

Press Release November 20, 2014

Refresco Gerber reports strong operating results in Q3 2014

Third quarter highlights

- We recorded an adjusted EBITDA of €61.6 million, a significant improvement of 39.6% on the same quarter last year driven by merger synergies. Year to date adjusted EBITDA was €159.9 million compared to €109.4 million in the same period last year.
- Net profit for the quarter was €12.0 million compared to €10.0 million in Q3 2013 and net profit for year to date was €33.9 million compared to €6.8 million in the same period last year. Merger, restructuring and other one-time costs during the quarter totaled €8.2 million.
- Cash flow from operating activities totaled €68.6 million in Q3 2014 compared to €35.2 million in Q3 2013. Year to date cash flow amounted to €143.7 million compared to €46.8 million in the same period last year.
- A strong cash position of €107.5 million at the end of Q3 2014 (€113.6 million at the end of Q3 2013) reflects the higher results and more efficient working capital management despite a repayment of €75.0 million on our Revolving Credit Facility (RCF). The RCF was fully undrawn on September 30, 2014.
- We recorded a volume of 1,569.3 million litres and revenue of €529.7 million in Q3 2014, an increase of 15.0% and 28.6% compared to the same period last year. The increase in volume and revenue is fully related to the merger of Refresco and Gerber Emig completed in Q4 2013. Like-for-like volume decreased by 5.1% for the quarter and 2.2% year to date slightly below the total market.
- Gross profit margin per litre increased by 21.2% to 14.3 euro cents in Q3 2014. The improvement was realized by merger synergies, continued focus on more profitable volumes, the shift in product mix arising from the merger and slightly more favourable input costs.

Key figures (in millions of euros)

	Q3 2014	Q3 2013	YTD 2014	YTD 2013
Revenue	529.7	411.9	1,538.9	1,176.6
Sales in litres, millions of litres	1,569.3	1,364.3	4,581.8	3,839.8
Margin per litre, euro cents	14.3	11.8	14.1	12.0
Adjusted EBITDA	61.6	44.1	159.9	109.4
Merger, restructuring and other one-time costs	8.2	1.5	9.8	9.1
Operating profit	30.7	26.6	86.1	48.5
Net profit	12.0	10.0	33.9	6.8
Cash and cash equivalents at the end of the period	107.5	113.6	107.5	113.6

CEO Hans Roelofs

“We are pleased to report strong operating profits and cash flow for the third consecutive quarter. Operating performance also remains solid, driven by our proven strategy to selectively balance volumes and margins. Although this can occasionally impact volumes, choosing to focus on more profitable volumes ultimately pays off with a positive bottom line development.

We saw significant increase in volume and revenue due to last year’s merger although weak economic conditions in certain markets and poor weather conditions in August, severely impacted underlying volumes in August and September. This like-for-like decrease is slightly below the total West Europe soft drinks market however broadly in line with the market trends in regions and categories where we operate. Besides the volume effect in revenues, there is also a revenue reducing effect of more favourable input cost development, lowering the average selling price of products we manufacture.

Operationally we continue to strive for excellence and the integration of the two businesses is well on track to be completed before the end of 2015. Synergies are coming through faster than foreseen and costs are tightly under control across the business. We are confident we can maintain and continue our performance for the remainder of the year.

The successful merger has triggered the next phase of development for Refresco Gerber and we are currently actively exploring capital structure alternatives to support us in capturing the organic growth opportunities we see in Europe and growth through acquisitions in Europe and beyond.”

Group volume and revenue development

We recorded volume of 1,569.3 million litres and revenue of €529.7 million, an increase of 15.0% and 28.6% from the third quarter of 2013. On a like-for-like basis volume decreased by 5.1%. This volume decrease is slightly below the total soft drinks market in West Europe and reflects the impact of the poor weather conditions on our volumes in August and September, as well as weak economic conditions in certain markets. The total soft drinks market in West Europe¹ excluding Poland, decreased by 3.3% in volume terms in the third quarter of 2014 compared to the same period last year.

All markets, except for Italy and the Benelux, saw revenue increases during the quarter. Revenue in Italy was down compared to the third quarter of 2013 reflecting the poor weather, challenging economic conditions and tough competition in the local market. Revenue decline in the Benelux was mainly due to the continued weak retail revenue in the Netherlands during the third quarter. For both markets however market shares were kept. The revenue increase in Germany, France, UK and North East Europe was related to the merger.

Year to date revenue amounted to €1.538.9 million, an increase of 19.3% compared to the same period last year.

Revenue by location of sales (in millions of euros)

	Three months ended		Nine months ended	
	September 30		September 30	
	2014	2013	2014	2013
Benelux ²	115.3	126.5	336.6	369.8
Germany	118.3	86.3	341.3	255.3
France	81.6	67.8	245.4	196.3
UK	94.5	14.2	274.4	37.7
Iberia	43.1	43.2	118.0	113.4
Italy	37.0	45.3	110.8	120.1
North East Europe ³	39.9	28.6	112.4	84.0
Total revenue	529.7	411.9	1,538.9	1,176.6

¹ Canadean Quarterly Beverage Tracker West Europe Third Quarter 2014

² Part of the revenue decline in the Benelux relates to changes in reporting principles and to intercompany transfers

³ Poland and Finland

Sales in litres

	Three months ended		Nine months ended	
	September 30		September 30	
	2014	2013	2014	2013
Litres (millions)	1,569.3	1,364.3	4,581.8	3,839.8

Margin development

Gross profit margin per litre for the third quarter amounted to 14.3 euro cents compared to 11.8 euro cents in the same period last year. The increase reflects merger synergies, our strategy to focus on higher margin products and the shift in product mix arising from the merger. These factors were supported by slightly more favourable input costs.

Operating costs

Operating costs amounted to €194.1 million, an increase of €59.5 million from the third quarter of 2013. Operating costs for year to date increased by €143.6 million compared to the same period last year. Increases are fully related to the cost base of Gerber Emig.

Results of operations

Operating profit was €30.7 million compared to €26.6 million in the third quarter of 2013, this increase was driven by improved margins, synergies realized and lower overall costs in the underlying business.

The increase of €6.6 million in depreciation, amortization and impairment cost in the third quarter is mainly related to the Gerber Emig activities.

Adjusted EBITDA in the third quarter amounted to €61.6 million, an improvement of €17.5 million compared to the third quarter of 2013 supported by merger synergies.

Merger and restructuring costs of €4.8 million in the third quarter are related to restructuring costs in Germany and other one-time costs are due to advisory and legal costs, among others.

The operating profit year to date was €86.1 million compared to €48.5 million in the same period last year and adjusted EBITDA totaled €159.9 million year to date compared to €109.4 million in the same period last year.

Reconciliation of operating profit to adjusted EBITDA (in millions of euros)

	Three months ended		Nine months ended	
	September 30		September 30	
	2014	2013	2014	2013
Operating profit	30.7	26.6	86.1	48.5
Depreciation, amortization and impairment costs	22.7	16.1	64.0	51.8
EBITDA	53.4	42.7	150.1	100.3
Merger and restructuring costs	4.8	1.4	6.4	9.1
Other one-time costs	3.4	-	3.4	-
Adjusted EBITDA	61.6	44.1	159.9	109.4

Finance result

Finance income was consistent with the third quarter of 2013 at €0.0 million. Finance expenses amounted to €12.0 million compared to €11.5 million in the third quarter of 2013. The increase was mainly related to interest paid on the facilities used to finance the merger.

Net result

Net profit for the third quarter was €12.0 million compared to a net profit of €10.0 million for the third quarter of 2013. The improvement is related to a higher average margin level, synergies achieved and lower overall costs in the underlying business.

Net profit for the first nine months increased by €27.1 million and totaled €33.9 million compared to €6.8 million in the same period last year.

Balance sheet and financial position as of September 30, 2014

Balance sheet total amount was €1,662.5 million on September 30, 2014 compared to €1,237.0 million on September 30, 2013. The increase is related to the merger. Cash flow from operating activities totaled €68.6 million in Q3 2014 compared to €35.2 million in Q3 2013. Year to date cash flow amounted to €143.7 million compared to €46.8 million the same period last year.

Disposal of fixed assets of €21.0 million during the third quarter 2014 is related to the sale of Waibstadt manufacturing site and its inventory in Germany.

During the third quarter we repaid the remaining €75.0 million on our Revolving Credit Facility (RCF) and as at September 30, 2014 the RCF of €150.0 million was fully undrawn.

Capex spending was €13.0 million in the third quarter of 2014 compared to €7.8 million in the third quarter of 2013. The increase was mainly attributable to capex spending used for the integration of the two businesses. Capital expenditure is closely monitored in our program of rightsizing our manufacturing capacity and integration.

Due to efficient working capital management, we once again decreased our working capital which combined with the strong results during the quarter and the disposal of fixed assets, resulted in a solid cash position of €107.5 million at the end of the review period (€113.6 million at the end of Q3 2013). Working capital decreased by €18.2 million during the third quarter and €31.6 million year to date mainly due to the alignment of payment terms across the group.

Events subsequent to the third quarter

On November 11, we announced our intention to close Sant'Andrea manufacturing site in Italy and proposed transfer of capacity to other group-owned sites in Italy.

On November 13, we announced that Refresco Gerber and its shareholders have initiated a process to actively explore a new capital structure to support future growth.

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Next financial reporting

Refresco Gerber B.V. fourth quarter and full year 2014 result are scheduled for publishing on Thursday, March 26, 2015.

Notes to the editors:

About Refresco Gerber B.V.

Refresco Gerber is the leading European bottler of soft drinks and fruit juices for retailers and branded players with production in the Benelux, France, Germany, Iberia, Italy, the UK, Poland and Finland. The company has expected full year volumes and revenue of circa 6.0 billion litres and circa €2.0 billion, respectively. Refresco Gerber offers an extensive range of product and packaging combinations from 100% fruit juices to carbonated soft drinks and mineral waters in carton, PET, Aseptic PET, cans, pouches and glass. In addition to the efficiency of its bottling processes, the company also provides customers with total supply chain solutions – from planning and sourcing of raw materials and packaging through to warehousing and transportation.

Focused on innovation, Refresco Gerber continuously searches for new and alternative ways to improve the quality of its product and packaging combinations in line with consumer and customer demand, environmental responsibilities and market demand.

Refresco Gerber is headquartered in Rotterdam, the Netherlands and employs circa 4,700 staff.

General information

Refresco Gerber B.V. (“Refresco Gerber”) is domiciled in the Netherlands, with its registered office at Fascinatio Boulevard 270, 3065 WB Rotterdam. The activities of Refresco Gerber consist of bottling of soft drinks and fruit juices for retailers and A-brands. Sales and production are in all the main countries of Western Europe.

On November 11, 2013 the merger of Refresco Group B.V. and Pride Foods Limited (“Gerber Emig”) was completed and subsequently the name of the company was changed to Refresco Gerber B.V. The selected consolidated financial information in this document comprise the consolidated financial information of Refresco Gerber B.V. and its subsidiaries (together the “Group”). Like-for-like volume comparisons comprise of combined Refresco and Gerber Emig volumes in 2013 excluding Waibstadt manufacturing site in Germany that was sold in July 2014.

On May 16, 2011 the company issued aggregate principal amounts of €360 million in 7.375% senior secured notes and €300 million in senior secured floating rate notes (3 month EURIBOR + 400bps). The notes are due on May 15, 2018. The notes are listed on the Luxembourg Stock Exchange and have been admitted to trading on the Euro MTF market.

On May 16, 2011 the company entered into a €75 million revolving credit facility agreement (RCF) with seven European banks. In connection with the merger the RCF was extended to €150 million with six European banks. The maturity date of the RCF is May 16, 2017. RCF bears interest at a rate per annum equal to EURIBOR plus 3.0%. The costs per annum for maintaining the RCF are 1.2% of the undrawn facility.

The consolidated income statement, balance sheet, and cash flow statement are prepared in accordance with accounting and measurement recognition criteria of International Financial Reporting Standards, as adopted by the European Union.

The selected consolidated financial information presented in this quarterly report is un-audited.

The Tables section:

Consolidated income statement

Consolidated balance sheet

Consolidated cash flow statement

CONSOLIDATED INCOME STATEMENT
Refresco Gerber BV (in millions of euros)

	Three months ended		Nine months ended	
	September 30		September 30	
	2014	2013	2014	2013
Revenue	529.7	411.9	1,538.9	1,176.6
Other income	0.0	0.1	0.1	0.4
Raw materials and consumables used	(304.9)	(250.7)	(895.2)	(714.5)
Gross profit margin	224.8	161.3	643.8	462.5
Gross profit margin %	42.4%	39.1%	41.8%	39.3%
Gross profit margin per litre, euro cents	14.3	11.8	14.1	12.0
Employee benefits expenses	(57.9)	(38.6)	(170.6)	(120.2)
Depreciation, amortization and impairment costs	(22.7)	(16.1)	(64.0)	(51.8)
Other operating expenses	(113.5)	(80.0)	(323.1)	(242.0)
Operating costs	(194.1)	(134.7)	(557.7)	(414.0)
Operating profit / (loss)	30.7	26.6	86.1	48.5
Finance income	-	-	0.1	0.2
Finance expense	(12.0)	(11.5)	(37.5)	(33.9)
Net finance result	(12.0)	(11.5)	(37.4)	(33.7)
Profit / (loss) before income tax	18.7	15.1	48.7	14.8
Income tax (expense) / benefit	(6.8)	(5.1)	(16.8)	(8.0)
Result discontinued operations	0.1	-	2.0	-
Profit / (loss)	12.0	10.0	33.9	6.8
Profit attributable to:				
Owners of the company	12.2	10.0	34.2	6.8
Non-controlling interest	(0.2)	-	(0.3)	-
Profit / (loss)	12.0	10.0	33.9	6.8

CONSOLIDATED BALANCE SHEET
Refresco Gerber BV (in millions of euros)

	September 30	December 31	September 30
	2014	2013	2013
ASSETS			
Non-current assets			
Property, plant & equipment	507.2	525.4	364.9
Intangible assets	422.6	422.8	295.8
Financial fixed assets	5.6	5.9	5.9
Deferred tax	8.6	9.5	10.8
Total non-current assets	944.0	963.6	677.4
Current assets			
Inventories	200.5	214.2	177.7
Other current assets	410.5	358.0	268.3
Cash and cash equivalents	107.5	86.1	113.6
Total current assets	718.5	658.3	559.6
Total assets	1,662.5	1,621.9	1,237.0
EQUITY & LIABILITIES			
Equity			
Share capital	5.9	5.9	4.3
Share premium	440.7	440.7	259.8
Reserves	(126.0)	(103.9)	(98.7)
Profit / (loss) for the period	34.2	(28.4)	6.8
Total	354.8	314.3	172.2
Non-controlling interest	3.3	3.6	-
Total equity	358.1	317.9	172.2
Non-current liabilities			
Loans and borrowings	685.8	784.6	654.2
Derivatives	10.6	10.6	6.4
Provisions and deferred tax	53.3	52.5	38.1
Total non-current liabilities	749.7	847.7	698.7
Current liabilities			
Loans and borrowings	5.3	7.6	2.8
Trade and other payables	549.4	448.7	363.3
Total current liabilities	554.7	456.3	366.1
Total equity and liabilities	1,662.5	1,621.9	1,237.0

CONSOLIDATED CASH FLOW STATEMENT
Refresco Gerber BV (in millions of euros)

	Three months ended		Nine months ended	
	September 30		September 30	
	2014	2013	2014	2013
Operating profit	30.7	26.6	86.1	48.5
Adjustment for:				
Depreciation and amortization	22.7	16.1	64.0	51.8
Net change in fair value derivatives recognized in profit and loss and premiums paid	(2.8)	0.8	(3.7)	0.2
Discontinued operations	0.1	-	2.0	-
Financial income / (expense) paid	(5.3)	(5.0)	(30.5)	(28.3)
(Gain) / loss on sales of PPE		(0.1)	-	(0.4)
Income tax paid	(2.9)	(4.6)	(8.6)	(12.8)
Changes in working capital	18.2	2.3	31.6	(13.7)
Changes in provisions	7.9	(0.9)	2.8	1.5
Net cash flow from operating activities	68.6	35.2	143.7	46.8
Investment in property, plant and equipment	(12.9)	(7.7)	(39.0)	(24.5)
Investments in intangible assets	(0.1)	(0.1)	(0.1)	(0.2)
(Purchase) / sale of other investments	-	-	-	(2.0)
Disposal of fixed assets	21.0	-	21.7	0.4
Net cash flows from investing activities	8.0	(7.8)	(17.4)	(26.3)
Loans and borrowings	(0.5)	(0.6)	(2.2)	(2.4)
Repayment of Revolving Credit Facility	(75.0)	-	(100.0)	-
Net cash flows from financing activities	(75.5)	(0.6)	(102.2)	(2.4)
Translation adjustment	(0.9)	(0.4)	(2.1)	0.2
Movement in cash and cash equivalents	0.2	26.4	22.0	18.3
Cash and cash equivalents at beginning	107.3	87.2	85.5	95.3
Cash and cash equivalents at end	107.5	113.6	107.5	113.6
	0.2	26.4	22.0	18.3