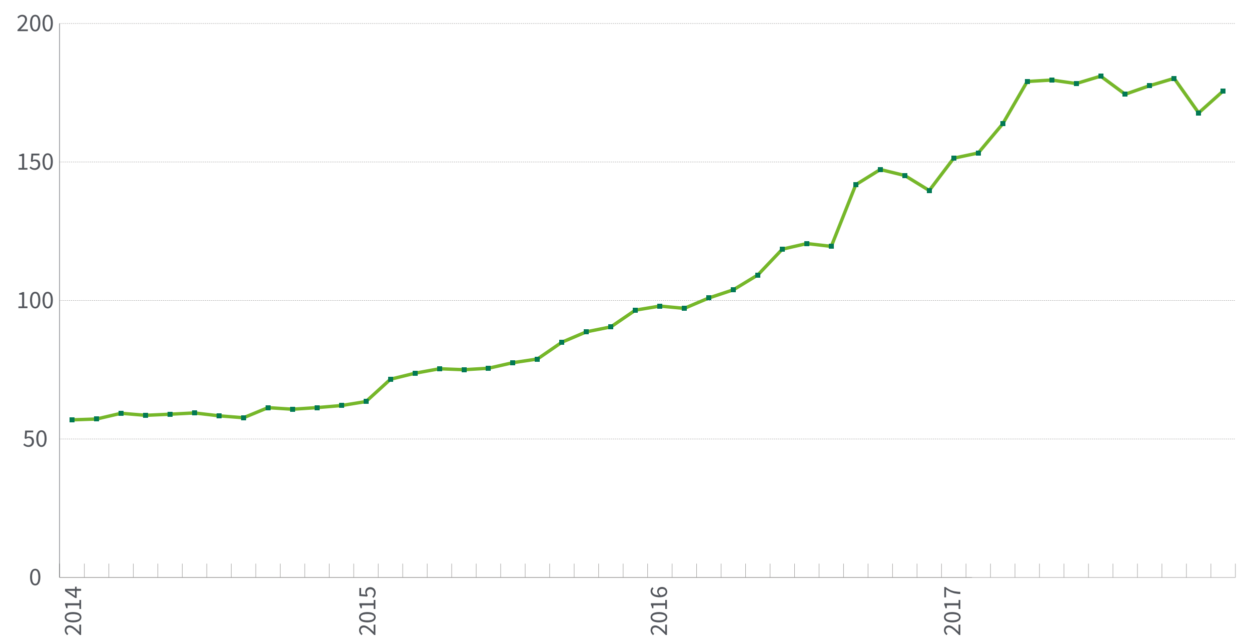
On 31 December 2017, there were no share-related instruments, such as stock options or warrants in circulation.

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 31 May 2018 to distribute a gross dividend of EUR 4 per share over 2017. If the General Meeting of 31 May 2018 approves this motion, we will make the net dividend per share payable from 15 June 2018.

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 2017. 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 31 May 2018:

- to approve the annual accounts at 31 December 2017 and to consent to the processing of the result. The non-consolidated result for the financial year is EUR 1,030,736.09;
- the proposed gross dividend is EUR 4 per share. This will be payable on 15 June 2018 (quoted ex-coupon on 13 June 2018);
- to grant discharge to the members of the Board of Directors and the Statutory Auditor for the execution of their mandate in 2017;
- to decide on the remuneration report in a separate vote;
- to formally take note of the resignation of BVBA Guido Vanherpe, represented by Guido Vanherpe, and the expiry of the mandate of BVBA Louis Verbeke, represented by Louis-H. Verbeke.
- on the advice of the remuneration and nomination committee, to reappoint Ann Coopman, Dominique Coopman, BVBA Ann Vereecke (represented by Ann Vereecke) and NV Fidigo (represented by Dirk Goeminne), as directors for a period of 4 years, concluding at the time of the general meeting of shareholders of 2022.
- on the advice of the remuneration and nomination committee, to appoint Argalix, represented by Francis Kint, as director for a period of 4 years, concluding at the time of the general meeting of 2022.
- to approve the annual remuneration of EUR 365,000 for the directors for the performance of their mandate in 2018.

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	31 May 2018
Share quoted ex-coupon	13 June 2018
Dividend payment	15 June 2018
Half-yearly results 2018	Friday 31 August before market opening
Annual results 2018	1 March 2019

5 CONSOLIDATED FINANCIAL STATEMENTS

All amounts in EUR x 1000, unless stated otherwise.

Consolidated income statement

as at 31 December 2017 and 2016

	Note	2017	2016
Revenue	**4**	**508,555**	**418,563**
Trade goods, raw and auxiliary items	5	-292,646	-227,177
Services and miscellaneous goods	6	-99,172	-81,016
Employee expenses	7	-87,079	-73,577
Depreciation costs	15 +16	-18,830	-17,428
Impairments, write-downs, and provisions	8	2,439	-2,117
Other operating income	9	3,983	2,266
Other operating expenses	9	-1,921	-1,324
Result of phased acquisition		6,689	
Result of operating activities	**10**	**22,018**	**18,190**
Financial income	11	294	841
Financial expenses	12	-1,738	-1,270
Results of operating activities after net financing expenses		**20,574**	**17,761**
Taxes	13	-4,006	-5,258
Result for the financial year before result from businesses accounted for using the equity method		**16,568**	**12,503**
Share in the result of enterprises accounted for using the equity method		571	59
Profit in the financial year		**17,139**	**12,562**
Profit in the financial year: share third parties		32	
Profit in the financial year: share group		17,107	12,562
Basic earnings per share	33	9.87	7.25
Diluted earnings per share	33	9.87	7.25

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated overview of the comprehensive income

as at 31 December 2017 and 2016

	2017	2016
Profit in the financial year	17,139	12,562
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	840	-264
Cash flow hedge	223	35
Other elements of the result that may not subsequently be reclassified to the results		
Revaluation of the net liabilities regarding defined benefit pension schemes	-139	-164
Related deferred taxes	57	21
Comprehensive income	**18,120**	**12,190**

Consolidated balance sheet

as at 31 December 2017 and 2016

	Note	2017	2016
ASSETS			
Non-current assets		242,573	144,337
Goodwill	14	76,523	35,204
Intangible non-current assets	15	30,163	5,323
Tangible non-current assets	16	132,807	79,536
Participations using equity method	17	0	12,307
Loans to joint venture	18	0	1,870
Deferred tax assets	20	3,003	0
Other long-term receivables	18	77	97
Long-term interest-bearing receivables	19	0	10,000
Current assets		157,163	105,314
Inventories	21	34,788	22,256
Trade and other receivables	22	115,862	66,990
Cash and cash equivalents	23	6,513	16,068
TOTAL ASSETS		399,736	249,651
LIABILITIES			
Shareholders' equity	24	125,308	114,969
Capital and share premiums		53,191	53,191
Reserves		70,506	61,778
Non-controlling interest		1,611	0
Deferred tax liabilities	20	10,290	4,335
Long-term liabilities		52,164	38,112
Provisions	25	5,289	5,312
Long-term interest-bearing liabilities	26	43,306	32,800
Other long-term liabilities		3,569	0
Current liabilities		211,974	92,235
Current interest-bearing liabilities	26	90,132	10,815
Trade liabilities and other payables	27	101,379	66,779
Social liabilities		16,211	11,322
Tax liabilities		4,252	3,319
TOTAL LIABILITIES		399,736	249,651

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of changes in equity

as at 31 December 2017 and 2016

	Capital	Capital reserves	Share premiums	Reserved profits	Cash flow hedge	Pensions and taxes	Call / put option on minority interest	Translation differences	Minority interest	Total	Number of shares
Balance on 1 January 2016	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	0	-264	0	12,190	
Movements via reserves											
Result from treasury shares										0	
Balance on 31 December 2016	4,903	0	48,288	63,050	-168	-758	0	-346	0	114,969	1,732,621
Capital increase										0	
Treasury shares reserve										0	
Minority interest as result of business combination							-3,296		1,579	-1,717	
Dividend				-6,064						-6,064	
Results in the financial year				17,107					32	17,139	
Other elements of the comprehensive income for the period				0	223	-82		840		981	
Comprehensive income for the period				17,107	223	-82	0	840	32	18,120	
Movements via reserves											
Result from treasury shares										0	
Balance on 31 December 2017	4,903	0	48,288	74,093	55	-840	-3,296	494	1,611	125,308	1,732,621

Consolidated cash flow statement

as at 31 December 2017 and 2016

	2017	2016
OPERATING ACTIVITIES		
Result before taxes	20,574	17,761
Interest	1.209	887
Dividend from equity method		333
Depreciation	18,830	17,428
Write-downs (*)	352	49
Provisions	-2,840	2,116
Gains and losses on disposal of fixed assets	-795	-642
Result of phased acquisition	-6,689	
Cash flow from operating activities	**30,641**	**37,932**
Change in receivables more than 1 year	26	
Change in inventory	1,015	-1,843
Change in receivables less than 1 year	-11,736	-3,286
Change in operational assets	**-10,695**	**-5,129**
Change in trade liabilities	9,438	7,542
Change in debts relating to remuneration	1,276	664
Change in other liabilities, accruals and deferred income	-1,389	370
Change in operational debts	**9,325**	**8,576**
(Change) / decrease in the operating capital	**-1,369**	**3,447**
Taxes paid	-7,493	-5,021
NET CASH FLOW FROM OPERATING ACTIVITIES	21,779	36,358
INVESTMENT ACTIVITIES		
Acquisition of intangible and tangible non-current assets	-13,714	-14,485
Acquisition of participating interest in associated companies	-66,726	0
New loans	0	-1,020
Total increase in investments	**-80,440**	**-15,505**
Sale of tangible non-current assets	1,227	0
Sale of participating interest		2,920
Repayment of loans	0	0
Total decrease in investments	**1,227**	**2,920**
CASH FLOW FROM INVESTMENT ACTIVITIES	-79,213	-12,585
FINANCING ACTIVITIES		
Change in short-term financial debts	53,753	0
Increase in long-term debts	14,555	3,025
Repayment of long-term debts	-13,159	-10,768
Interest paid interest (via income statement)	-1,209	-887
Dividend paid by parent company	-6,064	-6,064
CASH FLOW FROM FINANCING ACTIVITIES	47,876	-14,694
NET CHANGE IN CASH AND CASH EQUIVALENTS	-9,558	9,079
Cash funds at the beginning of the financial year	16,068	7,046
Translation differences	3	-54
Movement in the group consolidation		-3
CASH FUNDS AT THE END OF THE FINANCIAL YEAR	6,513	16,068

(*) Also includes adjustments that are part of the financial result. This was EUR 153,000 in 2017; EUR 48,000 in 2016.

Accounting policies for financial reporting and explanatory notes

1. SUMMARY OF THE KEY ACCOUNTING PRINCIPLES

DECLARATION OF CONFORMITY

Ter Beke NV ('the Entity') is an entity domiciled in Belgium. The Entity's consolidated financial statements cover the Entity Ter Beke NV and its subsidiaries (further referred to as the 'Group'). The consolidated financial statements were issued for publication by the Board of Directors on 16 April 2018. 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 2017

- Annual improvements to IFRS 2014-2016 cycle: Amendments to IFRS 12 (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in EU)
- Amendments to IAS 7 *Statement of Cash Flows – Disclosure Initiative* (applicable for annual periods beginning on or after 1 January 2017)
- 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)

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 2017

- 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). 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)

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

The main impact of IFRS 16 is described in Note 30.

Under IFRS 16, all lease agreements will be presented on the balance sheet, including operational leasing. The operational leasing is described in Note 30.

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. This mainly concerns introduction fees, costs of cooperation agreements with customers, and other marketing costs that are related to turnover. Ter Beke has completed its assessment of the impact of this new rule on the financial statements and has implemented the necessary adjustments to the system to meet the requirements of this new standard from 2018 onwards. Ter Beke has opted for the 'full retrospective' method for the first time adoption of IFRS 15 for the financial year that commences on 1 January 2018. For 2017, the impact of IFRS 15 amounts to EUR 11,169,000.

We do not expect significant adjustments to the balance sheet and shareholders' equity due to applying IFRS 9 concerning the classification and valuation of financial instruments.

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 until 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 whereby Ter Beke NV and other parties that have joint control of the agreement have 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.

If a Group member conducts transactions with a joint venture, profits and losses are eliminated up to the extent of the Group's interest in the joint venture concerned.

INVESTMENTS IN AFFILIATED COMPANIES

Affiliated companies are those in which the Group has significant influence, directly or indirectly, but no 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 conditional liabilities of the affiliated company and the cost price of the affiliated company is recognised immediately in the income statement.

If a Group member conducts transactions with an affiliated company, profits and losses eliminated to the extent of the Group's interest in the affiliated company concerned.

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 to the extent 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-generating units concerned.

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

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

No business combinations were conducted in 2016. Business combinations conducted in 2017 are explained under 'Impact of business combinations and transfers' (Note 34).

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

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

1 euro is equal to:

	2017	2016
British pound		
Closing rate	0.8872	0.8561
Average rate	0.8767	0.8193
Polish zloty		
Closing rate	4.1709	4.4103
Average rate	4.2561	4.3624

CONSOLIDATED FINANCIAL STATEMENTS

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

All other expenses for development are recognised as expense in the income statement as a debit in the income statement as they occur. As Ter Beke's development expenses in 2017 and 2016 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, Ter Beke's consolidated other intangible non-current assets consisted mainly of computer software. In 2017, Ter Beke's consolidated other intangible non-current assets consisted of computer software and of client relationships and brand names gained through acquisitions.

DEPRECIATION

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

The depreciation percentages applied are:

Research and development	33.3%
Computer software	20%
Brand patents	10%
Brand names	10%, 20%
Client relationships	7%

GOODWILL

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

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

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	2; 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%

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.

CONSOLIDATED FINANCIAL STATEMENTS

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

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-generating unit to which the asset belongs.

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

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

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-realisable 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-realisable 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 LOANS

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

TRADE LIABILITIES

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

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-realisable part is transferred to the income statement. For hedges that do not lead to the recognition of an asset or a liability, the amounts directly included in the shareholders' equity are transferred to the income statement in the same period or periods in which the hedged expected future transaction affects the profit or loss.

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).

CONSOLIDATED FINANCIAL STATEMENTS

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 wells 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:

a. the Group has transferred the essential risks and benefits of owning the goods to the buyer;
b. the Group does not maintain actual control over the goods sold or the involvement that usually accrues to the owner;
c. the amount of the revenue can be reliably determined;
d. it is likely that the economic benefits relating to the transaction will accrue to the Group; and
e. 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 assess 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 2017, the long-term incentive of the CEO is booked under EBITDA (these costs being brought under recurring earnings in previous years). As no additional payments were allocated in 2017, this means that there is no correction at the EBIT level in 2017.

2. GROUP CONSOLIDATION

The Group consolidated annual accounts for 2017 include the Entity and consolidated subsidiaries over which the Entity exercises full control (Note 35) and one joint venture over which the Entity does not exercise full control.

On 15 July 2016, Binet SA was sold by Pluma NV.

The consolidated annual accounts for 2016 included 18 consolidated subsidiaries and two joint ventures over which the Entity did not exercise full control, compared to 30 consolidated subsidiaries in 2017.

On 30 June 2017, the Entity acquired full control of Stefano Toselli SAS and Pasta Food Company. Until 30 June 2017, the results of Stefano Toselli SAS and Pasta Food Company were recognised as earnings from joint ventures according to the equity method. From 1 July to 31 December 2017, the full balance sheet is recognised in the consolidated annual accounts and the second half-year of their income statement.

On 11 September 2017, the Entity acquired 90% of the shares of KK Fine Foods PLC. From 11 September to 31 December, the full balance sheet is recognised in the consolidated annual accounts and the proportional part of their income statement.

On 1 December 2017, the Entity acquired the Offerman Group. The Group acquired full control from 1 December 2017. The consolidated figures include the full Offerman Group balance sheet and 1 month of the income statement, that is from 1 December to 31 December 2017.

CONSOLIDATED FINANCIAL STATEMENTS

3. 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 2017 the Ter Beke Group had a workforce of approximately 2,600 (2016: approximately 1,650) (full-time equivalents on 31 December 2017 and the average number of temporary workers in 2017). 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, pâtés and preserved meats.
- The Ready Meals business segment develops, produces and sells fresh ready meals including lasagne, pizza, pasta dishes and sauces.

The result of a segment includes the revenue and expenses generated directly by 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 per segment include the intangible non-current assets, goodwill, tangible non-current assets and financial non-current assets. Liabilities per segment include trade receivables, personnel debts, taxes and other debts that are directly attributable to the business segment. All other assets and liabilities have not been allocated to the business segments and are stated as 'not allocated'. Assets and liabilities per segment are proposed for elimination of 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 clients. The ten largest client groups represent 65% of the turnover (2016: 70%). Turnover with these clients is realised through a number of diverse contracts of varying duration covering a wide range of products 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 2017, 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.

As 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 six geographical regions in which the Group is active - Belgium, the Netherlands, the United Kingdom, Germany, France and the rest of Europe. The rest of Europe consists of the countries Luxembourg, Denmark, Ireland, Poland, Portugal, Romania, Spain, Sweden and Switzerland.

The net turnover is split per region based on the geographical location of the external clients. The total assets and investment expenses are 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

	2017			2016		
	Processed meats	Ready Meals	Total	Processed meats	Ready Meals	Total
SEGMENT INCOME STATEMENT						
Segment net turnover	314,630	193,925	508,555	295,844	122,719	418,563
Segment results	6,839	16,653	23,492	12,350	13,047	25,397
Non-allocated results			-1,474			-7,207
Net financing cost			-1,444			-429
Taxes			-4,006			-5,258
Share in businesses accounted for using the equity method			571			59
Consolidated result			17,139			12,562
SEGMENT BALANCE SHEET						
Segment non-current assets	123,579	111,241	234,820	93,091	22,957	116,048
Non-allocated non-current assets			7,753			28,289
Total consolidated non-current assets			242,573			144,337
Segment liabilities	82,754	48,102	130,856	57,565	27,168	84,733
Non-allocated liabilities			268,880			164,918
Total consolidated liabilities			399,736			249,651
OTHER SEGMENT INFORMATION						
Segment investments	5,303	6,128	11,431	9,732	3,280	13,012
Non-allocated investments			2,041			1,820
Total investments			13,472			14,832
Segment depreciation and non-cash costs	10,948	6,338	17,286	10,136	5,404	15,540
Non-allocated depreciation and non-cash costs			-895			4,005
Total depreciation and non-cash costs			16,391			19,545

KEY DATA PER GEOGRAPHIC SEGMENT

Third party turnover	2017	2016
Belgium	169,438	168,159
Netherlands	213,725	184,704
UK	30,077	14,915
Germany	23,173	21,433
France (*)	27,769	5,225
Other	44,373	24,127
	508,555	418,563

(*) 2016 adjusted for comparability

Assets per region	2017	2016
Belgium	84,962	112,050
Netherlands	63,962	30,418
France	36,335	
UK	34,344	
Other	22,970	1,869
	242,573	144,337

Investments per region	2017	2016
Belgium	9,607	13,114
Netherlands	1,697	1,713
France	517	
UK	1,481	
Other	170	5
	13,472	14,832

Non-current assets	2017	2016
Belgium	118,188	112,050
Netherlands	30,737	30,418
France	36,335	
UK	34,344	
Other	22,969	1,869
	242,573	144,337

4. REVENUE FROM SALE OF GOODS

	2017	2016
Sale of goods	508,555	418,563

The consolidated Group turnover increased by EUR 90 million, from EUR 418.6 million to EUR 508.6 million (+21.5%).

The turnover of the Processed Meats Division increased by EUR 18.8 million (+6.4%). Of this amount, EUR 8.3 million was due to the acquisition of Offerman B.V. in December. This means that without the acquisition of Offerman B.V. the division's turnover increased by 3.6%. This was primarily due to the growth strategy in the Netherlands and Belgium, which compensated for the loss of a major pâté contract in the UK market in mid-2016. Margins came under considerable pressure due to unexpected sharp increases in raw materials prices and the pressure on prices caused by the effects of market consolidation.

The Ready Meals Division achieved an increase in turnover of EUR 71.2 million (+58%). Of this amount, EUR 63.4 million was the result of the new acquisitions. This means that without these acquisitions the division's turnover increased by 6.4%. Margins came under pressure due to unexpected sharp increases in raw materials prices. From the second half of the year, adjustments in sales prices partially compensated for the increases in raw materials prices. This rise has been achieved in almost all countries and channels, in turn resulting in an increased market share. In this division too, the Group successfully implemented innovations, with an expansion in the product range of both private labels and own brands.

5. TRADE GOODS, RAW AND AUXILIARY MATERIALS

	2017	2016
Purchases	292,409	229,012
Change in inventory	237	-1,835
Total	292,646	227,177

6. SERVICES AND MISCELLANEOUS GOODS

	2017	2016
Interim staff and consultants to the organisation	14,946	13,268
Maintenance and repairs	13,126	10,678
Cost of marketing and sales	17,095	16,334
Transport costs	19,583	14,852
Gas and electricity	8,556	7,359
Rent	6,885	6,531
Advisory expenses and consultants	9,998	6,473
Other	8,983	5,519
Total	99,172	81,016

Items such as insurance and office expenses are recognised in the 'Other' account. As a result of the acquisitions realised, we observe considerable increases.

7. EMPLOYEE EXPENSES

In 2017, employee expenses amounted to EUR 87,079,000 compared to EUR 73,577,000 in 2016. For further details on employee benefits see Note 25.

Employee expenses can be analysed as follows:

	2017	2016
Wages and salaries	60,912	50,527
Social security contributions	17,636	15,518
Other employee expenses	8,531	7,532
Total	87,079	73,577
Number of employees expressed in FTEs (excl. temporary employees) at year end	2,314	1,326

8. WRITE-DOWNS, AND PROVISIONS

	2017	2016
Impairments, write-downs	401	1
on stocks	437	
on trade receivables	-36	
Provisions	-2,840	2,116
Total	-2,038	2,117

9. OTHER OPERATING INCOME AND EXPENSES

	2017	2016
OTHER OPERATING INCOME		
Recovery of wage-related costs	780	536
Recovery of logistics costs	-7	16
Profits from the disposal of assets	840	642
Insurance recoveries	119	90
Compensation received	253	149
Rent	94	133
Recovery of local taxes	1,904	700
Subtotal	3,983	2,266
Result of phased acquisition	6,689	
Total	10,672	4,532
OTHER OPERATING EXPENSES		
Local taxes	1,815	1,324
Realised loss on disposal of assets	45	0
Others	61	
Total	1,921	1,324
Other operating income and expenses	8,751	3,208

CONSOLIDATED FINANCIAL STATEMENTS

10. RESULT OF OPERATING ACTIVITIES

	2017	2016	Delta
EBITDA	**38,409**	**37,735**	**-37,735**
Depreciation and impairments	-18,830	-17,428	-1,402
Impairments, write-downs, and provisions	2,439	-2,117	4,556
EBIT	**22,018**	**18,190**	**3,828**

Consolidated key figures in '000 EUR	2017	IFRS pre-acquisition	Correction acquisition	Correction CEO Incentive	Other non-recurring results	Non audited 2017 Pro-forma	2016	%
Revenue (net turnover)	508,555	171,945				680,500	418,563	62.6
EBITDA	38,409	13,342	-4.616	2.843	222	50,200	37,735	33
Operating result (EBIT)	22,018	6,126	-4.616		222	23,750	18,190	30.6
Net financing costs	-1,444	-2,406				-3,850	-429	797.4
Operating result after net financing costs (EBT)	20,574	3,720	-4.616	0	222	19,900	17,761	12
Taxes	-4,006	-914	-705		-75	-5,700	-5,258	8.4
Result after tax before share in the result of enterprises accounted for using the equity method	16,568	2,806	-5.321	0	147	14,200	12,503	13.6
Share in enterprises accounted for using the equity method	571	-571				0	59	
Earnings after taxes (EAT)	17,139	2,235	-5.321	0	147	14,200	12,562	13

- The consolidated turnover increased by EUR 90 million (+21.5%) to EUR 508.6 million.
- The pro forma turnover amounted to EUR 680.5 million (+ 62.6%) thanks to four strategic acquisitions in both divisions in the second half of 2017:
  - On 30 June 2017, earlier than anticipated, the Group acquired full control of Stefano Toselli (France) and Pasta Food Company (Poland). As stated in the half-year financial report, this resulted in EUR 6.7 million in non-recurring income. Thanks to this acquisition, the Group has significantly strengthened its position as European market leader in freshly prepared lasagne.
  - On 11 September 2017, the Group acquired 90% of the shares of KK Fine Foods PLC, reinforcing the Group's position in the ready meals market. Ter Beke now has a firm foothold in the UK, the largest market for ready meals in Europe.
  - On 01 December 2017, Ter Beke completed its acquisition of the Zwanenberg Food Group's 'Business Unit Fresh', which continued its activities under the name Offerman B.V. This acquisition ties in perfectly within the Ter Beke Group's plans to become processed meats market leader in the Benelux.
  - This involved more than EUR 2.1 million in non-recurring due diligence costs.
  - The acquisitions were financed from bank debts.
  - The impact of the acquisitions is further explained in Note 34.
- EBITDA of EUR 38.4 million in 2017 compared to EUR 37.7 million in 2016 (+1.8%).
- The pro forma EBITDA amounted to 50.2 million EUR (+33%);
- EBIT of EUR 22 million (+21.0%) compared to EUR 18.2 million in 2016.
- The pro forma EBIT amounted to 23.7 million EUR (+30.6%);
- Earnings after taxes increased by 36.4%, from EUR 12.6 million in 2016 to EUR 17.1 million.
- The pro forma profits after taxes amounted to 14.2 million EUR (+13.6%);

11. FINANCIAL INCOME

	2017	2016
Interest income	105	188
Positive exchange rate differences	85	616
Other	104	37
Total	**294**	**841**

12. FINANCING EXPENSES

	2017	2016
Interest cost on loans	1,006	887
Interest cost on leasing	203	0
Negative exchange rate differences	71	0
Bank charges	196	131
Revaluation of financial instruments	104	48
Other	158	204
Total	**1,738**	**1,270**

13. TAXES

TAXES BOOKED IN INCOME STATEMENT

	2017	2016
Tax on profits		
Financial year	6,177	6,136
Previous financial years	-43	180
Deferred tax liabilities		
Effect of temporary differences	-2,128	-1,058
Total tax in the income statement	**4,006**	**5,258**

The tax rate in 2017 (19.5%) was significantly lower than in 2016 (29.5%), partly due to the effect of lower taxation in Belgium (as of 2019) and the fact that the profits from the phased acquisition of Stefano Toselli and Pasta Food Company are tax-exempt.

For the other countries, the tax rates applicable in those countries are used.

RELATIONSHIP BETWEEN TAX BURDEN AND THE ACCOUNTING PROFIT

	2017	2016
Accounting profit before tax	20,574	17,761
Tax at Belgian tax rate (2016: 33.99% and 2015: 33.99%)	6,993	6,037
Effect of the different tax rates of the foreign companies	-1,221	-1,401
Effect on deferred tax of decreased Belgian tax rate from 33.99% to 29.58%	-153	
Effect of the expenses not deductible for tax purposes	610	813
Effect of non-taxed phased acquisition	-2,274	
Notional interest deduction	-45	-347
Other effects	96	156
Actual tax burden	**4,006**	**5,258**
Effective tax percentage	19.5%	29.6%

14. GOODWILL

	2017	2016
GOODWILL		
Start of the financial year	36,944	36,944
Acquisitions	41,025	0
Transfers and decommissioning	0	0
Translation differences	294	0
End of the financial year	**78,263**	**36,944**
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	**76,523**	**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 2017 the goodwill amounted to EUR 32,369,000 (2016: EUR 29,096,000) for processed meats and EUR 44,154,000 (2016: 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% (2016: 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 long term targets for each segment.
  - Estimated tax burden on the operational cash flow. For both segments, estimates are based on an average tax rate of 25%. 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 on the estimated weighted average cost of capital (WACC) of 6.54% (2016: 6.38%) after tax. For 2017, the updated WACC is in line with the projection made by Bank Degroof-Petercam. The calculation is based on a desired equity/debt ratio of 35/65 (2016: 35/65), an average tax rate of 25% (2016: 29%), a return on investment of 8.54% (2016: 8%) and a gross cost of loan capital of 4.0% (2016: 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 22% in Ready Meals. Each time the ratio of EBITDA to sales decreases by 1% for both divisions, these differences decrease by 23% and 12% 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 20% 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 54% in Processed Meats and 46% 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 127% in Processed Meats and 93% in Ready Meals.

15. INTANGIBLE NON-CURRENT ASSETS

	Software	Brands, licences and patents	Customer relationships	R&D	Total	Software	R&D	Total
			2017				2016	
ACQUISITION VALUE								
Start of the financial year	19,231	0	0	156	19,387	19,971	156	20,127
Group consolidation extension	1,055	1,092	23,625	0	25,772			0
Acquisitions	1,425	0	0	0	1,425	1,547		1,547
Transfers and decommissioning	0	0	0	0	0	-2,268		-2,268
Transfer from / to other entries	-890	890	0	0	0	-19		-19
Translation differences	11	36	386	0	433			0
End of the financial year	**20,832**	**2,018**	**24,011**	**156**	**47,017**	**19,231**	**156**	**19,387**
DEPRECIATION								
Start of the financial year	13,908	0	0	156	14,064	14,561	156	14,717
Group consolidation extension	616	0	0		616			0
Depreciation*	1,629	200	341		2,170	1,615		1,615
Transfers and decommissioning	0	0	0		0	-2,268		-2,268
Transfer from / to other entries	-483	483	0		0			
Translation differences	8	-1	-3		4			0
End of the financial year	**15,678**	**682**	**338**	**156**	**16,854**	**13,908**	**156**	**14,064**
Net book value	**5,154**	**1,336**	**23,673**	**0**	**30,163**	**5,323**	**0**	**5,323**

In 2017, the Group invested EUR 1.43 million in intangible non-current assets compared to EUR 1.5 million in 2016. This mainly concerns the further roll-out of the ERP package. Following the acquisition of KK Fine Foods and Offerman BV, EUR 23.6 million was recognised in intangible non-current assets in the customer portfolio account and EUR 1.1 million in the brands account. These assets will be depreciated over 5, 10 and 14 years respectively.

16. TANGIBLE NON-CURRENT ASSETS

2017

	Land and buildings	Installations, machines, and equipment	Furniture and rolling equipment	Leasing	Other	Assets under construction	Total
ACQUISITION VALUE							
Start of the financial year	91,013	239,483	2,560	68	81	279	333,484
Group consolidation extension	45,775	78,498	2,278	4,406	0	932	131,889
Acquisitions	879	10,873	198	97			12,047
Transfers and decommissioning	-382	-477	-14				-873
Transfer from / to other entries	0	451	5	1		-457	0
Translation differences	-472	-231	-23	7	0	-10	-729
End of the financial year	**136,813**	**328,597**	**5,004**	**4,579**	**81**	**744**	**475,818**
DEPRECIATION							
Start of the financial year	60,826	190,031	2,474	68	81	0	253,480
Group consolidation extension	19,486	49,511	1,769	748	0	0	71,514
Depreciation*	2,441	15,324	127	203	0	0	18,095
Transfers and decommissioning	-57	-400					-457
Translation differences	-22	-166	-16	4			-200
End of the financial year	**82,674**	**254,300**	**4,354**	**1,023**	**81**	**0**	**342,432**
IMPAIRMENT							
Start of the financial year							0
Group consolidation extension							0
Addition*							0
Reduction*							0
Transfers and decommissioning							0
End of the financial year	**0**	**0**	**0**	**0**	**0**	**0**	**0**
NET CAPITAL GRANTS							
Start of the financial year	302	158	8				468
Group consolidation extension							0
New allocations	6	1,523	17				1,546
Other							0
Depreciation*	-39	-1,381	-15				-1,435
End of the financial year	**269**	**300**	**10**	**0**	**0**	**0**	**579**
Net book value as per 31 December 2017	**53,870**	**73,997**	**640**	**3,556**	**0**	**744**	**132,807**

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**

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 2017, the Group invested EUR 13.5 million of which EUR 12 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.

17. PARTICIPATIONS USING EQUITY METHOD

	2017	2016
Joint venture		1,853
Associates		10,454
Total	**0**	**12.307**

On 30 June 2017, the Group acquired full control of Stefano Toselli and Pasta Food Company. In the past, both participations were accounted for using the equity method. The consolidated figures include the result of both participations up to and including 30 June 2017, which was recognised in the result from participations using equity method. The results from the second half-year was included in full.

The acquisitions were processed in accordance with IFRS standard 3.

18. LOANS TO JOINT VENTURE AND OTHER LONG-TERM RECEIVABLES

	2017	2016
Receivables Pasta Food Company		1,870
Receivables and securities in cash	77	97
Total	**77**	**1,967**

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 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 Pasta Food Company.

As the Group became 100% shareholder of Pasta Food Company in 2017, this loan has now been eliminated in the group consolidated balance sheet.

19. 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 were interest-bearing loans and were guaranteed by a pledge on the shares in the joint venture structure. On 30 June 2017, this joint venture prematurely terminated, whereby the loans were settled in the financial settlement of the acquisitions of Stefano Toselli SAS and Pasta Food Company.

	2017	2016
Long-term interest-bearing receivables	0	10,000
Total	**0**	**10,000**

20. DEFERRED TAX ASSETS AND LIABILITIES

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

	2017	2016
Tangible non-current assets	9,705	4,153
Receivables	438	529
Provisions	-202	-456
Debts	349	-186
Transferred losses		295
Deferred tax assets	**10,290**	**4,335**

In 2017, the Group did not acknowledge EUR 7,102,000 (EUR 7,553,000 in 2016) 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. In 2017, the transferred notional interest deduction was fully utilised.

21. INVENTORIES

	2017	2016
Raw and auxiliary items	20,593	13,552
Work in process	3,815	3,508
Finished products	6,900	4,335
Goods for resale	3,480	861
Total	**34,788**	**22,256**

22. TRADE AND OTHER RECEIVABLES

	2017	2016
Trade receivables	100,402	59,088
VAT to be reclaimed	3,672	2,230
Taxes to be reclaimed	1,702	0
Adjustment accounts	2,395	1,653
Receivable interest		9
Empties	3,885	4,010
Other	3,806	0
Total	**115,862**	**66,990**

Our trade receivables are not interest-bearing.

The average number of days of customer credit for the Group is 54 days (2016: 52 days). This number of days is distorted because of the strong sales in the fourth quarter of both years.

In 2017, write-downs on trade receivables to the value of EUR 36,000 were recognised as a cost in the income statement (EUR 1,300 in 2016).

The percentage of trade receivables owed older than 60 days amounted to less than 3.5% in 2017 and 2016 (see also Note 28).

23. CASH AND CASH EQUIVALENTS

	2017	2016
Current accounts	6,480	16,061
Cash	33	7
Total	**6,513**	**16,068**

24. SHAREHOLDERS' EQUITY

DIVIDENDS

On 16 April 2018, the Board of Directors proposed paying out EUR 4 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.

25. EMPLOYEE BENEFITS

PROVISIONS FOR PENSIONS AND SIMILAR LIABILITIES

The Group and its subsidiaries provide for pension schemes and other employee benefits. On 31 December 2017, the total net debt for pension schemes and similar liabilities was EUR 5,289,000. On 31 December 2016 this was EUR 5,312,000.

	obligations under IAS 19 Defined benefit plan	Other provisions	Total provisions
1 January 2016	2,369	692	3,061
Group consolidation extension			0
Service costs	950		950
Interest costs	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
Group consolidation extension	1,713	807	2,520
Service costs	1,148		1,148
Interest costs and income	16		16
Actuarial effect by OCI	-872		-872
Payments			0
Allocations and redemptions		-2,840	-2,840
Other	-15	20	5
31 December 2017	4,470	819	5,289

EMPLOYEE BENEFITS AND PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

	2017	2016
Defined benefit pension schemes		
Net liability / (asset)	4,470	2,480
Of which liabilities	21,497	19,400
Of which investments in investment funds	-17,027	-16,920
Amounts recognised in the income statement:		
Pension costs allocated to the year of employment	1,148	950
Interest cost	16	10
Expected return on investments in investment funds		
Recognised actuarial (profits) / losses		
Past service pension costs		
Losses / (profits) from curtailments or settlements		
Administrative expenses	22	27
Cost recognised in the income statement regarding defined benefit pension schemes	1,186	987
Amounts allocated to the shareholders' equity via the comprehensive result (OCI)	26	898
Recognised actuarial (profits) / losses	-872	65
Cumulative of via OCI recognised actuarial results at the beginning of the period	898	833
Present value of the gross liability at the beginning of the year	19,400	2,714
Impact of PUC method on the Belgian fixed contribution plans		13,651
Employer's contributions		
Interest cost	186	309
Pension costs allocated to the year of employment	987	842
DBO profit (loss) for the period	-149	2,025
Other*	1,073	-141
Present value of the gross liability at the end of the year	21,497	19,400
Fair value of the investments in investment funds at the beginning of the year	-14,655	-13,897
Expected employer's contributions	-1,134	-1,110
Expected benefits paid (excl. interest)	212	215
Expected return on investments in investment funds		
Expected taxes on contributions paid	113	110
Expected administrative expenses	28	27
Expected value of the investments in investment funds at the end of the year	-15,436	-14,655
Fair value of the investments in investment funds to the beginning of the year	-16,926	-345
Impact of PUC method on the Belgian fixed contribution plans		-13,552
Actual employer's contributions	-1,038	-1,040
Actual employees contributions	-24	
Actual benefits paid	662	142
Interest revenue	-176	-300
Actual taxes on contributions paid	110	109
Actual administrative expenses	21	27
Actuarial profit (losses) on the investments in investment funds	339	-1,967
Fair value of the investments in investment funds at the end of the year	-17,032	-16,926
Amount not recognised as investment in investment funds in accordance with the limit in §58(b)	5	6
Fair value of the investments in investment funds at the end of the year	-17,027	-16,920

(*) Adjustments in the consolidation perimeter

The primary actuarial assumptions are:

	2017		2016	
	Belgium	France	Belgium	France
Discount rate	0.45%	0.95%	0.50%	1.15%
Future salary increases including inflation	2.30%	2.00%	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.

Each year, Ter Beke has a full actuarial calculation according to the PUC method conducted. 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. At the end of 2017, this net liability amounts to EUR 16,000 compared to EUR 312,000 in 2016. The periodic contributions constitute a cost for the year in which they are owed. In 2017 this cost amounted to EUR 2,536,000 and in 2016 this was EUR 2,021,000.

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

OTHER PROVISIONS

- In 2016, the other provisions consisted 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 2017, the provision for the CEO's long-term incentive was fully reversed. The CEO's long-term incentive was booked under EBITDA. As no additional payments were allocated in 2017, this means that there is no correction at the EBIT level in 2017.
- In 2017, the other provisions category will be affected by the acquisition of the Offerman BV social provision.

26. INTEREST-BEARING LIABILITIES

2017

	Maturity period			
	Within the year	Between 1 and 5 years	After 5 years	Total
Interest-bearing liabilities				
Credit institutions	88,060	36,474	3,416	127,950
Lease liabilities	2,072	3,416		5,488
Total	90,132	39,890	3,416	133,438

2017

	Maturity period			
	Within the year	Between 1 and 5 years	After 5 years	Total
Other liabilities		3,569		3,569

2016

	Maturity period			
	Within the year	Between 1 and 5 years	After 5 years	Total
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

Loans from credit institutions include:

- long-term loans with a fixed interest rate for the sum of EUR 21,462,000;
- long-term loans for which the interest rates are regularly reviewed for agreed periods of less than one year for the sum of EUR 39.708,000;
- short term loans for agreed periods of less than one year for the sum of EUR 66,780,000.

At the end of 2017, the Group had EUR 5,488,000 in financial leasing from the recent acquisitions.

	2017	2016
Loans with fixed interest rate	1.65%	1.69%
Loans with variable interest rate	1.70%	1.33%

If the variable interest rate on all loans were to increase by 1%, this will mean an additional EUR 397,000 in interest expenses.

Minimum payments to credit institutions (including interest) in 2017:

	2017	2016
Less than 1 year	24,742	11,432
More than 1 year and less than 5 years	42,101	31,423
More than 5 years	2,128	2,129

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 financial debt to EBITDA ratio (<3) and the consolidated equity to total consolidated assets ratio (>25%). In 2017, the Group complies with the requirements of these covenants if the calculation is based on the pro forma figures that include a full year in results. Due to the acquisition of the Business Unit Fresh from the Zwanenberg Food Group on 1 December, only 1 month of this result is included. For KK Fine Foods, the results from September 2017 up to and including December 2017 are included. This distorts our net financial debt to EBITDA ratio. The pro forma net financial debt to EBITDA ratio is 2.5. Therefore the Group conformed to the requirements of the covenants throughout the year.The Group conformed to the requirements of these covenants in 2016.

	31/12/16	Cash Flow	Non-cash adjustments			31/12/17
			Acquisitions	Exchange rate adjustment	Fair value adjustments	
Long term interest-bearing liabilities						
Credit institutions	32,800	-8,107	15,382	-185		39,890
Lease liabilities	0	493	2,955	-32		3,416
Short term Interest-bearing liabilities						
Credit institutions	10,815	63,583	13,755	-93		88,060
Lease liabilities		12	2,097	-37		2,072
Other long term interest-bearing liabilities		**-832**	**4,290**	**111**		**3,569**
Total	**43,615**	**55,149**	**38,479**	**-236**	**0**	**137,007**

27. OTHER LONG-TERM LIABILITIES

As per 31 December 2017, the other long-term liabilities amounted to EUR 3,569,000. This concerns a put/call option on the remaining 10% of the shares in KK Fine Foods that belong to the non-controlling interests.

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

This put/call option gives the minority interest shareholder the right to sell its interest in KK Fine Foods to the Ter Beke Group according to the conditions set out in the option contract. As these details are not based on public market data, this obligation is classified according to level 3, in accordance with IFRS 13.

28. TRADE LIABILITIES AND OTHER DEBTS

	2017	2016
Trade liabilities	97,308	62,962
Dividends	88	89
Other	3,983	3,728
Total	**101,379**	**66,779**
Of which empties	3,007	2,826

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

CONSOLIDATED FINANCIAL STATEMENTS

29. 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 speculation purposes.

INTEREST RISK

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

If the variable interest rate on all loans were to increase by 1%, this will mean an additional EUR 397,000 in interest expenses.

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 2017, the Group had a net position in British pounds of GBP 6,230,000; on 31 December 2016 this was GBP 1,609,000. As hedge against exchange rate risk, on 31 December 2017 the Group had forward contracts for the sale of GBP 1,100,000 for EUR. On 31 December 2016 the Group held futures for the sale of GBP 600,000 for EUR. On 31 December 2017, the Group had a net position in Polish zloty of PLN 4,134,000.

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 65% of the turnover (2016: 70%). 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.

Consolidated balance sheet	Note	2017		2016	
as at 31 December 2017 and 2016		Book value	Fair value	Book value	Fair value
Current assets					
Trade and other receivables	22	115,862	115,862	66,990	66,990
Cash and cash equivalents	23	6,513	6,513	16,068	16,068
Long-term liabilities					
Long-term interest-bearing liabilities	26	43,306	43,306	32,800	32,800
Other long-term liabilities		3,569	3,569	0	0
Current liabilities					
Current interest-bearing liabilities	26	90,132	90,132	10,815	10,815
Trade liabilities and other payables	27	101,379	101,379	66,779	66,779
Social liabilities		16,211	16,211	11,322	11,322
Tax liabilities		4,252	4,252	3,319	3,319

Consolidated balance sheet				
as at 31 December 2017 and 2016	Fair value 2017	Level 1	Level 2	Level 3
Trade and other receivables	178	178		
Other long-term liabilities	3,569			3,569

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

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.

30. 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:

	2017	2016
Less than 1 year	2,458	2,095
More than 1 year and less than 5 years	8,102	7,326
More than 5 years	4,908	6,494
Total	**15,468**	**15,915**

31. 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 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 is considering the intention to appeal against this ruling. No provision has been made for this.

32. 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 2017 to EUR 1,155,000 (2016: EUR 1,231,000).

33. 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. In 2016, EUR 2,210,000 was added to this provision which now amounts to EUR 2,843,000. No new provision was booked in 2017. In 2017, the CEO's long-term incentive of EUR 2,843,000 was booked under EBITDA (these costs being brought under recurring earnings in previous years). This is why this is considered a one-off cost, as is the reversal of the provision in 2017.
- The remuneration received by members of the Board of Directors and the Executive Committee during the 2017 financial year are summarised in the table below.

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

Transactions with directors:

in EUR million	2017	2016
Remuneration to Board of Directors Ter Beke NV for the execution of their mandate	0.2	0.2

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

in EUR million	2017	2016
Short-term employee benefits	5.3	2.3
Post-employment benefits		-
Other long-term employee benefits	0.1	0.1
Termination benefit		-
Share-based payments		-

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 2016 and 2017 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 2017:
None

Transactions with joint ventures and with affiliated companies 2016:

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

34. 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 17,107,000 (2016: EUR 12,562,000) and a weighted average number of outstanding ordinary shares during the year of 1,732,621 (2016: 1,732,621).

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

	2017	2016
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
Group share in net profit of financial year	17,107	12,562
Average number of shares	1,732,621	1,732,621
Earnings per share	**9.87**	**7.25**

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 2017 and 2016 there were no potential ordinary shares that could give rise to dilution.

	2017	2016
Net group profit	17,107	12,562
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	**9.87**	**7.25**

35. IMPACT OF BUSINESS COMBINATIONS AND TRANSFERS

In 2017 the Group made several acquisitions, while in 2016 no business combinations were conducted.

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.

STEFANO TOSELLI SAS

On 30 June 2017, Ter Beke acquired the remaining 67% of the shares of Stefano Toselli SAS.

Stefano Toselli SAS produces ready meals in Mézidon (France).

In 2015, Ter Beke had already acquired 33% of the shares in Stefano Toselli.

Until 30 June 2017, 33% of the Stefano Toselli SAS result was recognised as earnings from joint ventures according to the equity method. From 1 July 2017, 100% of the result is recognised in the consolidated annual accounts.

As full control was acquired per 30 June 2017, the full Stefano Toselli balance sheet is recognised in the consolidated balance sheet at 31 December 2017. The fair value of the acquired assets and liabilities has been determined to calculate the goodwill arising from this acquisition. We have made no additional adjustments to the fair value as stated on 30 June 2017.

Opening balance Stefano Toselli per 30 June 2017:

ASSETS	
Non-current assets	**10,941**
Intangible assets	64
Tangible non-current assets	9,994
Participating interests, loans and guarantees	883
Deferred tax assets	
Current assets	**19,336**
Inventories	2,789
Trade and other receivables	16,540
Cash and cash equivalents	7
Total assets	**30,277**
EQUITY AND LIABILITIES	
Long-term liabilities	**1,835**
Provisions	1,486
Deferred taxes	-495
Long-term interest-bearing liabilities	844
Other long-term liabilities	
Current liabilities	**16,063**
Current interest-bearing liabilities	8,021
Trade liabilities and other liabilities	6,496
Social liabilities	1,546
Tax liabilities	
Total liabilities	**17,898**

Goodwill following the acquisition of full control of Stefano Toselli

Acquisition price	22,507
Fair value of the investment for acquisition of full management	13,756
	36,263
Acquired net asset	12,380
Goodwill	23,883

The costs relating to the acquisition amount to 0.2 KEUR and were not included in the aforementioned acquisition price. These costs were accounted for in the income statement as per 30 June 2017 under services and miscellaneous goods.

Net cash flow following the acquisition of full control of Stefano Toselli

Acquisition price	22,507
Debt comparison	-8,506
Acquired cash investments and funds in cash equivalents	-7
Net cash flow due to acquired full control	**13,994**

IMPACT ON THE RESULTS OF THE GROUP FOLLOWING THE ACQUISITION OF FULL CONTROL OF STEFANO TOSELLI

Results in accordance with the phased acquisition of full control

As a result of the phased acquisition of full control, the Group has realised a profit of EUR 4.1 million.

Pro forma financial information

Ter Beke acquired control of Stefano Toselli as per 30 June 2017. Consequently, the financial statements of this subsidiary are fully consolidated from 30 June 2017. The Group income statement as per 31 December 2017 shows the impact of the 33% participation already held in this associate company, accounted for using the equity method for an amount of EUR 0.5 million for the first six months. As of 1 July 2017, 100% of the result is recognised. In the results on 31 December 2017, Stefano Toselli represents EUR 1.1 million of the result and EUR 40.2 million of the turnover. If the Group had acquired control as per 1 January 2017, then the turnover of the Group would have been EUR 37.4 million higher and the profit for the financial year EUR 0.8 million higher at 31 December 2017.

PASTA FOOD COMPANY

On 30 June 2017 Ter Beke acquired the remaining 50% of the shares in the joint venture Pasta Food Company SP z.o.o.

This company was established in 2011 as a 50/50 joint venture by Ter Beke and GS&DH Holdings to produce and market ready meals in Central and Eastern Europe. Since October 2014, the highly automated production facility in Opole (Poland) has been fully operational.

Until 30 June 2017, 50% of Pasta Food Company result was recognised in the result from businesses accounted for using the equity method. From 1 July 2017, 100% of the result is recognised in the consolidated annual accounts. As full control was acquired per 30 June 2017, the full Pasta Food Company balance sheet is recognised in the consolidated balance sheet at 31 December 2017. The fair value of the acquired assets and liabilities has been determined to calculate the goodwill arising from this acquisition. The Group has made no additional adjustments to the fair value of Pasta Food Company after 30 June 2017.

Opening balance Pasta Food Company per 30 June 2017:

ASSETS	
Non-current assets	**17,549**
Intangible assets	201
Tangible non-current assets	17,348
Participating interests, loans and guarantees	
Deferred tax assets	
Current assets	**2,323**
Inventories	492
Trade and other receivables	1,792
Cash and cash equivalents	39
Total assets	**19,872**
EQUITY AND LIABILITIES	
Long-term liabilities	**11,760**
Provisions	0
Long-term interest-bearing liabilities	8,024
Other long-term liabilities	3,736
Current liabilities	**3,966**
Current interest-bearing liabilities	2,693
Trade liabilities and other liabilities	1,216
Social liabilities	57
Tax liabilities	
Total liabilities	**15,726**

Goodwill following the acquisition of full control of Pasta Food Company

Acquisition price	5,000
Fair value of the investment for acquisition of full management	5,000
	10,000
Acquired net asset	4,146
Goodwill	5,854

The costs relating to the acquisition amount to 0.1 KEUR and were not included in the aforementioned acquisition price. These costs were accounted for in the income statement as per 31 December 2017 under services and miscellaneous goods.

Net cash flow following the acquisition of full control of Pasta Food Company

Acquisition price	5,000
Debt comparison	-5,000
Acquired cash investments and funds in cash equivalents	-39
Net cash flow in accordance with acquisition of full management	**-39**

IMPACT ON THE RESULTS OF THE GROUP FOLLOWING THE ACQUISITION OF FULL CONTROL OF PASTA FOOD COMPANY

Results in accordance with the phased acquisition of full control

As a result of the phased acquisition of full control, the Group has realised a profit of EUR 2.6 million, of which EUR 0.3 million is the result of recycling of other elements of the result (mainly translation differences) to the income statement.

Pro forma financial information

Ter Beke acquired control of Pasta Food Company as per 30 June 2017. Consequently, the financial statements of this subsidiary are fully consolidated from 30 June 2017. The Group income statement as per 31 December 2017 shows the impact of the 50% joint venture control, accounted for using the equity method for an amount of EUR 0.1 million. From 1 July 100% of the result is recognised. The consolidated result per 31 December 2017 includes a loss of EUR 0.2 million from Pasta Food Company and a turnover of EUR 6.8 million.

If the Group had acquired control as per 1 January 2017, then the turnover of the Group would have been EUR 5.5 million higher and the profit for the financial year EUR 0.1 million higher at 31 December 2017.

KK FINE FOODS PLC

On 11 September 2017 Ter Beke acquired 90% of the shares of KK Fine Foods PLC, 10% being allocated to non-controlling interest.

KK Fine Foods PLC produces and distributes fresh ready-made meals which are sold in the food service and retail markets as frozen products.

From 11 September 2017, the result of KK Fine Foods PLC is recognised in the consolidated annual accounts.

As full control was acquired per 11 September 2017, the full balance sheet of KK Fine Foods PLC is recognised in the consolidated balance sheet.

Opening balance KK Fine Foods PLC per 11 September 2017:

ASSETS	
Non-current assets	24,411
Intangible assets	11,517
Tangible non-current assets	12,894
Participating interests, loans and guarantees	0
Deferred tax assets	0
Current assets	10,094
Inventories	2,919
Trade and other receivables	7,175
Cash and cash equivalents	0
Total assets	34,505
EQUITY AND LIABILITIES	
Long-term liabilities	8,506
Provisions	0
Deferred taxes	1,317
Long-term interest-bearing liabilities	7,189
Other long-term liabilities	0
Current liabilities	10,771
Current interest-bearing liabilities	4,789
Trade liabilities and other liabilities	5,571
Social liabilities	411
Tax liabilities	0
Total liabilities	19,277

Goodwill as a result of acquiring control

Acquisition price	21,720
Acquired net assets	13,705
Goodwill	8,015

Net cash flow following the acquisition of full control of KK Fine Foods PLC

Acquisition price	21,720
Set-off	0
Acquired cash investments and cash in cash equivalents	
Net cash flow as a result of acquisition	21,720

IMPACT ON THE RESULTS OF THE GROUP FOLLOWING THE ACQUISITION OF FULL CONTROL OF KK FINE FOODS

Pro forma financial information

Ter Beke acquired control of KK Fine Foods PLC as per 11 September 2017. Consequently, the financial statements of this subsidiary are fully consolidated from 11 September 2017.

If the Group had acquired control as per 1 January 2017, then the turnover of the Group would have been EUR 31.9 million higher and the operating result for the 2017 financial year would have been EUR 0.8 million higher.

The result per 31 December 2017 includes EUR 0.2 million profit of KK Fine Foods PLC and EUR 16.3 million in turnover.

OFFERMAN GROUP

On 1 December 2017 Ter Beke acquired 100% of the shares in the Offerman Group.

The Offerman Group produces and sells sliced processed meats, whole cold-cuts and meat delicacies at three production facilities in the Netherlands.

From 1 December 2017, the Offerman Group result is recognised in the consolidated annual accounts.

As full control was acquired per 1 December 2017, the full balance sheet of Offerman Group is recognised in the consolidated balance sheet.

CONSOLIDATED FINANCIAL STATEMENTS

Opening balance Offerman Group per 1 December 2017:

ASSETS	
Non-current assets	31,918
Intangible assets	13,371
Tangible non-current assets	18,547
Participating interests, loans and guarantees	
Deferred tax assets	
Current assets	21,550
Inventories	6,895
Trade and other receivables	14,652
Cash and cash equivalents	3
Total assets	53,468
EQUITY AND LIABILITIES	
Long-term liabilities	7,619
Provisions	1,034
Deferred taxes	4,535
Long-term interest-bearing liabilities	2,050
Other long-term liabilities	
Current liabilities	15,896
Current interest-bearing liabilities	691
Trade liabilities and other liabilities	13,334
Social liabilities	1,871
Tax liabilities	
Total liabilities	23,515

Goodwill as a result of acquiring control

Acquisition price	33,226
Acquired net assets	29,953
Goodwill	3,273

Net cash flow following the acquisition of full control of Offerman Group

Acquisition price	33,226
Set-off	-2,626
Acquired cash investments and cash in cash equivalents	
Net cash flow as a result of acquisition	30,600

IMPACT ON THE RESULTS OF THE GROUP FOLLOWING THE ACQUISITION OF FULL CONTROL OF OFFERMAN GROUP

Pro forma financial information

Ter Beke acquired control of Offerman Group as per 1 December 2017. Consequently, the financial statements of this subsidiary are fully consolidated from 1 December 2017.

If the Group had acquired control as per 1 January 2017, then the turnover of the Group would have been EUR 98.2 million higher and the operating result for the 2017 financial year would have been EUR 3.2 million higher.

The result per 31 December 2017 includes EUR 0.4 million profit from Offerman and EUR 8.2 million in turnover.

36. 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 2017:

Name and full address of the company	Effective holding in %
Ter Beke Vleeswarenproduktie 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 - Vía de las Dos Castillas, 33 Complejo Empresarial Ática, Edificio 6, Planta 3a - Officina B1, 28224 Pozuelo de Alarcón, Madrid - Spain	100
Ter Beke Luxembourg SA - 534, rue de Neudorf - 2220 Luxembourg - Luxemburg	100
Les Nutons SA - Chaussée de Wavre 259 A, 4520 Wanze - Belgium	100
Come a Casa SA - Chaussée de Wavre 259 A, 4520 Wanze - Belgium	100
Ter Beke France SA - 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. Północna 12 - 45-805 Opole - Poland	100
Stefano Toselli SAS - ZI Espace Zuckermann - BP56 - 14270 Mézidon-Canon - France	100
KK Fine Foods PLC - Estuary House 10th Avenue - Zone 3 Deeside Industrial Park – Deeside – Flintshire - CH5 2UA - United Kingdom	90
Cebeco Meat Products Netherlands B.V. - Twentepoort West 10, NL-7609 RD Almelo - Netherlands	100
Offerman B.V. - Twentepoort West 10, 7609 RD Almelo - Netherlands	100
Offerman Borculo B.V. - Parallelweg 21, 7271 VB Borculo - Netherlands	100
Offerman Zoetermeer B.V. - Philipsstraat 3, 2722 NA Zoetermeer - Netherlands	100
Offerman Aalsmeer B.V. - Turfstekerstraat 51, 1431 GD Aalsmeer - Netherlands	100
Offerman Holding B.V. - Twentepoort West 10, 7609 RD Almelo - Netherlands	100
Gebr. Kraak Vlees en Vleeswaren B.V. - Turfstekerstraat 51, 1431 GD Aalsmeer - Netherlands	100
Vleeswaren en Saladefabrieken Offerman B.V. - Twentepoort West 10, 7609 RD Almelo - Netherlands	100
Offerman Hazerswoude B.V. - Twentepoort West 10, 7609 RD Almelo - Netherlands	100

37. 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. At the end of March, the group announced its intention to close the factory in Zoetermeer. Because both the employees and the products will be absorbed elsewhere in the group, the group anticipates that the impact will be kept to a minimum.

38. STATUTORY AUDITOR'S FEES

In relation to the 2017 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 289,000. These fees concern tax consultancy assignments, among others. The Statutory Auditor invoiced the Ter Beke Group a fee of EUR 262,000 with regard to the statutory audit.

Abbreviated financial statements of Ter Beke NV

1. BALANCE SHEET

		2017	2016
Non-current assets		**169,580**	**106,933**
I.	Formation Expenses	0	0
II.	Intangible non-current assets	277	406
III.	Tangible non-current assets	5,761	5,538
IV.	Financial non-current assets	163,542	100,989
Current assets		**99,773**	**85,947**
V.	Amounts receivable after 1 year	14	10,020
VI.	Inventories		
VII.	Amounts receivable within one year	97,273	67,463
VIII.	Cash investments	0	0
IX.	Cash and cash equivalents	1,591	7,745
X.	Accrued income and deferred charges	895	719
TOTAL ASSETS		**269,353**	**192,880**

		2017	2016
Shareholders' equity		**69,883**	**75,783**
I.	Capital	4,903	4,903
II.	Share premiums	48,288	48,288
IV.	Reserves	3,360	3,360
	Statutory reserves	*649*	*649*
	Reserves not available for distribution	*1,457*	*1,457*
	Untaxed reserves	*679*	*679*
	Reserves available for distribution	*575*	*575*
V.	Transferred result	13,332	19,232
Provisions and deferred taxes		**0**	**2,843**
	Provisions for risks and costs	*0*	*2,843*
	Deferred taxes	*0*	*0*
Debts		**199,470**	**114,254**
X.	Debts payable after 1 year	17,241	18,173
XI.	Debts payable within 1 year	182,142	96,038
XII.	Accrued charges and deferred income	87	43
TOTAL LIABILITIES		**269,353**	**192,880**

2. INCOME STATEMENT

	2017	2016
Operating income	**13,803**	**18,515**
Turnover		
Change in inventory		
Produced non-current assets		
Other operating income	13,803	18,515
Operating costs	**19,688**	**18,087**
Trade goods, raw and auxiliary items		
Services and miscellaneous goods	14,581	9,211
Remuneration, social security costs and pensions	5,923	4,863
Depreciation and write-downs on intangible and tangible non-current assets	1,947	1,795
Write-downs on inventory and trade receivables		0
Provisions for risks and costs	-2,843	2,210
Other operating costs	80	8
Operating result	**-5,885**	**428**
Financial income	7,670	7,371
Financial charges	-749	-386
Result from ordinary business operations before tax	**1,036**	**7,413**
Profit before tax	**1,036**	**7,413**
Tax on profits	-5	-425
Result for the financial year after tax	**1,031**	**6,988**

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 FINANCIAL STATEMENTS

Consolidated key figures 2012-2017

	2017	2016	2015	2014	2013	2012
Consolidated income statement						
Revenue	508,555	418,563	396,319	399,730	407,202	421,078
EBITDA (1)	38,409	37,735	34,273	31,418	28,602	31,130
Result of operating activities	22,018	18,190	15,829	13,844	10,598	13,568
Result after taxed before share in the result of enterprises is accounted for using the equity method	16,568	12,503	10,811	8,805	6,313	8,024
Earnings after taxes	17,139	12,562	10,298	8,132	6,202	8,207
Net cash flow (2)	32,959	32,048	29,255	26,379	24,317	25,586
Consolidated balance sheet and financial structure						
Non-current assets	242,573	144,337	149,201	140,926	144,493	154,380
Current assets	157,163	105,314	92,327	91,799	96,183	95,177
Equity	125,308	114,969	108,843	102,815	99,489	98,036
Total of balance sheet	399,736	249,651	241,528	232,725	240,676	249,557
Net financial debts (3)	126,925	17,547	34,312	29,566	40,823	51,476
Net financial debts / Equity	101.3%	15.3%	31.5%	28.8%	41.0%	52.5%
Equity / Total of balance sheet	31.3%	46.1%	45.1%	44.2%	41.3%	39.3%
Stock and dividend information						
Number of shares	1,732,621	1,732,621	1,732,621	1,732,621	1,732,621	1,732,621
Average number of shares	1,732,621	1,732,621	1,732,621	1,732,621	1,732,621	1,732,621
Average stock price (December)	175.73	139.8	96.51	61.99	56.94	47.81
Basic profit per share	9.87	7.25	5.94	4.69	3.58	4.74
Diluted profit per share	9.87	7.25	5.94	4.69	3.58	4.74
EBITDA per share	22.17	21.78	19.78	18.13	16.51	17.97
Net cash flow per share	19.04	18.50	16.88	15.22	14.03	14.77
Dividend per share	4	3.50	3.50	2.50	2.50	2.50
Payout ratio	40.51%	48.27%	49.13%	53.27%	69.84%	52.7%
Dividend return (December)	2.3%	2.5%	3.6%	4.0%	4.4%	5.2%
Valuation						
Market capitalisation (December)	304,473	242,238	167,215	107,405	98,655	82,837
Net financial debt	126,925	17,547	34,312	29,566	40,823	51,476
Market value of the company	431,398	259,785	201,527	136,971	139,478	134,313
Market value / Result	26	20.8	18.6	15.6	22.1	16.7
Market value / EBITDA	11.2	6.9	5.9	4.4	4.9	4.3
Market value / Net cash flow	13.1	8.1	6.9	5.2	5.7	5.2

1) EBITDA: operating result + depreciations + impairments + changes in provisions
(2) Net financial debts: interest-bearing liabilities – interest-bearing receivables, cash and cash equivalents
(3) Gearing ratio: net financial debts/equity

Declaration by the responsible persons

The undersigned, Dirk Goeminne* - Managing Director, and René Stevens - Chief Financial Officer, declare that, to the best of their knowledge:

- the financial statements for the financial year 2017 and 2016, which have been prepared in accordance with the International Financial Accounting Standards (IFRS), give a true and fair view of the equity, of the financial status and of the results of Ter Beke NV and the companies included in the consolidated accounts;
- the annual report is a fair review of the development, the results and the position of Ter Beke NV, and of the companies included in the consolidation; the annual report also gives a fair description of the principal risks and uncertainties they face.

René Stevens
Chief Financial Officer

Dirk Goeminne*
Managing Director

* Representing Fidigo NV

CONSOLIDATED FINANCIAL STATEMENTS

Report from the Statutory Auditor on the consolidated annual accounts

STATUTORY AUDITOR'S REPORT TO THE SHAREHOLDERS' MEETING OF TER BEKE NV FOR THE YEAR ENDED 31 DECEMBER 2017

In the context of the statutory audit of the consolidated financial statements of Ter Beke NV ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report to you. This report includes our report on the consolidated financial statements together with our report on other legal, regulatory and professional requirements. These reports are one and indivisible.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 26 May 2016, in accordance with the proposal of the Board of Directors issued upon recommendation of the audit committee and presentation of the works council. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2018. Due to a lack of online archives dating back prior to 1997, we have not been able to determine exactly the first year of our appointment. We have performed the statutory audit of the consolidated financial statements of Ter Beke NV for at least 21 consecutive periods.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

UNQUALIFIED OPINION

We have audited the consolidated financial statements of the group, which comprise the consolidated balance sheet as at 31 December 2017, the consolidated income statement, the consolidated overview of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of 399,736,000 EUR and the consolidated income statement shows a consolidated net profit for the year then ended of 17,139,000 EUR.

In our opinion, the consolidated financial statements of Ter Beke NV give a true and fair view of the group's net equity and financial position as of 31 December 2017 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

BASIS FOR THE UNQUALIFIED OPINION

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

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

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

KEY AUDIT MATTERS

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

Key audit matters	How our audit addressed the key audit matters
Valuation of goodwill	
At 31 December 2017 the total recorded amount of goodwill amounts to 76,523,000 EUR. The group has allocated its goodwill to its two cash-generating units (CGU) 'Processed Meat' (32,369,000 EUR) and 'Ready Meals' (44,154,000 EUR). The group defines annually the carrying amounts of non-current assets allocated to its two cash-generating units. Ter Beke assesses the recoverable amount by calculating the value in use of the assets within the cash-generating unit, using a discounted cash flow method ("DCF"). This method requires significant judgment in making estimates of cash flow projections, sales growth, EBITDA margin evolution and discount rate. Due to the inherent uncertainty involved in forecasting and discounting cash flows, we consider this assessment as a key audit matter. The group disclosed the nature and the value of the assumptions used in the impairment analyses in note 14 of the consolidated financial statements.	In our audit, we assessed and tested, with the assistance of our valuation experts, management's critical assumptions used in the discounted cash flow model. We challenged the key drivers of projected future cash flows, including estimated sales growth, estimated EBITDA margin and the applied discount rate. Our procedures performed furthermore include the evaluation of the design and implementation of controls over the preparation and approval of Ter Beke's budget, which serves as the basis in the DCF model. We critically assessed the budgets by taking into account the historical accuracy of the budgeting process. Moreover, we performed sensitivity analyses with respect to the available headroom of the two CGU's considering changes in discount rate, sales growth rates and EBITDA margin. We assessed the adequacy of the company's disclosure note to the consolidated financial statements.
Acquisition of Stefano Toselli, Pasta Food Company, KK Fine Foods and Offerman Group	
In the course of the year, the group gained control over Stefano Toselli and Pasta Food Company and acquired KK Fine Foods and Offerman Group. IFRS 3 requires the group to recognize the identifiable assets, liabilities and contingent liabilities at fair value at the date of acquisition, with excess of the consideration over the identified fair values recognized as goodwill. This requires a significant amount of estimation, particularly in relation to the identification and valuation of tangible and intangible assets and goodwill recognized. The tangible and intangible assets and goodwill recognized at opening balance sheet date amounted to 83,936,000 EUR and 41,025,000 EUR respectively. We considered the measurement of tangible and intangible fixed assets at fair value and goodwill recognized at opening balance sheet date to be a key audit matter given the magnitude of the amounts, management's judgment applied in the identification and valuation of these assets at fair value and the technical expertise required to determine these amounts.	We performed audit procedures on all opening balances, challenged and tested management's key assumptions applied in the purchase price allocations in arriving at the fair value of the assets acquired, the liabilities and contingent liabilities assumed and the resulting goodwill. With respect to the intangible assets related to customer portfolios and brand name, we challenged, with the support of our own valuation expert, the expected future cash flows and the discount rate. We also critically assessed the appropriateness of the useful lives assigned to the identified assets in relation to the expected use of these assets. With respect to the determination of the fair value of the tangible fixed assets based on external valuation reports, we critically assessed the methodology used and expertise level as well as challenged the outcome to market data. We also assessed the adequacy of the company's disclosure note 14 and 35 of the consolidated financial statements.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL, REGULATORY AND PROFESSIONAL REQUIREMENTS

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report.

RESPONSIBILITIES OF THE STATUTORY AUDITOR

As part of our mandate and in accordance with the Belgian standard complementary (Revised in 2018) to the International Standards on Auditing (ISA), our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report, as well as to report on these matters.

ASPECTS REGARDING THE DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for the period ended 31 December 2017 and it has been established in accordance with the requirements of article 119 of the Companies Code.

In the context of our statutory audit of the consolidated financial statements we are responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements and other information disclosed in the directors' report, i.e. chapter 1 to 4 of this annual report is free of material misstatements, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such a material misstatement. We do not express any kind of assurance on the annual report.

The non-financial information as required by article 119, § 2 of the Companies Code, has been disclosed in a separate chapter that is part of the annual report. This statement on non-financial information includes all the information required by article 119, § 2 of the Companies Code and is in accordance with the consolidated financial statements for the financial year then ended. The non-financial information has been established by the company in accordance with the GRI Standards. We do however not express any opinion on the question whether this non-financial information has been established, in all material respects, in accordance with these GRI Standards. Furthermore, we do not express any form of assurance conclusion on individual elements that have been disclosed in this non-financial information.

STATEMENTS REGARDING INDEPENDENCE

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the company during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit of the consolidated financial statements, as defined in article 134 of the Companies Code, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

OTHER STATEMENTS

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

Gent, 20 April 2018
The statutory auditor

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

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

terbeke

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