Flash

Ter Beke

24 March 2009

Focus on profitability and debt reduction

Food Producers & Processors

Belgium

Current price € 35.90 **Hold**

Target price € 45.00 Rating Unchanged

Performance over	1m	3m	12m
Absolute	-7%	-10%	-34%
Rel. BEL20	-8%	-3%	38%

12m Hi/Lo	€ 55.00/35.90
Reuters	TERB.BR
Bloomberg	TERB BB
Market Cap	€ 62m
Next corporate event	
General Assembly 08: 28 May 2009	

FY/e 31.12	2008	2009E	2010E	2011E
Sales (€ m)	393.2	395.7	406.1	416.9
REBITDA (€ m)	29.8	30.9	32.8	34.5
Net earnings (€ m)	7.6	6.0	7.0	8.1
Diluted adj. EPS (€)	3.51	3.45	4.04	4.65
Dividend (€)	2.10	2.10	2.20	2.30
P/E	14.12	10.41	8.89	7.71
EV/REBITDA	5.52	4.28	3.77	3.37
Free cash flow yield	5.4%	20.2%	19.2%	18.5%
Dividend yield	4.2%	5.9%	6.1%	6.4%

Source: KBC Securities

Pascale Weber, CFA
Financial Analyst - Brussels
KBC Securities NV
+32 2 429 37 32
pascale.weber@kbcsecurities.be

Description: Ter Beke is specialized in chilled ready meals and processed meats and is the European market leader in chilled lasagna. The group is also the second largest processed meat slicer and pre-packer in Europe.

Investment arguments

- The 2008 results were disappointing. Sales (+7.2%) exceeded our forecasts but the EBITDA margin declined
- Sales of ready meals were stable. Processed meat sales excluding Berkhout declined slightly
- The REBIT margin declined from 3.3% to 2.9% as Ter Beke could not fully pass on rising raw material prices
- The group's new strategy focuses on improving profitability, shareholder value creation and lower debt

Ter Beke's 2008 REBIT came out 13% below our forecast as a result of the inability to pass on all the increases in raw material prices and the weaker £. As food retailers invest in prices to lure consumers, pressure on suppliers has mounted. Moreover, the trading down by consumers to food retailers' private label products is denting Come a Casa's sales.

Since 2H07, the group's focus has shifted from top-line growth to profitability and shareholder value creation. This resulted in debt reduction, a streamlining of the organisation, improved efficiency of the supply chain and production and client portfolio optimisation. These measures have started to bear fruit, as illustrated by the 215bps improvement of Ready Meals' REBIT margin in 2008. The disappointment came from Processed Meats, where soaring pork prices could not be passed on to consumers.

We see broadly flat current net profits this year as further pressure from retailers should be offset by declining raw material prices, lower financial expenses and further efficiency improvements. We are lowering our EPS forecasts for 2009 and 2010 by respectively 18% and 21% and maintain our Hold rating.

Business description

Ter Beke is a producer of chilled ready meals and processed meats. The group is Europe's leading producer of fresh lasagne and the second largest processed meat slicer and pre-packer, after German player Kemper. Ter Beke's 11 factories are located in Belgium, the Netherlands and France. The processed meat products are mainly sold in the Benelux and the UK, while the ready meals are sold throughout Europe. Ter Beke is the leading processed meat producer in Belgium. The main consumer brands are Come a Casa (chilled ready meals) and l'Ardennaise (processed meats). Customers include supermarket and hypermarket chains, wholesalers and foodservice companies.

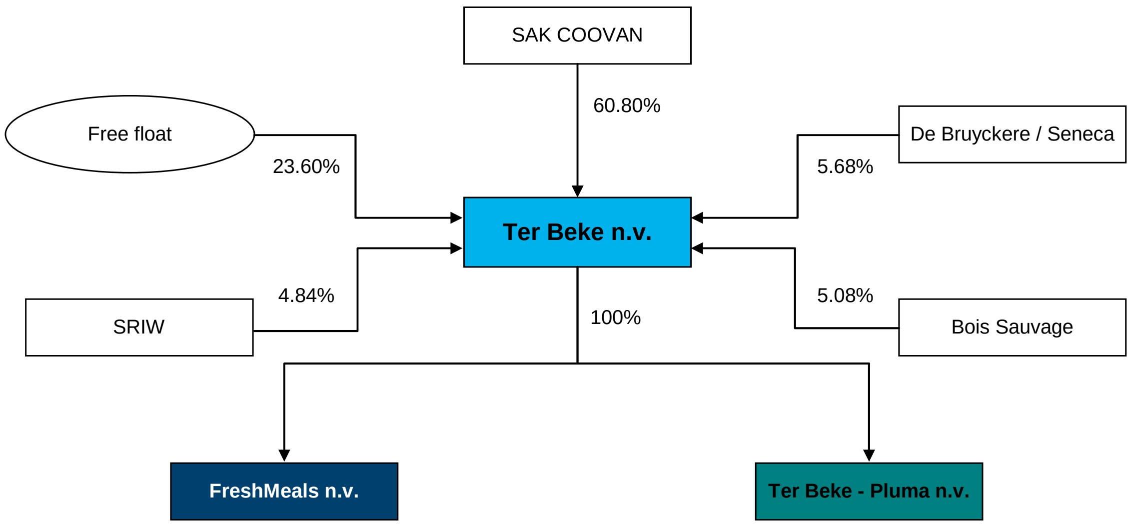
Ter Beke's two divisions

	FreshMeals	Ter Beke-Pluma
Products	Chilled ready meals (e.g. lasagna)	Processed meats and pâté. Slicing and packaging services.
Markets	Europe	Netherlands, Belgium, UK, Germany
Private label/brands	“Come a Casa” brand + private label products	Predominantly private-label products
Production sites	2 in Belgium, 1 in France	5 production sites in Belgium, 2 slicing centers in Belgium, 3 slicing centers in the Netherlands
Sales (2008)	€ 124m	€ 269m

Source: Ter Beke, KBC Securities

SAK Coovan detains the 60.80% stake of the founding families of Ter Beke and Pluma. Seneca and Luc De Bruyckere (Chairman) have a 5.68% stake. Other shareholders include SRIW (Wallonia Region) and Bois Sauvage (parent company of Bank Degroof).

Ter Beke's corporate and shareholder structure (30 May 2008)



Source: Ter Beke

FY08 results impacted by higher input prices and weaker £

Sales rose by 7.2% to € 393m in 2008 thanks to the contribution of Berkhout (12 month contribution in 2008 versus 4 in 2007). The EBITDA margin fell from 8.0% in 2007 to 7.6% in 2008. Higher raw material prices and the weaker £ had a negative impact of respectively € 4.6m and € 1.1m on EBITDA. Note that Ter Beke generates about € 20m in sales in the UK. REBIT fell by 6.7% to € 11.4m (our forecast: € 13.1m). Non-recurring items had a negative impact of € 3.4m on EBIT. These one-offs included impairment charges, provisions, redundancy costs and a positive outcome from an insurance matter. EBIT fell by 22% to € 8.0m. The net financial charge increased from € 3.9m to € 4.7m as a result of the Berkhout acquisition.

The group reported a positive tax result of € 4.4m in 2008 versus a € 0.3m tax charge in 2007. Last year, Ter Beke won a legal case in the Court of Appeal related to a dispute with the Belgian tax authorities over the deductibility of insurance premiums that Ter Beke has been paying since 1992 to a Belgian insurance company to cover certain risks. These risks are partly reinsured with a Luxembourg company that is owned by Ter Beke. The positive outcome of the litigation led to the reversal of a deferred tax liability (€ +12.8m). This was partly offset however by the reversal of some deferred tax assets (€ -7.9m).

Ter Beke's current net profits fell by 1.1% to € 6.09m (our forecast: € 6.43m) in 2008. Non-recurring items amounted to € 1.5m after tax.

The board proposes a flat gross DPS of € 2.1.

Ter Beke

€ m	2007	2008	% change	KBC Sec forecast
Sales	366.67	393.21	7.2%	388.55
EBITDA	29.27	29.87	2.0%	31.98
% of sales	8.0%	7.6%		8.2%
REBIT	12.19	11.38	-6.7%	13.14
% of sales	3.3%	2.9%		3.4%
EBIT	10.24	7.95	-22.3%	13.14
% of sales	2.8%	2.0%		3.4%
Financial result	-3.89	-4.71	20.9%	-4.33
Pretax profit	6.35	3.24	-48.9%	8.81
Taxes	-0.28	4.36		-2.38
Tax rate	-4.4%	134.6%		-27.0%
Net profits	6.07	7.60	25.3%	6.43
Current net profits	6.16	6.09	-1.1%	6.43
Avg nb shares (m)	1.727	1.732		1.738
Current EPS* (€)	3.55	3.51	-1.1%	3.70
Net debt	71.7	69.9	-2.5%	71.0
Gearing	96.3%	89.4%		92.0%
Net debt/REBITDA	2.4	2.3		2.2
REBITDA/fin result	7.5	6.3		7.4

Source: Ter Beke, KBC Securities ** Fully diluted*

Processed meats: FY08 margins hit by soaring raw material prices

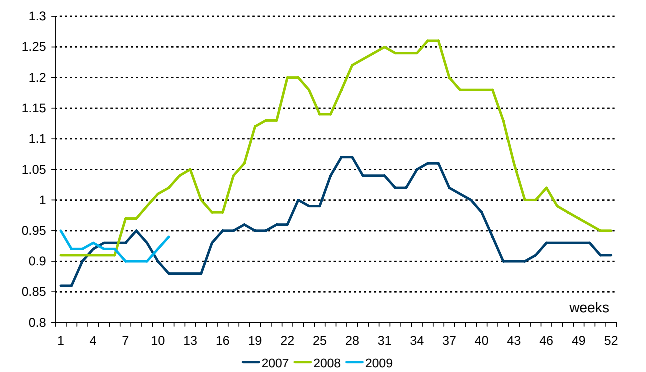
This division has two activities: processed meat (e.g. cooked ham, salami) production and service activities consisting of slicing and pre-packaging. Processed meat consumption stagnates in the Benelux and the food retail groups continue to gain market share to the detriment of the traditional channel (mainly butchers). This explains the growing share of sliced and pre-packaged products. Ter Beke entered the slicing and pre-packaging segment in 1996 through the Heku acquisition. The group then became the second largest processed meat slicer and pre-packer in Europe following the acquisition of Langeveld/Sleegers in 2005 and Berkhout Verssnijlijn in 2007. Slicing and pre-packaging of meat originating from other producers represents about 1/3 of divisional sales.

Divisional sales were up 11.1% last year, largely thanks to the 12-month contribution of Berkhout (since September 2007) and growth in the slicing and pre-packaging segment. These positive factors were partly offset however by weaker Christmas sales in the UK, the termination of some low-margin volume contracts and lower demand from the traditional channel.

REBITDA fell 14% from € 18.79m in 2007 to € 16.16m in 2008 as a result of higher raw material prices that could not be passed on and the weakening £. The REBIT margin fell from 4.02% to 2.27%. Depreciation rose as a result of the Berkhout acquisition and investments including the transfer of the poultry processed meat production from Ruiselede to Waarschoot and modernisation and expansion of the slicing- and packaging facilities. Further integration of the slicing activities will be pursued this year.

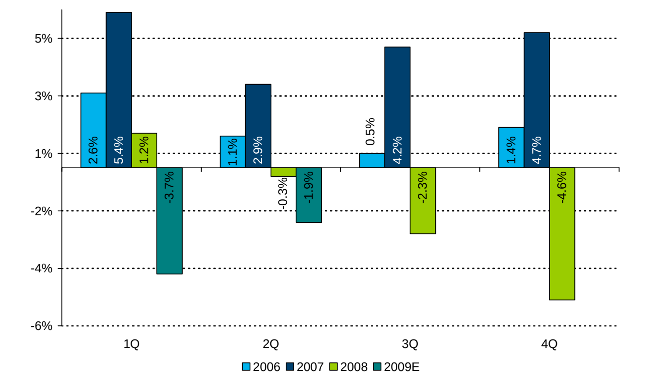
In 2008, the sharp rise in animal nutrition prices led to lower pork production in Europe as shown below. The average pork price was about 15% higher in comparison with 2007. Prices have come down since November as a result of the economic crisis.

Pork prices (€/kg) - Westvlees



Source: www.fierens.be

Pork meat production in Europe (y/y % change)



Source: EU Agricultural Directorate

Campofrio Food Group (Bloomberg: CPF SM), the company created by the merger between Group Smithfield and Campofrio, is Ter Beke's main rival in the processed meat sector. On a pro forma basis, CPF's comparable sales rose by 1% last year but EBITDA fell by 26% due to the above-mentioned rise in raw material prices.

Ready Meals: focus on profitability pays off

In the past, the group was focused on processed meats in the Benelux, but in 1993 the decision was made to diversify into chilled ready meals. Acquisitions (Vamos, Pronto, Di Pasto) followed and a retail brand, Come a Casa, was launched in 2002.

Until the end of 2006, Ter Beke's Ready Meals division pursued growth at the expense of profitability in France. This led to high marketing costs to promote Come a Casa and the signing of low-margin contracts. In 2007 Ter Beke started to focus on client and product portfolio optimisation in an effort to improve profitability. This led to the renegotiation and termination of several sizeable contracts in France and layoffs. The restructuring program was completed by the beginning of July 2008.

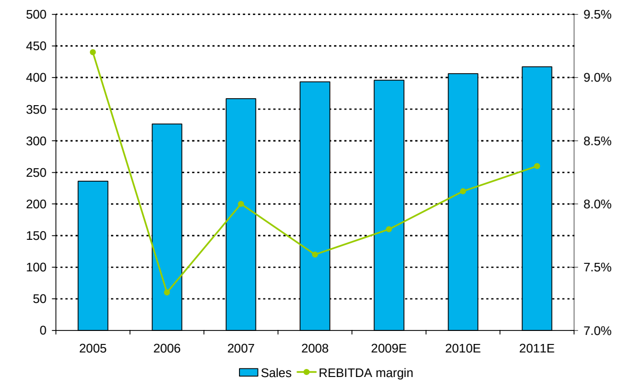
Divisional sales declined by only 0.3% in 2008 despite the termination of the above-mentioned low margin contracts. The REBIT margin improved sharply however from 4.23% in 2007 to 6.38% in 2008.

Several peers of Ter Beke's Ready Meals division are struggling. For example, Uniq, the UK chilled and frozen food producer, announced that it may sell its non-British assets, while Fleury Michon, the French ready meals and processed meats producer, is expected to announce a sharp fall in FY08 operating profits.

Outlook: focus on efficiency improvement and net debt reduction

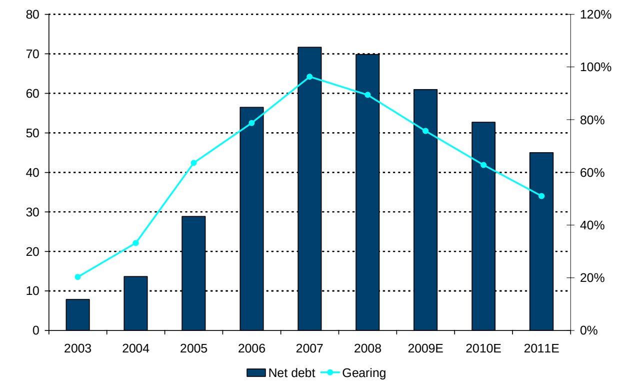
For this year, we forecast sluggish sales growth (0.6%) and a 20bp improvement in the REBITDA margin thanks to further productivity improvements and easing raw material prices. Over time, management aims at a sustainable REBITDA margin of 12-13% for Ready Meals and 7-8% for Processed Meats. Financial charges should start to decline this year thanks to lower net debt. Capex will be cut from € 18m in 2008 to € 13m in 2009. We've lowered our tax rate assumptions following the positive outcome of the litigation with the Belgian tax authorities.

Sales (€ m) and REBITDA margin (%)



Source: Ter Beke, KBC Securities

Net debt (€ m) and gearing (%)



Source: Ter Beke, KBC Securities

KBC Securities

Forecasts per division

€ m	2005	2006	2007	2008	2009E	2010E	2011E
Sales							
Processed meats	130.06	206.11	242.48	269.41	269.41	274.80	280.30
Ready meals	106.18	120.60	124.19	123.79	126.27	131.32	136.57
Total	**236.24**	**326.72**	**366.67**	**393.21**	**395.68**	**406.12**	**416.87**
Sales growth %							
Processed meats	35.7%	58.5%	17.6%	11.1%	0.0%	2.0%	2.0%
Ready meals	1.9%	13.6%	3.0%	-0.3%	2.0%	4.0%	4.0%
Total	**18.1%**	**38.3%**	**12.2%**	**7.2%**	**0.6%**	**2.6%**	**2.6%**
REBITDA							
Processed meats	11.55	16.79	18.79	16.16	16.97	18.14	19.06
Ready meals	12.33	10.24	13.02	15.80	16.12	16.94	17.75
Non-allocated costs	-2.24	-3.05	-2.54	-2.15	-2.22	-2.28	-2.35
Total	**21.63**	**23.98**	**29.27**	**29.81**	**30.87**	**32.79**	**34.46**
REBITDA margin							
Processed meats	8.9%	8.1%	7.7%	6.0%	6.3%	6.6%	6.8%
Ready meals	11.6%	8.5%	10.5%	12.8%	12.8%	12.9%	13.0%
Total	**9.2%**	**7.3%**	**8.0%**	**7.6%**	**7.8%**	**8.1%**	**8.3%**
REBIT							
Processed meats	8.24	8.35	9.75	6.11	6.20	7.14	7.85
Ready meals	5.02	3.70	5.25	7.90	7.91	8.54	9.15
Non-allocated costs	-2.56	-3.45	-2.81	-2.63	-2.82	-2.98	-3.15
Total	**10.70**	**8.61**	**12.19**	**11.38**	**11.29**	**12.70**	**13.85**
REBIT margin							
Processed meats	6.33%	4.05%	4.02%	2.27%	2.30%	2.60%	2.80%
Ready meals	4.73%	3.07%	4.23%	6.38%	6.26%	6.50%	6.70%
Total	**4.53%**	**2.63%**	**3.33%**	**2.89%**	**2.85%**	**3.13%**	**3.32%**
Non-recurring							
Processed meats	-	1.50	-0.85	-0.06	-	-	-
Ready meals	-	-	-1.10	-3.36	-	-	-
Non-allocated costs	-	-	-	-	-	-	-
Total	-	**1.50**	**-1.95**	**-3.43**	**-**	**-**	**-**
EBIT							
Processed meats	8.24	9.85	8.90	6.05	6.20	7.14	7.85
Ready meals	5.02	3.70	4.15	4.54	7.91	8.54	9.15
Unallocated costs	-2.56	-3.44	-2.81	-2.63	-2.82	-2.98	-3.15
Total	**10.70**	**10.11**	**10.24**	**7.95**	**11.29**	**12.70**	**13.85**
EBIT margin							
Processed meats	6.33%	4.78%	3.67%	2.25%	2.30%	2.60%	2.80%
Ready meals	4.73%	3.07%	3.34%	3.66%	6.26%	6.50%	6.70%
Total	**4.53%**	**3.09%**	**2.79%**	**2.02%**	**2.85%**	**3.13%**	**3.32%**

Source: Ter Beke, KBC Securities

Ter Beke: forecasts

	2008	2009E Old	2009E New	2010E Old	2010E New	2011E New
Sales	393.21	398.85	395.68	423.42	406.12	416.87
% change	7.2%	1.4%	0.6%	6.2%	2.6%	2.6%
EBITDA	29.87	33.74	30.87	34.98	32.79	34.46
EBITDA margin	7.6%	8.5%	7.8%	8.3%	8.1%	8.3%
REBIT	11.38	14.36	11.29	16.12	12.70	13.85
REBIT margin	2.9%	3.6%	2.9%	3.8%	3.1%	3.3%
Non-recurring	-3.43	-	-	-	-	-
EBIT	7.95	14.36	11.29	16.12	12.70	13.85
EBIT margin	2.02%	3.6%	2.9%	3.8%	3.1%	3.3%
Net financial result	-4.72	-4.23	-4.25	-3.73	-4.15	-3.75
Pretax	3.24	10.13	7.04	12.40	8.55	10.10
Taxes	4.36	-2.84	-1.06	-3.47	-1.54	-2.02
Tax rate	134.6%	-28.0%	-15.0%	28.0%	-18.0%	-20.0%
Net profits	7.60	7.29	5.99	8.93	7.01	8.08
Current net profits	6.09	7.29	5.99	8.93	7.01	8.08
Avg number shares (m)	1.732	1.738	1.732	1.727	1.732	1.732
Current EPS (€)*	3.51	4.20	3.45	5.14	4.04	4.65
% change	-1.1%	19.7%	-1.7%	22.3%	17.1%	15.2%

Source: Ter Beke, KBC Securities ** fully diluted*

Positives

- In the middle of 2007, Ter Beke began a process of self-examination that triggered a shift of focus from top-line growth to profitability, which in turn led to drastic restructuring of the French operations, a simplification of the corporate structure and the termination of unprofitable volume contracts. The REBIT margin of Ready Meals improved from 4.2% in 2007 to 6.4% in 2008 on the back of these initiatives. The group will continue to focus on improvements to the production process and supply chain efficiency. For example, management believes that there is scope to increase the production of the Belgian Ready Meals factories without extra investments thanks to optimised production allocation.

- The group's financial gearing fell from 96% in 2007 to 89% in 2008 but the REBITDA/financial result multiple deteriorated from 7.5x to 6.3x. Ter Beke's management aims to reduce gearing to 75% by the end of 2009.

- About 50% of Processed Meat's turnover is relatively insensitive to fluctuating raw material prices thanks to the growing importance of the service activities (slicing and pre-packaging for third parties). Ter Beke's expertise in packaging of processed meat could be used in other products, which could create new business opportunities for the group.

- We anticipate that excess capacity in the processed meats and ready meals industry will disappear during the current macro-economic downturn as producers restructure or close down.

- This year, Ter Beke should benefit from easing raw material prices. With the exception of tomatoes, Ter Beke does not buy forward raw materials.

- Ter Beke continues to focus on innovation. For example, last year an agreement was reached with Weight Watchers® for the production of pasta meals and pizzas for the Belgian market.

Negatives

- Ter Beke is an illiquid stock with a relatively small free float.

- Demand for processed meats is stagnant at best in the Benelux. Demand for pre-packaged products is still growing but bulk product sales are declining. This has led to a shift in the customer base from wholesalers who supply the butchers to food retail chains, whose purchasing power is significantly higher than that of wholesalers.

- Consumers are trading down from producer brands such as Ter Beke's Come a Casa to private label brands of the food retailers. Come a Casa posted a slight decline in sales last year.

- Competition is tough on the chilled pasta market as a result of overcapacity in the low-end (discount products). Small private-label players such as Normandie Plats Cuisinés are experiencing financial difficulties and have been undercutting selling prices in order to improve their capacity utilisation. Note that Ter Beke is increasingly focused on quality products in an effort to differentiate itself and to safeguard margins.

- As food retailers invest in prices to lure consumers, pressure on suppliers is rising.

Financial data

Income statement (€ m)	2005	2006	2007	2008	2009E	2010E	2011E
Sales	236.2	326.7	366.7	393.2	395.7	406.1	416.9
Gross profit	122.2	166.6	180.8	181.0	183.2	189.2	195.0
EBIT	10.7	10.1	10.2	8.0	11.3	12.7	13.8
Pre-tax earnings	9.3	7.7	6.3	3.2	7.0	8.6	10.1
Net earnings	5.9	6.0	6.1	7.6	6.0	7.0	8.1
EBITDA	21.6	24.0	29.3	29.9	30.9	32.8	34.5
REBITDA	21.6	24.0	29.3	29.8	30.9	32.8	34.5
REBITA	10.7	8.6	12.2	11.4	11.3	12.7	13.8

Balance sheet (€ m)	2005	2006	2007	2008	2009E	2010E	2011E
Intangible assets	20.1	28.2	40.7	37.8	37.8	37.8	37.8
Tangible assets	61.5	103.2	116.0	112.4	105.9	100.8	97.1
Financial assets	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Net other assets & liabilities	2.1	3.1	3.1	0.0	0.0	0.0	0.0
Net working capital	4.4	15.4	6.4	6.8	6.9	7.1	7.3
Net debt	28.9	56.5	71.7	69.9	61.0	52.7	45.0
Provisions	14.0	21.7	20.2	9.2	9.2	9.2	9.2
Minorities	-	-	-	-	-	-	-
Equity	45.4	71.7	74.4	78.1	80.5	83.9	88.1
Capital employed	88.1	149.7	166.1	157.1	150.5	145.6	142.2
TOTAL ASSETS	134.4	208.2	247.8	239.4	233.8	231.2	230.6

Cash flow statement (€ m)	2005	2006	2007	2008	2009E	2010E	2011E
Cash flow from operations	12.1	11.9	29.7	22.9	25.5	26.9	28.5
Net capital expenditure	-12.9	-18.1	-20.1	-18.3	-13.0	-15.0	-17.0
Free cash-flow	-0.8	-6.2	9.6	4.6	12.5	11.9	11.5
Acquisitions / disposals	-11.6	-5.0	-12.0	0.9	0.0	0.0	0.0
Dividend payments	-1.8	-2.9	-3.6	-3.5	-3.6	-3.6	-3.8
Shares issues	0.2	0.5	0.3	0.2	0.0	0.0	0.0
New borrowings / reimbursements	13.8	13.7	10.3	-3.9	-8.4	-8.0	-7.0
Other	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN CASH & EQUIVALENTS	-0.3	0.1	4.5	-1.8	0.5	0.3	0.7

Performance criteria	2005	2006	2007	2008	2009E	2010E	2011E
Sales growth	18.1%	38.3%	12.2%	7.2%	0.6%	2.6%	2.6%
Gross margin	51.7%	51.0%	49.3%	46.0%	46.3%	46.6%	46.8%
REBITDA margin	9.2%	7.3%	8.0%	7.6%	7.8%	8.1%	8.3%
REBITA margin	4.5%	2.6%	3.3%	2.9%	2.9%	3.1%	3.3%
EBIT margin	4.5%	3.1%	2.8%	2.0%	2.9%	3.1%	3.3%
Net debt / Equity + Minorities	63.6%	78.7%	96.3%	89.4%	75.7%	62.8%	51.0%
Net debt / EBITDA	1.33	2.35	2.45	2.34	1.97	1.61	1.31
EBITDA / net interest	15.82	10.12	7.51	6.34	7.27	7.91	9.20
Pay-out ratio	48.3%	60.6%	59.9%	47.9%	60.8%	54.4%	49.3%
= Return on Equity (avg)	13.8%	10.2%	8.3%	10.0%	7.5%	8.5%	9.4%
Return on Capital Employed (avg)	8.8%	6.6%	6.2%	11.5%	6.2%	7.0%	7.7%

Per share data (€)	2005	2006	2007	2008	2009E	2010E	2011E
weighted average # shares, diluted	1,401,84	1,615,21	1,735,11	1,736,18	1,736,36	1,736,36	1,736,36
Basic EPS	4.35	3.76	3.51	4.39	3.46	4.05	4.67
Diluted EPS	4.24	3.70	3.49	4.38	3.45	4.04	4.65
Diluted, adjusted EPS	4.24	2.77	3.55	3.51	3.45	4.04	4.65
Net book value / share	33.16	41.65	43.04	45.13	46.48	48.43	50.90
Free cash flow / share	-0.58	-3.91	5.55	2.65	7.23	6.89	6.65
Dividend (€)	2.10	2.10	2.10	2.10	2.10	2.20	2.30

Valuation data	2005	2006	2007	2008	2009E	2010E	2011E
Reference share price (€)	66.30	65.59	64.37	49.51	35.90	35.90	35.90
Reference market capitalisation (€)	90.8	113.0	111.4	85.8	62.2	62.2	62.2
Enterprise value (€ m)	133.0	190.5	202.9	164.5	132.0	123.7	116.0
P/E	15.6	23.7	18.1	14.1	10.4	8.9	7.7
EV/sales	0.6	0.6	0.6	0.4	0.3	0.3	0.3
EV/EBITDA	6.1	7.9	6.9	5.5	4.3	3.8	3.4
EV/Capital employed	1.5	1.3	1.2	1.0	0.9	0.8	0.8
P/ NBV	2.0	1.6	1.5	1.1	0.8	0.7	0.7
Free cash flow yield	-0.9%	-5.5%	8.6%	5.4%	20.2%	19.2%	18.5%
Dividend yield	3.2%	3.2%	3.3%	4.2%	5.9%	6.1%	6.4%

Source: KBC Securities

*Historic valuation data are based on historic prices

Disclosure & Disclaimers section

The company disclosures can also be consulted on our website http://www.kbcsecurities.be/disclosures.

KBC Securities uses an absolute rating system including terms such as Buy, Accumulate, Hold, Reduce and Sell (see definitions below).

Stock rating	Definition
BUY	Expected total return (including dividends) of 10% or more over a 6-month period
ACCUMULATE	Expected total return (including dividends) between 0% and 15% over a 6-month period
HOLD	Expected total return (including dividends) between -5% and 5% over a 6-month period
REDUCE	Expected total return (including dividends) between –15% and 0% over a 6-month period
SELL	Expected total return (including dividends) of -10% or worse over a 6-month period

Due to external factors and in exceptional cases, KBC Securities allows the use of ratings such as Accept the Offer, Black Out, No Recommendation or Suspended.
Our analysts assign one of those ratings based on their investment outlook and valuation for the concerned stock. The valuation can be based on different methodologies such as DCF (discounted cash flow), absolute multiples, peer group multiples, sum-of-parts or NAV (Net Asset Value). The valuation is reflected in a 6-month target price. Occasionally, the expected total return may fall outside of these ranges because of price movement and/or volatility. Such deviations will be permitted but will be closely monitored. Investors should carefully read the definitions of all ratings used in each research report. In addition, since the report contains more complete information concerning the analyst's view, investors should carefully read the entire report and not infer its contents from the rating alone. KBC Securities discloses the recommendations of its reports to the issuers before their dissemination. In case the recommendation has been amended following this disclosure, such amendments will be indicated in the concerned report.

Stock rating	% of covered universe	% of covered universe with investment banking relationship during last year
BUY	39.00%	0.00%
ACCUMULATE	39.00%	0.00%
HOLD	18.00%	0.00%
REDUCE	4.00%	0.00%
SELL	0.00%	0.00%

Ter Beke is specialized in chilled ready meals and processed meats and is the European market leader in chilled lasagna. The group is also the second largest processed meat slicer and pre-packer in Europe.
The price target for Ter Beke is based on following parameters: Peer Group Multiples, Sum of Parts
The risks which may impede the achievement of our price target are: Food scares. Increasingly stringent health regulation. Price pressure from retailers. Margin squeeze on the back of soaring raw material prices.

Below is an overview of the stock ratings and target price history in the last 12 months for the stock described in this report.

Date	Rating	Target price
20-FEB-09	Hold	€ 45.00
29-SEP-08	Accumulate	€ 60.00
23-APR-08	Accumulate	€ 64.00

KBC Securities will provide periodic updates on companies/industries based on company-specific developments or announcements, market conditions or any other publicly available information.

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KBC Securities NV
Havenlaan 12
Avenue du Port
1080 Brussels
Belgium
+32 2 417 44 04
Regulated by CBFA

KBC Securities French Branch
Le Centorial
18, rue du Quatre Septembre
75002 Paris
France
+33 1 53 05 35 55
Regulated by AMF

KBC Financial Products UK Ltd
111 Old Broad Street
London EC2N 1FP
UK
+44 20 7614 6000
Regulated by FSA

KBC Financial Products
140 East 45th Street
2 Grand Central Tower
42nd Floor
NY 10017-3144 New York
US
+1 212 845 22 89
+1 866 917 88 88 (toll free)
Regulated by NASD

KBC Securities NV Polish Branch
ul. Chmielna 85/87
00-805 Warsaw
Poland
+48 22 581 08 00
Regulated by PFSA

KBC Securities NV Hungarian Branch
7/8 Roosevelt square
1051 Budapest
Hungary
+361 483 4005
Regulated by PSZAF

KBC Securities Romania
11-15 Tipografilor Street
S-Park A2 Building
Bucharest-1
Romania
+40 21 40 84 200
Regulated by CNVM

Patria Finance as
Jungmannova 24
110 00 Praha 1
Czech Republic
+420 221 424 111
Regulated by CNB

KBC Securities Ukraine
Illinskaya 8
04070 Kiev
Ukraine
+38 044 495 49 00
Regulated by USSMS

BDD KBC Securities a.d.
Cincar Jankova 3
11000 Belgrade
Serbia
+381 11 21 80 856
Regulated by SSEC

KBC Securities
Baltic Investment Company
16 Basteja Blvd.
Riga LV-1050
Latvia
+371 67212400

KBC Securities NV Bulgarian Branch
22 Gotze Delchev Blvd, Entr. 2
1404 Sofia
Bulgaria
Tel: +359 2 858 33 11
Regulated by FSC

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