

Ter Beke

29 April 2008

Wake-up call

Food Producers & Processors
Current price € 49.99

Accumulate
Belgium
Target price € 64.00

Rating Unchanged

Performance over	1m	3m	12m
Absolute	-8%	0%	-25%
Rel. BEL20	-12%	-6%	-10%
12m Hi/Lo	€ 67.40/48.80		
Reuters	TERB.BR		
Bloomberg	TERB BB		
Market Cap	€ 86m		
Next corporate event			
Trading update 1Q08: 9 May 2008			

FY/e 31.12	2007	2008E	2009E	2010E
Sales (€m)	366.7	401.9	412.5	423.4
REBITDA (€m)	29.3	32.3	33.6	35.0
Net earnings (€m)	6.1	6.7	8.0	8.9
Diluted adj. EPS (€)	3.55	4.12	4.60	5.14
Dividend (€)	2.10	2.10	2.20	2.30
P/E	18.2	12.1	10.9	9.7
EV/REBITDA	6.1	5.5	5.2	4.8
Free cash flow yield	11.1%	5.1%	8.6%	11.1%
Dividend yield	4.2%	4.2%	4.4%	4.6%

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. It 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

- FY07 net profits in line with expectations. REBIT rose by 42% to € 12.2m.
- Management anticipates further improvement of recurring results in 2008 despite higher raw material prices.
- Chilled ready meals and slicing/packaging activities offer growth opportunities.
- Target price based on sum-of-the-parts: EV/EBITDA of 5.0 for processed meats and 7.0 for ready meals.

In our note "Time to refocus on EPS growth" dated 23 October 2007, we put forward the view that the group needs to focus on EPS growth and shareholder value creation rather than sales growth alone. The number of shares soared by 90% and recurring net profits plummeted by 34% between 2004 and 2006 as a result of acquisitions and the signing of poorly-priced contracts. The appointment of Marc Hofman as CEO heralds a new era for Ter Beke. Drastic measures are being implemented to restore profitability in France and to improve shareholder value. 2008 will therefore be a transition year. The group's slicing and packaging activities should continue to grow in importance. This service activity, which represents about 30% of group turnover, is immune to raw material price fluctuations. This means that as the weight of slicing and packaging increases, the group's risk profile and beta decline. We've lowered our fully-diluted current EPS forecasts for 2008 and 2009 by respectively 2% and 8% on the back of lower EBIT margin assumptions. We are also lowering our target price from €71 to €64. The new target is based on our divisional EBITDA forecasts for 2008, an EV/EBITDA of 5.0x for the processed meats and an EV/EBITDA of 7.0x for ready meals. These multiples reflect those prevailing in the M&A market. Our rating remains unchanged at Accumulate.

Ter Beke in a nutshell

Ter Beke is a producer of fresh ready meals (FreshMeals n.v.) and processed meats (TerBeke-Pluma n.v.). The group supplies retailers (mainly supermarket chains), wholesalers and the foodservice channel.

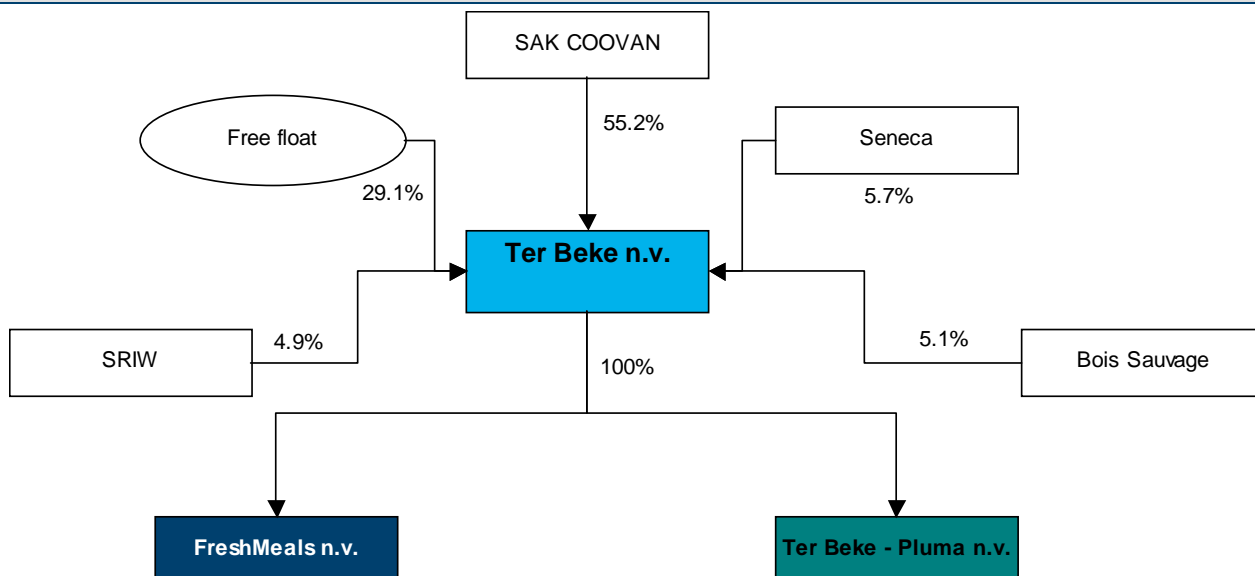
Ter Beke's two divisions

	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 (2007)	€ 124m	€ 242m

Source: Ter Beke, KBC Securities

In May 2006, Ter Beke's processed meat division merged with Pluma. The reference shareholder of Pluma received 342,254 new Ter Beke shares and cash. Stichting Administratiekantoor (SAK) COOVAN detains these new shares in addition to the shares of Ter Beke's founding family (Coopman). SAK COOVAN controls the company with a 55.2% stake. Seneca N.V. holds the 5.7% stake associated with Chairman Luc De Bruyckere. SRIW holds the 4.9% stake. Bois Sauvage holds the 5.1% stake. Free float represents 29.1%.

Ter Beke's corporate and shareholder structure



Source: Ter Beke, KBC Securities

Forecasts per division

€m	2005	2006	2007	2008E	2009E	2010E
Sales						
Processed meats	130.06	206.11	242.48	274.00	279.48	285.06
Ready meals	106.18	120.60	124.19	127.92	133.03	138.35
Total	236.24	326.72	366.67	401.91	412.51	423.42
Sales growth %						
Processed meats	35.7%	58.5%	17.6%	13.0%	2.0%	2.0%
Ready meals	1.9%	13.6%	3.0%	3.0%	4.0%	4.0%
Total	18.1%	38.3%	12.2%	9.6%	2.3%	2.6%
REBITDA						
Processed meats	11.55	16.79	18.79	21.37	22.08	22.81
Ready meals	12.33	10.24	13.02	13.56	14.23	14.94
Non-allocated costs	-2.24	-3.05	-2.54	-2.61	-2.69	-2.77
Total	21.63	23.98	29.27	32.32	33.62	34.98
REBITDA margin						
Processed meats	8.9%	8.1%	7.7%	7.8%	7.9%	8.0%
Ready meals	11.6%	8.5%	10.5%	10.6%	10.7%	10.8%
Total	9.2%	7.3%	8.0%	8.0%	8.2%	8.3%
REBIT						
Processed meats	8.24	8.35	9.75	11.23	12.02	12.83
Ready meals	5.02	3.70	5.25	5.63	5.99	6.36
Non-allocated costs	-2.56	-3.45	-2.81	-2.89	-2.98	-3.07
Total	10.70	8.61	12.19	13.97	15.02	16.12
REBIT margin						
Processed meats	6.33%	4.05%	4.02%	4.10%	4.30%	4.50%
Ready meals	4.73%	3.07%	4.23%	4.40%	4.50%	4.60%
Total	4.53%	2.63%	3.33%	3.48%	3.64%	3.81%
Non-recurring						
Processed meats	-	1.50	-0.85	-	-	-
Ready meals	-	-	-1.10	-0.70	-	-
Non-allocated costs	-	-	-	-	-	-
Total	-	1.50	-1.95	-0.70	0.00	0.00
EBIT						
Processed meats	8.24	9.85	8.90	11.23	12.02	12.83
Ready meals	5.02	3.70	4.15	4.93	5.99	6.36
Unallocated costs	-2.56	-3.44	-2.81	-2.89	-2.98	-3.07
Total	10.70	10.11	10.24	13.27	15.02	16.12
EBIT margin						
Processed meats	6.33%	4.78%	3.67%	4.10%	4.30%	4.50%
Ready meals	4.73%	3.07%	3.34%	3.85%	4.50%	4.60%
Total	4.53%	3.09%	2.79%	3.30%	3.64%	3.81%

Source: Ter Beke, KBC Securities

FY07: significant improvement in recurring results

Ter Beke's recurring EPS rose by 26.5% to €3.56 (€3.55 on fully diluted basis) in 2007. Sales increased by 12.2% to €367m. Note that Pluma was consolidated during the full year (9 months in 2006). SDF Foods (UK sales agent) was included since 1 January 2007 and Berkhout Verssnijljin (Netherlands) since 1 September 2007. Without these acquisitions, revenues would have remained stable. The REBITDA margin improved from 7.3% in 2006 to 8.0% in 2007 as margin pressure from higher raw material prices was more than offset by the positive impact from higher sales and a better product mix. The REBIT margin rose 70bps to 3.3%.

Non-recurring charges reached €1.95m (pretax) in 2007. They included a €1.1m provision related to the reorganisation of the ready meal activities in France and impairment charges of €0.9m were booked on machinery across the processed meat division. Note that in 2006, non-recurring items (reversal of a provision) had a positive impact of €1.5m on group EBIT.

EBIT rose by a mere €0.1m to €10.2m. Acquisitions led to a sharp increase in net financial charges from €2.4m in 2006 to €3.9m in 2007 and the group's gearing level reached 96%. The effective tax rate was limited to 4.4% last year thanks to a previously unrecognized tax asset and the lowering of the corporate tax rate from 29.6% to 25.5% in the Netherlands.

Processed meats: falling raw material risk

Last year's acquisition of Berkhout Verssnijljin in the Netherlands has made Ter Beke Europe's second largest processed meat slicer and pre-packer, after German player Kemper. Back in 2005, Ter Beke acquired Langeveld/Sleegers, another Dutch slicer and pre-packer. Berkhout and Langeveld/Sleegers are service providers with a pure focus on slicing and prepackaging. They do not produce processed meats like salami and cooked ham. The contracts with the food retailer specify where the processed meat needs to be purchased and how it must be sliced and prepackaged. Since the slicers/pre-packers earn a fixed service fee, they are not affected by fluctuating raw material prices. It is a low gross margin business but it generates higher EBIT margins than processed meat production. Today, close to 30% of Ter Beke's business in terms of turnover (around €100m) is immune to fluctuating raw material prices. The slicing and pre-packaging activities will continue to grow as self-service products continue to gain market share to the detriment of over-the-counter products (e.g. butchers).

Ready meals: sales growth despite discontinued contracts

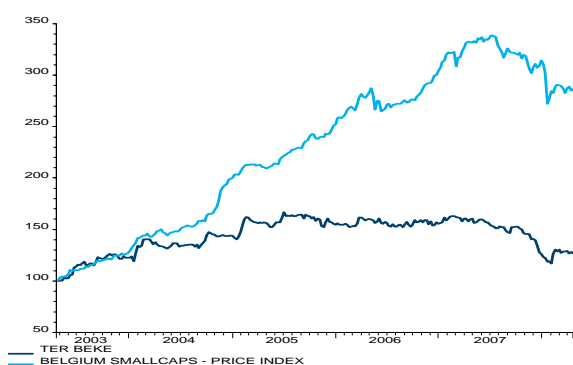
Divisional sales rose by 3% in 2007 despite the termination of several sizeable contracts. Production capacity has been increased at the Marche-en-Famenne site following the decision to break off the take-over talks related to Normandie Plats Cuisinés.

The group will continue to support the Come a Casa brand in Belgium but the marketing communication budget for France has been frozen. Marketing efforts will be stepped up in Belgium as Ter Beke starts to face competition from Hot Cuisine's lasagne products. Moreover, the acquisition of Mamma Lucia by Giovanni Rana last year could also heighten competitive pressures. Mamma Lucia is a Belgian producer of chilled lasagne products with €35m sales in 2006 of which 20% in Belgium. Colruyt, one of Mamma Lucia's main clients, sells the lasagne products under the Benito and Resto private labels. Rana is the leader in chilled pasta meals in Italy with a market share of 40%. Rana's sales reached €203m in 2006 of which about 1/3 abroad.

Back to basics

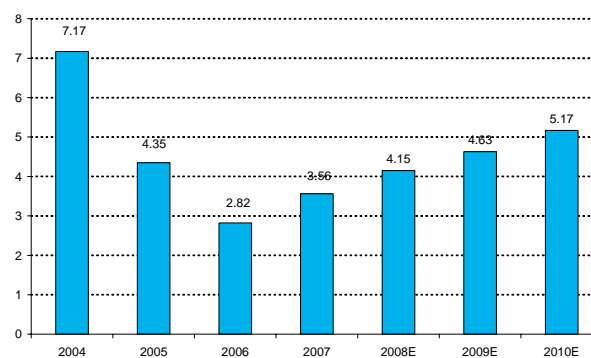
Ter Beke's share price performance has been lacklustre since the middle of 2005. Recurring EPS reached €3.56 (+26.5%) in 2007. This is still well below the 2004 level of €7.17. The number of outstanding shares has soared by 90% since the beginning of 2004! It is clear that during the last few years, Ter Beke's strong top-line growth has been pursued at the expense of EPS growth. The signing of poorly-priced ready meals contracts in 2006 in an effort to gain market share in France illustrates this point.

Share price performance versus Belgian small caps



Source: Thomson Financial Datastream

Recurring EPS evolution (€)



Source: Ter Beke, KBC Securities

In the middle of 2007, the group began a process of self-examination that was accelerated with the appointment of Marc Hofman as the group's CEO. Mr Hofman joined Ter Beke in 1997 as the group's CFO and became Managing Director of the Processed Meats division in 2006. Ex CEO Luc De Bruyckere remains Chairman of the Board of Directors. Mr Hofman aims to accelerate profit growth over the coming years. This should result in improved ROCE from 6-7% to 10% or more. Moreover, the group's gearing should significantly come down from the currently level (96%) and the debt/EBITDA target is set at 2.0 compared to the current level of 2.4.

Two years ago, Ter Beke started to establish two independent organisations: TerBeke-Pluma (processed meats) and FreshMeals (ready meals). The split led to the creation of two management committees on top of the group's existing executive committee. Each committee consisted of a commercial, an operating, a financial and an HR manager. The split led to costly overlaps and is now being reversed, with the three committees being replaced by one committee at group level. Sales, marketing, product development and production teams will remain specialised (ready meals and processed meats) however and each division will remain a separate profit and loss centre.

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 unprofitable contracts, about 1/3 of which were loss-making. It became clear that French retailers are not willing to pay a premium for a brand like Come a Casa. Last year, Ter Beke started to sharpen its 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. The decision was also made to freeze investments in the Come a Casa brand in France. Mr Dirk Van de Walle, former CEO of FreshMeals, has left the group. He will not be replaced.

The next step involves a drastic restructuring program that is currently being implemented in France. It should allow the group to stop the cash drain and to restore profitability (EBIT level) in France by the end of 2009. The restructuring measures will affect the commercial and administrative functions and the production site at Alby-sur-Chéran. The headcount will be reduced from 102 to 40 by 30 June 2008. Ter Beke is also taking a close look at production allocation across the group.

Outlook

Management anticipates higher recurring results for 2008. This year's top-line growth will be dampened by discontinued ready meal contracts. The termination of a processed meats contract with a hard discounter during 4Q07 will also have a negative impact on turnover growth this year. Berkhout will be included for 12 months this year versus 4 in 2007. The group's REBITDA margin is expected to stabilize around 8%. Improving profitability of ready meals should be offset by lower margins at processed meats, where revenues from slicing and packaging services continue to rise rapidly. The REBIT margin should improve however. We've pencilled in redundancy costs totalling €0.7m in 2008 related to the announced restructuring program in France.

Ter Beke: forecasts						
	2007	2008 Old	2008 New	2009 Old	2009 New	2010 New
Sales	366.67	396.57	401.91	411.1	412.51	423.42
% change	12.2%	9.0%	9.6%	3.7%	2.6%	2.6%
REBITDA	29.27	32.09	32.32	34.45	33.62	34.98
REBITDA margin	8.0%	8.1%	8.0%	8.4%	8.2%	8.3%
REBIT	12.19	14.49	13.97	16.20	15.02	16.12
REBIT margin	3.33%	3.7%	3.5%	3.9%	3.6%	3.8%
Non-recurring	-1.95	-	-0.70	-	-	-
EBIT	10.24	14.49	13.27	16.20	15.02	16.12
EBIT margin	2.79%	3.9%	3.3%	3.9%	3.6%	3.8%
Net financial result	-3.90	-4.09	-4.03	-3.80	-3.93	-3.73
Pretax	6.35	10.39	9.24	12.40	11.10	12.40
Taxes	-0.28	-3.12	-2.59	-3.72	-3.11	-3.47
Tax rate	4.4%	30.0%	28.0%	30.0%	28.0%	28.0%
Net profits	6.07	7.27	6.65	8.68	7.99	8.93
Current net profits	6.16	7.27	7.16	8.68	7.99	8.93
Avg number shares (m)	1.727	1.724	1.727	1.724	1.727	1.727
Current EPS (€)*	3.55	4.20	4.12	5.01	4.60	5.14
% change	28.0%	22.1%	16.3%	19.3%	11.6%	11.7%

Source: Ter Beke, KBC Securities

* fully diluted

We expect the slicing and packaging activity to continue to grow. This shift in the business mix will have a dampening effect on EBITDA margins while simultaneously lowering the group's risk profile.

Rising raw material prices have been largely passed on to the food retailers but negotiations remain tough. The rise in prices is most pronounced for the ingredients of ready meals (e.g. pasta, milk, tomatoes). Average pork prices have risen by 6.6% (y/y) during the first 16 weeks of this year after a 9.5% decline in FY07. The weakening £ could also cause a concern.

The tax rate on recurring net profits equalled 26% last year. We've assumed 28% for 2008-2010.

Financial data

Income statement (€m)	2004	2005	2006	2007	2008E	2009E	2010E
Sales	200.0	236.2	326.7	366.7	401.9	412.5	423.4
Gross profit	110.5	122.2	166.6	180.8	196.9	201.3	205.8
EBIT	10.2	10.7	10.1	10.2	13.3	15.0	16.1
Pre-tax earnings	9.4	9.3	7.7	6.3	9.2	11.1	12.4
Net earnings	5.0	5.9	6.0	6.1	6.7	8.0	8.9
EBITDA	20.9	21.6	24.0	29.3	31.6	33.6	35.0
REBITDA	20.9	21.6	24.0	29.3	32.3	33.6	35.0
REBITA	10.2	10.7	8.6	12.2	14.0	15.0	16.1
Balance sheet (€m)	2004	2005	2006	2007	2008E	2009E	2010E
Intangible assets	12.6	20.1	28.2	40.7	40.1	39.5	38.9
Tangible assets	52.6	61.5	103.2	116.0	118.2	119.3	119.0
Financial assets	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Net other assets & liabilities	1.3	2.1	3.1	3.1	3.7	4.4	4.4
Net working capital	0.1	4.4	15.4	6.4	7.0	7.1	7.3
Net debt	13.7	28.9	56.5	71.7	71.5	68.4	62.6
Provisions	11.9	14.0	21.7	20.2	20.2	20.2	20.2
Minorities	-	-	-	-	-	-	-
Equity	41.1	45.4	71.7	74.4	77.4	81.8	86.9
Capital employed	66.6	88.1	149.7	166.1	169.0	170.2	169.6
TOTAL ASSETS	111.9	134.4	208.2	247.8	257.0	259.7	261.2
Cash flow statement (€m)	2004	2005	2006	2007	2008E	2009E	2010E
Cash flow from operations	13.2	12.1	11.9	29.7	24.4	26.4	27.6
Net capital expenditure	-17.3	-12.9	-18.1	-20.1	-20.0	-19.0	-18.0
Free cash-flow	-4.1	-0.8	-6.2	9.6	4.4	7.4	9.6
Acquisitions / disposals	0.0	-11.6	-5.0	-12.0	-0.6	-0.6	0.0
Dividend payments	-1.6	-1.8	-2.9	-3.6	-3.6	-3.6	-3.8
Shares issues	0.0	0.2	0.5	0.3	0.0	0.0	0.0
New borrowings / reimbursements	6.9	13.8	13.7	10.3	-0.1	-3.1	-5.8
Other	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
CHANGE IN CASH & EQUIVALENTS	1.1	-0.3	0.1	4.5	0.0	0.0	0.0
Performance criteria	2004	2005	2006	2007	2008E	2009E	2010E
Sales growth	-	18.1%	38.3%	12.2%	9.6%	2.6%	2.6%
Gross margin	55.3%	51.7%	51.0%	49.3%	49.0%	48.8%	48.6%
REBITDA margin	10.4%	9.2%	7.3%	8.0%	8.0%	8.2%	8.3%
REBITA margin	5.1%	4.5%	2.6%	3.3%	3.5%	3.6%	3.8%
EBIT margin	5.1%	4.5%	3.1%	2.8%	3.3%	3.6%	3.8%
Net debt / Equity + Minorities	33.3%	63.6%	78.7%	96.3%	92.4%	83.6%	72.0%
Net debt / EBITDA	0.65	1.33	2.35	2.45	2.26	2.03	1.79
EBITDA / net interest	25.45	15.82	10.12	7.51	7.85	8.56	9.38
Pay-out ratio	36.3%	48.3%	60.6%	59.9%	54.6%	47.6%	44.6%
= Return on Equity (avg)	-	13.8%	10.2%	8.3%	8.8%	10.0%	10.6%
Return on Capital Employed (avg)	-	8.8%	6.6%	6.2%	5.7%	6.4%	6.8%
Per share data (€)	2004	2005	2006	2007	2008E	2009E	2010E
weighted average # shares, diluted	1,401,97	1,401,84	1,615,21	1,735,91	1,735,81	1,735,81	1,735,81
Basic EPS	5.32	4.35	3.76	3.51	3.85	4.63	5.17
Diluted EPS	3.59	4.24	3.70	3.50	3.83	4.60	5.14
Diluted, adjusted EPS	4.84	4.24	2.77	3.55	4.12	4.60	5.14
Net book value / share	30.15	33.16	41.65	43.04	44.79	47.31	50.27
Free cash flow / share	-4.37	-0.58	-3.91	5.55	2.54	4.29	5.55
Dividend (€)	2.00	2.10	2.10	2.10	2.10	2.20	2.30
Valuation data	2004	2005	2006	2007	2008E	2009E	2010E
Reference share price (€)	57.44	66.30	65.59	64.37	49.99	49.99	49.99
Reference market capitalisation (€)	78.3	90.8	113.0	111.4	86.5	86.5	86.5
Enterprise value (€m)	103.3	133.0	190.5	202.6	177.6	174.4	168.6
P/E	11.9	15.6	23.7	18.2	12.1	10.9	9.7
EV/sales	0.5	0.5	0.5	0.5	0.4	0.4	0.4
EV/EBITDA	4.5	5.1	6.8	6.1	5.6	5.2	4.8
EV/Capital employed	1.4	1.3	1.1	1.1	1.1	1.0	1.0
P/ NBV	1.7	1.5	1.2	1.2	1.1	1.1	1.0
Free cash flow yield	-6.1%	-1.1%	-7.2%	11.1%	5.1%	8.6%	11.1%
Dividend yield	4.0%	4.2%	4.2%	4.2%	4.2%	4.4%	4.6%

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	55.50%	0.00%
ACCUMULATE	38.30%	0.00%
HOLD	1.60%	0.00%
REDUCE	3.90%	0.00%
SELL	0.80%	0.00%

Ter Beke is specialized in chilled ready meals and processed meats. It 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
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.

KBC Securities policy prohibits its analysts and members of their households from owning securities of any company in the analyst's area of coverage.

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

Analyst certification: The analysts identified in this report each certify, with respect to the companies or securities that the individual analyses that (i) the views expressed in this publication reflect his or her personal views about the subject companies and securities, and (ii) he or she receives compensation that is based upon various factors, including his or her employer's total revenues, a portion of which are generated by his or her employer's investment banking activities, but not in exchange for expressing the specific recommendation(s) in this report.

This publication has been prepared by KBC Securities NV which is regulated by CBFA (Banking, Finance and Insurance Commission) or one of its European subsidiaries (together "KBC Securities"). This publication is provided for informational purposes only and is not intended to be an offer, or the solicitation of any offer, to buy or sell the securities referred to herein. No part of this publication may be reproduced in any manner without the prior written consent of KBC Securities.

The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable, but neither KBC Securities nor its affiliates represent that it is accurate or complete, and it should not be relied upon as such. All opinions, forecasts, and estimates herein reflect our judgement on the date of this publication and are subject to change without notice.

From time to time, KBC Securities, its principals or employees may have a position in the securities referred to herein or hold options, warrants or rights with respect thereto or other securities of such issuers and may make a market or otherwise act as principal in transactions in any of these securities. Any such persons may have purchased securities referred to herein for their own account in advance of the release of this publication. KBC Securities and principals or employees of KBC Securities may from time to time provide investment banking or consulting services to, or serve as a director of a company being reported on herein.

This publication is provided solely for the information and use of professional investors who are expected to make their own investment decisions without undue reliance on this publication. Investors must make their own determination of the appropriateness of an investment in any securities referred to herein based on the merits and risks involved, their own investment strategy and their legal, fiscal and financial position. Past performance is no guarantee for future results. By virtue of this publication, none of KBC Securities or any of its employees shall be responsible for any investment decision.

KBC Securities has implemented certain in-house procedures known as Chinese walls that aim to prevent the inappropriate dissemination of inside information. E.g. a Chinese wall surrounds the corporate finance department within KBC Securities. Further measures have been taken with regard to the separation of certain activities that could lead to conflicts of interest with other activities within KBC Securities.

In the United States this publication is being distributed to U.S. Persons by KBC Financial Products USA, Inc., which accepts responsibility for its contents. Orders in any securities referred to herein by any U.S. investor should be placed with KBC Financial Products USA, Inc. and not with any of its foreign affiliates. KBC FP USA Inc. and/or its affiliates may own 1% or more of the subject company's common equity securities. KBCFP USA Inc. or its affiliates may have managed or co-managed a public offering of the subject company's securities in the past 12 months, or received compensation for investment banking services from the subject company in the past 12 months, or expect to receive or intend to seek compensation for investment banking services from the subject company in the next three months. Any U.S. recipient of this report that is not a bank or broker-dealer and that wishes to receive further information regarding, or to effect any transaction in, any security discussed in this report, should contact and place orders with KBC Financial Products USA Inc. This report is being distributed in the United States solely to investors that are (i) "major U.S. institutional investors" (within the meaning of SEC Rule 15a-6 and applicable interpretations relating thereto) that are also "qualified institutional buyers" (QIBs) within the meaning of SEC Rule 144A promulgated by the United States Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Securities Act") or (ii) investors that are not "U.S. Persons" within the meaning of Regulation S under the Securities Act and applicable interpretations relating thereto. The offer or sale of certain securities in the United States may be made to QIBs in reliance on Rule 144A. Such securities may include those offered and sold outside the United States in transactions intended to be exempt from registration pursuant to Regulation S. This report does not constitute in any way an offer or a solicitation of interest in any securities to be offered or sold pursuant to Regulation S. Any such securities may not be offered or sold to U.S. Persons at this time and may be resold to U.S. Persons only if such securities are registered under the Securities Act of 1933, as amended, and applicable state securities laws, or pursuant to an exemption from registration. The products sold by KBC Financial Products USA, Inc or any affiliate thereof, including KBC Securities or KBC Financial Products UK Limited, are not insured by the FDIC, are not obligations of or guaranteed by KBC Bank NV or its affiliates, and are subject to investment risks, including possible loss of the entire amount invested.

This publication is for distribution in or from the United Kingdom only to persons who are authorised persons or exempted persons within the meaning of the Financial Services and Markets Act 2000 of the United Kingdom or any order made thereunder or to investment professionals as defined in Section 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and is not intended to be distributed or passed on, directly or indirectly, to any other class of persons.

This publication is for distribution in Canada only to pension funds, mutual funds, banks, asset managers and insurance companies.

The distribution of this publication in other jurisdictions may be restricted by law, and persons into whose possession this publication comes should inform themselves about, and observe, any such restrictions. In particular this publication may not be sent into or distributed, directly or indirectly, in Japan or to any resident thereof.

Copyright © 2008 KBC Securities