

Media release

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Ad-hoc publicity

The Bell Food Group sets its strategic direction mainly by the exit from German sausage business

The first half of 2019 was dominated by the sharp increase of raw material prices for meat in Europe, the organisational restructuring of Bell Germany and unfavourable weather conditions. At CHF 2.0 billion, adjusted sales revenue for the Bell Food Group was on a par with the prior-year period. With the commissioning in Austria of the most modern convenience facility in Europe, the Bell Food Group is further expanding its market position in the convenience segment.

At CHF 2.0 billion, the Bell Food Group's sales revenue adjusted for foreign currency, acquisition and restructuring effects for the first half of 2019 was on a par with the prior-year period. At 266.7 million kilograms, adjusted sales volume was up 2.2 percent on the previous year. The share of convenience products of the Bell Food Group's total sales revenue improved by around one percentage point to 27 percent.

Gross profit dropped by CHF 3.4 million to CHF 768.2 million. This includes the substantial increase in raw material prices for Bell Germany and Bell International, which depressed the gross profit by some CHF 6.0 million. Thanks to efficient cost management, personnel and overhead costs remained stable in operational terms year-on-year. At CHF 116.8 million, EBITDA for the first half of 2019 was down CHF 19.8 million on the same period in 2018. This includes pro rata one-off costs of CHF 10 million for the withdrawal from the German sausage market.

Adjusted for acquisition effects and including value adjustments of CHF 25.0 million for the German sausage business, depreciation and amortisation were up slightly on the prior-year period. Adjusted EBIT was therefore CHF 46.0 million. This includes exceptional costs relating to the development of raw material prices for pork as well as start-up and conversion costs of CHF 12.0 million. Including the restructuring costs of CHF 35.0 million relating to the sale of the sausage business in Germany, reported EBIT was CHF 11.0 million. Given the weaker euro exchange rate, the financial result of CHF –7.5 million was CHF 0.9 million less than in the previous year.

The effects of the Swiss voters' acceptance of the corporate tax initiative and changes to the rates for corporate income tax in several cantons are included in the "Taxes" item. The change in deferred taxes resulted in a one-off increase in tax expenses of CHF 2.0 million. Adjusted by the costs for the withdrawal from the German sausage business and one-off tax expenses, the half-

year result of CHF 27.4 million is down CHF 5.1 million on the prior-year period. Without the withdrawal costs and one-off tax expenses, the half-year result is CHF –9.6 million.

The balance sheet as at 30 June 2019 does not contain any material changes compared to the end of 2018. The equity ratio is 46.4% and the net financial liabilities amount to CHF 696.9 million. The Bell Food Group's balance sheet structure is thus very solid.

Bell Switzerland

At CHF 982.0 million, Bell Switzerland's sales revenue contracted slightly year-on-year (CHF –13.5 million, –1.4%). This decline is mainly due to the retail sales channel, which suffered a general contraction in 2019. Bad weather also meant a slow start to the barbecue season. At 61.7 million kilograms, sales volume was down 2.1 million kilograms (–3.3%) on the prior-year period.

The measures implemented in the previous year led to substantial improvements in the result for the first half of 2019. In spite of the contraction in the retail segment, gross profit improved, not least because of a further increase in domestic meat production. Combined with efficient cost management, Bell Switzerland managed to considerably improve its overall result on the previous year.

Bell Germany

Because of the conversion of the Bad Wünnenberg facility and a contracting retail market, Bell Germany's sales revenue of CHF 197.3 million was 22.0 percent less than in the previous year. Sales volume dropped by 11.4 million kilograms (–30.5%) to 25.9 million kilograms. This includes the loss of the Bad Wünnenberg volume as well as the deliberate exclusion of low-margin air-dried ham products.

The Bell Food Group announced its decision to sell Bell Germany's sausage business on 24 June 2019. In future, business in Germany will focus on expanding the Group's position in the segment for top-quality German and international air-dried ham products.

The new production plant for Serrano ham in Fuensalida near Madrid was commissioned as planned in the first half of 2019. Together with the existing plant in Casarrubios del Monte, Bell now has the capacity to produce more than one million Serrano hams per year. The Spanish product range is rounded off by Iberian specialities from the Extremadura facility. The Bell Food Group has thereby strengthened its air-dried ham expertise and can build on it further in future.

The production facility in Bad Wünnenberg is being converted into a plant for fresh convenience products during the course of 2019. Compared to the previous year, the conversion required planned additional expenses in the first half of the year of CHF 2.0 million. The Bell Food Group expects some CHF 8.0 million in additional costs for the full financial year, which is slightly less than anticipated.

Bell International

Bell International generated sales revenue of CHF 329.0 million, which is 3.8 percent or CHF 12.1 million more in currency-adjusted terms than in the previous year. Sales volume increased by 2.6 million kilograms (+3.2%) to 83.5 million kilograms in the first half of 2019.

All the country organisations of Bell International made progress in terms of sales revenue and sales volume compared to the previous year. High raw material prices for pork, however, led to a substantial increase in procurement costs. The measures to improve the results for Hubers' poultry business that were announced at the time of publication of the 2018 financial statements have also demonstrated their effects. After a successful start to the year, bad weather translated into weaker sales for the high-margin barbecue ranges.

Convenience

In the first half of 2019, sales revenue for the Convenience business area increased by CHF 33.2 million to CHF 548.9 million. Sales volume improved by 7.7 million kilograms to 99.4 million kilograms, partly because of the full-year effect of Sylvain & CO, which was taken over in May 2018. The Eisberg, Hilcona and Hügli divisions also continued to post organic growth. All three divisions benefited from the growth in retail and food service sales to their most important customers.

Eisberg's new facility in Marchtrenk (AT) took up production in the first half of 2019. Europe's most modern convenience plant has since been producing fresh convenience products for the Austrian and German markets every day. By the end of June, around half of all the planned production lines were in operation. The launch went as expected. The start-up costs depressed the operating result by some CHF 3.0 million compared to the previous year.

Outlook

As the Bell Food Group expects raw material prices for pork to remain high in 2019, we aim to increase prices further in the second half of 2019 and intend making additional operational progress in all business areas. The focus also falls on the commissioning of the new production plants, the conversion of the Bad Wünnenberg facility and the sale of the German sausage business. The Bell Food Group has thus taken a significant strategic step towards successful development and will continue to benefit from this step in future.

Key figures for the Bell Food Group for the first half

Sales revenue and sales volume

	2019	2018	+/-
<i>Sales revenue, reported</i>	2,023.0	2,062.1	
<i>Effect of foreign currency translation</i>	-	-27.3	
<i>Effect of acquisitions/restructuring</i>	-	-12.4	
Sales revenue, adjusted	2,023.0	2,022.4	+0.0 %
<i>Sales volume, reported</i>	266.7	268.3	
<i>Effect of acquisitions/restructuring</i>	-	-7.2	
Sales volume, adjusted	266.7	261.1	+2.2 %

Other key figures:

	2019	2019 adjusted*	2018
Net income in CHF m	1,985.7	-	2,020.0
EBITDA in CHF m	116.8	126.8	136.6
as % of net income	5.9 %	6.4 %	6.8 %
EBIT in CHF m	11.0	46.0	55.2
as % of net income	0.6 %	2.3 %	2.7 %
Half-year profit in CHF m	-9.6	27.4	36.3
as % of net income	-0.5 %	1.4 %	1.8 %
Total assets in CHF m	2,678.4	-	2,753.6
Equity ratio as % of net income	46.4 %		45.3 %
Number of employees FTE	12,163	-	11,878

*Adjusted figures

Other operating expenses include CHF 10.0 million and depreciation and amortisation of CHF 25 million for the sale of the German sausage business. Deferred taxes include a one-off increase of CHF 2.0 million owing to the tax reform in Switzerland. The adjusted key figures for the first half of 2019 take account of these items. Prior-year figures were not adjusted for any exceptional effects.

About the Bell Food Group

The Bell Food Group is one of the leading meat processors and convenience specialists in Europe. Its range of products includes meat, poultry, charcuterie, seafood and convenience products. With the brands Bell, Eisberg, Hilcona and Hügli, the Group meets a diversity of customer needs. Its customers include the retail trade as well as the food service sector and the food processing industry. Around 12,500 employees generate annual revenues of around CHF 4 billion. The Bell Food Group is listed on the Swiss stock exchange.