



8 March 2007

Hold

vs Accumulate

Share price*: EUR 67.99

Fair value: EUR 68.60

Reuters/Bloomberg TERB.BR/TERB.BB

Accounting Standard/Since IFRS/2005

Market capitalisation (EURm) 117.0

No. of shares (m) 1.7

Free float 28.1%

Daily avg. no. trad. sh. 12 mth 800

Daily avg. trad. vol. 12 mth (m) 0.05

Price high 12 mth (EUR) 68.50

Price low 12 mth (EUR) 63.80

Abs. perf. 1 mth -0.2%

Abs. perf. 3 mth 4.6%

Abs. perf. 12 mth 5.4%

(EUR) 12/06 12/07e 12/08e

Sales (m) 327 359 369

EBITDA (m) 24.0 31.9 33.7

EBITDA margin 7.3% 8.9% 9.1%

EBIT (m) 10.1 11.8 13.0

EBIT margin 3.1% 3.3% 3.5%

Net Profit (adj.)(m) 6.0 6.2 7.2

ROCE 7.7% 5.4% 5.8%

Net debt/(cash) (m) 58 61 59

Debt Equity 80.9% 83.6% 78.2%

Debt/EBITDA 2.4 1.9 1.8

Int. cover(EBITDA/Fin. int) 10.1 12.4 13.4

EV/Sales 0.5 0.5 0.5

EV/EBITDA 7.2 5.7 5.3

EV/EBIT 17.1 15.3 13.7

P/E (adj.) 17.4 18.9 16.3

P/BV 1.5 1.6 1.6

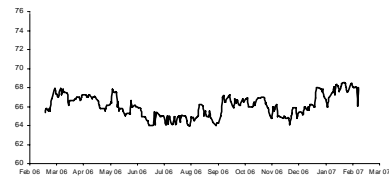
OCF yield -22.9% 3.8% 5.8%

Dividend yield 4.1% 4.1% 4.1%

EPS (adj.) 3.76 3.59 4.17

BVPS 45.16 42.41 43.79

DPS 2.80 2.80 2.79



Source: Datastream

Shareholders: COOVAN 55%; Seneca (LDB) 6%; Bois Sauvage 5%; SRW 5%; VDK 1.06%;

*closing price as of 07/03/2007

FY06 results showing disappointing operating margins

FY06 results

Ter Beke's total turnover increased by 38.3% to EUR 327m vs. EUR 319m expected thanks to continued strong sales growth. However, as expected operating margins were affected mainly by increasing raw material & energy prices and considerable extra expenditures related to the integration of Pluma. EBIT (EUR 10.1m, down 7.4%) and EBITDA (EUR 24.0m, down 7.5%) remained below our estimates and only thanks to partly one-off favourable tax effects Ter Beke's bottom line came out as expected at EUR 6.0m.

Two new legal divisions

Ter Beke has two core activities: processed meats and ready meals, for which the company has developed a different growth strategy. In order to make them operationally independent Ter Beke created a new division structure: Ter Beke-Pluma as regards to activities relating to processed meats and FreshMeals for activities relating to fresh ready meals. This split-up might be the preamble of a corporate action on one of the BUs.

External growth

After last year's merger with Pluma, Ter Beke's processed meats division Ter Beke-Pluma has acquired the UK based company SDF Foods, which will be consolidated as from January 1st 2007. The company offers sales, marketing, logistics and administration services to food manufacturing companies wishing to sell in the UK food market. Moreover, very recently Ter Beke stated that it is examining the possible acquisition of the French company Normandie Plats Cuisinés, a producer of fresh pasta meals.

Growth combined with stable cash flows

Both of Ter Beke's main divisions offer interesting growth opportunities. Consumption of fresh ready meals is evolving positively and offers potential for further development in Benelux and France.

Conclusion

As our last update of the valuation model leads to a fair value per Ter Beke share of EUR 68.6 (revised downwards from EUR 71.0), it leaves only very limited upward potential. On an earnings base, Ter Beke seems to be valued in line with peers to slightly overvalued. Taking into account the very limited upside potential **we revise our recommendation from Accumulate rating to Hold.**

Company description

Ter Beke is a Belgian food group specializing in the development, production and sale of fresh ready meals and processed meats.

The group is selling its range of products in 10 European countries. Its processed meats division Ter Beke-Pluma manufactures fine processed meats for the Benelux and pâté for Germany and the UK. The ready meals division FreshMeals produces fresh ready meals for the European market and is market leader for fresh lasagne in Europe. Its flagship brand name is "Come a Casa".

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Valuation

Two methods have been used for the valuation of Ter Beke:

- A valuation based on the discounted free cash flows and
- A peer group comparison

Given the current market parameters, these valuation models (see detail below) lead to a fair value of EUR 118m or EUR 68.6 per share.

DCF valuation

The DCF valuation points to a theoretical value of equity of EUR 118m or EUR 68.6 per share. We discounted at a WACC of 7.01% (beta of 1.14, a risk free rate of 4.5% and a market risk premium of 4.0%). Furthermore, we used a 9-year explicit forecast period. A conservative long-term growth rate of 1.5% (from 2016 onwards) was applied to the NOPLAT in calculating Ter Beke's discounted terminal value.

DCF calculations

CASH FLOW (EUR m)	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net Sales	358.9	368.6	379.9	391.6	403.8	416.4	429.5	439.7	444.1
% change	9.9%	2.7%	3.1%	3.1%	3.1%	3.1%	3.1%	2.4%	1.0%
EBITDA	31.9	33.7	35.9	37.8	39.8	42.0	43.4	43.9	42.8
% margin	8.9%	9.1%	9.4%	9.6%	9.9%	10.1%	10.1%	10.0%	9.6%
% change	33.0%	5.5%	6.5%	5.4%	5.4%	5.4%	3.4%	1.3%	-2.6%
Depreciation & other provisions	20.1	20.6	20.6	20.6	20.7	21.1	21.6	22.0	22.6
% sales	5.6%	5.6%	5.4%	5.3%	5.1%	5.1%	5.0%	5.0%	5.1%
EBITA	11.8	13.0	15.3	17.2	19.1	20.8	21.7	21.9	20.2
% margin	3.3%	3.5%	4.0%	4.4%	4.7%	5.0%	5.1%	5.0%	4.6%
% change	16.5%	10.8%	17.2%	12.3%	11.2%	9.2%	4.3%	0.7%	-7.6%
Taxes	-3.5	-3.9	-4.6	-5.1	-5.7	-6.3	-6.5	-6.6	-6.1
Normative tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Actual tax rate									
NOPLAT	8.2	9.1	10.7	12.0	13.4	14.6	15.2	15.3	14.2
Depreciation & other provisions	20.1	20.6	20.6	20.6	20.7	21.1	21.6	22.0	22.6
% sales	5.6%	5.6%	5.4%	5.3%	5.1%	5.1%	5.0%	5.0%	5.1%
Gross Operating Cash Flow	28.4	29.7	31.3	32.6	34.1	35.7	36.9	37.4	36.7
Capex	-20.0	-20.4	-20.8	-21.2	-21.6	-22.1	-22.5	-23.0	-22.6
% sales	5.6%	5.5%	5.5%	5.4%	5.4%	5.3%	5.2%	5.2%	5.1%
Change in Net Working Capital (=incr.;+=decr.)	-1.8	-0.5	-0.6	-0.7	-0.7	-0.7	-0.7	-0.6	0.0
Cash Flow to be discounted	6.5	8.8	9.8	10.7	11.8	12.9	13.6	13.8	14.2
DCF EVALUATION (EUR m)	2007	2008	2009	2010	2011	2012	2013	2014	2015
WACC	7.01%	7.01%	7.01%	7.01%	7.01%	7.01%	7.01%	7.01%	7.01%
Discount Rate factor	0.95	0.88	0.83	0.77	0.72	0.67	0.63	0.59	0.55
Discounted Cash Flow	6.2	7.8	8.1	8.3	8.5	8.7	8.6	8.1	7.8
Cumulated DCF	6.2	14.0	22.1	30.4	38.9	47.6	56.1	64.3	72.1

Source: Company data, ESN / Bank Degroof Research

We have fine-tuned our scenario after yesterday's analysts' meeting (see further). Our terminal value factor assumes an EBITDA margin of 9.8% and depreciation/sales & capex/sales of 5.1%. Other key parameters in our scenario are:

- A CAGR of sales of 2.7% for the periode 2007-2015.
- An average EBITDA margin of 9.6% over the same period
- We pencilled in some operational synergies for Ter Beke-Pluma leading to an average EBIT margin of 4.4%, to be compared to an average EBIT margin of 4.2% in the 1997-2006 periode with exclusion of the years 1999-2001 during which the Belgian dioxine crisis and mad cow disease affected margins.

Multiple comparison

We have compared our valuation of Ter Beke with the valuation of companies which are active in the food & beverage sector within the niche of processed meats and production of ready meals.

If we apply the median EV/EBIT and P/E multiples of the peer group for FY06 till FY08e, we arrive at an implied equity value of EUR 83m to EUR 118m (EUR 48 to EUR 69 per Ter Beke share), leading to an average target price for Ter Beke of EUR 59 per share.

Valuation based on multiples

Ter Beke	FY06	FY07e	FY08e	FY06	FY07e	FY08e
EBIT (EUR m)	10.11	11.77	13.04			
Median EV/EBIT multiple peer group *	14.84	13.57	10.86			
Net result (EUR m)				5.97	6.19	7.18
Median P/E multiple peer group *				19.82	17.13	14.73
Implied EV (EUR m)	149.97	159.67	141.58			
Net debt (EUR m)	58.04	61.06	59.04			
Periph. ass. - off bal. - minor. - pens.	-0.74	-0.74	-0.74			
Implied equity (EUR m)	92.67	99.35	83.28	118.41	106.07	105.86
Value per share (EUR)	58.58	53.79	57.66	48.34	68.72	61.56
						61.44

* Peer group: Nikas, Fleury Michon, Greencore Group, Uniq, Northern Foods, Sardus, Groupe LDC, HK Ruokatalo

Source: Company data, ESN / Bank Degroof Research, JCF

We have cross-checked our valuation on the basis of the multiples Ter Beke is currently trading at compared with those of the peer group used in the table above (listed producers of processed meats and/or ready meals). This comparison shows that Ter Beke, even after the lacklustre performance of the share price in recent months, trades at multiples largely below peer group averages. This valuation shows a difference between cash/flow multiples and earnings multiples. On an earnings base, Ter Beke seems to be valued in line with peers to slightly overvalued.

Multiples comparison

	Market cap (EUR m)	P/E 06	P/E 07	P/E 08	Ev/Sales 06	Ev/Sales 07	Ev/Sales 08	Ev/EBITDA 06	Ev/EBITDA 07	Ev/EBITDA 08	Ev/EBIT 06	Ev/EBIT 07	Ev/EBIT 08
Nikas	97.5	12.2	10.1		1.3	1.1		8.6	7.0		11.9	9.6	
Fleury Michon SA	239.5	20.6	16.5	14.7	0.6	0.5	0.5	5.8	5.3	4.7	13.2	11.0	10.0
Greencore Group	913.5	14.8	18.0	15.9	1.1	1.0	0.9	11.8	10.3	8.5	17.6	14.6	11.9
Uniq	358.6	40.5	21.2	21.2	0.4	0.4	0.4	10.5	10.6	11.4	31.7	29.8	28.9
Northern Foods	918.3	19.3	16.4	15.2	0.6	0.9	0.8	6.5	8.0	7.1	13.4	12.9	11.7
Sardus AB	125.4	39.7	18.9	12.8	0.7	0.8	0.7	10.0	9.5	7.8	18.9	14.2	10.7
LDC SA	637.2	16.7	13.4	12.0	0.4	0.3	0.3	5.3	4.3	3.7	9.6	7.2	5.9
Hk Ruokatalo	527.8	20.3	17.7	13.0	0.7	0.4	0.4	9.4	7.9	6.5	16.3	14.4	10.9
Average	477.2	23.0	16.5	15.0	0.7	0.7	0.6	8.5	7.9	7.1	16.6	14.2	12.9
Median	443.2	19.8	17.1	14.7	0.7	0.7	0.5	9.0	8.0	7.1	14.8	13.6	10.9
Ter Beke (own est.)	114.0	18.1	18.9	16.3	0.5	0.5	0.5	7.0	5.6	5.3	16.5	15.2	13.6
Premium (+) / discount (-) vs. average		-21%	14%	9%	-30%	-28%	-18%	-18%	-29%	-26%	-1%	7%	5%
Premium (+) / discount (-) vs. median		-9%	10%	11%	-23%	-24%	-4%	-23%	-30%	-26%	11%	12%	25%

Source: ESN / Bank Degroof Research, JCF

Feedback on analysts' meeting

Yesterday, at the occasion of the release of the FY06 results, Ter Beke's management hosted an analysts' meeting at the Waarschoot-Belgium based HQ of the group. The following main topics have been discussed:

FY06 results

Key lines P&L

Key lines P&L (EUR m)	1H05	2H05	FY05	1H06	2H06	FY06	% y-o-y	FY06e	% vs. exp.	Consens. figures
Net sales	115.5	120.7	236.2	149.3	177.5	326.7	38.3%	319.4	2.3%	321.2
EBITDA	9.3	12.4	21.6	11.1	12.9	24.0	10.9%	25.9	-7.5%	26.3
<i>EBITDA margin</i>	8.0%	10.2%	9.2%	7.4%	7.3%	7.3%		8.1%		8.2%
EBIT	3.9	6.8	10.7	4.2	5.9	10.1	-5.6%	10.9	-7.4%	10.8
<i>EBIT margin</i>	3.4%	5.6%	4.5%	2.8%	3.3%	3.1%		3.4%		3.4%
Financial result	-0.6	-0.8	-1.4	-0.8	-1.6	-2.4	73.3%	-1.6	46.5%	
Result from ordin. act.	3.3	6.0	9.3	3.4	4.3	7.7	-17.1%	9.3	-16.7%	
Taxes	1.2	2.2	3.4	1.1	0.7	1.8	-47.9%	3.3	-47.3%	
Net result	2.1	3.8	5.9	2.3	3.6	6.0	0.4%	5.9	0.4%	5.9
Adj. Net result		5.9	5.9	2.3	3.6	6.0	0.4%	5.9	0.4%	
<i>Adj. EPS (EUR)</i>	2.31	2.04	4.35	1.47	2.29	3.76	-13.6%	3.72	1.1%	3.76

Source: Company data, ESN / Bank Degroof research

Comments on the FY06 results

- **Strong top line growth.** Ter Beke's total turnover increased by 38.3% thanks to continued strong sales growth in the ready meals division (both sales of private label products and Come a Casa products) and strong sales in processed meats
- **Processed meats** - The strong sales increase is predominantly the result of the merger with Pluma, but also on a like for like basis, a turnover increase of 3.7% was realised. In line with the trend of the last years, Ter Beke observed a strong increase in the sale of sliced and packaged meat products versus a decrease in the sales of over the counter meat products.
- **Ready meals** - The strong sales increase in the ready meals division is a confirmation of the trend of the last few years. Sales are growing in all sales channels and for all product groups. Both sales of private label products and sales of products under the brand Come a casa are rising considerably. The market share of Come a casa continues to increase, particularly on the Belgian and French markets, and the brand plays a leading role in the growth of the ready meals category of the most important retail clients. Growth was in particular strong thanks to some new large contracts with French retail chains. So the future of this business unit seems to be promising, not only because of the growing consumption per capita, but also because of the increased market penetration.
- **The gross operating result (EBITDA) remained below expectations** and came out at EUR 24.0m (+10.9%, but 7.5% short of expectations). The integration of Pluma on the one hand and the filialisation of the two core activities into two separate branches on the other hand, led to considerable extra expenditures in 2006. Ter Beke opted for this determined form of divisioning because it wished to create for both divisions the best and most flexible starting point for realising their respective growth strategies, in

light of the strongly differing market environments. Ter Beke continued its market investments in 2006, particularly in the brand Come a casa in Belgium and France, which led to new introductions and strong volume growth. The significant increase in sales on the French market, particularly in 4Q06, resulted in considerable inefficiencies in the Alby-sur-Chéran based production site. In addition (as it was already stated at the publication of the 1H06 result), the FY06 results were also negatively influenced by increased raw material prices (in particular in 3Q06), increased energy prices and a number of additional expenses relating to investments in the technical reliability of the production facility in Wanze. Moreover, a number of contracts were signed at below standard margins.

- **Operating result also behind of expectations** - Notwithstanding the strong sales increase in the ready meals division, the operating result of this division decreased. FY06 EBIT (EUR 10.1m, down 7.4%) came out below our estimate of EUR 10.9m. The combined elements described above and some non-cash effects resulted in 2H06 EBIT margin of 3.3%, far below the 2H05 EBIT margin of 5.6%. The increase of depreciations by approximately EUR 3.8m, mainly due to the merger with Pluma and to the implementation of the investment programme for 2005-2006, had a negative influence on the FY06 operating result. In the processed meats division a claim of EUR 1.5m was successfully deflected, allowing the provision that had been set aside for this claim to be reversed. This provision was related to SDF Foods, a UK company that has been acquired in January 2007.

Sales and operating result per segment and margins evolution

Key lines P&L (EUR m)	FY05	FY06	% chng
Sales	236.2	326.7	38.3%
Processed meats	130.1	206.1	58.5%
Fresh ready meals	106.2	120.6	13.6%
EBIT	10.7	10.1	-5.6%
<i>EBIT margin</i>	<i>4.5%</i>	<i>3.1%</i>	
Processed meats	8.236	9.849	19.6%
<i>EBIT margin</i>	<i>6.3%</i>	<i>4.8%</i>	
Fresh ready meals	5.022	3.703	-26.3%
<i>EBIT margin</i>	<i>4.7%</i>	<i>3.1%</i>	
Not attributed result	-2.558	-3.446	34.7%

Source: Company data, ESN / Bank Degroof Research

- **Financial result came out higher than anticipated:** Financing costs rose by EUR 1.0m. This is mainly due to the merger with Pluma. The cash portion of the transaction price was financed entirely with external means. In addition the financing costs of the Pluma group were included in the consolidation as of April 1st 2006.
- **Lower tax rate** - The decrease in the tax percentage from 36.3% in FY05 to 22.8% in FY06 was mainly the result of the realisation of previously unrecognised deferred tax claims in the Netherlands and the UK, as well as the effect of the notional interest deduction and the decreased tax rate in the Netherlands.
- **Bottom line** - Net financing costs above expectations due to the acquisition of Pluma were offset by lower taxes thus leading to a FY06 net result of EUR 6.0m (EPS of EUR 3.76), slightly above our estimate of EUR 5.9m (EPS of EUR 3.72).
- **Dividend** - The Board of Directors will propose to the AGM to pay an unchanged gross dividend of EUR 2.10 per share, despite the stable bottom line and a 23% increase of number of shares.

Investments

In 2006 Ter Beke invested more than EUR 16.7m in tangible fixed assets (5.1% of sales). Important investment projects included a number of new slicing and packaging lines for processed meats, the legally required replacement of freon-based cooling installations, the renovation of maturing and drying installations at the Waarschoot facility, the further automation of the production lines for ready meals in Wanze and Marche-en-Famenne, and accelerated investments in additional capacity in the ready meals division.

FY07 guidance and impact of the integration of Pluma

- In 2007 Ter Beke will continue to invest in the efficiency and expansion of its production facilities and the reinforcement of the market position of its two branches. We pencilled in higher Point-of-Sale marketing spending for the ready meals business unit leading to a 5% rise of its top line but possibly temporarily pressure on margins. The group expects to further benefit from the merger of its processed meats activities with Pluma. Most of the costs related to the merger have been booked in 2006. For this year we still have to take into account increased overhead costs. In 2007, FreshMeals will focus on enhancing the profitability level, a.o. by renegotiating contracts with retailers and by efficiency gains in production, in particular in the Frech production facility in Alby-sur-Chéran. Along with the practical implementation of the filialisation, this will give rise to additional costs in 2007.
- The envisaged acquisition of Normandie Plats Cuisinés (NPC) is being carefully considered and for the time being it is too early to determine the effects of this possible acquisition. FreshMeals has signed on February 16th 2007 an exclusive purchase option agreement with the shareholders of NPC. The two parties intend to finalise the due diligence procedure and reach an agreement in 2Q07. Like FreshMeals itself, Normandie Plats Cuisinés is a producer of fresh pasta meals. NPC is active in the production and distribution of private labels in Retail (about 60% of sales) and for the Out-of-Home market (40%), with France as its most important market, accounting for 80% of sales. The company was set up three years ago, and 6 months ago it commissioned a brand-new factory in Falaise, located in Normandy-France. In 2006 NPC achieved a turnover of around EUR 12m, with nearly 100 employees. About 70% of sales are fresh pasta based ready meals, the balance is frozen. The capacity of the NPC production facility has been discussed. At the time of the announcement of this production plant, the company targeted to produce 15,000 tonnes of prepared dishes per year. The NPC acquisition would add some 3-4% to Ter Beke's consolidated top line for FY07 (+10% for the ready meals division) and EUR 0.5m to the company's consolidated operating result (annualised). Ter Beke's flagship brand for fresh pasta meals Come a casa, combined with NPC's spare capacity for pasta meals could prove to be a trigger the new business combination. Moreover, the French market is promising with only about 0.2 Kg consumption per capita in fresh Mediterranean ready meals (pasta & lasagne) in France, compared with almost 2.0 Kg in Belgium. Until confirmation of the possible acquisition of NPC, we will not modify our scenario.
- The company budgetted an above average **investment programme. We bank on a capex of about EUR 20m** (5.6% of sales) with a.o. the increase of production capacity of slicing
- **Rising raw materials prices** make it more expensive for the company to source the raw materials used in its products. Ter Beke stated that the prices of raw materials, packaging materials and energy were stable thusfar in 2007.

SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Strong brand names and performing logistics (traceability, quality standards) constitute major entry barriers • European market leader in fresh lasagne • Limited forex risks • Management is committed and financially involved 	<ul style="list-style-type: none"> • Low liquidity and free float • Limited scale versus European peers • Mature market industry • Declining meat consumption • Negative image of food industry due to earlier food crises
Opportunities	Threats
<ul style="list-style-type: none"> • Continued international sales expansion • Product innovation in reaction on evolving consumer preferences • Internal and external growth in the ready meals segment and processed meats 	<ul style="list-style-type: none"> • A major food crisis (hog fevere, avian flu...) • Price pressure and margin squeeze from supermarkets and major retailers • Private label competition • Increasing competition of large food groups • Rising raw materials prices • Dispute with the tax administration

Financial calendar

11 May 2007
 31 May 2007
 31 August 2007

1Q07 business update – after market close
 AGM - @ 11:00 am CET
 1H07 results – after market close



Ter Beke: Summary tables

PROFIT & LOSS (EURm)	2003	2004	2005	2006	2007e	2008e	CAGR 08/03
Sales	190.2	200.0	236.2	326.7	358.9	368.6	14.1%
Cost of Sales & Operating Costs (excl. Pers. Expenses)	-132.1	-139.7	-169.0	-241.2	-263.6	-269.6	
Personnel Expenses	-36.6	-39.5	-45.6	-61.6	-63.4	-65.3	
Non Recurrent Expenses/Income	-1.3	-1.2	-1.6	-0.5	-0.5	-0.5	
EBITDA	21.5	20.9	21.6	24.0	31.9	33.7	9.4%
Depreciation, Amortisation & Write Downs	-12.8	-10.7	-10.9	-13.9	-20.1	-20.6	
EBIT (reported)	8.7	10.2	10.7	10.1	11.8	13.0	9.1%
Net Financial Interest	-2.1	-0.8	-1.5	-2.4	-2.6	-2.5	
Other Financials	0.0	0.0	0.1	0.0	0.0	0.0	
Associates	0.0	0.0	0.0	0.0	0.0	0.0	
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0	
Earnings Before Tax (EBT)	6.7	9.4	9.3	7.7	9.2	10.6	9.6%
Tax	-2.5	-4.3	-3.4	-1.8	-3.0	-3.4	
<i>Tax rate</i>	<i>36.9%</i>	<i>46.2%</i>	<i>36.3%</i>	<i>22.8%</i>	<i>33.0%</i>	<i>32.0%</i>	
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0	
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	
Net Profit (reported)	4.2	5.0	5.9	6.0	6.2	7.2	11.3%
Net Profit (adj.)	5.4	5.0	5.9	6.0	6.2	7.2	
CASH FLOW (EURm)							
Net profit (reported) +M minorities	4.2	5.0	5.9	6.0	6.2	7.2	
Non cash items	12.3	11.0	11.1	14.0	20.1	20.6	
Cash Flow	16.5	16.0	17.0	20.0	26.3	27.8	11.0%
Change in Net Working Capital	-4.2	-0.6	-5.0	-12.0	-1.8	-0.5	
Capex	-12.3	-19.8	-12.5	-33.9	-20.0	-20.4	
Operating Free Cash Flow (OpFCF)	0.0	-4.4	-0.5	-25.9	4.5	6.9	nm
Net Financial Investments	0.0	0.0	-11.8	-5.5	-2.7	0.0	
Dividends	-1.5	-1.6	-2.4	-3.9	-4.8	-4.8	
Other (incl. Capital Increase & share buy backs)	1.3	23.5	-0.2	7.5	0.0	0.0	
Free Cash Flow	-0.2	17.5	-15.0	-27.8	-3.0	2.0	
NOPLAT	6.1	7.1	7.5	7.1	8.2	9.1	
BALANCE SHEET & OTHER ITEMS (EUR m)							
Net Tangible Assets	41.8	52.6	61.5	103.2	105.7	105.5	
Net Intangible Assets (incl. Goodwill)	14.9	12.6	20.1	28.2	28.2	28.2	
Net Financial Assets & Other	0.0	1.4	2.1	3.2	0.1	0.1	
Total Fixed Assets	56.8	66.5	83.8	134.5	134.0	133.8	18.7%
Net Working Capital	0.8	0.1	4.4	15.4	20.2	20.8	
Total capital invested/employed	57.5	65.3	86.1	146.7	154.1	154.5	
Shareholders Equity	22.2	41.1	45.4	71.7	73.1	75.4	27.7%
Minorities Equity	0.0	0.0	0.0	0.0	0.0	0.0	
Net Debt	32.7	15.2	30.3	58.0	61.1	59.0	12.5%
Provisions	2.7	10.3	12.6	20.1	20.1	20.1	
Other Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	
Total Market Cap	42.5	52.4	92.9	113.0	117.1	117.1	
Enterprise Value (EV adj.)	77.2	69.2	124.6	173.3	180.5	178.4	
MARGINS AND RATIOS							
<i>Sales growth</i>	<i>6.3%</i>	<i>5.2%</i>	<i>18.1%</i>	<i>38.3%</i>	<i>9.9%</i>	<i>2.7%</i>	
<i>EBITDA growth</i>	<i>8.1%</i>	<i>-3.0%</i>	<i>3.7%</i>	<i>10.9%</i>	<i>33.0%</i>	<i>5.5%</i>	
<i>EBIT growth</i>	<i>26.9%</i>	<i>16.8%</i>	<i>5.2%</i>	<i>-5.6%</i>	<i>16.5%</i>	<i>10.8%</i>	
EBITDA margin	11.3%	10.4%	9.2%	7.3%	8.9%	9.1%	
<i>EBIT margin</i>	<i>4.6%</i>	<i>5.1%</i>	<i>4.5%</i>	<i>3.1%</i>	<i>3.3%</i>	<i>3.5%</i>	
Debt/Equity (gearing)	147.3%	37.0%	66.7%	80.9%	83.6%	78.2%	
Debt/EBITDA	15	0.7	14	2.4	1.9	1.8	
Interest cover (EBITDA/Fin.interest)	10.3	24.9	14.9	10.1	12.4	13.4	
ROCE	110%	116%	10.7%	7.7%	5.4%	5.8%	
WACC	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	
ROCE/WACC	1.6	1.7	1.5	1.1	0.8	0.8	
EV/CE	139	113	177	189	118	113	
<i>OpFCF/CE</i>	<i>0.0%</i>	<i>-7.2%</i>	<i>-0.7%</i>	<i>-28.2%</i>	<i>2.9%</i>	<i>4.3%</i>	
EV/Sales	0.41	0.35	0.53	0.53	0.50	0.48	
EV/EBITDA	3.6	3.3	5.8	7.2	5.7	5.3	
EV/EBIT	8.9	6.8	11.6	17.1	15.3	13.7	
P/E (adj.)	7.9	10.8	15.2	17.4	18.9	16.3	
P/CF	2.6	3.4	5.3	5.2	4.5	4.2	
P/BV	1.9	1.3	2.0	1.5	1.6	1.6	
OpFCF yield	0.1%	-8.4%	-0.5%	-22.9%	3.8%	5.8%	
<i>Payout ratio</i>	<i>39.0%</i>	<i>50.2%</i>	<i>64.3%</i>	<i>74.4%</i>	<i>78.0%</i>	<i>67.0%</i>	
Dividend yield (gross)	3.9%	4.6%	4.2%	4.1%	4.1%	4.1%	
PER SHARE DATA (EUR)							
EPS (reported)	4.61	5.32	4.35	3.76	3.59	4.17	-2.0%
EPS (adj.)	5.91	5.32	4.35	3.76	3.59	4.17	-6.7%
CFPS	18.08	16.96	12.45	12.58	15.27	16.33	-2.3%
BVPS	24.37	43.44	33.19	45.16	42.41	43.79	12.4%
DPS	1.80	2.67	2.80	2.80	2.80	2.79	9.2%

Source: Company, Bank Degroof estimates
2005 restated as IFRS proforma

Recommendation system

From the 18th October 2004, the Members of ESN use a **New Recommendation System**.

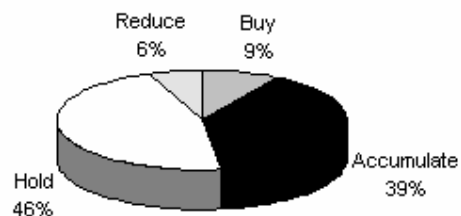
The new ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a total return, measured by the upside potential (including dividends) over a 6 months time horizon.

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Meaning of each rating or recommendation:

- **Buy:** the stock is expected to generate a total return of **over 15%** during the next 6 months time horizon.
- **Accumulate:** the stock is expected to generate a total return of **5% to 15%** during the next 6 months time horizon.
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