

13 October 2011

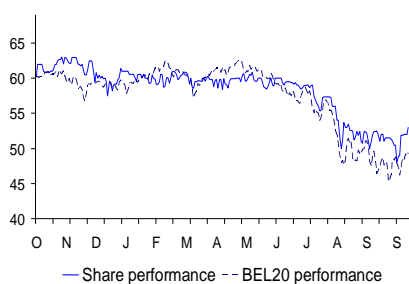
TER BEKE

Creating The Pasta Food Company

FOOD PRODUCERS
BELGIUM

CURRENT PRICE €52.99
TARGET PRICE €60.00

ACCUMULATE
RATING UNCHANGED



Source: Thomson Reuters Datastream

| FY/e 31.12 | 2010 | 2011E | 2012E | 2013E |
|----------------------|-------|-------|-------|-------|
| Sales (€ m) | 402.2 | 406.4 | 415.2 | 424.2 |
| REBITDA (€ m) | 37.5 | 35.3 | 38.1 | 40.0 |
| Net earnings (€ m) | 10.5 | 9.2 | 11.0 | 11.7 |
| Diluted adj. EPS (€) | 6.04 | 5.31 | 6.38 | 6.74 |
| Dividend (€) | 2.50 | 2.50 | 2.65 | 2.65 |
| P/E | 9.40 | 9.98 | 8.31 | 7.86 |
| EV/REBITDA | 4.19 | 4.14 | 3.60 | 3.28 |
| Free cash flow yield | 15.0% | 9.7% | 15.4% | 12.8% |
| Dividend yield | 4.4% | 4.7% | 5.0% | 5.0% |

Source: KBC Securities

| | |
|-----------------|---------|
| Bloomberg | TERB BB |
| Reuters | TERB.BR |
| www.terbeke.com | |
| Market Cap | €92m |
| Shares outst. | 1.7m |
| Volume (Daily) | €0.03m |
| Free float | 24.98% |

Next corporate event

Trading update 3Q11: 4 November 2011

| Performance | 1M | 3M | 12M |
|-------------|-----|-----|------|
| Absolute | 1% | -8% | -15% |
| Rel. BEL20 | -5% | 3% | 3% |

12-m Hi/Lo €63.00/48.10

While the market for fresh ready meals has expanded in all directions (packaging, recipes, degree of freshness and price), Ter Beke has opted to continue specialising in making fresh lasagnes and pasta meals. This strategy has enabled the company to grow the share of ready chilled meals in the product mix.

Since 2H10, Ter Beke has been facing steep increases in the price of key raw materials. 2H11 margins will remain under pressure in both divisions ('Ready meals' like lasagne, pasta, pizzas and 'Processed meats' like salami, cooked ham, pâté). Due to the phasing in of new sales prices, management expects net profit for 2H11 to be in line with 2H10.

- In 1H11, turnover increased by 0.6% to €198.5m, while total EBITDA fell 16.5%. As a result, the EBITDA-margin slipped from 9.9% to 8.2%, mainly due to the rise in raw material prices.
- Ter Beke and Stefano Toselli are in the process of setting up a joint venture (The Pasta Food Company) to commercialise lasagne and pasta meals in Central and Eastern Europe. The plant is expected to be operational by 2Q13.
- In 3Q11, Daniël Coopman and his wife Edith De Baets bought an additional 52,416 Ter Beke shares (3% of the capital), thus lifting the stake of the controlling family holding STAK Coovan to 64.5%.
- Our DCF model points to a fair value of €65.2 per share. At our target price of €60.0, Ter Beke would trade at P/E 2011E of 11.3, EV/EBITDA 2011E of 4.7 and EV/EBIT 2011E of 10.4.

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BUSINESS DESCRIPTION

An innovative Belgian fresh food group

Origins in processed meat production

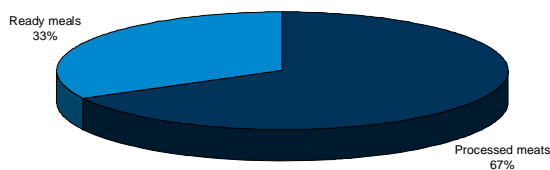
Diversification into chilled ready meals since 1994

Multi-channel approach

Ter Beke started in 1948 as a producer of meat products. Today, it is a **food group** specializing in the development, production and sale of chilled **ready meals** (33% of sales) like lasagne, pasta and pizzas and **processed meats** (67% of sales) like salami, cooked ham and pâté. The group operates nine plants in Belgium, The Netherlands and France and employs approximately 1,800 people.

In the past, Ter Beke sold 100% of its production through wholesalers. Today, the group has a multi-channel approach, with food retailers, discount outlets and the traditional segment (wholesalers, butchers and caterers).

1H11 SALES BREAKDOWN



Source: Ter Beke, KBC Securities

PROCESSED MEATS AND READY MEALS



Source: Ter Beke, KBC Securities

Focus on ready chilled pasta meals: Ter Beke's margin becoming less sensitive to pork price fluctuations

During the last 15 years, Ter Beke has been hit by several food scares. Direct and indirect scares related to the dioxin crisis in 1999 cost the group €10m, including the effect of lost sales. Even though Ter Beke does not process beef, the results were also hit by the BSE scare, because rising pork prices could not be passed on fully. However, Ter Beke's results have become less sensitive to changes in pork prices thanks to the growing share of ready chilled meals in the product mix and its service slicing model. The content of meat in ready chilled pasta meals is lower than 20%.

Differentiation through product quality, supply chain management and reliability

It is no secret that food retailers have been increasing price pressure on suppliers. So far however, Ter Beke has managed to stand out from its rivals through excellent product quality, packaging, supply chain management (e.g. prompt deliveries) and reliability. The fact that Ter Beke can supply both private label and branded products (especially in Ready Meals) also creates a competitive advantage.

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Specialising in fresh lasagnes and pasta meals

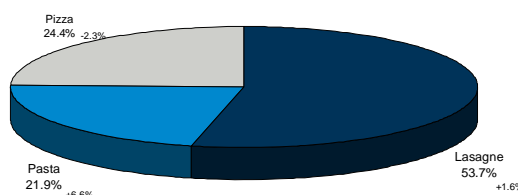
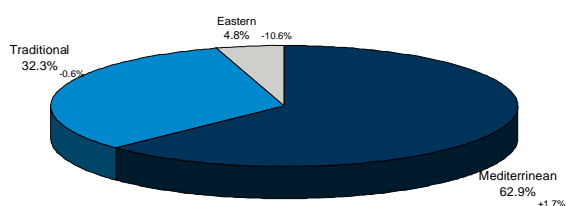
Ready meals

While the market for fresh ready meals has expanded in all directions, including packaging, recipes, degree of freshness and price, Ter Beke has opted to continue specialising in making fresh lasagnes and pasta meals. The company leads the European market for fresh lasagne and chilled pasta meals such as cannelloni, tagliatelle and ravioli with Come a casa® as the top reference brand and the meals that are sold under the Weight Watchers licence.

Demand for chilled ready meals is strong as a result of :

- Growing number of small households
- Increase in the number of working women
- Demand for healthy food
- Declining culinary skills and food preparation time
- Higher disposable income
- Cash-rich, time-poor economy

MEDITERRANEAN MEALS = GROWTH ENGINE IN READY MEALS MARKET



Source: AC Nielsen, Ter Beke

Come a casa reinforced its position in the market with lasagne and pasta meals

Since 2009, Come a casa® has further reinforced its position in the market, adding lasagne to its range of pasta meals. Ter Beke renewed the recipe and introduced a gratin with a fresh Emmenthal topping. The higher quality of the lasagne was the central leitmotif for the brand advertising on television, in magazines, on the internet and in shops. Familiarity with the brand name rose again. Having renewed the lasagne range in 2009, a re-launch of the high-quality products within the pasta meal range was successfully executed in 2010.

JV to commercialise lasagne and pasta meals in CE-Europe

Joint Venture with Stefano Toselli: The Pasta Food Company

Ter Beke and Stefano Toselli, another major player in the Western European chilled lasagne markets, are setting up a joint venture to commercialise lasagne and pasta meals in Central and Eastern Europe. The project – named The Pasta Food Company – includes the construction of an automated production plant in Central Europe. Pursuant to a thorough investigation, it was decided to build a production plant that will produce for the Central and Eastern European market in Opole, a city in the south of Poland.

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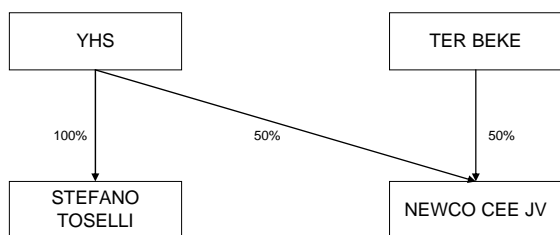
A 50/50 joint venture has been set up between YHS Holdings, the holding company that controls Stefano Toselli, and Fresh Meals, Ter Beke's ready meals division. The JV agreement grants Ter Beke a call option both on YHS's share in the JV and on the shares of Stefano Toselli. The valuation formulas for the call options, which are scheduled to be executed in 2018, are based on cash flow and market multiples. Stefano Toselli generates about €66m in turnover.

Joint venture will create significant growth opportunities

Ter Beke is mainly active in mature markets. The joint-venture will create significant growth opportunities. The industrial know-how of Stefano Toselli combined with Ter Beke's marketing and product development strengths create a significant edge over rivals.

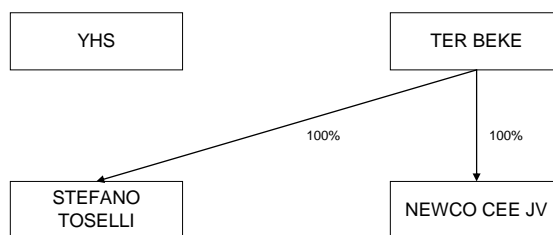
STRUCTURE OF JV WITH STEFANO TOSELLI

Spring 2011



STRUCTURE WHEN THE CALL OPTION IS EXERCISED

End game in 2018, when successful



Source: Ter Beke, KBC Securities

Pre-packaged products gaining market share from over-the-counter segment

Regional markets: local taste dominates

Gaining market share though branding, product innovation and pre-packaging concepts



Processed meats

Ter Beke entered the pre-sliced and pre-packaged segment through the acquisition of Heku in 1996. The over-the-counter channel (mainly butchers) is facing strong competition from food retail groups. Ter Beke is mainly active in the Benelux and to a lesser extent in Northern France, Germany and the United Kingdom.

The European processed meat market is highly influenced by regional tastes; consumers in Northern Europe care little for salami with garlic for example. Examples of pan-European products, like Herta's cooked ham, are therefore scarce. The processed meats market is dominated by the retail brands.

Partly thanks to its successes in improving products and packaging, Ter Beke has been able to increase its market share in the mature processed meat market. Ter Beke continues to develop products that contribute to a healthier diet (e.g. products in various processed meat categories with much less salt or in which additives have been reduced to a minimum). In 2009 Ter Beke launched a new packaging with a traditional image.

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FINANCIALS

Weaker 1H11 results as expected

In 1H11, Ter Beke's turnover increased by 0.6% to €198.5m. Total EBITDA fell however 16.5%, from €19.6m in 1H10 to €16.4m in 1H11, pushing the EBITDA margin down from 9.9% to 8.2%. This decrease is mainly due to the rise in raw material prices. Ter Beke has been facing steep rises in the price of important raw materials since 2H10. As Ter Beke primarily enters long-term contracts with its major retail customers, there is an inevitable delay in passing on these price increases to sales prices. This will weigh on the 1H11 results but we expect the situation to normalise over the long run. As the non-cash costs (depreciations) remained quite stable at €8.9m, EBIT fell from €10.65 (EBIT margin of 5.4%) in 1H10 to €7.44m (EBIT margin of 3.7%) in 1H11. The net result dropped from €5.73m (€3.31 EPS) to €4.51m (€2.60 EPS).

HALF YEAR RESULTS (€m)

| Summary | 2009 | 1H10 | 2H10 | 2010 | 1H11 | 2H11E | 2011E |
|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Sales | 392.37 | 197.39 | 204.81 | 402.20 | 198.53 | 207.89 | 406.42 |
| % growth | -0.2% | 3.1% | 1.9% | 2.5% | 0.6% | 1.5% | 1.0% |
| Gross profits | 188.34 | 96.14 | 99.59 | 195.73 | 92.39 | 94.56 | 186.95 |
| Gross margin % | 48.0% | 48.7% | 48.6% | 48.7% | 46.5% | 45.5% | 46.0% |
| EBITDA | 35.16 | 19.58 | 17.92 | 37.50 | 16.36 | 18.93 | 35.29 |
| EBITDA margin % | 9.0% | 9.9% | 8.8% | 9.3% | 8.2% | 9.1% | 8.7% |
| EBIT | 15.09 | 10.65 | 7.15 | 17.80 | 7.44 | 8.30 | 15.74 |
| EBIT margin % | 3.8% | 5.4% | 3.5% | 4.4% | 3.7% | 4.0% | 3.9% |
| Pretax profits | 12.43 | 8.52 | 5.77 | 14.29 | 6.05 | 6.39 | 12.44 |
| Pretax margin % | 3.2% | 4.3% | 2.8% | 3.6% | 3.0% | 3.1% | 3.1% |
| Net profits | 8.26 | 5.73 | 4.73 | 10.46 | 4.51 | 4.69 | 9.20 |
| Net margin % | 2.1% | 2.9% | 2.3% | 2.6% | 2.3% | 2.3% | 2.3% |
| % Change | 8.6% | 29.6% | 23.3% | 26.7% | -21.3% | -0.8% | -12.0% |
| Basic EPS (€) | 4.77 | 3.31 | 2.73 | 6.04 | 2.60 | 2.71 | 5.31 |

Source: Ter Beke, KBC Securities

Processed meats division

In the processed meats division, turnover decreased 2.2% to €133.31m but total volumes were stable. The fall in turnover was primarily due to a changed product-mix, whereby sales volumes of cheaper products rise to the detriment of sales volumes of more expensive ones. As already indicated after 1Q11, the higher raw material prices squeeze margins. The EBITDA in the processed meats division went from €10.91m to €9.13m in 1H11. As a result the EBITDA margin slipped from 8.0% to 6.8%. EBIT decreased from €5.73m in 1H10 (EBIT margin of 4.2%) to €3.77m (EBIT margin of 2.8%) in 1H11. Ter Beke invested €7.4m in 1H11. These investments related primarily to the next phase of the automation investments in paté production in Wommelgem.

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Ready meals division

In the ready meals division, turnover rose by 6.7% to €65.22m. This was mainly due to a strong volume increase in lasagne and other pasta meals. But here too, higher raw material prices weighed on margins. EBITDA in the ready meals division decreased from €9.83m in 1H10 to €7.90m in 1H11 (EBITDA margin from 16.1% to 12.1%). EBIT decreased from €6.41m (10.5% EBIT margin) to a weak €4.68m (EBIT margin of 7.2%).

Outlook

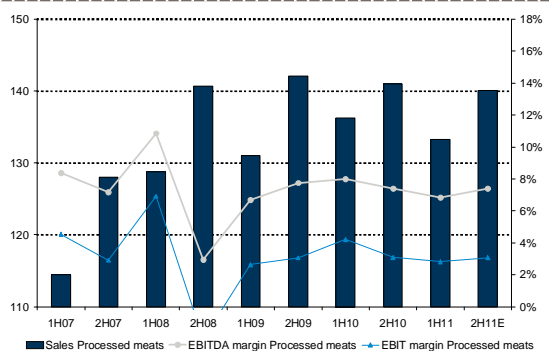
Ter Beke expects more turnover growth in 2H11. Margins remain under pressure in both divisions, mainly because of the sharp increase in raw material prices. Due to the phasing in of new sales prices, management expects 2H11 net profit to be in line with that of 2H10.

DIVISIONAL BREAKDOWN (€m)

| | 2009 | 1H10 | 2H10 | 2010 | 1H11 | 2H11E | 2011E |
|---------------------|---------------|---------------|--------------|--------------|---------------|--------------|--------------|
| Sales | | | | | | | |
| Processed meats | 273.15 | 136.27 | 141.0 | 277.3 | 133.31 | 140.1 | 273.4 |
| Ready meals | 119.22 | 61.12 | 63.8 | 124.9 | 65.22 | 67.8 | 133.0 |
| Total | 392.37 | 197.39 | 204.8 | 402.2 | 198.53 | 207.9 | 406.4 |
| EBIT | | | | | | | |
| Processed meats | 7.79 | 5.73 | 4.34 | 10.08 | 3.77 | 4.30 | 8.07 |
| Ready meals | 10.77 | 6.41 | 4.00 | 10.41 | 4.68 | 5.69 | 10.37 |
| Non-allocated costs | -3.48 | -1.49 | -1.20 | -2.69 | -1.01 | -1.69 | -2.70 |
| Total | 15.09 | 10.65 | 7.15 | 17.80 | 7.44 | 8.30 | 15.74 |
| EBIT margin | | | | | | | |
| Processed meats | 2.9% | 4.2% | 3.1% | 3.6% | 2.8% | 3.1% | 3.0% |
| Ready meals | 9.0% | 10.5% | 6.3% | 8.3% | 7.2% | 8.4% | 7.8% |
| Total | 3.8% | 5.4% | 3.5% | 4.4% | 3.7% | 4.0% | 3.9% |

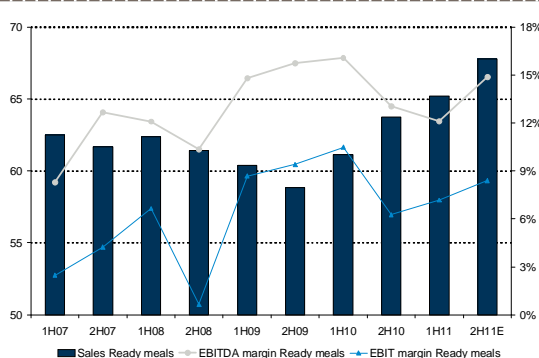
Source: Ter Beke, KBC Securities

SALES (€m) AND EBIT(DA) MARGIN PROCESSED MEATS



Source: Ter Beke, KBC Securities

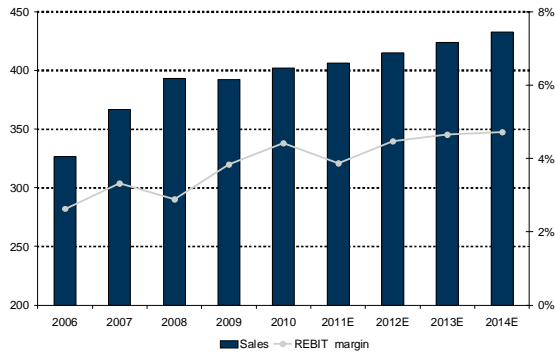
SALES (€m) AND EBIT(DA) MARGIN READY MEALS



Source: Ter Beke, KBC Securities

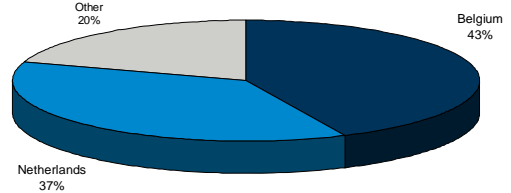
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SALES (€m) AND REBIT MARGIN



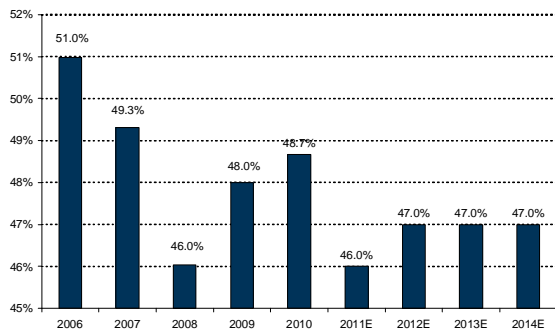
Source: Ter Beke, KBC Securities

1H11 GEOGRAPHIC BREAKDOWN



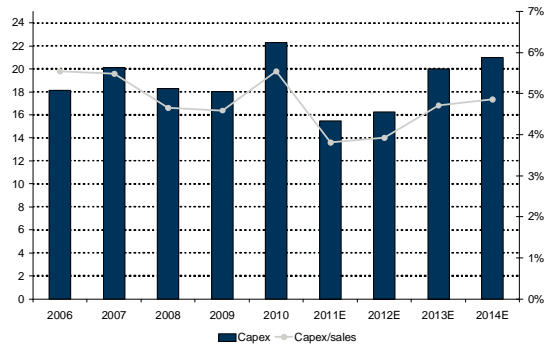
Source: Ter Beke

GROSS MARGIN (%)



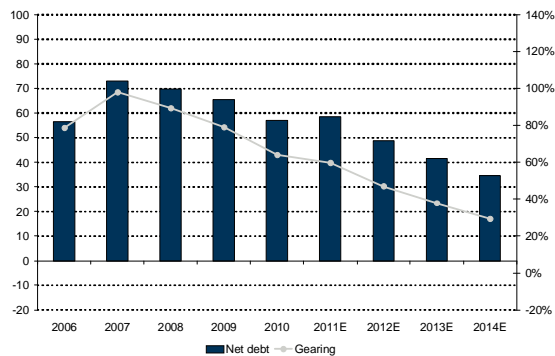
Source: Ter Beke, KBC Securities

CAPEX (MIO EURO) AND CAPEX/SALES (%)



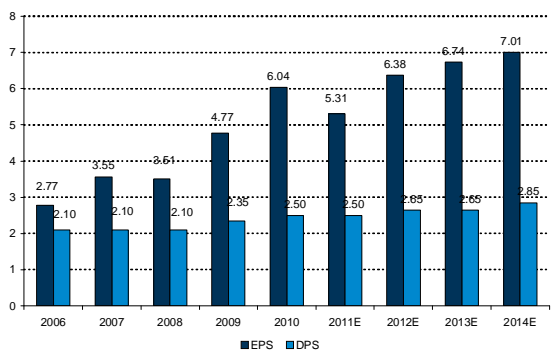
Source: Ter Beke, KBC Securities

NET DEBT AND GEARING



Source: Ter Beke, KBC Securities

ADJUSTED FULLY DILUTED EPS AND GROSS DPS (€)



Source: Ter Beke, KBC Securities

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VALUATION

OUR DCF MODEL POINTS TO A FAIR VALUE OF €65.2 P/S

Our DCF model points to a fair value of €65.2 per share

Our **DCF valuation** is based on an explicit 10-year forecast period from 2011-2020 and terminal free cash flow growth of 0.0% thereafter.

The assumptions underlying our **free operating cash flow (FOCF)** are a sales CAGR 2011-2020 of 1.5%, an operating profit of 4.5% of sales, a tax rate of 31% and Capex as a percentage of sales of 5%.

DCF MODEL: CASH FLOWS (€m)

| Summary | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 | 2020 |
|-------------------------------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Sales | 406.42 | 415.17 | 424.15 | 432.65 | 439.18 | 445.77 | 452.45 | 459.24 | 466.13 | 473.12 |
| Operating Profit | 15.74 | 18.54 | 19.74 | 20.41 | 20.80 | 20.06 | 20.36 | 20.67 | 20.98 | 21.29 |
| Taxes | -4.10 | -5.10 | -5.73 | -5.92 | -6.03 | -6.22 | -6.31 | -6.41 | -6.50 | -6.60 |
| Depreciation/provisions | 19.55 | 19.57 | 20.27 | 20.55 | 20.91 | 21.30 | 21.62 | 21.95 | 22.28 | 22.61 |
| Operation C/F | 31.19 | 33.01 | 34.29 | 35.04 | 35.69 | 35.14 | 35.67 | 36.21 | 36.75 | 37.30 |
| Capex | -15.50 | -16.28 | -20.00 | -21.00 | -22.05 | -23.18 | -23.53 | -23.88 | -24.24 | -24.60 |
| Changes working capital | -4.40 | -0.24 | -0.25 | -0.24 | -1.28 | -1.30 | -1.32 | -1.34 | -1.36 | -1.38 |
| Free Cash Flow | 11.29 | 16.50 | 14.04 | 13.81 | 12.36 | 10.67 | 10.83 | 10.99 | 11.15 | 11.32 |
| Present Value Free Cash Flow | 11.99 | 16.22 | 12.77 | 11.63 | 9.63 | 7.69 | 7.23 | 6.79 | 6.38 | 5.99 |

Source: Ter Beke, KBC Securities

DCF MODEL: FAIR VALUE (€m)

| Enterprise value | 171.9 | Period | 171.9 | % of value |
|------------------------------|--------------|------------------------|-------|------------|
| - Net financial debt | -57.2 | Years 1-5 | 62.2 | 36% |
| - Minority interests | 0.0 | Years 6-10 | 34.1 | 20% |
| - Pension provisions | -1.8 | Infinity | 75.6 | 44% |
| Equity Value | 113.0 | | | |
| / Number of shares (m) | 1,732,621 | Terminal growth (p.a.) | 0.0% | |
| = Value per share (€) | 65.2 | | | |

Source: Ter Beke, KBC Securities

We use a (post-tax) WACC of 8.0%

Our model uses a risk free rate of 4.00%, an equity risk premium of, a beta of 1.15, and cost of debt of 5.70%. This translates into a WACC of 8.0% (post-tax).

DCF MODEL: WACC

| Bond 10 year | Risk premium | Beta | Cost of equity | Debt (% of EV) | Tax rate | WACC |
|--------------|--------------|------|----------------|----------------|----------|------|
| 4.00% | 5.00% | 1.15 | 9.75% | 42% | 26.04% | 8.0% |

Source: Ter Beke, KBC Securities

The first 5 years makes up 36% of our enterprise value (EV) estimate, the period 2016-2020 20% and our terminal value makes up 44%. We **correct the enterprise value** for net debt, minorities and provisions to obtain a fair value per share of €65.2.

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DCF SENSITIVITY ANALYSIS

The sensitivity analysis below shows how the fair value changes with different assumptions for the WACC (base scenario = 8.0%) and the terminal growth (base scenario = 0.0%).

| | | Terminal growth | | | | | | |
|------|-------|-----------------|--------|--------|-------|-------|-------|-------|
| | | -0.60% | -0.40% | -0.20% | 0.00% | 0.20% | 0.40% | 0.60% |
| WACC | 7.50% | 67.54 | 68.69 | 69.89 | 71.16 | 72.49 | 73.91 | 75.40 |
| | 7.75% | 64.99 | 66.04 | 67.15 | 68.31 | 69.54 | 70.84 | 72.20 |
| | 8.00% | 62.58 | 63.55 | 64.58 | 65.65 | 66.78 | 67.97 | 69.22 |
| | 8.0% | 62.17 | 63.14 | 64.14 | 65.20 | 66.32 | 67.49 | 68.72 |
| | 8.25% | 60.31 | 61.21 | 62.16 | 63.15 | 64.19 | 65.28 | 66.43 |
| | 8.50% | 58.16 | 59.00 | 59.87 | 60.79 | 61.75 | 62.76 | 63.82 |
| | 8.75% | 56.13 | 56.91 | 57.72 | 58.57 | 59.46 | 60.39 | 61.37 |

Source: Ter Beke, KBC Securities

RATIO ANALYSIS BASED ON TARGET PRICE OF € 60.0

Our target price: €60.0

We have a **target price of € 60.0** and an **ACCUMULATE** rating. At our target price of €60.0, Ter Beke would trade at P/E 2011E of 11.3, EV/EBITDA 2011E of 4.7 and EV/EBIT 2011E of 10.4.

RATIO ANALYSIS

| | 2011E | 2012E | 2013E | 2014E | 2015E |
|--|-------|-------|-------|-------|-------|
| Ratios based on target price of €60.0 | | | | | |
| P/E | 11.3 | 9.4 | 8.9 | 8.6 | 8.4 |
| EV/EBITDA | 4.7 | 4.1 | 3.7 | 3.4 | 3.2 |
| EV/ EBIT | 10.4 | 8.3 | 7.5 | 6.9 | 6.5 |
| Div. Yield (gross) | 4.2% | 4.4% | 4.4% | 4.8% | 4.8% |

Source: KBC Securities

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FINANCIAL DATA

| Income statement (€m) | 2007 | 2008 | 2009 | 2010 | 2011E | 2012E | 2013E |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Sales | 366.7 | 393.2 | 392.4 | 402.2 | 406.4 | 415.2 | 424.2 |
| COGS | -185.9 | -212.2 | -204.0 | -206.5 | -219.5 | -220.0 | -224.8 |
| Gross profit | 180.8 | 181.0 | 188.3 | 195.7 | 187.0 | 195.1 | 199.4 |
| Operating costs | -169.5 | -173.7 | -172.6 | -178.0 | -171.2 | -176.6 | -179.6 |
| Other income & costs | -1.1 | 0.6 | -0.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT | 10.2 | 8.0 | 15.1 | 17.8 | 15.7 | 18.5 | 19.7 |
| Net interest | -3.9 | -4.7 | -2.7 | -3.5 | -3.3 | -3.3 | -3.3 |
| Other non-operating | - | - | - | - | - | - | - |
| Pre-tax earnings | 6.3 | 3.2 | 12.4 | 14.3 | 12.4 | 15.2 | 16.4 |
| Taxes | -0.3 | 4.4 | -4.2 | -3.8 | -3.2 | -4.2 | -4.8 |
| Associates | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Discontinued & other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Consolidated earnings | 6.1 | 7.6 | 8.3 | 10.5 | 9.2 | 11.0 | 11.7 |
| Minority interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net earnings | 6.1 | 7.6 | 8.3 | 10.5 | 9.2 | 11.0 | 11.7 |
| Depreciation and amortisation | -19.0 | -21.9 | -20.1 | -19.7 | -19.5 | -19.6 | -20.3 |
| Amortisation other intangibles/ Impairments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non recurring elements included in EBIT | -2.0 | -3.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| REBITDA | 29.3 | 29.9 | 35.2 | 37.5 | 35.3 | 38.1 | 40.0 |
| EBITDA | 29.3 | 29.9 | 35.2 | 37.5 | 35.3 | 38.1 | 40.0 |
| REBITA | 12.2 | 11.4 | 15.1 | 17.8 | 15.7 | 18.5 | 19.7 |
| EBITA | 10.2 | 8.0 | 15.1 | 17.8 | 15.7 | 18.5 | 19.7 |
| Net earnings from continued operations | 6.1 | 7.6 | 8.3 | 10.5 | 9.2 | 11.0 | 11.7 |
| Adjusted net earnings | 7.5 | 10.2 | 8.3 | 10.5 | 9.2 | 11.0 | 11.7 |
| Balance sheet (€m) | 2007 | 2008 | 2009 | 2010 | 2011E | 2012E | 2013E |
| Intangible assets | 40.7 | 37.8 | 37.3 | 37.2 | 37.3 | 37.3 | 37.3 |
| Tangible assets | 116.0 | 112.4 | 108.8 | 112.0 | 111.9 | 108.6 | 108.3 |
| Financial assets | 4.5 | 0.2 | 0.2 | 0.1 | 6.1 | 5.2 | 4.0 |
| Other assets | 7.8 | 11.0 | 7.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Inventories | 22.2 | 24.4 | 23.1 | 23.8 | 24.4 | 24.9 | 25.4 |
| Receivables | 49.3 | 48.1 | 50.9 | 64.7 | 65.4 | 66.8 | 68.2 |
| Cash & equivalents | 7.3 | 5.6 | 2.7 | 4.8 | 3.4 | 3.5 | 3.6 |
| TOTAL ASSETS | 247.8 | 239.4 | 230.0 | 242.6 | 248.6 | 246.4 | 247.0 |
| Equity | 74.4 | 78.2 | 82.8 | 89.1 | 98.1 | 103.9 | 109.8 |
| Minorities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Provisions | 2.4 | 1.6 | 1.7 | 1.8 | 1.8 | 1.9 | 2.0 |
| LT financial debt | 63.6 | 56.6 | 47.2 | 40.5 | 48.0 | 48.0 | 48.0 |
| Other liabilities | 20.2 | 10.8 | 10.8 | 13.4 | 13.4 | 13.6 | 13.7 |
| Payables | 70.5 | 73.5 | 66.6 | 76.4 | 73.2 | 74.7 | 76.3 |
| ST financial debt | 16.7 | 18.9 | 21.0 | 21.5 | 14.0 | 4.3 | -2.8 |
| TOTAL LIABILITIES | 247.8 | 239.4 | 230.0 | 242.6 | 248.6 | 246.4 | 247.0 |
| Net working capital | 1.0 | -0.9 | 7.5 | 12.1 | 16.6 | 17.0 | 17.3 |
| Capital employed | 145.2 | 149.5 | 149.8 | 147.9 | 152.4 | 149.3 | 149.3 |
| Net debt | 72.9 | 69.9 | 65.5 | 57.2 | 58.6 | 48.8 | 41.6 |
| Net debt, incl. off-balance items | 72.9 | 69.9 | 65.5 | 57.2 | 58.6 | 48.8 | 41.6 |
| Cash flow statement (€m) | 2007 | 2008 | 2009 | 2010 | 2011E | 2012E | 2013E |
| Consolidated earnings | 6.1 | 7.6 | 8.3 | 10.5 | 9.2 | 11.0 | 11.7 |
| Depreciation, amortisation & impairment | 18.0 | 22.6 | 19.4 | 19.7 | 19.5 | 19.6 | 20.3 |
| Other cash flow from operations | -3.3 | -6.8 | -0.6 | 3.5 | 0.1 | 0.1 | 0.1 |
| Change in working capital | 9.0 | -0.5 | -5.3 | 3.2 | -4.4 | -0.2 | -0.2 |
| CASH FLOW FROM OPERATIONS | 29.7 | 22.9 | 21.7 | 37.0 | 24.4 | 30.4 | 31.8 |
| Net capital expenditure | -20.1 | -18.3 | -18.0 | -22.3 | -15.5 | -16.3 | -20.0 |
| Acquisitions / disposals | -12.0 | 0.9 | 0.0 | 1.4 | -6.0 | 0.0 | 0.0 |
| Other cash flow from investments | 0.0 | 0.0 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| CASH FLOW FROM INVESTMENTS | -32.1 | -17.4 | -17.4 | -20.9 | -21.5 | -16.3 | -20.0 |
| Dividend payments | -3.6 | -3.5 | -3.6 | -4.2 | -4.3 | -4.3 | -4.6 |
| Shares issues | 0.3 | 0.2 | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 |
| New borrowings / reimbursements | 10.3 | -3.9 | -3.6 | -2.8 | 0.1 | -9.8 | -7.1 |
| Other cash flow from financing | 0.0 | 0.0 | 0.0 | -6.9 | 0.0 | 0.0 | 0.0 |
| CASH FLOW FROM FINANCING | 6.9 | -7.2 | -7.2 | -14.0 | -4.2 | -14.1 | -11.7 |
| Fx and changes to consolidation scope | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CHANGE IN CASH & EQUIVALENTS | 4.5 | -1.8 | -2.9 | 2.1 | -1.3 | 0.1 | 0.1 |
| Free cash-flow | 9.6 | 4.6 | 3.7 | 14.7 | 8.9 | 14.2 | 11.8 |
| Change in net debt | 16.5 | -3.1 | -4.4 | -8.3 | 1.4 | -9.8 | -7.2 |

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| Performance criteria | 2007 | 2008 | 2009 | 2010 | 2011E | 2012E | 2013E |
|---|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
| Sales growth | 12.2% | 7.2% | -0.2% | 2.5% | 1.0% | 2.2% | 2.2% |
| Gross profit growth | 8.5% | 0.1% | 4.0% | 3.9% | -4.5% | 4.4% | 2.2% |
| REBITDA growth | 22.1% | 2.1% | 17.7% | 6.7% | -5.9% | 8.0% | 5.0% |
| EBITDA growth | 22.1% | 2.1% | 17.7% | 6.7% | -5.9% | 8.0% | 5.0% |
| REBITA growth | 41.7% | -6.6% | 32.6% | 18.0% | -11.6% | 17.8% | 6.5% |
| EBIT growth | 1.3% | -22.4% | 89.8% | 18.0% | -11.6% | 17.8% | 6.5% |
| Pe-tax earnings growth | -18.0% | -49.0% | 284.1% | 15.0% | -12.9% | 22.5% | 7.9% |
| Net earnings growth | 1.6% | 25.3% | 8.6% | 26.7% | -12.0% | 20.1% | 5.7% |
| Earnings growth from continued operations | 1.6% | 25.3% | 8.6% | 26.7% | -12.0% | 20.1% | 5.7% |
| Adjusted earnings growth | 68.7% | 35.1% | -18.8% | 26.7% | -12.0% | 20.1% | 5.7% |
| Gross margin | 49.3% | 46.0% | 48.0% | 48.7% | 46.0% | 47.0% | 47.0% |
| REBITDA margin | 8.0% | 7.6% | 9.0% | 9.3% | 8.7% | 9.2% | 9.4% |
| EBITDA margin | 8.0% | 7.6% | 9.0% | 9.3% | 8.7% | 9.2% | 9.4% |
| REBITA margin | 3.3% | 2.9% | 3.8% | 4.4% | 3.9% | 4.5% | 4.7% |
| EBIT margin | 2.8% | 2.0% | 3.8% | 4.4% | 3.9% | 4.5% | 4.7% |
| Net working capital / sales | 0.3% | -0.2% | 1.9% | 3.0% | 4.1% | 4.1% | 4.1% |
| CAPEX/ Sales | 5.5% | 4.7% | 4.6% | 5.5% | 3.8% | 3.9% | 4.7% |
| FCF / Sales | 2.6% | 1.2% | 1.0% | 3.7% | 2.2% | 3.4% | 2.8% |
| Depreciation / Capital Expenditure | 94.6% | 119.8% | 111.5% | 88.4% | 126.1% | 120.3% | 101.3% |
| Capital expenditure / EBITDA | 68.7% | 61.3% | 51.2% | 59.4% | 43.9% | 42.7% | 50.0% |
| Net debt / Equity + Minorities | 98.0% | 89.4% | 79.1% | 64.2% | 59.7% | 46.9% | 37.9% |
| Net debt / EBITDA | 2.5 | 2.3 | 1.9 | 1.5 | 1.7 | 1.3 | 1.0 |
| EBITDA / net interest | 7.5 | 6.3 | 13.2 | 10.7 | 10.7 | 11.5 | 12.1 |
| Pay-out ratio | 59.9% | 47.8% | 49.3% | 41.4% | 47.1% | 41.6% | 39.3% |
| Net earnings margin | 1.7% | 1.9% | 2.1% | 2.6% | 2.3% | 2.7% | 2.8% |
| x CE turnover (Sales / avg. CE) | 2.7 | 2.7 | 2.6 | 2.7 | 2.7 | 2.8 | 2.8 |
| x Leverage (avg. CE / avg. equity) | 1.9 | 1.9 | 1.9 | 1.7 | 1.6 | 1.5 | 1.4 |
| = Return on Equity (avg) | 8.3% | 10.0% | 10.3% | 12.2% | 9.8% | 10.9% | 10.9% |
| Return on Equity - adjusted (avg) | 10.3% | 13.3% | 10.3% | 12.2% | 9.8% | 10.9% | 10.9% |
| Return on Capital Employed (avg) | 7.2% | 12.7% | 6.7% | 8.8% | 7.8% | 8.9% | 9.4% |
| Return on Capital Employed - adjusted (avg) | 8.6% | 18.1% | 6.7% | 8.8% | 7.8% | 8.9% | 9.4% |
| Per share data (€) | 2007 | 2008 | 2009 | 2010 | 2011E | 2012E | 2013E |
| weighted average # shares (m) | 1.73 | 1.73 | 1.73 | 1.73 | 1.73 | 1.73 | 1.73 |
| weighted average # shares, diluted (m) | 1.74 | 1.74 | 1.73 | 1.73 | 1.73 | 1.73 | 1.73 |
| Basic EPS | 3.51 | 4.39 | 4.77 | 6.04 | 5.31 | 6.38 | 6.74 |
| Adjusted EPS | 4.36 | 5.87 | 4.77 | 6.04 | 5.31 | 6.38 | 6.74 |
| Diluted EPS | 3.50 | 4.38 | 4.77 | 6.04 | 5.31 | 6.38 | 6.74 |
| Diluted, adjusted EPS | 4.34 | 5.86 | 4.77 | 6.04 | 5.31 | 6.38 | 6.74 |
| Diluted EPS: y/y growth | -5.7% | 25.5% | 8.7% | 26.8% | -12.0% | 20.1% | 5.7% |
| Diluted EPS: CAGR 3Y | 8.8% | 20.0% | 6.6% | 10.2% | 3.7% | 9.7% | -100.0% |
| Adjusted, diluted EPS: y/y growth | 57.1% | 35.0% | -18.7% | 26.7% | -12.0% | 20.1% | 5.7% |
| Adjusted, diluted EPS: CAGR 3Y | 19.9% | 11.6% | -3.2% | 10.2% | 3.7% | 9.7% | -100.0% |
| REBITDA / share | 16.87 | 17.20 | 20.29 | 21.64 | 20.37 | 22.00 | 23.09 |
| EBITDA / share | 16.87 | 17.20 | 20.29 | 21.64 | 20.37 | 22.00 | 23.09 |
| REBITA/share | 7.03 | 6.55 | 8.71 | 10.27 | 9.08 | 10.70 | 11.39 |
| EBIT/ share | 5.90 | 4.58 | 8.71 | 10.27 | 9.08 | 10.70 | 11.39 |
| Net book value / share | 43.09 | 45.13 | 47.79 | 51.43 | 56.61 | 59.97 | 63.37 |
| Free cash flow / share | 5.55 | 2.66 | 2.16 | 8.48 | 5.14 | 8.17 | 6.78 |
| Dividend (€) | 2.10 | 2.10 | 2.35 | 2.50 | 2.50 | 2.65 | 2.65 |
| Valuation data | 2007 | 2008 | 2009 | 2010 | 2011E | 2012E | 2013E |
| Max share price (€) | 68.50 | 55.39 | 56.00 | 63.40 | 61.39 | - | - |
| Min share price (€) | 53.00 | 38.05 | 34.10 | 51.76 | 48.10 | - | - |
| Reference share price (€) | 64.37 | 49.51 | 44.58 | 56.72 | 52.99 | 52.99 | 52.99 |
| Reference market capitalisation (€ m) | 111.4 | 85.8 | 77.2 | 98.3 | 91.8 | 91.8 | 91.8 |
| Enterprise value (€ m) | 182.0 | 157.1 | 144.2 | 157.1 | 146.1 | 137.2 | 131.3 |
| P/E | 14.8 | 8.5 | 9.4 | 9.4 | 10.0 | 8.3 | 7.9 |
| EV/sales | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.3 | 0.3 |
| EV/REBITDA | 6.2 | 5.3 | 4.1 | 4.2 | 4.1 | 3.6 | 3.3 |
| EV/EBITDA | 6.2 | 5.3 | 4.1 | 4.2 | 4.1 | 3.6 | 3.3 |
| EV/REBITA | 14.9 | 13.8 | 9.6 | 8.8 | 9.3 | 7.4 | 6.7 |
| EV/EBIT | 17.8 | 19.8 | 9.6 | 8.8 | 9.3 | 7.4 | 6.7 |
| EV/Capital employed | 1.3 | 1.1 | 1.0 | 1.1 | 1.0 | 0.9 | 0.9 |
| P/ NBV | 1.5 | 1.1 | 0.9 | 1.1 | 0.9 | 0.9 | 0.8 |
| Free cash flow yield | 8.6% | 5.4% | 4.8% | 15.0% | 9.7% | 15.4% | 12.8% |
| Dividend yield | 3.3% | 4.2% | 5.3% | 4.4% | 4.7% | 5.0% | 5.0% |

Source: KBC Securities

*Historic valuation data are based on historic prices

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| | 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 |

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| Stock rating | % of covered universe | % of covered universe with investment banking relationship during last year |
|--------------|-----------------------|---|
| BUY | 32.20% | 16.67% |
| ACCUMULATE | 43.20% | 83.33% |
| HOLD | 22.00% | 0.00% |
| REDUCE | 2.50% | 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 |
|-----------|------------|--------------|
| 05-AUG-11 | Accumulate | € 60.00 |
| 05-NOV-10 | Accumulate | € 68.00 |

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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