

22 September 2009

## TER BEKE

### Clear goals

FOOD PRODUCERS & PROCESSORS  
BELGIUM

CURRENT PRICE €52.50  
TARGET PRICE €55.00

**ACCUMULATE**  
RATING UNCHANGED

Performance over	1M	3M	12M
Absolute	28%	27%	3%
Rel. BEL20	21%	2%	25%
12m Hi/Lo	€52.50/34.10		
Bloomberg	TERB.BB		
Reuters	TERB.BR		
Market Cap	€91m		
Next corporate event			
Trading update 3Q09: 6 November 2009			
www.terbeke.com			

FY/e 31.12	2008	2009E	2010E	2011E
Sales (€ m)	393.2	393.6	405.3	418.7
REBITDA (€ m)	29.8	31.3	32.8	34.6
Net earnings (€ m)	7.6	7.2	8.3	9.8
Diluted adj. EPS (€)	3.51	4.13	4.75	5.62
Dividend (€)	2.10	2.10	2.20	2.30
P/E	14.12	12.71	11.05	9.33
EV/REBITDA	5.52	5.13	4.64	4.13
Free cash flow yield	5.4%	14.2%	12.8%	14.6%
Dividend yield	4.2%	4.0%	4.2%	4.4%

Source: KBC Securities

In the past, when Ter Beke was pursuing strong top-line growth, it was achieved at the expense of EPS growth. This was illustrated by the signing of poorly-priced ready meals contracts in 2006 in an effort to gain market share in France. But by the end of 2007, the group began a process of self-examination that was intensified with the appointment of Marc Hofman as CEO, who quickly set about achieving his primary goal of improving ROCE and significantly reducing debt. The group is also now increasing its focus on product innovation. In three years from now, 25% of sales should be generated by new products. The 1H09 results illustrate that the group is on the right track. We therefore upgraded our rating from Hold to Accumulate and our target price from €45 to €55. The latter is based on an EV/EBITDA for 2009 of 4x for Processed Meats and 6x for Ready Meals. Our EPS forecasts for 2009, 2010 and 2011 have been raised by respectively 20%, 18% and 21%.

### HIGHLIGHTS

- **Solid 1H09 results.** Net profits rose by 63% on the back of almost flat sales, a 27bps REBIT margin improvement, a positive foreign exchange hedging result and a lower tax rate. This performance is reassuring because the weakening of the £ put a €1m dent in REBIT. Moreover, the group's gearing level fell from 89% at the end of 2008 to 81% on 30 June 2009.
- **Outlook FY09.** Sales momentum should remain sluggish in 2H09 as a result of lower selling prices. The negative impact of discontinued volume contracts should fade however. Barring unexpected market conditions, management expects the improving REBIT trend to continue in 2H09. REBIT rose by €0.66m in 1H09 and we are forecasting a €0.87m improvement for the full year. Net debt should fall further thanks to a disciplined investment strategy and free cash flow generation. Net capex is set to drop from €18m in 2008 to €15m in 2009. The REBIT margin should continue to improve over the coming years, thanks in part to lower depreciation as a % of sales.

### ANALYSTS

Pascale Weber, CFA

Financial Analyst - Brussels

+32 2 429 37 32

pascale.weber@kbcsecurities.be

22 September 2009

**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 9 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.

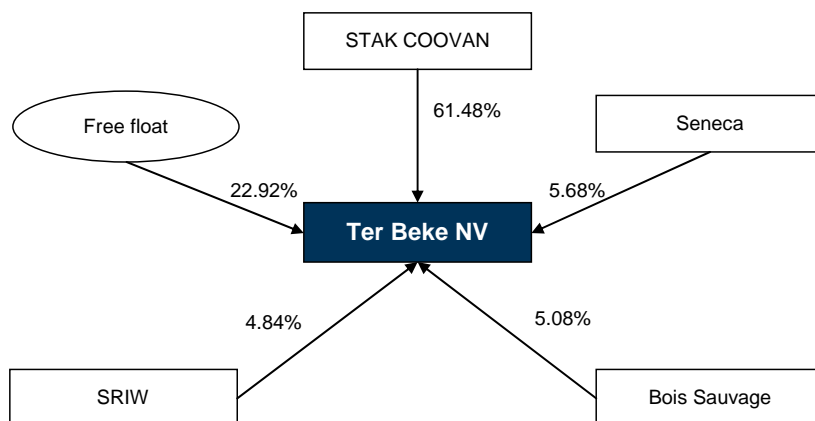
**TER BEKE’S TWO DIVISIONS**

	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	4 production sites in Belgium, 2 slicing centers in Belgium, 2 slicing centers in the Netherlands
Sales (2008)	€ 124m	€ 269m

Source: Ter Beke, KBC Securities

SAK Coovan detains the 61.48% 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-Dec-08)**



Source: Ter Beke

22 September 2009

---

## STRATEGY

Ter Beke's strategy is based on four pillars:

- Growth
- Operational excellence
- Cost leadership
- Product innovation

In the short term, Ter Beke aims to increase its production capacity utilisation. For example, there is scope to increase output at the Belgian ready meals factories without extra investment by optimising production allocation. The processed meat product range for the UK clients is being enlarged. In 2010, growth should come from quality upgrades in ready meals and new fresh pack concepts. Ter Beke is already passing on lower raw material prices to its customers through quality upgrades. Beyond 2010, growth will come from new-generation ready meals and packaging. Ter Beke's expertise in slicing and packaging could be used for other products, which could create new business opportunities for the group.

Optimisation of production allocation should lead to further margin improvements. For example, the ready meals' plant at Wanze will increasingly be used for large runs while the Marche-en-Famenne site is specialised in more complex runs. The three processed meat slicing sites and the three distribution centres in the Netherlands are being integrated into two sites (Ridderkerk, Nijmegen). Early this year, Ter Beke signed a contract with Warehouse De Pauw (WDP), a Belgian real estate group, which will construct a state-of-the-art logistics platform. It will centralize Langeveld/Sleegers meat slicing activities and Ter Beke's logistics for processed meat and ready meals in the Netherlands. The new site covers 25,000m<sup>2</sup> with a soon-to-be developed surface of 13,000m<sup>2</sup>. Ter Beke will rent the site for 15 years from 1 October 2010 onwards.

In three years time, 25% of sales should be generated by new products. In order to achieve this goal, new products are being developed. The group will also look at acquisitions in order to reduce the time to market.

## FINANCIALS

Ter Beke's increased focus on production and supply efficiencies and debt reduction is starting to pay off. The termination of unprofitable contracts and lower selling prices led to a 0.4% decline in sales during 1H09 but the REBITDA margin improved by 40bps despite a negative impact of €1m from the weaker £ and higher wages pursuant to the Belgian collective labour agreements. The positive impact from weaker raw material prices was limited because most of the decline was passed on to clients. Net financing costs also fell by €1.4m in 1H09 thanks to a €0.7m hedging gain related to the £ and non recurring interest income on tax receivables. Note that the 1H08 net financial result included a €0.3m hedging loss. The tax rate fell from 26.3% in 1H08 to 23.3% in 1H09 as a result of the changed treatment of the captive reinsurance structure after the group won its legal dispute with the tax authorities last year. Net profits rose by 63% from €2.72m in 1H08 to €4.42m.

22 September 2009

## FINANCIAL HIGHLIGHTS

€ m	1H08	2H08	2008	1H09	2H09E	2009E	2009E Old	2010E	2010E Old	2011E	2011E Old
Sales	192.13	201.09	393.21	191.41	202.23	393.64	395.68	405.27	406.12	418.66	416.87
% growth	8.3%	6.2%	7.2%	-0.4%	0.6%	0.1%	0.6%	3.0%	2.6%	3.3%	2.6%
REBITDA	15.36	14.45	29.81	16.02	15.24	31.26	30.87	32.84	32.79	34.58	34.46
% of sales	8.0%	7.2%	7.6%	8.4%	7.5%	7.9%	7.8%	8.1%	8.1%	8.3%	8.3%
Recurring non cash	-9.31	-9.12	-18.43	-9.32	-9.70	-19.01	-19.58	-18.58	-20.10	-18.64	-20.62
% of sales	4.8%	4.5%	4.7%	4.9%	4.9%	4.8%	4.8%	4.6%	4.9%	4.5%	4.9%
REBIT	6.05	5.33	11.38	6.71	5.54	12.25	11.29	14.26	12.70	15.94	13.85
% of sales	3.2%	2.7%	2.9%	3.5%	2.7%	3.1%	2.9%	3.5%	3.1%	3.8%	3.3%
EBIT	6.05	1.90	7.95	6.71	5.54	12.25	11.29	14.26	12.70	15.94	13.85
% of sales	3.2%	1.0%	2.0%	3.5%	2.7%	3.1%	2.9%	3.5%	3.1%	3.8%	3.3%
Financial result	-2.36	-2.36	-4.71	-0.94	-1.96	-2.90	-4.25	-3.50	-4.15	-3.20	-3.75
Pretax profit	3.69	-0.45	3.24	5.77	3.58	9.35	7.04	10.76	8.55	12.74	10.10
Taxes	-0.97	5.33	4.36	-1.35	-0.83	-2.18	-1.06	-2.51	-1.54	-2.97	-2.02
Tax rate	26.3%	1190.2%	134.6%	23.3%	23.3%	23.3%	15.0%	23.3%	18.0%	23.3%	20.0%
Net profits	2.72	3.40	7.60	4.42	2.75	7.17	5.99	8.25	7.01	9.76	8.08
Current net profits	2.72	3.37	6.09	4.42	2.75	7.17	5.99	8.25	7.01	9.76	8.08
Adjusted EPS*	1.57	1.94	3.51	2.55	1.58	4.13	3.45	4.75	4.04	5.62	4.65

Source: KBC Securities

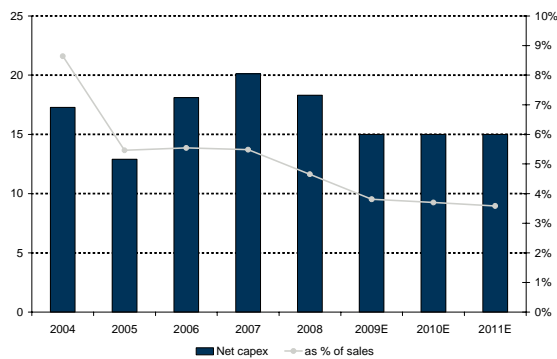
\* Fully diluted

The group's net debt dropped to €63.8m at the end of 1H09, implying gearing of 81%. This compares with €70m at the end of 2008. The reduction is mainly the result of a decrease in "other receivables". Net debt is expected to decline further during the course of 2H09. We are forecasting €61m for the end of the year for a gearing level of 74%. Management indicated that capex should amount to +/- €15m annually in 2009-2011, down from €18-20m during the last few years. Capex reached €8.5m during 1H09. It was mainly related to slicing lines and slicing infrastructure. Trade and other receivables declined by €9m from €59m at the end of 2008 to €50m at the end of June 2009. Half of the decrease is due to seasonality. The remainder reflects the cashing in of tax receivables and lowered receivables for reps and warranties related to the Berkhout acquisition.

Until the appointment of Marc Hofman as the group's CEO, Ter Beke was pursuing an aggressive growth strategy in France that led to margin erosion, galloping debt and EPS dilution. Since the end of 2007, the strategy has shifted towards restoring profitability in France, prudent growth and net debt reduction. The group is now clearly on the right track.

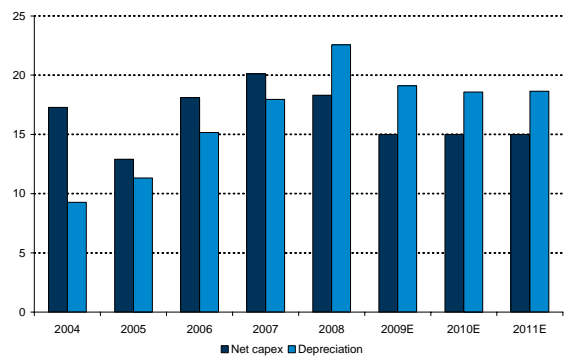
22 September 2009

**NET CAPEX (€MILLION AND AS % OF SALES)**



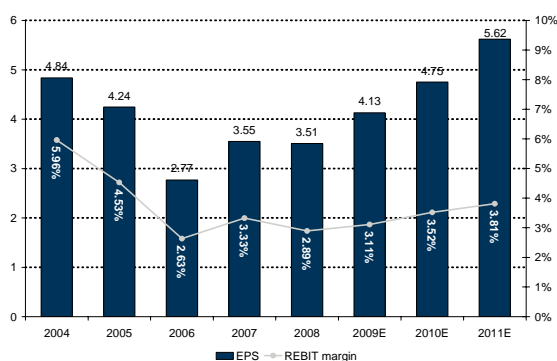
Source: Ter Beke, KBC Securities

**CAPEX AND DEPRECIATION**



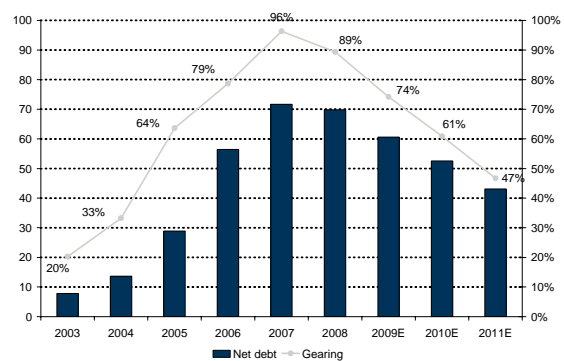
Source: Ter Beke, KBC Securities

**REBIT MARGIN AND EPS**



Source: Ter Beke, KBC Securities

**NET DEBT AND GEARING LEVEL**



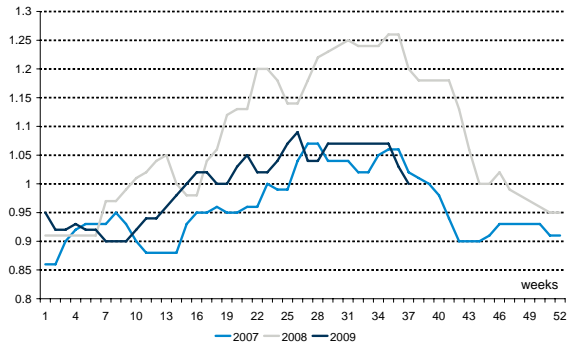
Source: Ter Beke, KBC Securities

**PROCESSED MEAT**

Sales rose by 1.8% in 1H09 despite the weaker £ and lower selling prices as Ter Beke passed on falling raw material prices. Divisional REBITDA and REBIT margins improved by respectively 68bps and 27bps. About 50% of divisional sales are insensitive to fluctuating raw material prices thanks to the growing importance of service activities (slicing and pre-packaging for third parties). The pre-packaged meat products continue to gain market share to the detriment of over-the-counter products. Supermarket chains are increasingly outsourcing slicing and packaging.

22 September 2009

**PORK PRICES (€/KG)**



Source: www.fierens.be

**PROCESSED MEAT**



Source: Ter Beke

**READY MEALS**

Sales declined by 4.7% following the termination of unprofitable volume contracts in France and weaker selling prices. The REBITDA and REBIT margins improved by respectively 170bps and 191bps thanks to contract portfolio optimisation and cost control.

**READY MEALS**



Source: Ter Beke

22 September 2009

## FORECASTS BY DIVISION

€ m	2005	2006	2007	1H08	2H08	2008	1H09	2H09E	2009E	2010E	2011E
<b>Sales</b>											
Processed meats	130.06	206.11	242.48	128.76	140.65	269.41	131.04	143.76	274.80	281.67	290.12
Ready meals	106.18	120.60	124.19	63.37	60.42	123.79	60.38	58.47	118.84	123.59	128.54
<b>Total</b>	<b>236.24</b>	<b>326.72</b>	<b>366.67</b>	<b>192.13</b>	<b>201.08</b>	<b>393.21</b>	<b>191.41</b>	<b>202.23</b>	<b>393.64</b>	<b>405.27</b>	<b>418.66</b>
<b>Sales growth %</b>											
Processed meats	35.7%	58.5%	17.6%	12.5%	9.9%	11.1%	1.8%	2.2%	2.0%	2.5%	3.0%
Ready meals	1.9%	13.6%	3.0%	1.4%	-2.0%	-0.3%	-4.7%	-3.2%	-4.0%	4.0%	4.0%
<b>Total</b>	<b>18.1%</b>	<b>38.3%</b>	<b>12.2%</b>	<b>8.6%</b>	<b>6.0%</b>	<b>7.2%</b>	<b>-0.4%</b>	<b>0.6%</b>	<b>0.1%</b>	<b>3.0%</b>	<b>3.3%</b>
<b>REBITDA</b>											
Processed meats	11.55	16.79	18.79	8.11	8.05	16.16	8.76	8.56	17.31	18.31	19.44
Ready meals	12.33	10.24	13.02	8.32	7.49	15.80	8.95	7.69	16.64	17.30	18.00
Non-allocated costs	-2.24	-3.05	-2.54	-1.07	-1.09	-2.15	-1.68	-1.01	-2.69	-2.77	-2.85
<b>Total</b>	<b>21.63</b>	<b>23.98</b>	<b>29.27</b>	<b>15.36</b>	<b>14.45</b>	<b>29.81</b>	<b>16.02</b>	<b>15.24</b>	<b>31.26</b>	<b>32.84</b>	<b>34.58</b>
<b>REBITDA margin</b>											
Processed meats	8.9%	8.1%	7.8%	6.3%	5.7%	6.0%	6.7%	6.0%	6.3%	6.5%	6.7%
Ready meals	11.6%	8.5%	10.5%	13.1%	12.4%	12.8%	14.8%	13.2%	14.0%	14.0%	14.0%
<b>Total</b>	<b>9.2%</b>	<b>7.3%</b>	<b>8.0%</b>	<b>8.0%</b>	<b>7.2%</b>	<b>7.6%</b>	<b>8.4%</b>	<b>7.5%</b>	<b>7.9%</b>	<b>8.1%</b>	<b>8.3%</b>
<b>REBIT</b>											
Processed meats	8.24	8.35	9.75	3.03	3.08	6.11	3.45	2.96	6.40	7.75	8.85
Ready meals	5.02	3.70	5.25	4.29	3.61	7.90	5.24	3.98	9.13	9.89	10.54
Non-allocated costs	-2.56	-3.45	-2.81	-1.28	-1.36	-2.63	-1.98	-1.30	-3.28	-3.37	-3.45
<b>Total</b>	<b>10.70</b>	<b>8.61</b>	<b>12.19</b>	<b>6.05</b>	<b>5.33</b>	<b>11.38</b>	<b>6.71</b>	<b>5.54</b>	<b>12.25</b>	<b>14.26</b>	<b>15.94</b>
<b>REBIT margin</b>											
Processed meats	6.3%	4.1	4.0%	2.4%	2.2%	2.3%	2.6%	2.1%	2.3%	2.8%	3.1%
Ready meals	4.7%	3.1	4.2%	6.8%	6.0%	6.4%	8.7%	6.7%	7.7%	8.0%	8.2%
<b>Total</b>	<b>4.5%</b>	<b>2.6%</b>	<b>3.3%</b>	<b>3.2%</b>	<b>2.7%</b>	<b>2.9%</b>	<b>3.5%</b>	<b>2.7%</b>	<b>3.1%</b>	<b>3.5%</b>	<b>3.8%</b>
<b>Non-recurring</b>											
Processed meats	-	1.50	-0.85	-	-0.06	-0.06	-	-	-	-	-
Ready meals	-	-	-1.10	-	-3.36	-3.36	-	-	-	-	-
Non-allocated costs	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1.50</b>	<b>-1.95</b>	<b>-</b>	<b>-3.43</b>	<b>-3.43</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EBIT</b>											
Processed meats	8.24	9.85	8.90	3.03	3.02	6.05	3.45	2.96	6.40	7.75	8.85
Ready meals	5.02	3.70	4.15	4.29	0.24	4.54	5.24	3.89	9.13	9.89	10.54
Unallocated costs	-2.56	-3.44	-2.81	-1.28	-1.36	-2.63	-1.98	-1.30	-3.28	-3.37	-3.45
<b>Total</b>	<b>10.70</b>	<b>10.11</b>	<b>10.24</b>	<b>6.05</b>	<b>1.90</b>	<b>7.95</b>	<b>6.71</b>	<b>5.54</b>	<b>12.25</b>	<b>14.26</b>	<b>15.94</b>
<b>EBIT margin</b>											
Processed meats	6.3%	4.8%	3.7%	2.4%	2.2%	2.3%	2.6%	2.1%	2.3%	2.8%	3.1%
Ready meals	4.7%	3.1%	3.3%	6.8%	6.0%	3.7%	8.7%	6.7%	7.7%	8.0%	8.2%
<b>Total</b>	<b>4.5%</b>	<b>3.1%</b>	<b>2.8</b>	<b>3.2%</b>	<b>2.7%</b>	<b>2.02%</b>	<b>3.5%</b>	<b>2.7%</b>	<b>3.1%</b>	<b>3.5%</b>	<b>3.8%</b>

Source: Ter Beke, KBC Securities

22 September 2009

## FINANCIAL DATA

Income statement (€m)	2005	2006	2007	2008	2009E	2010E	2011E
Sales	236.2	326.7	366.7	393.2	393.6	405.3	418.7
Gross profit	122.2	166.6	180.8	181.0	183.2	188.4	194.7
EBIT	10.7	10.1	10.2	8.0	12.2	14.3	15.9
Pre-tax earnings	9.3	7.7	6.3	3.2	9.4	10.8	12.7
Net earnings	5.9	6.0	6.1	7.6	7.2	8.3	9.8
EBITDA	21.6	24.0	29.3	29.9	31.3	32.8	34.6
REBITDA	21.6	24.0	29.3	29.8	31.3	32.8	34.6
REBITA	10.7	8.6	12.2	11.4	12.2	14.3	15.9
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	108.4	104.9	101.2
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	5.1	5.3	5.4
Net debt	28.9	56.5	71.7	69.9	60.6	52.5	43.1
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	81.7	86.3	92.2
Capital employed	88.1	149.7	166.1	157.1	151.3	147.9	144.4
TOTAL ASSETS	134.4	208.2	247.8	239.4	231.7	231.5	233.0
Cash flow statement (€m)	2005	2006	2007	2008	2009E	2010E	2011E
Cash flow from operations	12.1	11.9	29.7	22.9	27.9	26.7	28.2
Net capital expenditure	-12.9	-18.1	-20.1	-18.3	-15.0	-15.0	-15.0
Free cash-flow	-0.8	-6.2	9.6	4.6	12.9	11.7	13.2
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	-9.4	-7.0	-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	-0.2	1.0	2.4
Performance criteria	2005	2006	2007	2008	2009E	2010E	2011E
Sales growth	18.1%	38.3%	12.2%	7.2%	0.1%	3.0%	3.3%
Gross margin	51.7%	51.0%	49.3%	46.0%	46.5%	46.5%	46.5%
REBITDA margin	9.2%	7.3%	8.0%	7.6%	7.9%	8.1%	8.3%
REBITA margin	4.5%	2.6%	3.3%	2.9%	3.1%	3.5%	3.8%
EBIT margin	4.5%	3.1%	2.8%	2.0%	3.1%	3.5%	3.8%
Net debt / Equity + Minorities	63.6%	78.7%	96.3%	89.4%	74.2%	60.9%	46.7%
Net debt / EBITDA	1.33	2.35	2.45	2.34	1.94	1.60	1.25
EBITDA / net interest	15.82	10.12	7.51	6.34	10.80	9.38	10.81
Pay-out ratio	48.3%	60.6%	59.9%	47.9%	50.7%	46.2%	40.8%
= Return on Equity (avg)	13.8%	10.2%	8.3%	10.0%	9.0%	9.8%	10.9%
Return on Capital Employed (avg)	8.8%	6.6%	6.2%	11.5%	6.1%	7.3%	8.4%
Per share data (€)	2005	2006	2007	2008	2009E	2010E	2011E
weighted average # shares, diluted	1,401,840	1,615,210	1,735,118	1,736,182	1,736,186	1,736,186	1,736,186
Basic EPS	4.35	3.76	3.51	4.39	4.14	4.77	5.64
Diluted EPS	4.24	3.70	3.49	4.38	4.13	4.75	5.62
Diluted, adjusted EPS	4.24	2.77	3.55	3.51	4.13	4.75	5.62
Net book value / share	33.16	41.65	43.04	45.13	47.17	49.84	53.27
Free cash flow / share	-0.58	-3.91	5.55	2.65	7.46	6.74	7.64
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	52.50	52.50	52.50
Reference market capitalisation (€)	90.8	113.0	111.4	85.8	91.0	91.0	91.0
Enterprise value (€m)	133.0	190.5	202.9	164.5	160.4	152.3	142.9
P/E	15.6	23.7	18.1	14.1	12.7	11.0	9.3
EV/sales	0.6	0.6	0.6	0.4	0.4	0.4	0.3
EV/EBITDA	6.1	7.9	6.9	5.5	5.1	4.6	4.1
EV/Capital employed	1.5	1.3	1.2	1.0	1.1	1.0	1.0
P/ NBV	2.0	1.6	1.5	1.1	1.1	1.1	1.0
Free cash flow yield	-0.9%	-5.5%	8.6%	5.4%	14.2%	12.8%	14.6%
Dividend yield	3.2%	3.2%	3.3%	4.2%	4.0%	4.2%	4.4%

Source: KBC Securities

\*Historic valuation data are based on historic prices

22 September 2009

**DISCLOSURE & DISCLAIMER 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).

	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	31.80%	0.00%
ACCUMULATE	38.20%	0.00%
HOLD	26.40%	0.00%
REDUCE	3.60%	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
17-SEP-09	Accumulate	€ 55.00
20-FEB-09	Hold	€ 45.00
29-SEP-08	Accumulate	€ 60.00

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

22 September 2009

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

KBC Securities UK  
111 Old Broad Street  
London EC2N 1PH  
UK  
+44 20 7418 8900  
Regulated by FSA

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

KBC Securities US  
140 East 45th Street  
2 Grand Central Tower - 42nd Floor  
NY 10017-3144 New York  
US  
+1 212 845 2200  
Regulated by NASD

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

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

KBC Securities Patria  
Jungmannova 745/24  
110 00 Prague 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

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.