

5 April 2013

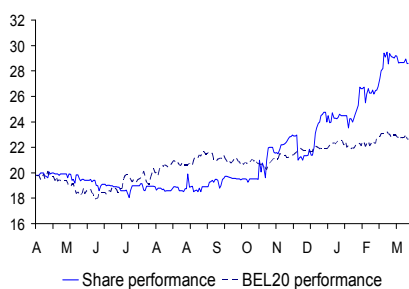
TEXAF

Plentiful investment opportunities in DRC

FINANCIAL SERVICES
BELGIUM

CURRENT PRICE €28.60
TARGET PRICE €30.40

ACCUMULATE
RATING DOWNGRADED



Source: Thomson Reuters Datastream

FY/e 31.12	2012	2013E	2014E	2015E
Sales (€ th)	17,248.0	19,050.0	20,300.0	20,800.0
REBITDA (€ th)	7,642.0	9,203.0	9,803.0	10,503.0
Net earnings (€ th)	6,516.0	4,440.0	4,710.0	5,060.0
Diluted adj. EPS (€)	0.94	1.39	1.48	1.59
Dividend (€)	0.33	0.36	0.40	0.44
P/E	20.60	20.54	19.37	18.03
EV/REBITDA	12.98	13.89	13.35	12.71
Free cash flow yield	1.2%	2.3%	-1.5%	-1.0%
Dividend yield	1.7%	1.3%	1.4%	1.5%

Source: KBC Securities

Bloomberg	TEXF BB
Reuters	TEXB.BR
www.texaf.be	
Market Cap	€ 91m
Shares outst.	3.2m
Volume (Daily)	€ 0.02m
Free float	22.08%

Next corporate event

General Assembly 12: 14 May 2013

Performance	1M	3M	12M
Absolute	8%	22%	42%
Rel. BEL20	7%	19%	25%

12-m Hi/Lo € 29.50/18.05

Texaf is a Belgian investment company with real estate, industrial and financial interests in the Democratic Republic of Congo (DRC). Texaf's properties are located in much sought-after neighbourhoods and demand for residential properties and offices in prime locations of Kinshasa remains strong. In addition to its real estate assets, the group owns a sandstone quarry.

- Solid 2012 results.** The group's net profits (group share) soared by 256% to € 6.52m. Recurring operating profits rose by 40% to € 4.84m. The disposal of the group's stake in Mécélco, a mechanics and metallic workshop, generated a disposal gain of € 1.1m. A reduction in deferred taxes following the announcement of a lower corporate tax rate in DRC had a non-recurring impact of € 2.41m on net profits. Excluding the one-offs, net profits (group share) from continuing operations rose by 57% to € 3.00m.
- Positive outlook.** Rental income is expected to rise by 18% this year as 18 new apartments were let as from January and 24 additional apartments will be ready to be let as from June. The group's unbuilt land in the centre of Kinshasa amounts to approximately 122,000m². The top line should continue to show solid growth in the coming years as the new projects bear fruit.
- Conclusion.** The share price has soared by 46% since our upgrade to BUY last November. We raise our target price from € 29.0 to € 30.4 and lower the rating from BUY to ACCUMULATE. The new target price which is based on the sum-of-the-parts method excludes a recovery of DRC's outstanding debt (€ 64m excluding interest) towards Imbakim, a Texaf subsidiary. We have raised our EPS forecasts for 2013 and 2014 by respectively 20% and 15%.

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SWOT ANALYSIS

STRENGTHS

- Valuable real estate assets and sandstone quarry.
- Texaf's management team has many years of experience in DRC.
- The company is ideally positioned to benefit from DRC's recovery.
- Low-risk real estate portfolio: stable rental income (99% euro-denominated), prime locations, 100% occupancy rate and blue chip tenants (e.g. UN).
- Strong balance sheet: net debt position of € 0.11m at the end of 2012 and a gearing level of 0.2%.

OPPORTUNITIES

- Well-filled pipeline of real estate projects.
- Buy out minority shareholder of Immotex.
- Sizeable infrastructure works are underway. Carrigrès is well positioned to benefit from this.
- Recover the € 64m (excluding interest) owed by the state to Imbakin, a Texaf subsidiary.
- Optimise corporate structure and improve internal controls.
- Diversification into new activities (e.g. agriculture).

WEAKNESSES

- DRC: high country risk. Lack of law enforcement and legal uncertainty related to property ownership, absence of an adequate banking system and difficulty to obtain loans. Lack of stable fiscal framework.
- Small management team. Difficulty to attract professional managers to DRC.
- Growth is hampered by lack of financial resources.
- Illiquid stock.

THREATS

- Social and political unrest, nationalizations and civil war.
- Potential glut in the residential sector but this threat seems a long way off for secured top locations.
- A sharp rise in construction prices.
- Illegal occupation hampering the development of real estate assets and quarrying.

AFRICA: A CONTINENT WITH PROMISE

Solid economic growth prospects

Whereas a decade ago, Africa was typically described as 'the lost continent', it has now become the world's fastest-growing continent. During the past decade, economic growth has been spurred by higher commodity prices, foreign investments, increased political stability and urbanisation. The proportion of Africans that live in urban areas is expected to grow from 32% in 1990 and 40% in 2010 to 47% by 2025 (source: UN-HABITAT). Foreign direct investment has grown from \$ 15bn in 2002 to \$ 46bn in 2012 (source: The Economist). During the next decade, GDP is expected to grow by an average of 6% a year. The World Bank classifies 27 African countries as mid-to-high income nations.

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DEMOCRATIC REPUBLIC OF CONGO

12th largest country in the world

DRC is the world's twelfth largest country. It is emerging from many years of conflict and instability. With the exception of the eastern part of the country, security has been restored but DRC is still facing major challenges. Poverty is still widespread and per capita income and human development indicators remain among the lowest in Africa.

Significant growth potential

The economic development potential is significant however. DRC has massive deposits of strategic metals and precious stones and only 10% of its arable land is farmed. DRC's population is currently estimated at about 70 million. The population of Kinshasa is expected to rise from 9.9 million in 2013 to 15 million within a decade.

8.2% economic growth in 2013

Despite global economic headwinds, DRC's economic growth reached 7.2% in 2012. Only 56% of the government budget was spent due to the discontinuation of support from IMF following a dispute on the transparency related to mining contracts. Inflation fell from 15.5% in 2011 to 9.3% in 2012. For this year, the Central Bank of Congo expects the economy to grow by 8.2%.

New government since April 2012

A new government has been in place since April 2012. The focus is to establish a stable economic environment. The implementation of measures to modernize the economy remains chaotic however.

TEXAF IN A NUTSHELL

Founded in 1925

Texaf was founded in 1925 by a group of industrialists from Renaix (Belgium) with the aim of building a textile factory in Congo and cultivating local cotton. In 1934, Crédit Anversois took control of the company. Cobepa became the majority shareholder in 1987. In 2002, Philippe Croonenberghs took over Texaf from Cobepa through an MBO.

Management buy-out in 2002

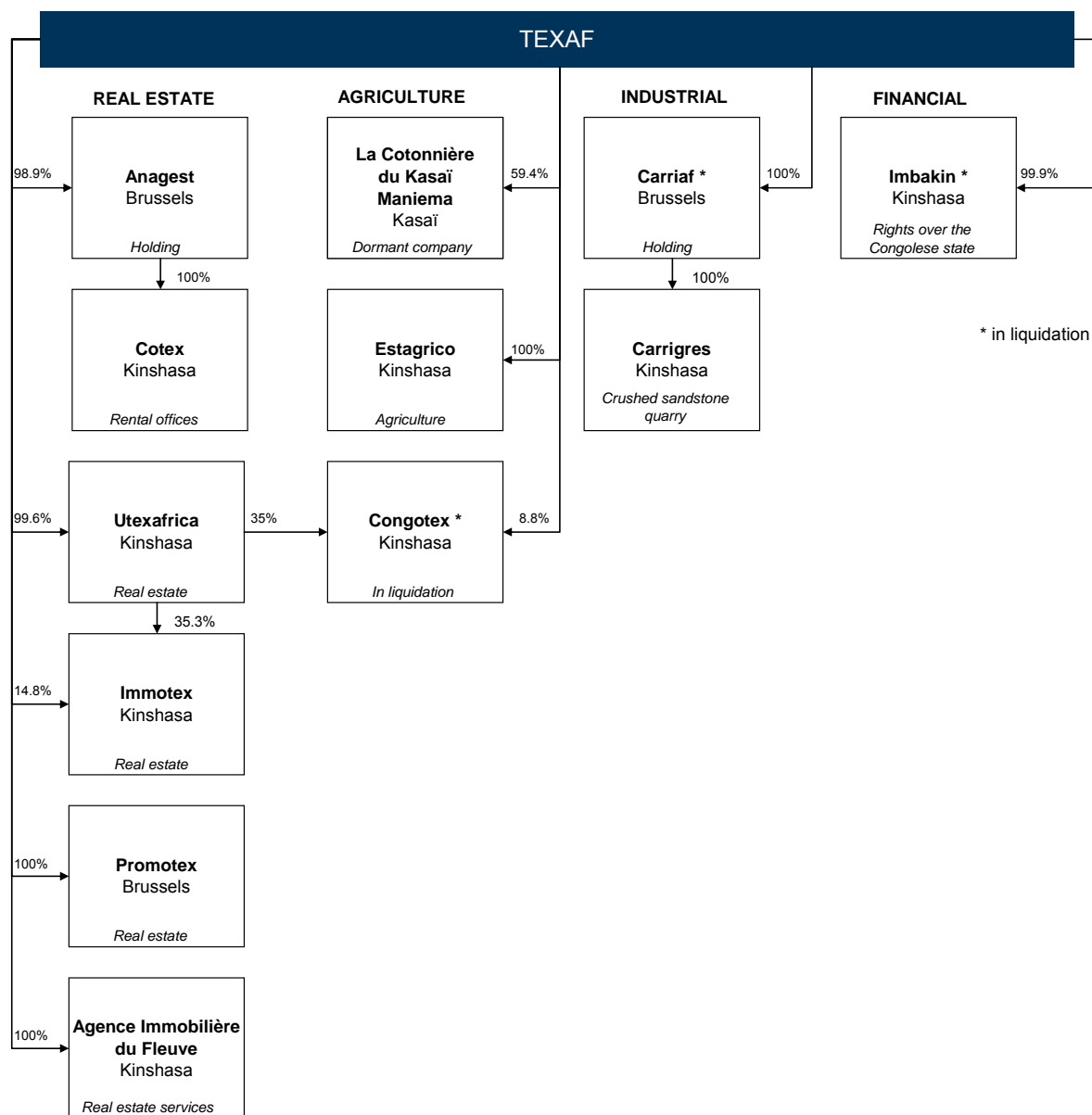
Real estate and sandstone quarry

Texaf's main activities include real estate and quarrying. Its real estate portfolio contains assets in several of Kinshasa's top locations.

Agricultural land

In addition to the above, Texaf has a 59.4% stake in La Cotonnière du Kasai et du Maniema, a cotton company that has been inactive since 1991 due to the war that raged in DRC. This subsidiary has a total land bank of 1,100 hectares including a 500 hectare rubber plantation in Sankuru. The concession expires in 2038. Texaf also has a 100% stake in Estagrigo, which owns 100 hectares of idle land in South Kivu and North Kantanga. The group is looking at opportunities in the agricultural sector. Production of rubber in cooperation with local farmers in Sankuru is one of the options.

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DRC owes €64m to Imbakin

In 1996, a court ruled that the Congolese state owes Imbakin € 64m excluding interest, following the nationalization of land in 1965. An appeal is not possible. The first € 12m would go to Cobepa for its financial support in 2001. So far, Texaf has not been able to recover the outstanding claims.

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REAL ESTATE

67% of group's EBIT in 2012

The real estate (including group support functions) division represented about 67% of group EBIT in 2012. At the end of 2012, the group's real estate portfolio consisted of 36 villas, 119 apartments, 16,869m² office space, 5,510m² commercial properties and 33,369m² warehousing/industrial space. The group has 13.5ha left to develop in the centre of Kinshasa and 104ha at 10km from the centre. Note that in DRC, land is held under 25-year concessions that can easily be renewed at no cost.

UTEXAFRICA SITE



Source: Google

NEW APARTMENT COMPLEX



Source: Texaf

Prime location

The Utexafrika site is located at the end of Kinshasa's main artery (Boulevard du 30 juin). It comprises a former textile factory and properties that belong to Utexafrika, Immotex and Texaf. As Kinshasa's centre has expanded, this land has become a prime location, being close to the embassies, schools, hospitals and a business centre. The group is developing this site. Between 2008 and 2014, rental space shows a CAGR of 6%.

UTEXAFRICA SITE

m ²	2008	2009	2010	2011	2012	2013	2014	CAGR
								2008-2014
Residential	27,609	31,074	31,194	34,559	34,559	40,431	44,022	8.1%
Villas (units)	35	35	36	36	36	36	36	
Apartments	89	104	104	119	119	160	176	
Offices	11,929	12,283	12,783	16,001	16,869	16,945	18,923	8.0%
Commercial	4,360	5,511	5,511	5,510	5,510	4,848	4,848	1.8%
Industrial/warehouses	29,145	33,698	33,007	32,452	33,369	34,682	34,632	2.9%
TOTAL RENTED	73,043	82,566	82,495	88,522	90,307	96,906	102,424	5.8%
Unbuilt land	154,971	144,935	144,906	135,755	134,823	125,687	121,815	

Source: Texaf

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Payback period of 4-5 years

Utexafrica's and **Texaf's** part of this prime site borders the Congo river. The payback period of a residential real estate project is 4-5 years. Rents are relatively high because of strong demand for quality, convenience (e.g. swimming pool, tennis courts, restaurant), and security. For example, a 160m² home generates € 4,500 in monthly rent.

Former textile factory site represents significant hidden value

Texaf, Utexafrica (99.6% subsidiary of Texaf) and the Cha group have stakes in **Immotex** of respectively 14.8%, 35.3% and 49.9%. Immotex owns a former textile factory (14 hectares) site. Last year, Immotex let out 23,850m² of office and warehousing space for € 2.15m. There are plans to further develop this site.

Cotex owns 3.2 hectares

Cotex owns a 3.2 hectare site of a former textile factory across from the Utexafrica/Texaf site. So far 5,277m² have been converted into office and commercial space and 11,297m² of warehousing space is let out to Monusco (UN).

104 hectares 10km from Kinshasa

In addition to the prime site, **Immotex** owns 104 hectares (CPA site) at 10 kilometres from Kinshasa's city centre. The value of the site is rising since a new road improved access. At the end of 2012, this site was briefly occupied by squatters but Immotex managed to regain possession thanks to the intervention of government authorities and the military. Immotex is suing the persons involved in the ransacking of the site.

Divisional revenues and operating profits rose by respectively 18% and 11% last year

Divisional revenues rose by 18% to € 10.40m, with rental income (including 100% of Immotex) increasing by 16% to € 10.26m in 2012 as 15 new apartments and 2,500m² office space came on stream during the previous year. Divisional operating profits rose by 11% to € 3.14m. Profit growth lagged top line growth due to rising depreciation charges, taxes and a management bonus. Excluding the management bonus, operating profits reached € 4.20m.

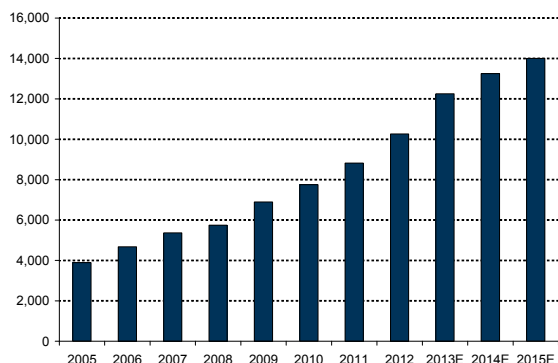
REAL ESTATE

€ th	2005	2006	2007	2008	2009	2010	2011	2012	2013E	2014E
Revenues	4,260	4,970	5,565	6,525	6,896	7,752	8,818	10,404	12,250	13,250
% change		17%	12%	17%	6%	12%	14%	18%	18%	8%
Operating profits	2,564	1,986	3,000	1,967	2,141	2,319	2,829	3,138	4,600	5,000
% of sales	60%	40%	54%	30%	31%	30%	32%	30%	38%	38%

Source: Texaf, KBC Securities

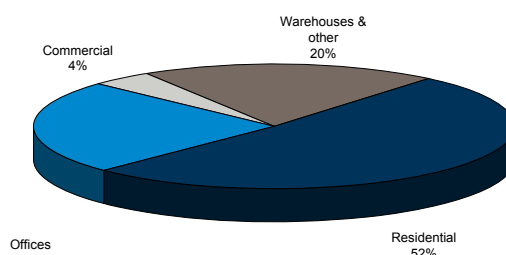
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RENTAL INCOME (€th)



Source: Texaf

BREAKDOWN OF RENTAL INCOME 2012



Source: Texaf

2013E: 18% sales growth and 47% operating profit growth

We are forecasting an 18% rise in revenues this year and a 47% rise in operating profits. Since January 2013, 18 new 2-3 bedroom apartments have been let. In June the first phase of the Champ de Coton project will be completed. It entails 24 one-bedroom apartments. For the first time, Texaf has been able to obtain a loan from an international bank. The € 1.8m 5-year loan will be paid back with the rental income. Phase 2 of the Champ de Coton project comprising 8 three bedroom apartments will be accomplished in May 2014. Phase 2 involves an investment of € 1.7m and should generate € 0.4m in annual rental income. The entire Champs de Coton project should be completed by the end of 2015.

New office building

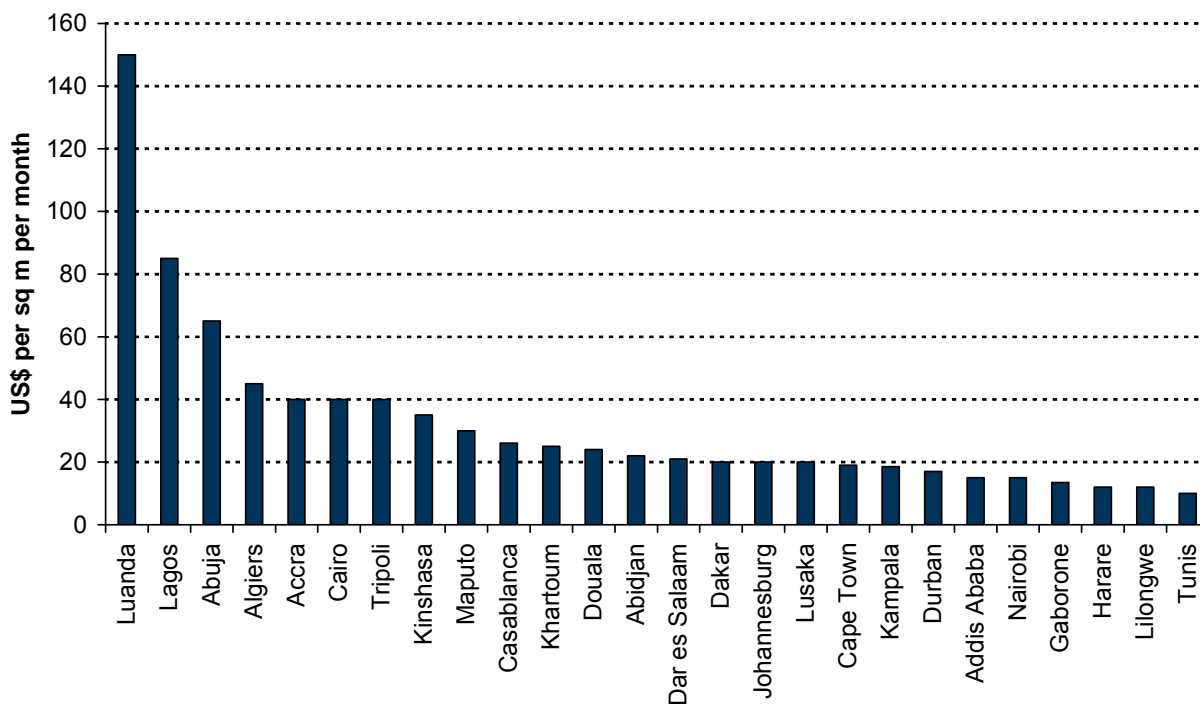
Texaf is looking at the possibility to construct an office building (10,000m² office space) on the “Petit Pont” site, which is located close to the Cotex site on a round-about of the Boulevard du 30 Juin.

Top quality office space is scarce in Kinshasa

Knight Frank, a leading independent real estate consultancy, is optimistic about the African real estate sector. The graph on the following page shows the average monthly rent (\$/m²) for prime office space in major African cities. Knight Frank points out that in DRC and in Kinshasa in particular, the quality of offices is generally poor but that many are being built. The high end of the residential market remains resilient. Developers prefer to let out their real estate assets rather than sell them.

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PRIME OFFICE SPACE IN AFRICA – MONTHLY RENT PER SQ.M.



Source: Knight Frank

QUARRY

Sandstone quarry

Carrigrès owns a crushed sandstone quarry 10km from the centre of Kinshasa. The reserves are estimated at 20 million tonnes, representing at least 40 years of production. Carrigrès is ideally positioned to benefit from planned infrastructure works.

Supply major road building projects

In 2013-2014 Carrigrès will supply crushed sandstone for the reconstruction of the Avenue des Poids Lourds, a project that was financed by Japan and executed by Japanese roadbuilder Kitano.

Output +23% in 2012 as technical problems were resolved

Production rose by 23% to 414,000 tonnes in 2012. During the first half, output was still hampered by power outages and technical breakdowns of the main crusher and other equipment. However in 2H12, production recovered following the replacement of equipment and the power line. Operating profits rose from € 0.94m in 2011 to € 1.56m in 2012, implying an EBIT margin of 23%.

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Stable volumes in 2013-14E

We are banking on stable volumes in 2013-2014 and an EBIT margin of 25%.

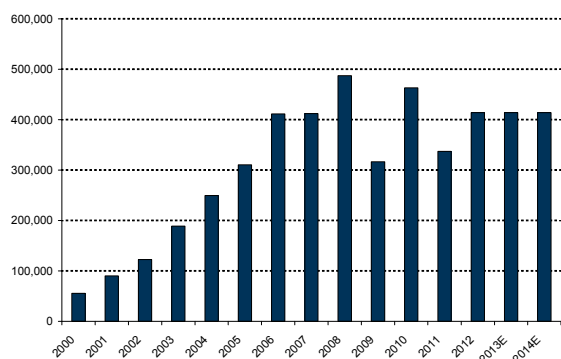
CARRIGRES

	2005	2006	2007	2008	2009	2010	2011	2012	2013E	2014E
Tonnes (th)	305	411	411	487	317	463	337	414	414	414
% change		35%	0%	18%	-35%	46%	-27%	23%	0%	0%
Price per tonne (€)	12.6	11.7	13.5	15.7	15.5	14.3	14.4	16.5	16.4	16.4
% change		-7%	15%	16%	-1%	-8%	1%	15%	-1%	0%
Sales (€ th)	3,835	4,817	5,537	7,628	4,916	6,601	4,845	6,844	6,800	6,800
% change		26%	15%	38%	-36%	34%	-27%	41%	-1%	0%
Operating profits before mgt fees*	1,475	1,127	1,219	2,741	1,089	961	942	1,563	1,700	1,700
% of sales	39%	23%	22%	36%	22%	15%	19%	23%	25%	25%

Source: Texaf, KBC Securities

* no management fees since 2009

CARRIGRES SALES VOLUMES (TONNES)



Source: Texaf, KBC Securities

CARRIGRES



Source: Texaf

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OUTLOOK

34% increase in the group's operating profit in 2013E

The following table includes our turnover and operating profit forecasts by division. Note that corporate costs are allocated to the Real Estate division. We see Real Estate revenues rising by 18% in 2013 and 10% in 2014. Divisional operating profits should rise sharply this year because a management bonus had a negative impact of € 1.1m on last year's result. For Carrigrès, we are counting on flat sales for the coming years. We have raised our EPS forecasts for 2013 and 2014 by respectively 20% and 15%.

TEXAF GROUP

€ th	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
Turnover									
Real Estate	5,565	6,525	6,918	7,752	8,818	10,404	12,250	13,500	14,000
Mécelco	1,050	1,834	1,736	2,036					
Carrigrès			4,916	6,601	4,845	6,844	6,800	6,800	6,800
Intra-company	-	-	-22	-					
Total	6,615	8,359	13,548	16,389	13,663	17,248	19,050	20,300	20,800
Turnover growth									
Real Estate	12.0%	17.3%	6.0%	12.1%	13.8%	18.0%	17.7%	10.2%	3.7%
Mécelco	62.5%	74.7%	-5.3%	17.3%					
Carrigrès				34.3%	-26.6%	41.3%	-0.6%	0.0%	0.0%
Total	17.9%	26.4%	62.1%	21.0%	-16.6%	26.2%	10.4%	6.6%	2.5%
Operating profits									
Real Estate	3,000	1,967	2,118	2,318	2,829	3,138	4,600	5,000	5,500
Mécelco	-115	2,784*	-401	-328					
Carrigrès			1,112	962	924	1,563	1,700	1,700	1,700
Other (e.g. disposal gains)	-29	-	571	-4					
Total	2,856	4,751	3,400	2,948	3,771	4,701	6,300	6,700	7,200
Operating margin									
Real Estate	53.9%	30.1%	30.6%	29.9%	32.1%	30.2%	37.6%	37.0%	39.3%
Mécelco	-11.0%	151.8%	-23.1%	-16.1%					
Carrigrès			22.6%	14.6%	19.4%	22.8%	25.0%	29.0%	29.0%
Total	43.2%	56.8%	20.9%	18.0%	27.6%	27.3%	33.1%	33.0%	34.6%

Source: Texaf, KBC Securities

* includes gain on disposal receivable

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VALUATION

Sum-of-the-parts and 25% discount:

€30.4/share

We have applied the sum-of-the-parts method to value Texaf. Valuation multiples such as P/E and EV/EBITDA are irrelevant because they don't reflect the hidden value of the land bank that doesn't generate income. We've used a 10% yield to value the properties that generate rental income. We've assumed a value of € 200/m² for the bare land at the top location in Kinshasa and € 34/m² for the CPA site located 10km from Kinshasa. We arrive at € 40.6/share or € 30.4/share after applying a 25% discount for the country risk and illiquidity of the stock.

VALUATION TEXAF

€ m		Comment
Utexafrica, Cotex & Texaf (100% stake)		
Rental income 2014E	10.9	
Value rental properties (1)	108.7	10% yield
Bare land (m ²)	17,089	
Value of bare land (2)	3.4	€ 200/m ²
Capital gains taxes (3)	-23.7	35%
After tax market value real estate (1) + (2) - (3)	88.4	
Immotex (50% stake)		
Estimated market value CPA site in Kinsuka	35.4	104ha at € 34/m ²
Estimated market value former textile factory site	47.4	€ 200/m ² for bare land and 10% yield on rented property
Total pretax value (100%)	82.8	
Texaf's share (50%)	41.4	
Capital gains taxes (35%)	-9.6	
Texaf's stake in after-tax value	31.8	50% stake
Fometro	0.5	Bookvalue
Carrigrès	11.1	EV based on price paid for 50% in 2009
Net debt	-0.1	31 Dec 2012
Pensions	-0.1	
Rental guarantees	-2.4	
Equity value Texaf group	129.4	
25% country risk and illiquidity discount	-32.4	
Adjusted equity value	97.0	
Value per share (€)	30.4	

Source: Company, KBC Securities

Our target price does not assume a recovery of DRC's outstanding debt versus Imbakin, a Texaf subsidiary. In 1996, a court ruled that the Congolese state owes Imbakin € 64m excluding interest, following the nationalization of land in 1965. An appeal is not possible. The first € 12m would go to Cobepa, but if Texaf manages to recover € 52m, it would boost the value per share by € 16.

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EQUITY

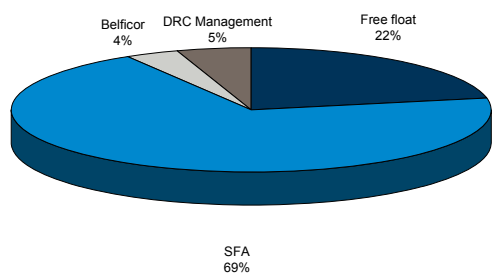
22% free float

There are 3,189,330 shares outstanding. Société Financière Africaine (SFA) detains 2,206,760 shares or 69.19% of the total. SFA was established by Philippe Croonenberghs at the time of the MBO in June 2002. He controls 100% of SFA. The management team and Bernard de Gerlache de Gomery (through Belficor) hold respectively 4.89% and 3.84%. There is a 22% free float.

BEL Small index since March

Whereas previously Texaf was traded at double daily-auction, since 12 December 2012 the stock has traded continuously. Texaf has been included in the BEL Small index since the 18 March 2013.

SHAREHOLDER STRUCTURE



Source: Texaf

SHARE PRICE EVOLUTION (€)



Source: Thomson Reuters Datastream

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FINANCIAL DATA

Income statement (€th)	2009	2010	2011	2012	2013E	2014E	2015E
Sales	13,548.0	16,389.0	13,663.0	17,248.0	19,050.0	20,300.0	20,800.0
COGS	-1,921.0	-3,526.0	-1,752.0	-2,514.0	-2,857.5	-3,045.0	-2,704.0
Gross profit	11,627.0	12,863.0	11,911.0	14,734.0	16,192.5	17,255.0	18,096.0
Operating costs	-8,857.0	-9,852.0	-8,047.0	-9,825.0	-9,892.5	-10,555.0	-10,896.0
Other income & costs	630.0	-63.0	-93.0	-208.0	0.0	0.0	0.0
EBIT	3,400.0	2,948.0	3,771.0	4,701.0	6,300.0	6,700.0	7,200.0
Net interest	-76.0	-58.0	-194.0	-121.0	-250.0	-250.0	-250.0
Other non-operating	-182.0	-70.0	-88.0	-22.0	0.0	0.0	0.0
Pre-tax earnings	3,142.0	2,820.0	3,489.0	4,558.0	6,050.0	6,450.0	6,950.0
Taxes	-1,312.0	-1,579.0	-1,313.0	1,893.0	-1,210.0	-1,290.0	-1,390.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Discontinued & other	0.0	1,769.0	-586.0	1,113.0	0.0	0.0	0.0
Consolidated earnings	1,830.0	3,010.0	1,590.0	7,564.0	4,840.0	5,160.0	5,560.0
Minority interests	85.0	94.0	241.0	-1,048.0	-400.0	-450.0	-500.0
Net earnings	1,915.0	3,104.0	1,831.0	6,516.0	4,440.0	4,710.0	5,060.0
Depreciation and amortisation	-2,346.0	-2,582.0	-2,603.0	-2,733.0	-2,903.0	-3,103.0	-3,303.0
Amortisation other intangibles/ Impairments	59.0	-59.0	-93.0	-208.0	0.0	0.0	0.0
Non recurring elements included in EBIT	-70.0	-77.0	156.0	0.0	0.0	0.0	0.0
REBITDA	5,757.0	5,666.0	6,311.0	7,642.0	9,203.0	9,803.0	10,503.0
EBITDA	5,687.0	5,589.0	6,467.0	7,642.0	9,203.0	9,803.0	10,503.0
REBITA	3,411.0	3,084.0	3,708.0	4,909.0	6,300.0	6,700.0	7,200.0
EBITA	3,341.0	3,007.0	3,864.0	4,909.0	6,300.0	6,700.0	7,200.0
Net earnings from continued operations	1,915.0	1,335.0	2,417.0	5,403.0	4,440.0	4,710.0	5,060.0
Adjusted net earnings	1,783.0	1,302.0	1,916.7	3,003.0	4,440.0	4,710.0	5,060.0
Balance sheet (€th)	2009	2010	2011	2012	2013E	2014E	2015E
Intangible assets	-	-	-	53.0	53.0	53.0	53.0
Tangible assets	80,227.0	82,773.0	87,126.0	89,458.0	92,355.0	99,052.0	105,549.0
Financial assets	21.0	25.0	31.0	30.0	30.0	30.0	30.0
Other assets	2,106.0	832.0	2,213.0	1,223.0	1,223.0	1,223.0	1,223.0
Inventories	3,178.0	2,577.0	2,954.0	3,745.0	4,136.3	4,407.7	4,516.2
Receivables	1,845.0	4,959.0	1,771.0	2,389.0	2,638.6	2,811.7	2,881.0
Cash & equivalents	4,702.0	4,863.0	3,573.0	4,465.0	5,535.3	6,965.4	8,808.3
TOTAL ASSETS	92,079.0	96,029.0	97,668.0	101,363.0	105,971.2	114,542.8	123,060.5
Equity	42,392.0	44,892.0	46,088.0	51,711.0	55,098.5	58,650.8	62,437.3
Minorities	8,471.0	8,148.0	7,797.0	8,970.0	9,370.0	9,820.0	10,320.0
Provisions	29,756.0	30,828.0	30,898.0	28,249.0	28,249.0	28,249.0	28,252.6
LT financial debt	1,035.0	2,328.0	1,953.0	1,481.0	1,481.0	5,481.0	9,481.0
Other liabilities	6,438.0	4,176.0	5,678.0	5,763.0	6,365.1	6,782.8	6,949.8
Payables	3,075.0	3,776.0	2,647.0	2,092.0	2,310.6	2,462.2	2,522.8
ST financial debt	912.0	1,881.0	2,607.0	3,097.0	3,097.0	3,097.0	3,097.0
TOTAL LIABILITIES	92,079.0	96,029.0	97,668.0	101,363.0	105,971.2	114,542.8	123,060.5
Net working capital	1,948.0	3,760.0	2,078.0	4,042.0	4,464.3	4,757.2	4,874.4
Capital employed	77,843.0	83,189.0	85,917.0	89,013.0	91,730.2	98,302.5	104,749.6
Net debt	-2,755.0	-654.0	987.0	113.0	-957.3	1,612.6	3,769.7
Net debt, incl. off-balance items	-2,755.0	-654.0	987.0	113.0	-957.3	1,612.6	3,769.7
Cash flow statement (€th)	2009	2010	2011	2012	2013E	2014E	2015E
Consolidated earnings	1,830.0	3,010.0	1,590.0	7,564.0	4,840.0	5,160.0	5,560.0
Depreciation, amortisation & impairment	2,287.0	2,641.0	2,696.0	2,941.0	2,903.0	3,103.0	3,303.0
Other cash flow from operations	259.0	-701.0	1,326.0	-4,218.0	246.0	170.7	71.8
Change in working capital	-357.0	698.0	1,393.0	-331.0	-66.2	-45.9	-18.4
CASH FLOW FROM OPERATIONS	4,019.0	5,648.0	7,005.0	5,956.0	7,922.8	8,387.7	8,916.4
Net capital expenditure	-3,828.0	-4,385.0	-7,512.0	-5,237.0	-5,800.0	-9,800.0	-9,800.0
Acquisitions / disposals	-1,252.0	-2,700.0	-300.0	1,039.0	0.0	0.0	0.0
Other cash flow from investments	21.0	-60.0	-38.0	14.0	0.0	0.0	0.0
CASH FLOW FROM INVESTMENTS	-5,059.0	-7,145.0	-7,850.0	-4,184.0	-5,800.0	-9,800.0	-9,800.0
Dividend payments	-953.0	-612.0	-736.0	-893.0	-1,052.5	-1,157.7	-1,273.5
Shares issues	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New borrowings / reimbursements	1,314.0	2,290.0	363.0	12.0	0.0	4,000.0	4,000.0
Other cash flow from financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CASH FLOW FROM FINANCING	361.0	1,678.0	-373.0	-881.0	-1,052.5	2,842.3	2,726.5
Fx and changes to consolidation scope	-1.0	-20.0	-72.0	1.0	0.0	0.0	0.0
CHANGE IN CASH & EQUIVALENTS	-680.0	161.0	-1,290.0	892.0	1,070.3	1,430.0	1,843.0
Free cash-flow	191.0	1,263.0	-507.0	719.0	2,122.8	-1,412.3	-883.6
Change in net debt	2,001.8	2,101.0	1,641.0	-874.0	-1,070.3	2,570.0	2,157.0

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Performance criteria	2009	2010	2011	2012	2013E	2014E	2015E
Sales growth	62.1%	21.0%	-16.6%	26.2%	10.4%	6.6%	2.5%
Gross profit growth	60.0%	10.6%	-7.4%	23.7%	9.9%	6.6%	4.9%
REBITDA growth	110.6%	-1.6%	11.4%	21.1%	20.4%	6.5%	7.1%
EBITDA growth	0.0%	-1.7%	15.7%	18.2%	20.4%	6.5%	7.1%
REBITA growth	79.1%	-9.6%	20.2%	32.4%	28.3%	6.3%	7.5%
EBIT growth	-28.4%	-13.3%	27.9%	24.7%	34.0%	6.3%	7.5%
Pe-tax earnings growth	-34.7%	-10.2%	23.7%	30.6%	32.7%	6.6%	7.8%
Net earnings growth	-46.4%	62.1%	-41.0%	255.9%	-31.9%	6.1%	7.4%
Earnings growth from continued operations	-46.4%	-30.3%	81.0%	123.5%	-17.8%	6.1%	7.4%
Adjusted earnings growth	24.2%	-27.0%	47.2%	56.7%	47.9%	6.1%	7.4%
Gross margin	85.8%	78.5%	87.2%	85.4%	85.0%	85.0%	87.0%
REBITDA margin	42.5%	34.6%	46.2%	44.3%	48.3%	48.3%	50.5%
EBITDA margin	42.0%	34.1%	47.3%	44.3%	48.3%	48.3%	50.5%
REBITA margin	25.2%	18.8%	27.1%	28.5%	33.1%	33.0%	34.6%
EBIT margin	25.1%	18.0%	27.6%	27.3%	33.1%	33.0%	34.6%
Net working capital / sales	14.4%	22.9%	15.2%	23.4%	23.4%	23.4%	23.4%
CAPEX/ Sales	28.3%	26.8%	55.0%	30.4%	30.4%	48.3%	47.1%
FCF / Sales	-1.4%	-7.7%	3.7%	-4.2%	-11.1%	7.0%	4.2%
Depreciation / Capital Expenditure	61.3%	58.9%	34.7%	52.2%	50.1%	31.7%	33.7%
Capital expenditure / EBITDA	67.3%	78.5%	116.2%	68.5%	63.0%	100.0%	93.3%
Net debt / Equity + Minorities	-5.4%	-1.2%	1.8%	0.2%	-1.5%	2.4%	5.2%
Net debt / EBITDA	-0.5	-0.1	0.2	0.0	-0.1	0.2	0.4
EBITDA / net interest	74.8	96.4	33.3	63.2	36.8	39.2	42.0
Pay-out ratio	32.0%	23.7%	48.7%	16.2%	26.1%	27.0%	27.7%
Net earnings margin	14.1%	18.9%	13.4%	37.8%	23.3%	23.2%	24.3%
x CE turnover (Sales / avg. CE)	0.2	0.2	0.2	0.2	0.2	0.2	0.2
x Leverage (avg. CE / avg. equity)	1.8	1.8	1.9	1.8	1.7	1.7	1.7
= Return on Equity (avg)	4.8%	7.1%	4.0%	13.3%	8.3%	8.3%	8.4%
Return on Equity - adjusted (avg)	4.5%	3.0%	4.2%	6.1%	8.3%	8.3%	8.4%
Return on Capital Employed (avg)	2.8%	1.6%	2.8%	7.6%	5.6%	5.6%	5.7%
Return on Capital Employed - adjusted (avg)	2.9%	1.7%	2.7%	7.6%	5.6%	5.6%	5.7%
Per share data (€)	2009	2010	2011	2012	2013E	2014E	2015E
weighted average # shares (th)	3,189	3,189	3,189	3,189	3,189	3,189	3,189
weighted average # shares, diluted (th)	3,189	3,189	3,189	3,189	3,189	3,189	3,189
Basic EPS	0.60	0.97	0.57	2.04	1.39	1.48	1.59
Adjusted EPS	0.56	0.41	0.60	0.94	1.39	1.48	1.59
Diluted EPS	0.60	0.97	0.57	2.04	1.39	1.48	1.59
Diluted, adjusted EPS	0.56	0.41	0.60	0.94	1.39	1.48	1.59
Diluted EPS: y/y growth	-46.4%	62.2%	-41.0%	255.3%	-31.8%	6.1%	7.4%
Diluted EPS: CAGR 3Y	-20.0%	50.4%	12.7%	37.0%	-8.0%	-100.0%	-100.0%
Adjusted, diluted EPS: y/y growth	24.2%	-27.0%	47.2%	56.7%	47.9%	6.1%	7.4%
Adjusted, diluted EPS: CAGR 3Y	10.1%	19.0%	50.5%	34.9%	19.0%	-100.0%	-100.0%
REBITDA / share	1.81	1.78	1.98	2.40	2.89	3.07	3.29
EBITDA / share	1.78	1.75	2.03	2.40	2.89	3.07	3.29
REBITA/share	1.07	0.97	1.16	1.54	1.98	2.10	2.26
EBIT/ share	1.07	0.92	1.18	1.47	1.98	2.10	2.26
Net book value / share	13.29	14.08	14.45	16.21	17.28	18.39	19.58
Free cash flow / share	0.06	0.40	-0.16	0.23	0.67	-0.44	-0.28
Dividend (€)	0.19	0.23	0.28	0.33	0.36	0.40	0.44
Valuation data	2009	2010	2011	2012	2013E	2014E	2015E
Max share price (€)	12.80	23.60	22.60	22.99	29.50	-	-
Min share price (€)	7.70	12.60	15.52	16.80	21.40	-	-
Reference share price (€)	10.82	16.45	19.80	19.40	28.60	28.60	28.60
Reference market capitalisation (€ th)	34,511.7	52,467.7	63,136.0	61,869.8	91,214.8	91,214.8	91,214.8
Enterprise value (€ th)	69,962.7	90,764.7	102,965.0	99,171.8	127,846.5	130,866.5	133,527.1
P/E	19.4	40.3	32.9	20.6	20.5	19.4	18.0
EV/sales	5.2	5.5	7.5	5.7	6.7	6.4	6.4
EV/REBITDA	12.2	16.0	16.3	13.0	13.9	13.3	12.7
EV/EBITDA	12.3	16.2	15.9	13.0	13.9	13.3	12.7
EV/REBITA	20.5	29.4	27.8	20.2	20.3	19.5	18.5
EV/EBIT	20.6	30.8	27.3	21.1	20.3	19.5	18.5
EV/Capital employed	0.9	1.1	1.2	1.1	1.4	1.3	1.3
P/ NBV	0.8	1.2	1.4	1.2	1.7	1.6	1.5
Free cash flow yield	0.6%	2.4%	-0.8%	1.2%	2.3%	-1.5%	-1.0%
Dividend yield	1.8%	1.4%	1.4%	1.7%	1.3%	1.4%	1.5%

Source: KBC Securities

*Historic valuation data are based on historic prices

5 April 2013

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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
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Stock rating	% of covered universe	% of covered universe with investment banking relationship during last year
BUY	23.50%	0.00%
ACCUMULATE	27.80%	0.00%
HOLD	47.00%	0.00%
REDUCE	0.00%	0.00%
SELL	1.70%	0.00%

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The price target for Texaf is based on following parameters: Sum of Parts

The risks which may impede the achievement of our price target are: High country risk related to the Democratic Republic of Congo including civil wars, social and political unrest, lack of a fiscal and administrative framework and nationalizations.

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
04-APR-13	Accumulate	€ 30.40
16-NOV-12	Buy	€ 29.00

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5 April 2013

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